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

Consolidated Financial Statements

December 31, 2018 and 2017

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries
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Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Grupo Rotoplas, S. A. B. de C. V. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of 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, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its financial performance and its 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 responsibilities 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 accordance with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit of the consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with these 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
<u>Recognition of the business combination in Argentina</u> (Figures in thousand pesos, except where otherwise specifies)	
As describe in Note 31.3 to the consolidated financial statements, on July 2, 2018, the Company finalized the purchase of the 100% participating interest of the IPS, S. A. I. C. y F. (IPS), which is an Argentinian entity focused on the manufacturing, distribution, and commercialization of water conduction solutions. To recognize the effects of the business acquisition, the IFRS require to determine the fair value of the consideration paid, including any contingent consideration, and the fair value of the acquired assets and liabilities. Any difference between the fair value of the consideration and the fair value of the net identifiable acquired assets is recognized as goodwill. As such Management relied on the work of an independent expert to determine the fair value of the net acquired assets and the consideration paid. We focused on this transaction during our audit due mainly to the significance of the fair value of the acquired assets and assumed liabilities, and for the goodwill that was determined and recognized for $958,170, $344,401 and $478,126, respectively and since the determination of the aforementioned fair values required the use of Management judgments, based on a wide range of complex variables. In particular, we concentrated our audit efforts on the applied methodologies to determine the fair values of the most significant acquired intangible assets: client loyalty $354,162, the brand $188,515 and the most significant assumptions to its determination, which were:	We supported in our experts in considering the methods and models used to determine the fair values of the net acquired assets and the assumptions used by Management and the independent expert. In particular: • We obtained the models and methodologies applied in determining the fair values of the intangible assets for client loyalty, brand and the rest of the acquired assets and liabilities, and we compared them to the models and methodologies commonly used and recognized in the industry to determine the fair value of similar assets and liabilities. • We evaluated whether the determined useful-live of the intangible assets of client loyalty and brand is consistent with the normal practices of the industry. • We obtained the financial projections used in the valuation models to determine the fair value of the client loyalty asset, including the terminal value, and we tied them to the performance and historical trends of the acquired business. Moreover, we tied the estimated revenue growth and the perpetual growth, considering the terminal value, estimated inflation rate and the expected gross domestic product in Argentina, and the operating margin flow with comparable entities in the industry and with the historical performance of the acquired business.

a) Client loyalty, estimated revenue growth, growth to perpetuity, operating margin flow in the projected cash flows and the discount rate used, and b) Brands: royalty rate.	• We evaluated the discount rate used to calculate the present values of the estimated future cash flows, comparing it to risk-free rates available in the market and considering: - No risk duplication exists. - That the adjustments to the risk-free rate were compared to independent sources, such as Bloomberg and Capital IQ. • We compared the royalty rate used to determine the fair value of the brand with publicly available information with comparable entities. • We compared the consistency of the allocated revenue to the brand in applying the royalty rate to the projections considered to determine the fair value of the intangible asset of client loyalty. Finally, we compared the disclosed information in the notes to the consolidated financial statements with the signed contracts and the aforementioned information.
<u>Lands and buildings valuation</u> As described in Note 15.1 to the consolidated financial statements, the Company recognizes its lands and buildings at fair value, based on the valuations prepared by independent experts. We have focused in the valuation of these items due mainly to the significance of the net book value of the lands and buildings as of December 31, 2018 ($309,808 and $437,134, respectively) and since the determination of the fair value requires the application of the Company Management's judgment. In particular, we focused our audit efforts in the methodology used by the expert and the market prices of comparable goods.	We have performed the following procedures, on a sampling basis: • We compared the methodology used by Company's Management to determine the fair value of these assets, with the commonly used and accepted for these type of assets in the market. • We compared market prices of comparable lands and buildings with recognized observable data sources in the industry. • We compared that the disclosures made by Company's Management in the notes of the consolidated financial statements are consistent to the obtained information.

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<u>Intangible assets valuation including goodwill</u>

As described in Note 17 to the consolidated financial statements, the Company evaluates on a yearly-basis the recoverable value of its Cash Generating Units (“CGU”) to determine whether there is an indicator of impairment in its intangible assets and/or goodwill.

We have focused our audit in this area due to the importance of the balance of the intangible assets and goodwill ($3,678 million in December 31, 2018) and since the determination of the recoverable value of the CGU requires the application of the Company Management’s judgment to estimate the projected cash flows of the businesses.

In particular, we focused our audit efforts in: the model and the most significant assumptions in determining the recoverable value, such as: revenue growth rates, weight average cost of capital (WACC), and future growth rate considered in the determination of the terminal value.
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We evaluated the projected future cash flows, considering if Management followed the procedures established to elaborate them, if they were reviewed and approved on a timely basis and whether these are consistent with the approved plans by the Board of Directors and with the financial historical trends 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 of the assumptions included in such projections could be considered optimistic.

With the support of from our valuation experts, we also:

• Compared the model used by the Company, with those models generally accepted in the industry for similar assets.

• We compared the revenue growth rates, and future growth rate, considered in the determination of the terminal value, with those publicly available in independent market sources and by the industry; and the WACC with the cost of capital of the entity and comparable entities, as well as with other market conditions and the country industry specifics.

• We considered and evaluated the sensitivity analysis prepared by the Company for each CGU. For all the CGUs, we calculated the grade in which the main assumptions would have to be modified to be in the presence of a potential impairment; and we discussed with Management the probabilities of such modifications.

Finally, we evaluated the consistency of the disclosed information in the notes with the aforementioned information provided by the Company.
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Other information

Management is responsible for the other information. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores ("CNBV"), but does not include the consolidated 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 information identified above when it becomes available and, in doing so, consider whether the other information 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 necessary to enable the preparation of consolidated financial statements that are free from material misstatement, 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 concern 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 process.

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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 statements, 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 entities 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 performance 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, related 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 regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine 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.

PricewaterhouseCoopers, S. C.

L.C. César Alfonso Rosete Vela
Audit Partner

Mexico City, April 25, 2019

Grupo Rotoplas, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Financial Position
December 31, 2018 and 2017

Thousands of Mexican pesos

Assets	Notes	December 31, 2018	December 31, 2017
CURRENT ASSETS:			
Cash and cash equivalents	8	$ 1,050,347	$ 1,679,947
Accounts receivable and other accounts receivable	9	1,763,666	1,534,873
Related parties	10	9,261	1,990
Income tax receivable		140,304	132,240
Other recoverable taxes	11	367,960	453,821
Inventories	12	1,057,461	963,545
Prepaid expenses	13	230,422	197,167
Restricted cash	31	125,602	39,471
Derivative financial instruments	18	4,296	-
Total current assets		4,749,319	5,003,054
NON-CURRENT ASSETS:			
Related parties	10	113,444	101,905
Financial asset at fair value through profit or loss	14	23,687	14,134
Property, plant and equipment - Net	15	2,653,112	2,518,780
Investment in associates	16	131,427	130,822
Intangibles	17	3,436,073	2,500,737
Financial right-of-use of a leased asset - Net	23	84,745	-
Deferred income tax asset	26	495,515	351,553
Guarantee deposits	6	23,705	38,363
Restricted cash	31	108,302	86,634
Derivative financial instruments	18	31,120	40,166
Total assets		$11,850,449	$10,786,148
Liabilities and equity			
SHORT-TERM LIABILITIES:			
Short-term portion of the long-term debt	19	$ 7,232	$ 3,834
Suppliers	20	399,536	449,810
Other accounts payable	21	914,557	479,223
Provisions	22	7,366	21,057
Income taxes payable		129,132	155,044
Other taxes payable		107,536	132,366
Asset lease liability	23	29,204	-
Employees’ statutory profit sharing payable		21,787	25,241
Total short-term liabilities		1,616,350	1,266,575
LONG-TERM LIABILITIES:			
Long-term debt	19	2,916,188	1,971,959
Employees benefits	24	16,182	10,905
Other accounts payable	21	129,287	86,635
Referred value units	24	16,757	23,222
Deferred income tax liability	26	327,534	132,341
Asset lease long term liability	23	64,331	-
Total liabilities		5,086,629	3,491,637
EQUITY:			
Capital stock	25	4,281,292	4,654,476
Stock premium at subscription		33,759	33,759
Retained earnings		2,587,702	2,114,747
Legal reserve		37,370	30,473
Currency translation effect in subsidiaries		(584,368)	16,737
Revaluation surplus		293,799	329,556
Capital participation attributable to:			
Controlling interest		6,649,554	7,179,748
Non-controlling interest		114,226	114,763
Total equity		6,763,820	7,294,511
Total liabilities and equity		$11,850,449	$10,786,148

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

Thousands of Mexican pesos

		Year ended on December 31,	
	Notes	2018	2017
Net sales	7	$ 7,859,192	$ 6,660,469
Cost of sales	27	4,761,952	4,032,059
Gross profit		3,097,240	2,628,410
Operating expenses	28	2,250,884	1,898,781
Operating profit		846,356	729,629
Finance income	29	108,135	172,653
Finance costs	29	(362,121)	(172,522)
Net finance (cost) income		(253,986)	131
Share of net profit of associates	16	(329)	(446)
Profit before income taxes		592,041	729,314
Income taxes	26	218,153	196,281
Consolidated net profit		$ 373,888	$ 533,033
Profit attributable to:			
Controlling interest		$ 370,530	$ 518,843
Non-controlling interest		3,358	14,190
		$ 373,888	$ 533,033
Basic and diluted net profit per share*	2.25 and 25	$ 0.79	$ 1.095

* The basic and diluted net profit 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
December 31, 2018 and 2017

Thousands of Mexican pesos

	Notes	Year ended on, December 31, 2018	2017
Consolidated net profit		$ 373,888	$ 533,033
Other comprehensive income:			
Items that may be reclassified to profit of loss subsequently:			
Currency translation effect in subsidiaries*	2.4	(604,960)	(174,834)
Consolidated comprehensive (loss) income for the year		($ 231,072)	$ 358,199
Consolidated comprehensive (loss) income for the year attributable to:			
Controlling interest		($ 230,575)	$ 345,607
Non-controlling interest		(497)	12,592
		($ 231,072)	$ 358,199

* 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

For the years ended on December 31, 2018 and 2017

Thousands of Mexican pesos

	Notes	Ordinary stock	Stock Premium at subscription	Retained earnings	Legal reserve	Currency translation effect in subsidiaries	Revaluation surplus	Total equity of controlling interest	Non-controlling interest	Total equity
Balances at January 1, 2017		$4,988,913	$33,759	$1,608,107	$18,270	$ 189,973	$ 329,556	$7,168,578	$ 52,272	$7,220,850
Comprehensive income for the period:										
Other comprehensive income		-	-	-	-	(173,236)	-	(173,236)	(1,598)	(174,834)
Net profit for the year		-	-	518,843	-	-	-	518,843	14,190	533,033
Total comprehensive income		-	-	518,843	-	(173,236)	-	345,607	12,592	358,199
Transactions with stockholders recognized directly in equity:										
Acquisition of treasury stock	25	(165,100)	-	-	-	-	-	(165,100)	-	(165,100)
Sale of treasury stock	25	6,241	-	-	-	-	-	6,241	-	6,241
Equity reimbursement	25	(175,578)	-	-	-	-	-	(175,578)	-	(175,578)
Legal reserve allocation	25	-	-	(12,203)	12,203	-	-	-	-	-
Non-controlling interest recognized from business combinations		-	-	-	-	-	-	-	49,899	49,899
Total transactions with stockholders recognized directly in equity:		(334,437)	-	(12,203)	12,203	-	-	(334,437)	49,899	(284,538)
Balances as at December 31, 2017		4,654,476	33,759	2,114,747	30,473	16,737	329,556	7,179,748	114,763	7,294,511
Hyperinflationary effect	25	-	-	73,565	-	-	-	73,565	-	73,565
Comprehensive income for the period:										
Other comprehensive income		-	-	35,757	-	(601,105)	(35,757)	(601,105)	(3,855)	(604,960)
Net profit for the year		-	-	370,530	-	-	-	370,530	3,358	373,888
Total comprehensive income		-	-	406,287	-	(601,105)	(35,757)	(230,575)	(497)	(231,072)
Transactions with stockholders recognized directly in equity:										
Acquisition of treasury stock	25	(765,496)	-	-	-	-	-	(765,496)	-	(765,496)
Sale of treasury stock	25	566,596	-	-	-	-	-	566,596	-	566,596
Equity reimbursement	25	(174,284)	-	-	-	-	-	(174,284)	-	(174,284)
Legal reserve allocation	25	-	-	(6,897)	6,897	-	-	-	-	-
Total transactions with stockholders recognized directly in equity:		(373,184)	-	(6,897)	6,897	-	-	(373,184)	-	(373,184)
Balances as at December 31, 2018		$4,281,292	$33,759	$2,587,702	$37,370	($584,368)	$ 293,799	$6,649,554	$114,266	$6,763,820

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
December 31, 2018 and 2017

Thousands of Mexican pesos

		Year ended on December 31,	
Operating activities		2018	2017
Profit before income taxes	Notes	$ 592,041	$ 729,314
Adjustments for items not involving cash flows:			
Depreciation and amortization included in expenses and costs	15 and 17	375,374	242,093
Loss on sale of property, plant and equipment		5,140	(932)
Share of net profit of associates	16	329	446
Earned dividends		-	(1,103)
Lost by monetary position		63,834	-
Financial instrument	29	9,155	(4,614)
Allowance for doubtful accounts	9	4,865	2,355
Interest income	29	(59,445)	(107,898)
Interest expense	19.3 and 29	286,710	139,182
Employee benefits	24	5,437	1,966
Referred value units	24	(5,705)	12,869
Changes in assets and liabilities:			
Accounts receivable		(191,570)	201,921
Recoverable income tax		(60,892)	(43,813)
Other recoverable taxes		15,622	(136,668)
Inventories		(93,015)	(75,843)
Prepaid expenses		(32,034)	(100,435)
Guarantee deposits		12,306	(2,294)
Suppliers		9,183	117,176
Other accounts payable		276,540	52,905
Other taxes payable		(20,032)	33,923
Employees' statutory profit sharing		(2,572)	2,631
Referred value units		(760)	-
Employees benefits	24	(160)	(309)
Cash flows from operating activities		1,190,351	1,062,872
Income taxes paid		(326,713)	(292,452)
Net cash flows from operating activities		863,638	770,420
Investing activities			
Acquisitions of property, plant and equipment	15	(419,484)	(275,431)
Proceeds from sale of property, plant and equipment		2,045	2,020
Acquisition of financial asset at fair value through profit or loss		(13,958)	(4,769)
Acquisition of intangible assets	17	(136,571)	(55,943)
Business acquisitions net of acquired cash and cash equivalents	31	(884,312)	(577,018)
Restricted cash	31	(108,302)	(120,288)
Additional investment in associates	16	-	(1,429)
Collected dividends		-	1,103
Related parties		(18,809)	8,821
Interest received		59,445	107,898
Net cash flows from investing activities		(1,519,946)	(915,036)
Financing activities			
Dividends paid to stockholders	25	247	-
Equity reimbursement	25	(174,284)	(175,578)
Acquisition of treasury stock	25	(765,496)	(165,100)
Sale of treasury stock	25	566,596	6,241
Proceeds from bond debt	19	942,821	1,971,959
Payment of bank loans	19.3	(287)	(1,207,309)
Lease payment		(51,248)	-
Paid commissions		(33,784)	
Interest paid	19.3	(254,186)	(170,943)
Net cash flows from financing activities		264,163	259,270
(Decrease) increase in cash and cash equivalents		(392,145)	114,654
Cash and cash equivalents at the beginning of the year		1,679,947	1,562,545
Effects of exchange rate changes on cash and cash equivalents		(237,455)	2,748
Cash and cash equivalents at the end of the year	8	$ 1,050,347	$ 1,679,947

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

Thousands of Mexican pesos, unless otherwise specified

Note 1 - Company's information:

Grupo Rotoplas, S. A. B. de C. V. ("Grupo Rotoplas") and subsidiaries (the "Company" or the "Group") started their operations in Mexico City in 1978 with a duration of 99 years; a group of stockholders ultimately controls the Company. The Company's main activity is the manufacturing, purchasing, selling and installation of plastic containers and plastic accessories, that provide water storage, conduction and water improvement solutions, and in providing 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 a distribution center in the city of Hermosillo. Furthermore, the Group also operates production plants in Guatemala, Peru, Argentina, United States of America ("USA") and Brazil, and distribution centers in El Salvador, Belize, Honduras, Nicaragua and Costa Rica, which enables to have an extensive market in Mexico, USA, Central and South America.

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

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

Relevant transactions

a. Investment in participation of other entities:

   i. On July 2, 2018 the Company completed the acquisition of IPS S.A.I.C. y F. (IPS), which is a leading Argentinian company in water conduction. Whose acquisition represents 100% of the stockholders' equity in IPS in Argentina, for a net amount of MXN$1,092 million, financed in full with Company's own funds. IPS is a leading Argentinian company that focused on the manufacturing, distribution and commercialization of water flow solutions with over 4,100 active clients. From this date on, the Company possess control over IPS operation, fulfilling its individual solutions portfolio in Argentina, with brands and leading technologies to enhance its region growth.

   ii. Plasticwatertanks.com Inc. ("PWT"), P-M.com Inc. ("P-M") y Nautical Outfitters Corp. ("Nautical") (together "E-Commerce").

   On October 20, 2017, the Company completed the acquisition of a controlling share investment in an electronic platform of water tanks in the USA, for an amount of approximate $582 million of Mexican pesos. The platform comprehends PWT, P-M and Nautical, which is considered as a single business acquisition; such platform is considered a hybrid model made of 80% of its sales through online sales and the rest through the commercialization of eight physical stores. (Refer to Note 31).

ii. Sanzfield Technologies, Inc. ("Sanzfield")

On March 21, 2017, the Company completed the acquisition of 52.7% of the voting right shares of Sanzfield for a consideration of $44.8 million Mexican pesos. Sanzfield is an innovation center in Canada that specializes in the development of water treatment and recycling systems, using technologies that can remove 100% of organic materials, viruses and bacteria from residual water without generating solid waste. (Refer to Note 31).

b. Others

i. On October 11, 2018, the Company announced the issuance of the second tranche of the Sustainable Bond, by an amount of $1,000 million Mexican pesos, which over demand reached a 3.8x times. The issuance was made with a fixed rate of "MBONO 27 + 179 base points and has an yearly coupon rate of 8.65%, with interest payment each 182 days and maturity in 2027. The objective of this bond issuance was to obtain funds to finance the sustainability initiatives that improve the access to water and sanitation. The reference market for this issuance is aligned with the Green Bond and Sociable Principles, as well as with the directions of the Sustainable Bonds, and it was rated by Sustainalytics as the third independent. The offering was performed under the Trade Certificates program ("CEBURES") for a total amount up to $3,000 million pesos and has been granted with the credit rates of AA(mex) and mxAA- by Fitch and Standard and Poor's, respectively. With this Sustainable Bond, Rotoplas enhances its long financing structure and aligns with the sustainable strategy of the Company, consisting of a transparent corporate government and water solutions with positive environmental impacts and social. On June 28, 2017 announced the issuance of the first tranche of the sustainable bonds in Latin America by $2,000 million Mexican pesos. (Refer to Note 19). The cash generated from this issuance were used for the payment of debt, the investment in assets and the financing of working capital.

ii. On April 16, 2018, the Company announced a change in the way of reporting its operating performance in the geographical segments, thereon, commencing in the first quarter of 2018 on, the geographical segmentation of the results report will be as follows: the results of our operations in Mexico and Argentina will be reported on an separate basis, whereas the rest of our operations will be reported on a consolidated bases as Other Countries. The modification responds to the relevance of Argentina's growth in the results of Grupo Rotoplas, as well as the decrease that Brazil has represented in the past years. Additionally, with this change, Rotoplas will provide further visibility to the financing community of the relevant segments of the Company.

iii. On April 27, 2018 in Stockholders' General Ordinary and Extraordinary Meeting an equity reimbursement was authorized and paid in cash, for an amount of MXN$0.37 for each equity stock. The related payment was made in one exhibition through the S.D. Indeval Institución para el Depósito de Valores, S. A. de C. V., on May 7, 2018.

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, 2018 and 2017 have been prepared in accordance 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 valuation of captions, except for derivative financial instruments, which have been determined at their fair value, lands and buildings, financial asset at fair value through profit or loss and the operations in Argentina, which is an hyperinflationary economy in accordance with IAS 29 “Hyperinflationary economies”, express in terms of the current measure unit at the inform closure date.

IFRS require certain critical accounting estimates to be made when preparing the consolidated 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 described in Note 4.

2.1.1 Changes in accounting policies and disclosures

2.1.1.1 New IFRS adopted by the Company.

A new series of standards have been published, which are effective for reporting periods ending on December 31, 2018, and have been previously adopted by the Company. The evaluation of the effects on the Company of the adoption of these new standards is explained as follows:

- IFRS 9 “Financial instruments”

The IFRS 9 was issued in November 2009 and introduces new requirements for the classification and measurement of financial assets. The IFRS 9 was modified subsequently in October 2010 to include the classification and measurement requirements of financial liabilities and their disposal, in November 2015 to include new general requirements for hedge accounting. Other modifications to the IFRS 9 were issued in July 2014 mainly to include; a) impairment requirements for financial assets and b) limited modifications to the classification and measurement requirements by introducing the measurement category “fair value through other comprehensive income” (“FVTOCI”), for particular debt instruments.

The main requirements of the IFRS 9 are described as follows:

- IFRS 9 requires that all the recognized financial instruments that are recognized under the scope of IAS 39 “Financial Instruments: Recognition and Measurement”, are subsequently measured at amortized cost or at fair value. Specifically, the investments in debt in the business model whose only objective is to collect the contractual cash flows and those that have contractual cash flows that are exclusively payments of principal and interest over the principal in circulation generally measured at amortized cost at the end of the following reporting periods. The debt instruments held in the business model which objective is reached through the collection of the cash flows and the sale of financial assets, and that contain contractual terms for the financial assets that generate at specific dates payments exclusively for the principal and interest over the amount of the principal, are generally measured at FVTOCI. All other investments in debt and equity are measured at their fair value at the end of the accounting following periods. Additionally, under IFRS 9, the Company can irrevocably elect to present subsequent changes to the fair value of an equity investment (not carried to be traded) in other comprehensive income, with dividend income generally recognized in the net profit (loss) of the year.

- In regards to the financial instruments designated at fair value through profit and loss, the IFRS requires that the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of such liability to be presented in OCI, unless the recognition of the effects in the risk change of the liability to be recognized in OCI would create or increase the accounting mismatch in the statement of income. The changes in the fair value related to the credit risk of the financial liabilities will not be reclassified subsequently to the statement of income. Previously, and in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the full amount of the fair value change of the financial liability designated at fair value through profit and loss was presented in the statement of income.

- In regards to the impairment of financial assets, IFRS 9 requires that the expected credit loss model is used, rather than the incurred loss model as previously required by IAS 39. The expected credit loss model requires the entity to recognize in each reporting period the expected credit losses and the changes in the credit risks since initial recognition. In other words, it is not necessary to hold until the credit risk is affected to recognize the loss.

- The hedge accounting requirements had three hedge accounting mechanisms available under IAS 39. Under IFRS 9, further flexibility has been introduced for those instruments to qualify as hedge, specifically by increasing the scope of qualifying instruments and the type of risk components of the non-financing instruments for hedge accounting. Additionally, effectiveness tests have been revisited and replaced with the concept of "economic relationship". Furthermore the retrospective evaluation for effectiveness will no longer be required, and improved disclosure requirements have been introduced for the risk administration of the Company.

Company's Management has applied the simplified expected credit loss model for its trade receivables balances, as required by IFRS 9, paragraph 5.5.15. The corresponding changes in the assumptions and impairment models were made considering the following:

a) Accounts receivable segmentation considering similar risks.

b) Defining a non-compliance threshold.

c) For the determination of the allowance the current and overdue (with some overdue days) account receivables are considered

d) Historical information is used in defining the loss rate and the discount costs in the cash flows.

The Company will follow up constantly the exposition to the credit risk of the accounts receivable and will annually update the model, in order to identify opportunity areas and adjust assumptions. At January 1, 2018 the impact of the adoption of the new standard to recognize the impairment estimate on the accounts receivable was for $1,099.

- IFRS 15 "Revenue from contracts with customers".

In May 2015, the IFRS 15 was issued, establishing a single comprehensive model to be used by the Company to recognize revenue from contracts with customers. When the IFRS 15 is enacted, it will replace the actual guidance to recognize revenue included under the IAS 18 "Revenue", IAS 11 "Construction Contracts", and their interpretations.

The basic principle of IFRS 15 is that the Company should recognize the revenue that represent the transfer the promise of the goods or services to the customers for the amounts that reflect the consideration that the Company will receive in return for such goods or services. Specifically, the standard introduces a five-step approach to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify all the individual performance obligations within the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the price to the performance obligations.
Step 5: Recognize revenue as the performance obligations are fulfilled.

Under IFRS 15, the Company recognizes revenue when the obligation is fulfilled, as such, when the “control” of the goods or subjacent services of the performance obligations have been transferred to the customer.

- IFRS 16 “Leases”

IFRS 16 was issued in January 2016 and replaces IAS 17 “Leases”, as well as the related interpretations when it becomes effective. This new standard introduces a comprehensive model for the identification of lease contracts and its accounting treatment in both situations, lessor and lessee.

IFRS 16 distinguishes between the leases and service contracts on the base of whether the identifiable asset is controlled by the client. The differences between operating leases (out-of-balance) and finance lease (on the balance sheet) are eliminated for the lessee books and are replaced by a model in which the lessees have to recognize the financial right for the usage of a leased asset and the related liability. As such, they must be recognized on the statement of comprehensive income, except for short-term leases and low value leases.

The financial right for the usage of a leased asset is determined initially at cost and subsequently measured at cost (with certain exceptions) less accumulated amortization and impairment losses, adjusted by any Hyperinflation of the lease liability. The lease liability is measured initially at present value of the minimum lease payments, as well as the impact of lease modifications, among others. Also, the classification of the cash flows will be affected, since the operating lease payments in accordance to IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, such payments will have to be divided between the principal and the interest portion that are presented in the cash flow as financing and operating, respectively.

In contrast for the lessor accounting, IFRS 16 substantially carries the requirements of the lessor included in IAS 17, and continues to require that the lessor classifies a lease as an operating or finance lease.

Furthermore, IFRS 16 requires extensive disclosures. However, the lessee can choose to record the lease payments as operating on a straight-line basis in the period term of the lease, for those contracts that have a 12 months or less period, that do not include purchase options (this decision is made for each class of asset); and for those contracts where the subjacent assets have a non-significant value when they are new, for example, minor office equipment, personal computers (this choice can be performed on an individual basis for each lease contract).

IFRS 16 establishes different options for its transition, including the retrospective application or the modified retrospective method, were the comparative period is not restated.

There are no other standards not yet effective that could have a significant impact on the actual reported or future periods, and on future foreseeable transactions.

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 or 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 costs related to the acquisition are recognized 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 or 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.

Transactions, balances and unrealized gains or losses between Group companies are eliminated. When necessary, the accounting policies applied by the subsidiaries are 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:

Company	Participation with vote rights in 2018 and 2017 (%)	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.

Company	Participation with vote rights in 2018 and 2017 (%)	Activities
Rotoplas Comercializadora, S. A. de C. V. (Comercializadora)	99.99	Sub holding entity of shares.
Rotoplas de Latinoamérica, S. A. de C. V. (Latino)[3]	99.99	Sub holding entity of shares.
Rotoplas Labs, S. A. P. I. de C. V.	99.99	Technological development of water solutions
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 Canada		
Sanzfield Technologies Inc. [4 and 5]	43.94	Center specialized in the development of water treatment and recycling systems
Subsidiary in the USA:		
Molding Acquisition, 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 started on March 15, 2007 by the Company in its capacity of thruster in order to promote the development of companies by operating a preferential financial support system aimed at suppliers and distributors. (Refer to Note 30).

[3] Latino is the holding entity of the stocks of the following tier two companies for consolidated financial statement purposes:

Company	Participation with vote rights in 2018 and 2017 (%)	Activity
Dalka do Brasil, Ltda. (Brazil)	99.99	Manufacturing and sale of plastic tanks for water storage.
Dalka, S. A. C. (Peru)	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.
I.P.S. (Argentina) [8]	97.99	Manufacturing and sale of plastic tubes.
Tinacos y Tanques de Centroamérica, S. A. and subsidiaries (Guatemala), (Central America)[7]	99.99	Manufacturing and sale of plastic tanks for water storage.

[4] The percentage of participation of Sytesa, Sanzfield and Talsar relates to the period when the Company acquired control over these. (Refer to Note 31).

[5] The economic participation percentage represents 43.94%, however, the Company claims control by holding the 52.70% of the voting rights at the Board of Directors.

6 MAC is the holding entity from October 20, 2017 on, of the shares of the following tier two companies for consolidated financial statement purposes:

Company	Participation with vote rights in 2018 and 2017 (%)	Activity
Subsidiaries in the USA:		
PlasticWaterTanks.COM, Inc.	100	Online selling platform
P-M.com, Inc.	96	Online selling platform
Nautical Outfitters, Corp.	100	Online selling platform

7 Central America is the holding entity of the shares of the following tier three companies for consolidated financial statement purposes:

Company	Participation with vote rights in 2018 and 2017 (%)	Activity
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.	99.60	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)	99.50	Manufacturing and sale of water storage plastic tanks.
Tinacos y Tanques de Nicaragua, S. A.	99.50	Manufacturing and sale of water storage plastic tanks.

8 IPS was acquired in 2018, as such it had no participation in 2017 as might be considered in accordance to the heading.

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, 2018 and 2017, no changes in the participation of subsidiaries existed without loss of control.

2.2.3 Changes in the interest participation

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, 1 of January, 2018 and December 31, 2017, no disposal of subsidiaries occurred.

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, January 1, 2018 and December 31, 2017, no reduction on the participation of any associate occurred.

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 31, 2018 and December 31, 2017, 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 assesses at the end of each reporting period whether there is objective evidence that an investment in associate is impaired. In such cases, the amount of impairment is determined to affect the recoverable value of the associate over its book value and the related loss is recognized in “Share of net profit of associates” in the statement of income. As of December 31, January 1, 2018 and December 31, 2017, no impairment existed in the associates.

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

Financial information by operating segments is presented in a manner consistent with the internal reporting provided to the General Management of the Company. The General Management of the Company is responsible for allocating resources and assessing performance of the operating segments. (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 below. 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 when 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 are presented in the income statement on a net basis within "finance income or costs".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are recognized as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities are recognized in OCI.

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, except the companies in Argentina where the accumulated inflation of the past 3 years reached more than 100%, as such, the Argentinian peso was deemed to be operating in a hyperinflationary economic environment) 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 yearly 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 OCI.

In consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operation 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:

Functional currency equivalent in Mexican pesos

		Closing exchange rate at December 31,		Average exchange rate at December 31,	
Country	Local currency	2018	2017	2018	2017
Brazil	Brazilian real	5.07	5.97	5.18	5.93
Argentina	Argentinian peso	0.52	1.05	0.53	1.15
Central America	Quetzal	2.54	2.67	2.60	2.57
Peru	Sol	5.83	6.08	5.98	5.80
USA	Dollar	19.66	19.74	20.13	18.93

2.5 Property, plant and equipment

Land and buildings comprise mainly the manufacturing and distribution plants and the offices. Land and buildings are shown at fair value based on valuations performed by independent 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
Solar panels	30

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 determined by comparing the fair value of the proceeds with the carrying amount of the disposed asset, and are recognized within operating expenses and costs of sales of the income statement, depending on the function of assets.

The revaluation surplus included as equity related to lands and buildings could be transferred to retained earnings at their disposal. Transfers between revaluation surplus and retained earnings are not recognized through profit and loss.

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 acquiree and the acquisition-date of any previous equity interest in the acquiree 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 31).

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 and impairment losses. Amortization is calculated by the straight-line method based on estimated useful lives of three to five years. Acquired computer software licenses are capitalized based on 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, 2018 and 2017, 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).

2.6.4 Client relationships

There is a client relationship when there have been significant, uninterrupted, number of years and it is expected that they will continue to have further operations in the foreseeable future and will contribute to the generation of assumed future revenue; client relationships acquired through a business combination are recognized at their fair value at acquisition date. The amortization is determined using the straight-line method, based in a estimated useful lives of 30 years and are recognized as an expense in subsequent periods.

2.6.5 Non-compete agreement

The Company has signed a non-compete agreement with the former owners of IPS and relates to the legal capacity of Grupo Rotoplas to limit the involvement of these former owners of IPS as competitors. Such contract emerges from the business combination and it is recognized at fair value at acquisition date. Amortization is determined using the straight-line method, based in an estimated useful-life of 10 years, related to the period term of such contract and it is recognized as expense in subsequent periods.

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, January 1, 2018 and December 31, 2018, there are no accrued losses for impairment on non-financial assets.

2.8 Financial assets

2.8.1 Classification

From January 1, 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

The group reclassifies debt instruments when and only when its business model for managing those assets changes.

2.8.1.2 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.

For financial assets purchased or originated differently from such financial assets with credit impairment, the revenue from interests are recognized using the effective interest method to the gross book value of the financial asset, except for those financial assets where their credit has been subsequently impaired. For financial assets were their credit has been subsequently impaired, the interest income is recognized applying the effective interest rate at amortized cost of such financial asset. If, in future periods, the credit risk of the financial instrument with impairment improves, in such way the financial asset has no longer credit risk, the interest revenue is recognized applying the effective interest rate over the gross value of the financial asset.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs, except when they are financial assets at fair value through profit and loss, which are recognized initially recognized at fair value and the transaction costs are recognized as expense in the profit and loss. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The new accounting policies are set out in Note 9. In accordance with the transitional provisions in IFRS 9 paragraphs 7.2.15 and 7.2.26, comparative figures have not been restated. As result of, the comparative figures provided by the Company continues to be accounted in accordance to the Company's previous accounting policy.

Classification

Until December 31, 2017, the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Measurement

Financial assets

	Measurement category	
	(IAS 39)	IFRS 9
Cash and cash equivalents	Loans and accounts receivable	Amortized cost
Trade receivables and other accounts receivable	Loans and accounts receivable	Amortized cost
Short/long-term related parties	Loans and account receivable	Amortized cost
Derivative financial instruments	FV - PL	FV - PL
Financial liabilities:		
Debt	FV - PL	FV - PL
Suppliers	Amortized cost	Amortized cost
Other accounts payable	Amortized cost	Amortized cost

2.9 Offsetting of 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, 2018 and 2017, no offsetting of financial instruments was recognized.

2.10 Impairment of financial assets

2.10.1 Assets carried at amortized cost

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

From January 1, 2018, the Company evaluated, prospectively, the estimated credit losses associated with the debt instruments at amortized cost over the life of the instrument, considering the results of the accounts receivable behavior evaluation. The increases to this provision are recorded in the estimated credit losses provision in the statement of income.

The Company did not have any significant impact in the financial statements or in its activities related to the adoption of this standard.

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.

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. (Refer to Note 12)

2.13 Prepaid expenses

Prepaid expenses 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. Prepaid expenses 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 prepaid expenses, they must be recognized as an asset or an expense in the statement of income in the period, respectively. (Refer to Note 13).

2.13.1 Guarantee deposits

Guarantee deposits relate to disbursements made by the company to secure commitments assumed under certain agreements (mainly related to lease property). Guarantee deposits, which 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 and with low risks of changes in their values. At December 31, 2018 and 2017, 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).

2.14.1 Restricted cash

The cash and cash equivalents, which restrictions originate that the definition of cash and cash equivalents is not met as aforementioned, is presented in a separate line in the consolidated statement of financial situation and are excluded from cash and cash equivalents in the statement of consolidated cash flows.

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 25).

2.15.2 Stock premium at subscription

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

2.15.3 Retained earnings

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

2.15.4 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.

2.15.5 Comprehensive income

Comprehensive income is comprised of the net income for the year, plus other capital reserves, which are made up of the effects of currency translation of foreign entities, 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 stock

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. The profit or loss is not recognized in profit or loss and becomes part of the repurchase fund balance for buying own shares.

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.

2.16.1 Financial liabilities disposal

The Company disposes the financial liabilities from the statement of financial position when, and only when, the obligations are discharged, cancelled or expired. The difference between the carrying amount of a disposed financial liability to another party and the consideration paid, is recognized in profit or loss.

When the Company trades with the existing lender of a debt finance instrument to other with substantially different conditions, such trade is accounting as the extinction of the original financial liability and a new financial liability is recognized. In similar ways, the Company considers the substantial modification of an existent liability or part of it as the extinction of the original financial liability and the recognition of the new liability. It is assumed that the terms are substantially different if the present value of the discounted cash flows is below the new terms, including any net tariff paid of any received tariff and discounting utilizing the original effective rate is at least 10% different of the actual discounted value of the cash flows remaining of the original liability. If the modification is not substantial, the difference between: (1) the book value of the obligation prior to modification; and (2) the present value of the cash flows after modification, must be recognized as profit or loss due to modification in profit or loss.

2.17 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 fee is deferred until the draw down occurs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 (more than a year) to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. At December 31, 2018 and 2017, 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 (IT) 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, IT is recognized together with the balance that gave rise to it.

The current IT charge is calculated based on 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 based on amounts expected to be paid to the tax authorities.

Deferred IT 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 IT 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 either accounting nor taxable profit or loss. Deferred IT 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 26).

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 group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the near 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 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 24).

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 24).

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).

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 24).

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, 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 bounded or when there is past practice that generates an assumed obligation. (Refer to Note 28).

2.21 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation because 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 low.

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

The Group has adopted IFRS 15 "Revenue from contracts with customers" on January 1, 2018, in accordance to the analysis performed there were no significant changes identified to the accounting policies of the Company. In accordance to the transition provisions of the IFRS 15 the modified retrospective method was used, the Group has adopted the new rules retrospectively of 2017, with no change in the information presented as of December 31, 2017 and 2018.

Revenue represents the amount of the consideration received or receivable in exchange of sale of goods or rendering of services in the normal course of the Company's operations Revenue is stated net of rebates and discounts granted to clients.

The Company uses the methodology stipulated in IFRS 15 before revenue can be recognized:

- Identify the contract with a customer.
- Identify all the individual performance obligations within the contract.

- Determine the transaction price.
- Allocate the price to the performance obligations.
- Recognize revenue as the performance obligations are fulfilled.

The Company has used the practical expedient for the contractual modifications that occurred prior the initial application (January 1, 2018) with no effects to be recognized.

The Company considers the following concepts as performance obligations:

2.22.1 Revenue from sales of goods (recipients, plastic accessories, thermo-tanks, etc.) (wholesale)

The Company manufactures and sells a broad variety of goods in the wholesale market. Sales of these 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 an obligation to be met by the Company that could result in the return or rejection of products.

The performance obligation is considered when the products have been delivered to the client in the specified location in the contract and the client has accepted the products according to the agreement or the Company has objective evidence that all the requirements have been fully met for the customer to accept the products.

The performance obligation is fully met when the products have been delivered to the customer in the location specified in the contract, the customer has accepted the products as per the agreement, 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.

These goods are generally sold at a discount for volume. Additionally, customers have the right to return faulty products. Sales are recognized based on 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 based on 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.

An account receivable is recognized when the goods have been delivered, that is the point in time in where the retribution is unconditional, since only commercial payment terms are required prior to the collection is made.

The Group determines its estimates based on experience, taking into account the type of customer, the type of operation and the specific terms of each contract. The Company provides a lifetime term guarantee to its customers and final consumers for buying the “brown water-tanks” (Tinaco Beige), historically there are few events in which the client has exercised its live-term guarantee right for such product and there is no estimate for it.

Former accounting policy for the sale of goods (recipients, plastic accessories, thermo-tanks, etc.) (wholesale)

The Company manufactures and sells a broad variety of goods in the wholesale market. Sales of these 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 an obligation to be met by the Company that could result in the return or rejection of products. The Company provides a lifetime 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 based on 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 based on 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 experience, taking into account the type of customer, the type of operation and the specific terms of each contract.

2.22.2 Revenue from sales of products (recipients, plastic accessories, and other accessories) (retail)

Revenue from the sales of these goods is recognized when the Company has delivered the goods to the client, and when there is no obligation pending to be fully met by the Company that could result in the return or reject of the goods.

Retail sales are usually made in cash or through credit cards. The Company grants to its clients the right of return for a period of 30 days and does not offer loyalty programs.

Former accounting policy for the sale of goods (recipients, plastic accessories, thermo-tanks, etc.) (retail)

In 2017, the Company acquired the E-Commerce business as explained in Notes 1 and 30. Due to this acquisition, the Company obtains revenue from the sales of goods through retail stores and internet sales.

Revenue from the sales of these goods is recognized when the Company has delivered the goods to the client, and when there is no obligation pending to be fully met by the Company that could result in the return or reject of the goods.

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.

Retail sales are usually made in cash or through credit cards. The Company grants to its clients the right of return for a period of 30 days and does not offer loyalty programs.

2.22.3 Revenue from installation of water fountains

The Company provides installation services of school water fountains. The revenue is recognized at the end of the installation and the client is fully satisfied with the installation. At the beginning of the contract a 10% advance payment is requested and is considered as a contract liability, at December 31, 2018 the liability balance was $29,000. As part of the evaluation at adoption date the Company only identified one performance obligation.

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.

In relation to the adoption of IFRS 15, there were no changes in relation to the former accounting policy established by IAS 18.

2.22.4 Revenue from lease of treatment plants

The Company leases water treatment plants, agreed on a 10 year fixed period. The agreed terms with the client estipulate that the Company will hold possession of the treatment plants at the end of the contract, as well as the risks and benefits of the property, as such these leases have been classified as operating leases. (Refer to Note 15).

The Company does not provide any auxiliary service to its customers of the investment properties. As such, lease payments are related completely to the rent and are recognized as lease revenue. It was no necessary to separate the considerations received between the components lease components and the non-lease at adoption of IFRS 15.

Former accounting policy for lease income of treatment plants

The Company leases water treatment plants, agreed on a 10 year fixed period. The agreed terms with the client estipulate that the Company will hold possession of the treatment plants at the end of the contract, as well as the risks and benefits of the property, as such these leases have been classified as operating leases.

The Company does not incur in material costs to obtain contracts with the clients such as sales commissions.

2.22.5 E-Commerce revenue

The Company has developed an electronic platform to sell products in the USA through internet. The revenue is recognized at the moment in which the goods are delivered to the client with the requested characteristics at the defined location at online purchase time.

2.23 Leases

The Company leases various properties and cars. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments),
- Amounts expected to be payable by the lessee under residual value guarantees
- The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

  Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and telecommunications.

As mentioned in Note 23, the Group has elected to apply IFRS 16 “Leases” earlier retrospectively on January 1, 2018 on, but has not restated but has not restated comparatives for the 2017 reporting period as permitted under the specific transition provisions in the standard. The asset for right-of-use is measured at the value of the lease liability at adoption date.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2018. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2018 was 8.28%.

A reconciliation of the leases recognized under IAS 17 and the lease liability recognized on January 1, 2018 under IFRS 16 is shown below:

	Amount
Operating lease commitments disclosed as at December 31, 2017	$ 155,486
Discounted using the Group’s incremental borrowing rate of 8.28%[1]	(18,830)
(Less): short-term leases recognized on a straight-line basis as expense	(10,807)
Lease liability recognized as at January 1, 2018	$ 125,849

[1] Average incremental discount rate

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial situation as at December 31, 2017. Property, plant and equipment increased by $84,745 on January 1, 2018 and trade and other payables by $93,535. The net impact on retained earnings on January 1, 2018 was $8,791.

In applying IFRS 16 for the first time, the Group has used the following practical resources permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2018 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

Former policy of the Company prior to the adoption of IFRS 16, classified leases as operating or finance leases depending on the substance of the transaction rather than the form of the contract. Leases in which a significant portion of risks and property benefits are withhold by the lessor were classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) were recorded in the statement of income on a straight-line basis during the term of the lease.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group does not provide residual value guarantees for the leased equipment. Of the lease contracts outstanding at December 31, 2018 and 2017, there are no covenants restriction to meet.

2.22.6 Dividend income and distribution

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

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 separate financial statements prepared in accordance with IFRS for statutory purposes.

2.25 Net 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 2018 and 2017, decreasing such average of such potential dilutive shares. At December 31, 2018 and 2017, there are no profit dilutive components. (Refer to Note 25).

2.26 Hyperinflation over Financial statement.

Over the last few years the inflation in Argentina has increased significantly and the local inflation information has not been reported consistently. The accumulated inflation rate over the last three years, combining different retail price indexes, exceeded 100% in the first semester of 2018. And the inflation rate accumulated over the last three years, combining different wholesale price indexes also exceeded 100%. As such, and considering the performance of the country, including the currency devaluation, Argentina is now considered to be a hyperinflationary economy for the accounting periods after July 1, 2018.

As a result of this, the subsidiaries Rotoplas Argentina, S.A., Talsar, S.A. and IPS, whose functional currency is the Argentinian peso applied IAS 29 “Financial Reporting in Hyperinflationary Economies” as if the economy had always been hyper-inflationary. IAS 29 requires to adjust for the impact on income and expenses recognized from the date the economy became hyperinflationary. It also requires that the non-monetary assets and liabilities to be restated from the date they were initially recognized or from the date the last Hyperinflation in case of those recognized at their fair value throughout the reporting period.

Monetary items do not need to be restated, because they are already expressed in current purchasing power at the reporting date. Gains or losses of monetary position is recognized in financial income or expense.

The general price index was selected based on the resolution JP 549/118 issued by the “Federación Argentina de Consejos Profesionales de Ciencias (FACPCE)”. In this resolution, indexes to be used by the entities with Argentinian peso as their functional currency are stated, for Hyperinflation procedures. These indexes are mainly based in the index 144.8053 for interim and annual periods at June 30, 2018 and the index 149,2966 from then. The detailed table of such indexes will be published monthly by the FACPCE.

Subsidiaries located in Argentina calculate the financial statement Hyperinflation as follows:

- The corresponding amounts of non-monetary items of each statement of financial position, that are measured at the date of the statement of financial situation at their fair value or at net realization value, accordingly, are restated applying to the historical cost the difference of the general price index, from the date of acquisition or else the last fair value measurement, to the date of the financial statement.

- The amounts related to monetary items in the statement of financial position, are not restated.

- The equity items of each statement of financial position are restated as follows:

    i. At the beginning of the period of IAS 29 application, except for retained earnings, where the Company applies the difference of the general price index, from the date of acquisition or else the last fair value measurement, to the date of Hyperinflation. Restated retained earnings are the product of the rest of the balances in the statement of financial position.

ii. At the end of the first application and for subsequent periods, all equity elements are restated, applying the general price index, from the beginning of the period, or from the date of contribution, if later.

- Income and expenses are restated applying the difference of the general price index, from the date they were incurred, to the report date.

- Profit or loss resulting from the net monetary position are recognized in the statement of comprehensive income.

In the individual financial statements the effects of the inflation are recognized as if they had always been hyperinflationary, whereas for consolidation purposes the financial statements are presented without restating the comparatives, as such, the opening accumulated effect is presented in retained earnings.

For the purposes of consolidated financial statements, the Company operates in a non-hyperinflationary economy. The income and financial situation of the entities whose functional currency is related to the hyperinflationary economy, are translated into the presentation currency applying the following procedures:

a. All amounts (i. e., assets, liabilities, equity, expenses and revenue) are translated into the closing exchange rate of the closest reporting date of the statement of financial situation.

b. Comparative figures will be those that were presented in the preceding year in the statement of financial position of (i.e. the amounts will not be adjusted for any subsequent variations in which they have occurred at the price level or exchange rates).

   The accumulated effect of applying IAS 29 resulted in $73,565, and was recognized in retained earnings on January 1, 2018. The Company elected to recognize the adjustment of the items, in the translation effects of foreign entities as accounting treatment on December 31, 2018 which was $901,176.

Note 3 - Financial risk management

3.1 Financial risk factors

The Company’s activities expose it to a variety of financial risks, such as market risk (including currency risk, price risks and cash flows, and interest rates at fair value), 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 charge of the Finance department. In managing exchange risk arising from future commercial transactions and recognized assets and liabilities, the companies of the Group 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.

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, 2018, the Group had contracted financial instruments to hedge the 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. The Company's consolidated operations were exposed to exchange rate risk in thousands of (USD 54,710) and (€2,131) at December 31, 2018 and (USD 7,272) and (€1,467) at December 31, 2017.

At December 31, 2018 and 2017, 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 $107,560 and $14,351, respectively for the USD position and $ 4,786 and $3,458, 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,			
	2018		2017	
	Dollars	Euros	Dollars	Euros
Assets	USD 55,445	€ -	USD 19,589	€ -
Liabilities	(110,155)	(2,131)	(26,861)	(1,467)
Net liability position	(USD 54,719)	(€ 2,131)	(USD 7,272)	(€ 1,467)

At December 31, 2018 and 2017, the exchange rate was $19.66 and $19.74 per USD, respectively, and $22.46 and $23.58 per €, respectively.

At April 25, 2019, date of issuance of these financial statements, the exchange rate was $19.04 per USD and $21.20 per €.

The exchange rate of the USD to the currency of the subsidiaries established abroad at December 31, 2018 and 2017 is as follows:

		Foreign currency Equivalent in USD December 31,	
Country	Currency	2018	2017
Argentina	Peso	0.0265	0.0522
Brazil	Real	0.2581	0.3019
Chile	Peso	0.0014	0.0016
Costa Rica	Colón	0.0016	0.0018
Ecuador	USD	1.0000	1.0000
El Salvador	USD	1.0000	1.0000
Guatemala	Quetzal	0.1292	0.1364
Honduras	Lempira	0.0411	0.0424
Nicaragua	Córdoba	0.0309	0.0325
Peru	Nuevo sol	0.2967	0.3070

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, 2018 and 2017, the Company would experience an increase or decrease in the cost of sales of approximately $5,418 and $10,893, 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 2018 and 2017, 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 loans, even if they are in a different currency.

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 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 2018 would have increased/decreased by $3,542, mainly due to the difference in the cost of interest on borrowings contracted at variable rates; while income for 2017 would have increased/decreased by $4,017, 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, 2018 and 2017 would have increased/decreased by $1,771 and $2,008, 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, 2018 and 2017, the interest rates of hired loans are variable in their totality.

At December 31, 2018 and 2017, the financial instruments described in Note 18 hedge bank loans with variable rates.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss, favorable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

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 is 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.

Group's investment in debt instruments are considered low-risk investments. The credit qualifications in the investments are monitored for impairment in the credit.

The group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory.
- debt investments carried at amortized cost, and
- debt investments carried at fair value through OCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before December 31, 2018 or January 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the Gross Domestic Product (GDP) and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2018 and January 1, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

December 31, 2018	Current	More than 30 days past due	More than 0 days past due	More than 120 days past due	Total
Expected loss rate	-	-	-	7%	
Gross carrying amount – trade receivables	935,288	28,488	16,159	224,291	1,204,226
Impairment estimate	-	-	-	15,700	15,700
Brazil government	1,082	-	58,355	350,572	410,009
Total clients	$936,370	$28,488	$74,514	$574,863	$1,614,235

Credit limits were not exceeded in December 31, 2018 and 2017 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, 2018	December 31, 2017
Clients (Note 9)		
Counterparties without external credit ratings:		
Group A	$ 68,690	$ 212,462
Group B	1,435,034	929,550
Group C	94,811	296,079
Total accounts receivable from customers	$ 1,598,535	$ 1,438,091
Cash at bank and short-term bank deposits (Note 8)		
Counterparties with external credit ratings:		
AAA	$ 242,958	$ 203,381
AA	770,903	1,473,590
A	36,486	2,976
Total cash and cash equivalents	$ 1,557,163	$ 1,562,545
Derivative financial instruments (Note 8)		
Counterparties with external credit ratings:		
AAA	$ 35,416	$ 40,166
Loans to related parties (Note 10)		
Counterparties without external credit ratings:		
Group B	$ 113,444	$ 101,905

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.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows		
Category	Category Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Clients for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if the principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off

Long-term account receivables from related parties are considered low-risk credits, since there have not been any default history, and the Group has control over the cash flows and supports all of its related parties.

Accounts receivable are disposed when there is no reasonable assurance of their recoverability. The indicators that provide no reasonable assurance of their recoverability include, among others, the fact that the debtor does not suggest a payment scheme with the Group and the lack of ability to make a payment under the contractual terms for more than 180 past due.

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, up to June 30, 2018, due to the obligations at that date.

At December 31, 2018 and 2017 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, 2018	Less than 3 months	Between 3 months and 1 year	More than 1 year	Total
Debt	$ 12,152	$ 250,413	$ 4,577,185	$ 4,839,750
Suppliers	399,536	-	-	399,536
Sundry payables	432,572	-	-	432,572
Accrued expenses and other accounts payable	611,272	-	-	611,272
Lease liability	-	29,204	64,331	93,535
Total	$ 1,455,532	$ 279,617	$ 4,641,516	$ 6,376,665

December 31, 2017	Less than 3 months	Between 3 months and 1 year	More than 1 year	Total
Debt	$ 11,284	$ 160,393	$ 3,291,118	$ 3,462,795
Suppliers	449,810	-	-	449,810
Other accounts payable	213,293	-	-	213,293
Total	$ 674,387	$ 160,393	$ 3,291,118	$ 4,125,898

3.2 Capital management

The Company's objectives in managing capital risk 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 stocks 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 based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including short-term and long-term debt 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,	
	2018	2017
Total Debts (Note 19)	$ 2,923,420	$ 1,975,793
Less: cash and cash equivalents (Note 8)	(1,050,347)	(1,679,947)
Insufficiency (excess) of cash over debt	1,873,073	295,846
Total equity - Net	6,768,681	7,179,748
Total capital - Net	$ 8,641,754	$ 7,475,594
Gearing ratio	21.67%	3.96%

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 (i.e. prices) 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 land and buildings that are measured at fair value.

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ -	$ 23,687	$ -	$ 23,687
Derivative financial instruments - Asset (Note 18)	$ -	$ 35,416	$ -	$ 35,416
December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ -	$ 14,134	$ -	$ 14,134
Derivative financial instruments - Asset (Note 18)	$ -	$ 40,166	$ -	$ 40,166

During the years ended on December 31, 2018 and 2017 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 Group's 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, 2018 and 2017, 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 reasonable under the circumstances.

4.1 The Company has used the following judgments in the preparation of the consolidated financial statements:

4.1.1 Accounts receivable with Brazil government clients

As mentioned in Note 9, the Company stopped receiving payments of the total outstanding balances in the agreed periods. In this regard, Management has performed an analysis of the contracts with the government agencies, and in adherence with the country's legislation, there are enacted laws 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.

4.1.2 Participation in Advance Innovation Center, LLC (AIC)

The Company celebrated an agreement to obtain interests in AIC, 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 obtained in the Company, since the main shareholder of AIC has the ability to remove discretionary the board members of AIC.

4.2 The Company utilizes estimates and projections over future events to recognize and measure certain financial statement lines. The accounting estimates recognized outcome may vary from the actual outcome or real events. The estimates and projections that have a significant risk of resulting in material adjustments over the assets and liabilities recognized during the following period are as follows:

4.2.1 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).

4.2.2 AIC additional purchase option

As mentioned in Note 16, the Company signed a Unit Purchase Agreement in which an additional purchase of $204,459 (USD10,360,000) of AIC's participation is stated. In this aspect, Management has analyzed the determination of the fair value of this option and since the comparable input data is not observable and, therefore, unreliably measured. As of December 31, 2018 the Company did not exercise this option for an additional participation and it was expired in accordance to the established time.

4.2.3 Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment; in accordance with the criteria set forth in Note 2.7. 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, 2018 and 2017 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.

At December 31, 2018 and 2017, the Company performed impairment tests on the other intangible assets and did not identify impairment over them.

4.2.4 Income taxes

The Company 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 would likely result in the determination of tax in addition to the amount originally incurred. Where the 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.

As mentioned in Note 9 the Company held a commercial relationship with the Brazilian government, however it was over generating significant tax losses for the Company.

As mentioned in Note 26, the tax losses in Brazil have no expiration date. In this aspect, the Company is using significant judgments in their recuperation forecasts, for example, a long term growth-rate of 6% is being considered; and it is considered that no adverse situations, such as those giving rise to such losses will occur, hence a future recuperation of 19 years for these losses is considered.

Additionally, as of December 31, 2018 the deferred tax asset of MAC is $209,820, which represents 42% of the deferred tax asset of the consolidated financial statements of Grupo Rotoplas, of which $157,160 are tax losses related. The cause of such accounting and tax losses is mainly due to regulatory issues, since after the acquisition, the 3 manufacturing plants of MAC were subject to inspection by the regulatory authorities in the USA; the outcome of such inspection determined that the manufacturing standards were met for MAC's own products but not for the "Rotoplas" branded products required by American laws, without penalties or sanctions for MAC or Rotoplas as result of such inspections.

According to the USA tax legislation the tax losses expire in 20 years. MAC does not have an aggressive tax strategy nor uncertain tax positions in adhering to the USA laws.

The Company will monitor the recoverability of such losses and the corresponding estimate on an on-going basis.

If the tax result of those processes differs 5% from recognized estimates, the Company must increase or reduce the income tax liability by $8,881 and $10,940, and reduce or increase the deferred tax asset by $5,849 and $10,961, for 2018 and 2017, respectively.

4.2.5 Probability assumption of RVU recognition

The Company utilizes a probability assumption for the determination of the RVU value, which considers whether cash flows exists to consider the payment of the RVU in accordance to the contract plan, this input impacts directly the calculation of the RVU fair value. If at December 31, 2018 and 2017, the Company would not include an assumption the fair value would have increased by $14,984 and $23,732, respectively.

The Company utilizes diverse hypothesis and assumptions in the determination of the RVU fair value, such as, the probability of existence of free cash flow for the payment of the RVU in accordance to the contract plan, and the probability of increase or decrease in the future value of the RVU, these assumptions impact directly the calculation of the RVU fair value. If at December 31, 2018 and 2017 the Company would not have included the probability of existence of free cash flows a 50% increase of $14,984 and $23,732 would have been recognized.

Note 5 - Financial instruments categories:

Financial assets according to the consolidated statement of financial position:

December 31, 2018	Cost	Amortized cost	At fair value with changes through profit and loss	Total
Cash and cash equivalents	$1,050,347	$ -	$ -	$ 1,050,347
Restricted cash	-	233,904	-	233,904
Accounts receivable and other accounts receivable	-	1,598,535	-	1,598,535
Sundry debtors and employees	-	105,751	-	105,751
Related parties	-	122,705	-	122,705
Guarantee deposits	-	23,705	-	23,705
Financial asset at fair value through profit and loss	-	-	23,687	23,687
Financial right for the usage of a leased asset - Net	-	84,745	-	84,745
Derivative financial instruments	-	-	35,416	35,416
	$1,050,347	$ 2,169,345	$ 59,103	$ 3,278,795

December 31, 2017	Cost	Amortized cost	At fair value with changes through profit and loss	Total
Cash and cash equivalents	$1,679,947	$ -	$ -	$ 1,679,947
Restricted cash	-	126,105	-	126,105
Accounts receivable and other accounts receivable	-	1,438,091	-	1,438,091
Sundry debtors and employees	-	20,602	-	20,602
Related parties	-	103,895	-	103,895
Guarantee deposits	-	38,363	-	38,363
Financial asset at fair value through profit and loss	-	-	14,134	14,134
Derivative financial instruments	-	-	40,166	40,166
	$1,679,947	$ 1,727,056	$ 54,300	$ 3,461,303

Financial liabilities according to the consolidated statement of financial position:

December 31, 2018	Amortized cost	At fair value with changes through profit and loss	Total
Debt	$ 2,923,420	$ -	$2,923,420
Accounts payable	399,536	-	399,536
Other accounts payable	1,043,844	-	1,043,844
Lease liability	93,535	-	93,535
	$ 4,460,335	$ -	$4,460,335

December 31, 2017	Amortized cost	At fair value with changes through profit and loss	Total
Debt	$ 1,975,793	$ -	$1,975,793
Accounts payable	449,810	-	449,810
Other accounts payable	565,858	-	565,858
	$ 2,991,461	$ -	$2,991,461

Note 6 - Guarantee deposits:

	December 31,	
	2018	2017
Guarantee for electric power services	$ 7,966	$ 7,967
Guarantee for leasing of real estate	10,094	11,529
Guarantee for sundry services	5,645	18,867
	$ 23,705	$38,363

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 that is evaluated on a regular basis. Revenue of the different Company segments streams mainly from the sale of products.

Water solutions:

"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 needs that are more complex. 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 diverse businesses that on a standalone basis 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 within the individual and comprehensive operating segments, as follows:

Individual solutions:

- Talsar
- Sanzfield
- E-Commerce

Comprehensive solutions:

- Sytesa

Income and results per operating segment:

The Company evaluates the performance of each operating segment based on Earnings before Interests, Taxes, Depreciation and Amortization 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 profit (loss) before income taxes after adding or subtracting, as the case may be: 1) depreciation, amortization and impairment of non-current assets; 2) the net financing result (includes interest costs and income, and exchange gains or losses), 3) share of net profit of associates, and 4) donations.

Geographic markets:

The Company also controls its assets and liabilities per geographic market, classified as Mexico, Argentina, Brazil and Others (Peru, USA, Canada, 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,					
	2018	2017	2018	2017	2018	2017
	Individual solutions		Comprehensive solutions		Consolidated	
Sales to external customers	$ 7,074,536	$ 5,898,803	$784,656	$ 761,666	$ 7,859,192	$ 6,660,469
Profit (loss) before taxes	$ 676,887	$ 735,164	($ 84,846)	($ 5,850)	$ 592,041	$ 729,314
EBITDA	$ 1,215,592	$ 927,956	$ 43,894	$ 76,224	$ 1,259,486	$ 1,004,180

Revenue of approximately $811,107 are derived from five external customers ($718,676 in 2017). This revenue is attributable to the Mexico and Brazil segments.

Profit before tax per period is as follows:

	Year ended on December 31,	
	2018	2017
EBITDA	$ 1,259,486	$ 1,004,180
Depreciation and amortization	(375,374)	(242,093)
Donations	(4,469)	(32,458)
Extraordinary expenses	(33,287)	-
Net financing costs	(253,986)	131
Share of net profit of associates	(329)	(446)
Income before taxes	$ 592,041	$ 729,314

Geographic information:

Sales per geographic market where these are located:

	Year ended on December 31,	
Net sales	2018	2017
México	$ 4,562,816	$ 4,286,235
Argentina	1,390,517	897,012
Other	1,905,859	1,477,222
Total	$ 7,859,192	$ 6,660,469

Property, plant and equipment where located per geographic market:

	December 31,	
	2018	2017
México	$ 1,891,503	$ 1,737,052
Argentina	206,210	139,371
Other	555,399	642,357
	$ 2,653,112	$ 2,518,780

Company's total information

The detail of the revenue by category is shown as follows:

	Year ended on, December 31,	
	2018	2017
Products sales	$ 7,507,431	$ 6,182,060
Revenue from services and maintenance	282,419	402,281
Revenue from operating leases	69,342	76,128
Total	$ 7,859,192	$ 6,660,469

Note 8 - Cash and cash equivalents:

	December 31,	
	2018	2017
Cash	$ 312	$ 327
Bank deposits	622,125	524,213
Highly-liquid investments with maturities of three months or less	427,910	1,155,407
Total cash and cash equivalents	$ 1,050,347	$ 1,679,947

Note 9 - Accounts receivable and other accounts receivable:

	December 31,	
	2018	2017
Clients	$ 1,614,235	$ 1,445,891
Less: impairment estimate	(15,700)	(7,800)
	1,598,535	1,438,091
Sundry debtors	101,433	13,878
Employees	4,318	6,724
VAT not yet credited	59,380	76,180
	165,131	96,782
	$ 1,763,666	$ 1,534,873

The fair value of accounts receivable at December 31, 2018 and 2017 is similar to their book value.

Accounts receivable include balances receivable from the following customers:

	December 31,	
	2018	2017
Brazilian government clients*	$ 410,009	$ 553,989
Home Depot México, S. de R. L de C. V.	41,982	47,194
Desarrollo Comercial Polo S. A. P. I.	136,558	27,631
Cencosud, S. A.	6,021	27,202
Grupo Boxito, S. A. de C. V.	20,030	17,569
Maestro Perú, S. A.	192	17,147
Sodimac Perú, S. A.	5,780	17,092
Simón Sistemas Hidráulicos, S. A. de C. V.	18,860	16,481
Tuberías de Oriente, S. A. de C. V.	8,031	15,150
Others	951,072	698,636
	$1,598,535	$ 1,438,091

* 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 rainwater caption systems in several counties of the semiarid region. In this regard, these accounts receivable with government agencies are guaranteed by the *"Programa de Aceleración de crecimiento" (PAC),* at the federal government protection, who has recognized the amount owed by such agencies. 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 part of the receivable balances until the reactivation of operations in 2018.

As such, during 2018, the Company recognized inflation adjustments as part of the account receivable of R$1,401 ($6,850); 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, a total amount of R.34,396 ($168,169) was collected, related to overdue balances and at issuance date of this financial statements the amount collected for these accounts receivable was R.6,802 ($33,256). The accounts receivable balance, with government agencies at December 31, 2018 and 2017 in thousand reales was R.80,823 ($395,160) and R.92,859 ($454,006), respectively.

The accounts receivable with the Brazilian government agencies are considered as low credit risk, at balance sheet date these 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, 2018 and 2017 is shown as follows:

	December 31,	
Range	2018	2017
Current	$ 1,082	$ 8,943
From 30 to 120 days	58,355	20,153
More than 120 days	350,572	524,893
	$ 410,009	$ 553,989

As such, the impairment estimate from expected credit losses is determined for the life of the account receivable

As previously mentioned, under IFRS 9, there is an assumption that the financial asset with more than 90 days of lack of payment is considered to be overdue or in default. Nevertheless, based on the historical analysis of the Company, it refutes the default of more than 90 days considering that the default is of more than 120 days. Based on this qualitative analysis of the receivable collection behavior, it was identified that an important part of the overdue receivable is paid with a backwardness of 90 days considering a default of more than 120 days. Based on this qualitative analysis of the receivable collection behavior, a significant portion of the accounts receivable was identified and is paid on a minor period and that such receivables have maturities of more than 120 days respectively a marginal recoverability is recorded.

The Company, has sufficient historical information to perform a data analysis that allows to select a model based on a loss rate. In this aspect, the Company decided to adopt the model based on a Loss Rate Approach (LRA or loss rate), which uses an approach that evaluates a measure based on past losses, in particular it analyses the historical information of the accounts receivable and calculates a percentage of the balance with the clients that have an overdue of more than 120 days in respect of the total balance of the accounts receivable.

Impairment estimate as December 31, 2018 and 2017 is broken down as follows:

	December 31,	
	2018	2017
Tinacos y Tanques de Centroamérica, S. A. (Guatemala)	$ 1,010	$ 85
Tinacos y Tanques de Nicaragua, S. A.	-	691
Tinacos y Tanques de Honduras, S. A. de C. V.	-	290
Talsar, S. A. (Argentina)	207	250
Rotoplas Argentina, S. A.	32	125
I. P. S.	2,424	-
Dalka do Brasil, Ltda.	1,950	184
Dalka, S. A. C. (Perú)	2,185	2,081
Molding Acquistion, Corp (EEUU)	2,240	6
Rotoplas, S. A. de C. V. (México)	3,825	3,788
Soluciones y Tratamiento Ecológico, S. A. P. I. de C.V.	1,827	300
	$15,700	$ 7,800

Movements in the impairment estimate of the accounts receivable are as follows:

	December 31,	
	2018	2017
Book value at January 1	$ 6,701	$23,724
IFRS 9 adoption effect	-	-
Impairment for the year	4,865	2,355
Recuperation (cancellations) of doubtful accounts - Net	4,134	(18,279)
Net book value	$ 15,700	$ 7,800

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. The other account receivables are not impaired.

At December 31, 2018, accounts receivable from customers of $15,700 (2017: $7,800) were impaired and have been fully reserved.

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,			
	2018		2017	
Mexican peso	$	732,797	$	527,731
Argentinian peso	A$	424,099	A$	238,518
USD	USD	3,699	USD	1,313
Real	R.	92,303	R.	106,275
Sol	S/	14,009	S/	17,087
Other in Quetzal (Central America)	Q.	8,652	Q.	7,271

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,	
Sell of goods and render of services to associates:	2018	2017
Dalkasa, S. A. (Ecuador)	$17,709	$11,511
AIC Rotoplas, S. P. A. (Chile)	95	272
Advanced Innovation Center, LLC. (USA)	-	2,952
	$17,804	$14,735

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

	December 31,	
Accounts receivable for sell of goods and rendering of services to associates	2018	2017
Dalkasa, S. A.	$ 7,242	$ 1,690
AIC Rotoplas, S. P. A.	1,036	300
Advanced Innovation Center, LLC.	983	-
	$ 9,261	$ 1,990

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, 2018 and 2017 the Company had no account receivables past due from related parties. These account receivables had no guarantees engaged and nor interest calculated. At December 31, 2018 and 2017, no impairment estimate has been recognized for these account receivables.

c. Loans granted to officers

At December 31, 2018 and 2017, loans granted to key officers are subject to fixed and variable interest rates, shown below:

Officer	1			2			3	4		5	6		7	
Engagement date	January 29, 2013	August 28, 2011	March 13 2017	January 1, 2013	October 2, 2014	March 13, 2017	January 1, 2013	January 21, 2013	February 21, 2012	January 10, 2013	December 1, 2013	August 15, 2017	March 17, 2017	Total
Interest rate	5.75%	UDI	5.75%	5.75%	UDI	5.75%	5.75%	5.75%	UDI	UDI	5.75%	5.75%	UDI	
December 31, 2018														
Opening balances	$ 17,634	$1,036	$8,917	$ 14,591	$ -	$6,845	$ 11,913	$ 3,864	$ -	$ 3,887	$ 32,534	$205	$ 479	$101,905
Loan	-	-	-	-	-	-	-	-	-	-	6,124	-	-	6,124
Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interests	723	51	517	535	-	428	423	947	-	190	1,577	-	24	5,415
Total	$ 18,357	$1,087	$9,434	$ 15,126	$ -	$7,273	$ 12,336	$ 4,811	$ -	$ 4,077	$ 40,235	$205	$ 503	$113,444

Officer	1			2			3	4		5	6		7	
Engagement date	January 29, 2013	August 28, 2011	March 13 2017	January 1, 2013	October 2, 2014	March 13, 2017	January 1, 2013	January 21, 2013	February 21, 2012	January 10, 2013	December 1, 2013	August 15, 2017	March 17, 2017	Total
Interest rate	5.75%	UDI	5.75%	5.75%	UDI	5.75%	5.75%	5.75%	UDI	UDI	5.75%	5.75%	UDI	
December 31, 2017														
Opening balances	$ 16,697	$ 971	$ -	$ 13,816	$ -	$ -	$ 11,293	$ 10,822	$ -	$ 3,645	$ 29,110	$ -	$ -	$ 86,354
Loan	-	-	8,500	-	-	6,500	-	-	-	-	2,003	205	460	17,668
Collections	-	-	-	-	-	-	-	(7,359)	-	-	-	-	-	(7,359)
Interests	937	65	417	774	-	345	620	400	-	243	1,421	-	20	5,242
Total	$ 17,634	$1,036	$8,917	$ 14,590	$ -	$6,845	$ 11,913	$ 3,863	$ -	$ 3,888	$ 32,534	$ 205	$ 480	$ 101,905

The fair value of officers' loans as at December 31, 2018 and 2017 was $113,444 and $101,905, respectively. Loans are due until June 1, 2024.

As at December 31, 2018 and 2017, no impairment estimates were necessary over the values of these loans.

As at December 31, 2018 and 2017, 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,	
	2018	2017
Salaries and other short-term benefits	$142,862	$116,072

The Board of Directors based on their performance and on market trends determine the compensation to directors and key executives.

e. Other related parties

During 2018 and 2017, 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 during the reporting periods 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, 2018 and 2017, 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,	
	2018	2017
Commissions paid	$ 1,072	$ 288
Interest collected	$ 41,935	$ 62,658

Note 11 - Other recoverable taxes:

	December 31,	
	2018	2017
Recoverable VAT	$ 36,879	$ 52,063
Excise tax on industrialized products[1]	249,333	308,108
Income tax prepayments	27,110	44,586
Other taxes[2]	54,638	49,064
	$ 367,960	$ 453,821

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,	
	2018	2017
Raw materials	$ 395,191	$ 473,270
Packaging materials	16,671	17,798
Work in progress	35,987	41,687
Finished goods	521,069	388,972
	968,918	921,727
Plus:		
Merchandise in transit	65,570	41,818
Hyperinflationary effect[1]	22,973	-
	$ 1,057,461	$ 963,545

1 Relates to the Hyperinflationary effect of the Argentinian entities.

Note 13 - Prepaid expenses:

	December 31,	
	2018	2017
Insurance paid in advance	$ 8,189	$ 4,958
Advances of drinking fountains and storm water collection systems	127,838	79,577
Advances of services	6,990	41,896
Advance expenses for maintenance of water treatment plants	40,355	14,037
Other expenses paid in advance	41,849	56,699
Hyperinflationary effect[1]	5,201	-
	$ 230,422	$ 197,167

[1] Relates to the Hyperinflationary effect of the Argentinian entities.

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

	December 31,	
	2018	2017
B37 Ventures, LLC.[1]	$ 23,687	$ 14,134

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

[1] During the period ended on December 31, 2016 the Company placed an investment in the fund B37 Ventures, LLC., with the purpose of investing 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, 2018 and 2017, these investments were not overdue or impaired.

Note 15 - Property, plant and equipment:

Year ended December 31, 2018	Land	Constructions in progress	Buildings	Machinery and tools	Furniture, fixtures and computer equipment	Transportation equipment	Molds	Leasehold improvements	Treatment Plants	Solar Panels	Total
Opening balances	$ 407,278	$ 282,287	$ 442,620	$ 492,965	$ 41,607	$ 8,486	$ 163,278	$ 113,090	$ 567,169	$ -	$ 2,518,780
Translation and Hyperinflationary effects	(7,470)	(20,643)	(4,925)	(19,862)	(2,143)	(870)	(312)	(1,129)	-	-	(56,730)
Adjustment to the value of the acquired assets (Note 31)	-	-	2,160	17,706	7,972	3,599	16,006	11,887	-	-	59,330
Transfers	-	(120,573)	16,594	32,918	30,231	2,078	28,021	5,039	(4,668)	-	(10,360)
Acquisitions	-	262,635	13,349	16,303	2,451	463	2,582	1,035	1,327	119,339	419,484
Disposals	-	(972)	(20,671)	(3,145)	(2,017)	(996)	(1,790)	-	-	-	(29,591)
Disposals depreciation	-	-	16,358	1,976	1,662	996	1,414	-	-	-	22,406
Depreciation of the year	-	-	(27,571)	(105,730)	(21,165)	(2,979)	(38,635)	(13,857)	(54,633)	(1,989)	(266,559)
Depreciation of the year For Hyperinflationary effect	-	-	(780)	(949)	(468)	(491)	(833)	(127)	-	-	(3,648)
Closing balance	$ 399,808	$ 402,734	$ 437,134	$ 432,182	$ 58,130	$ 10,286	$ 170,355	$ 115,938	$ 509,195	$ 117,350	$ 2,653,112
Balances as of December 31, 2018:											
Cost	$ 399,808	$ 402,734	$ 751,843	$ 890,527	$ 165,197	$ 34,019	$ 482,879	$ 145,998	$ 814,408	$ 119,339	$ 4,206,752
Accumulated depreciation	-	-	(314,709)	(458,345)	(107,067)	(23,733)	(312,524)	(30,060)	(305,213)	(1,989)	(1,553,640)
Closing balance	$ 399,808	$ 402,734	$ 437,134	$ 432,182	$ 58,130	$ 10,286	$ 170,355	$ 115,938	$ 509,195	$ 117,350	$ 2,653,112

Year ended December 31, 2017	Land	Constructions in progress	Buildings	Machinery and tools	Furniture, fixtures and computer equipment	Transportation equipment	Molds	Leasehold improvements	Treatment Plants	Solar Panels	Total
Opening balances	$ 428,601	$ 265,918	$ 466,391	$ 455,195	$ 37,452	$ 10,295	$ 158,071	$ 87,480	$ 373,296	-	$ 2,282,699
Translation effect	(21,323)	(10,389)	(10,475)	(17,969)	(464)	2,024	(3,526)	(1,302)	-	-	(63,424)
Adjustment in the value of the assets acquired	-	-	-	-	-	-	-	-	226,232	-	226,232
Transfers	-	(189,016)	8,599	92,396	21,026	(1,339)	37,569	34,934	64	-	4,233
Acquisitions	-	216,871	1,049	25,754	1,527	2,563	6,239	606	20,822	-	275,431
Disposals	-	(1,097)	-	(21,253)	(2,024)	(676)	(4,098)	(188)	-	-	(29,336)
Disposals depreciation	-	-	-	27,399	1,155	453	1,417	-	-	-	30,424
Depreciation of the year	-	-	(22,944)	(68,557)	(17,065)	(4,834)	(32,394)	(8,440)	(53,245)	-	(207,479)
Final balances	$ 407,278	$ 282,287	$ 442,620	$ 492,965	$ 41,607	$ 8,486	$ 163,278	$ 113,090	$ 567,169	$ -	$ 2,518,780
Balances as of December 31, 2018											
Cost	$ 407,278	$ 282,287	$ 748,163	$ 877,131	$ 125,920	$ 27,692	$ 431,930	$ 127,691	$ 817,748	$ -	$ 3,845,840
Accumulated depreciation	-	-	(305,543)	(384,166)	(84,313)	(19,206)	(268,652)	(14,601)	(250,579)	-	(1,327,060)
Closing balance	$ 407,278	$ 282,287	$ 442,620	$ 492,965	$ 41,607	$ 8,486	$ 163,278	$ 113,090	$ 567,169	$ -	$ 2,518,780

As of December 31, 2018 and 2017, the depreciation charge is included in the cost of sales for $263,257 and $163,762, in operating expenses of $33,950 and $43,022, 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,	
	2018	2017
Cost of land	$ 238,558	$ 239,895
Cost of buildings	585,394	574,372
Accumulated depreciation of buildings	(274,850)	(263,637)
	310,544	310,735
Net book value	$ 549,102	$ 550,630

At December 31, 2018 and 2017, 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 $409,754 and $567,169. The periods of the leases are up to 10 years, the assets will remain property of the Company at the end of these terms. This operation is the outcome of the business acquisition of Sytesa. Refer to Note 31.

At December 31, 2018 and 2017, the Company has not capitalized financing costs.

At December 31, 2018 and 2017, the Company does not operate contracts under financial lease.

Note 15.1 Fair value of lands and buildings:

In 2016, independent experts carried out appraisals of lands and buildings. The increase of revaluation was recognized net of deferred taxes in 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 (i.e. as prices) or indirectly (i.e., 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 m^2	8,950	8,950	-
Buildings	14,188	Comparison of prices	Price per m^2	3,123	3,123	-
Total Mexico City	98,769					
Guadalupe, Nuevo León						
Land	79,786	Comparison of prices	Price per m^2	1,060	1,060	-
Buildings	66,509	Comparison of prices	Price per m^2	8,071	8,071	-
Total Guadalupe, Nuevo León	146,295					
Tlajomulco de Zúñiga, Jalisco						
Land	25,390	Comparison of prices	Price per m^2	314	314	-
Buildings	23,291	Comparison of prices	Price per m^2	4,717	4,717	-
Total Tlajomulco de Zúñiga, Jalisco	48,681					
León, Guanajuato						
Land	16,448	Comparison of prices	Price per m^2	210	210	-
Buildings	128,080	Comparison of prices	Price per m^2	6,517	6,517	-
Total León, Guanajuato	144,528					
Los Mochis, Sinaloa						
Land	3,875	Comparison of prices	Price per m^2	290	290	-
Buildings	14,042	Comparison of prices	Price per m^2	5,590	5,590	-
Total Los Mochis, Sinaloa	17,917					
Lerma, Estado de México						
Land	18,788	Comparison of prices	Price per m^2	1,450	1,450	-
Buildings	48,038	Comparison of prices	Price per m^2	5,703	5,703	-
Total Lerma, Estado de México	66,826					
Mérida, Yucatán						
Land	39,501	Comparison of prices	Price per m^2	1,330	1,330	-
Buildings	18,867	Comparison of prices	Price per m^2	4,709	4,709	-
Total Mérida, Yucatán	58,368					
Tejería, Veracruz						
Land	29,185	Comparison of prices	Price per m^2	880	880	-
Buildings	33,078	Comparison of prices	Price per m^2	5,916	5,916	-
Total Tejería, Veracruz	62,263					
Total Mexico	643,647					
Pilar, Buenos Aires	35,921	Comparison of prices	Price per m^2	7,372	7,372	-
Vicente López, Buenos Aires	47,768	Comparison of prices	Price per m^2	5,980	5,980	-
Total Argentina	83,689					
Villanueva, Guatemala	24,485	Comparison of prices	Price per m^2	6,977	6,977	-
Total Guatemala	24,485					
Extrema, Brazil	90,692	Comparison of prices	Price per m^2	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, 2018 and 2017 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		Total	
	2018	2017	2018	2017	2018	2017
Mexico	$297,553	$ 297,553	$306,694	$ 322,770	$604,247	$ 620,323
Argentina	35,854	33,305	69,073	40,222	104,927	73,527
Guatemala	14,094	14,905	12,930	13,558	27,024	28,463
Brazil	52,307	61,515	48,437	66,070	100,744	127,585
	$399,808	$ 407,278	$437,134	$ 442,620	$836,942	$ 849,898

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

	December 31,	
	2018	2017
Lands and buildings:		
Opening balances	$ 849,898	$ 894,992
Translation effect	(59,335)	(31,798)
Additions	29,943	9,648
Disposals	(20,671)	-
Business acquisitions	2,160	-
Hyperinflationary effect	46,940	-
Depreciation	(11,993)	(22,944)
Closing balance	$ 836,942	$ 849,898

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 investment in associates of the Company and that are accounted for under the equity method is shown below. The associates that are disclosed below have a share capital consisting only of ordinary shares.

Nature of the investment in associates:

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, 2018 and 2017, 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

AIC is a private entity established and in operation in the USA, which in turn is the holding entity of the share parts of AIC - Rotoplas in Chile, it holds and owns the patent related to the technology “Plasma Water Santiation System” (PWSS) which is an innovative system of water treatment capable of eliminating viruses and living bacteria, through the transformation of continuous contaminated water flow into plasma. As of December 31, 2018 and 2017 the percentage of participation in the associate was 15.44%.

Management has defined that significant influence in this entity has been reached, due to the involvement of four Company’s members in the board of directors out of seven in this AIC, however no full control has been achieved since the main shareholder has the ability to nominate at will any member of the board of directors.

Information of Dalkasa and AIC is shown below:

a. Summarized statements of financial position

	Dalkasa		AIC		Total	
	December 31,					
	2018	2017	2018	2017	2018	2017
CURRENT ASSETS:						
Cash and cash equivalents	$ 2,179	$ 4,019	$ 2,366	$ 3,771	$ 4,545	$ 7,790
Accounts receivable and other accounts receivables	20,007	18,357	1,829	1,994	21,836	20,351
Related parties	-	-	17,941	19,151	17,941	19,151
Other recoverable taxes	-	-	37	37	37	37
Inventories	8,564	8,587	120	454	8,684	9,041
Prepaid expenses	5	228	1,701	1,590	1,706	1,818
Total current assets	30,755	31,191	23,994	26,997	54,749	58,188
Related parties	-	-	2,588	2,763	2,588	2,763
Property, plant and equipment	4,154	4,677	2,956	3,180	7,110	7,857
Intangible assets	-	-	90,068	98,654	90,068	98,654
Total assets	$ 34,909	$ 35,868	$ 119,606	$ 131,594	$ 154,515	$ 167,462

	Dalkasa		AIC		Total	
	December 31,					
	2018	2017	2018	2017	2018	2017
Liabilities and equity						
CURRENT LIABILITIES:						
Suppliers	$ 527	$ 1,298	$ 1,401	$ 786	$ 1,928	$ 2,084
Other accounts payable	7,586	7,444	6,331	4,663	13,917	12,107
Related parties	-	-	5,172	4,830	5,172	4,830
Provisions	1,192	1,226	-	-	1,192	1,226
Income taxes payable	1,053	1,428	-	-	1,053	1,428
Other taxes payable	157	526	114	126	271	652
Total liabilities	10,515	11,922	13,018	10,405	23,533	22,327
Total net assets	$ 24,394	$ 23,946	$ 106,588	$ 121,189	$ 130,982	$ 145,135

b. Summarized statements of comprehensive income

	Dalkasa		AIC		Total	
	Year ended on December 31,					
	2018	2017	2018	2017	2018	2017
Net sales	$ 41,292	$ 40,888	$ 3,872	$ 3,629	$ 45,164	$ 44,517
Cost of sales	(27,516)	(23,182)	(570)	(1,021)	(28,086)	(24,203)
Gross profit	13,776	17,706	3,302	2,608	17,078	20,314
Operating expenses	(11,458)	(13,325)	(10,223)	(15,530)	(21,681)	(28,855)
Other expenses - Net	(269)	(345)	-	-	(269)	(345)
Finance costs - Net	(71)	(98)	(30)	(52)	(101)	(150)
Income taxes	(495)	(957)	(11)	(11)	(506)	(968)
Non-controlling interest	-	-	62	470	-	-
Net profit (loss) for the year	$ 1,483	$ 2,981	($ 6,900)	($ 12,515)	($ 5,479)	($ 10,004)

At December 31, 2018 and 2017 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, 2018 and 2017, the Company had no contingencies related with the investment in associates.

At December 31, 2018 and 2017, 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	2018	2017	2018	2017	2018	2017
Net assets as of January 1,	$ 23,946	$ 13,035	$ 121,189	$ 125,689	$ 145,135	$ 138,724
Profit (loss) for the year	1,483	2,981	(6,900)	(12,516)	(5,417)	(9,534)
Investment	-	-	-	7,344	-	7,344
Currency translation effect	(1,035)	7,930	(7,701)	672	(8,736)	8,601
Net assets as of December 31,	$ 24,394	$ 23,946	$ 106,588	$ 121,189	$ 130,982	$ 145,135

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

	Year ended on December 31,	
Dalkasa	2018	2017
Net profit of the associate	$ 1,483	$ 2,981
Investment in associate	49.88%	49.88%
	739	1,487
AIC		
Net loss of the associate	(6,900)	(12,516)
Investment in associate	15.44%	15.44%
	(1,068)	(1,932)
Share of net profit of associates	($ 329)	($ 446)

Note 17 - Intangibles:

	Goodwill	Brands	Client relationship	Non-compete agreement	Software and SAP licenses	Total
Balance at January 1, 2018:	$ 2,117,340	$ 232,478	$ -	$ -	$ 150,919	$ 2,500,737
Translation and Hyperinflationary effect	(94,555)	(26,689)	(50,898)	(240)	(833)	(173,215)
Business acquisitions (Note 31)	478,126	188,514	354,162	3,180	-	1,023,982
Investments	-	-		-	136,571	136,571
Disposals	-	-	-	-	(6,377)	(6,377)
Amortization for the period	-	-	-	-	(45,625)	(45,625)
Balance at December 31, 2018	$ 2,500,911	$ 394,303	$ 303,264	$ 2,940	$ 234,655	$ 3,436,073
Net book value:						
Cost	$ 2,500,911	$ 394,303	$ 303,264	$ 2,940	$ 476,630	$ 3,678,048
Accumulated amortization	-	-	-	-	(241,975)	(241,975)
Balance at December 31, 2018	$ 2,500,911	$ 394,303	$ 303,264	$ 2,940	$ 234,655	$ 3,436,073

	Goodwill	Brands	Client relationship	Non-compete agreement	Software and SAP licenses	Total
Balance at January 1, 2017:	$ 1,822,078	$ 20,937	$ -	$ -	$ 129,613	$ 1,972,628
Translation effect	(7)	-	-	-	(23)	(30)
Business acquisitions (Note 31)	636,326	-	-	-	-	636,326
Investments	-	-	-	-	55,943	55,943
Transfers*	(341,057)	211,541	-	-	-	(129,516)
Amortization for the period	-	-	-	-	(34,614)	(34,614)
Balance at December 31, 2017	$2,117,340	$ 232,478	$ -	$ -	$ 150,919	$ 2,500,737
Net book value:						
Cost	$2,117,340	$ 232,478	$ -	$ -	$ 348,120	$ 2,697,938
Accumulated amortization	-	-	-	-	(197,201)	(197,201)
Balance at December 31, 2017	$2,117,340	$ 232,478	$ -	$ -	$ 150,919	$ 2,500,737

At December 31, 2018 and 2017, the charge for amortization is included in operating expenses by $45,625 and $34,614, respectively. (Refer to Note 27).

* During the 2017 period the Company concluded the determination of the fair values of Talsar and Sytesa, because of these, the following reclassifications were recorded:

Talsar	At acquisition date	Adjustment	Final balance
Trademark	$ -	$ 211,541	$ 211,541
Goodwill	499,826	(211,541)	288,285
	$ 499,826	$ -	$ 499,826

Sytesa	At acquisition date	Adjustment	Final balance
Property, plant and equipment[1]	$ -	$ 129,516	$ 129,516
Goodwill	1,265,627	(129,516)	1,136,111
	$ 1,265,627	$ -	$ 1,265,627

[1] The valuation techniques used in the level measurement of these assets are those described in Note 15.1.

Trademarks (Forteplas y Señorial)

It has been determined that the trademarks have an indefinite useful life asset, since it is expected that they 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. Trademarks are tested on an annual basis for impairment purposes or at the moment impairment indicators arise.

A summary of the allocation of brands by CGU is shown as follows:

	December 31,	
CGU	2018	2017
Talsar	$ 205,789	$ 232,478
IPS	188,515	-
	$ 394,303	$ 232,478

As mentioned in Note 1, the Company acquired diverse businesses and that have been the reason of the main increase in the value of intangible assets. Refer to Note 31.

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	2018	2017
Sanzfield (1)	$ 41,592	$ 41,587
Rotoplas Argentina (2)	56,627	56,626
Talsar (1)	288,285	288,285
IPS	385,941	-
E-commerce (1)	592,355	594,731
Sytesa (1)	1,136,111	1,136,111
	$ 2,500,911	$ 2,117,340

(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. Refer to Note 30.

(2) The recoverable value of the CGU Argentina has been determined based on 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.

The aforementioned long-lived assets including goodwill were tested for impairment purposes, no impairment loss was deemed necessary to be recognized as of December 31, 2018, since the expected cash flows are significantly higher than the value in use.

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

	Talsar		Sytesa		Argentina		E-Commerce		IPS
	December 31,								
	2018 (%)	2017 (%)	2018 (%)	2017 (%)	2018 (%)	2017 (%)	2018 (%)	2017 (%)	2018 (%)
Gross margin	34.10	35.90	21.20	31.09	29.90	36.62	22.20	29.70	49.37
Long-term growth rate	25.67	26.26	29.12	18.32	24.84	23.16	28.27	8.35	34.05
Discount rate	26.10	24.3	27.50	20.30	23.46	21.97	6.30	7.40	49.37

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.

At December 31, 2018 and 2017, 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	Hiring	Maturity	Instrument	Debt	2018	2017
Swap						
$600,000[1] MXP	June 2017	June 2020	TIIE 28 days	5.05%	$31,120	$40,166
Forward full delivery[2]						
1,800 USD	December 2018	January 2019	Exchange rate	19.9850	509	-
2,100 USD	December 2018	January 2019	Exchange rate	19.9850	594	-
1,200 USD	December 2018	January 2019	Exchange rate	19.9850	335	-
600 USD	December 2018	January 2019	Exchange rate	19.9850	168	-
1,100 USD	December 2018	February 2019	Exchange rate	19.9850	304	-
2,100 USD	December 2018	February 2019	Exchange rate	19.9850	583	-
800 USD	December 2018	February 2019	Exchange rate	19.9850	220	-
900 USD	December 2018	February 2019	Exchange rate	19.9850	249	-
2,100 USD	December 2018	March 2019	Exchange rate	19.9993	269	-
2,800 USD	December 2018	March 2019	Exchange rate	19.9993	422	-
1,500 USD	December 2018	March 2019	Exchange rate	19.9993	123	-
3,100 USD	December 2018	March 2019	Exchange rate	19.9993	326	-
2,100 USD	December 2018	April 2019	Exchange rate	19.9993	75	-
3,100 USD	December 2018	April 2019	Exchange rate	19.9993	40	-
800 USD	December 2018	April 2019	Exchange rate	19.9993	(8)	-
1,500 USD	December 2018	April 2019	Exchange rate	19.9993	87	-
					4,296	-
					$35,416	$40,166

[1] Such protection has the target to establish a maximum interest rate, this instrument has been acquired to manage the interest rate agreed resulting from the issuance of Company's bond certificates, from June 2017 on. (Refer to Note 19).

[2] For changes in the cash flows due to fluctuations of the exchanges rates the hedge is performed by hiring forward liquidation financial instruments "Full Delivery" or compensating "Non Delivery Forward" with a known price at an exact date. These derivative financial instrument have the economic effect of agreeing the exchange of currency at a future determined date, Forwards hired positions are hired with HSBC Mexico, and the reason is to cover a part of the fluctuation risk exposure. The effectiveness of each of the different hedges is linked to the exchange rate in the end of the liquidation date.

When the reference rate is higher than the level of the agreed Equilibrated Interbankary Interest Rate ("TIIE") the Company has the right, but not the obligation, of making that interest rate effective. Whilst the reference rate is below the level of the agreed rate, the one that will be used 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.

The valuation technique used in the determination of the fair value of the swaps include standard valuation models in the industry, forecasting future cash flows discounted to a present value, using observable market information, including yield curves for interest rates. In such case, the valuations are adjusted by different factors, such as credit differentiators. Such adjustments are based generally from available market inputs. These swaps are classified in level 2.

Note 19 - Debt:

19.1 Bank loans:

The book value of bank loans is as follows:

	December 31,	
	2018	2017
Long-term bank loans:		
HSBC Bank Argentina S.A. [2]	$ 1,039	$ -
	$ 1,039	$ -
Short-term bank loans:		
BNDES [1]	$ -	$ 334
HSBC Bank Argentina, S. A. [2]	1,257	-
	1,257	334
Total	$ 2,296	$ 334

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

On January 3, 2012, Dalka do Brasil (Dalka Brasil) signed a straight loan opening agreement with BNDES for $4,992 (R.901 thousand Reales); subject to variable interest rate 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.

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 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.

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 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.

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 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.

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, 2018 and 2017.

As of December 31, 2018 the aforementioned loans have been paid.

[2] On November 13, 2017, IPS signed a simple loan agreement with HSBC Bank Argentina, S. A. for A$4,350,000 (four million, three hundred and fifty thousand Argentinian pesos), the payable principal is subject to a variable interest rate considering the “Tasa Activa”, less a funding payment, in accordance to the following: Tasa Activa, would be the less of: a) “BLADAR” Bancos Privados issued by the BCRA in the period that the interests are related to, plus a fixed margin of 4.5 percent annual points, or b) determined at an effective rate of 19%. Such contract has a duration of two years from signing period and accrues interest in a monthly basis.

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, 2018 and 2017.

19.2 Bond certificates:

The Company holds the following outstanding bond certificates issues payable at mature date:

	December 31,	
Description	2018	2017
Issued on June 28, 2017, with a maturity date on June, 2027 with an fixed interest rate of 8.65% (17-2x)	$ 1,400,000	$ 1,400,000
Issued on June 28, 2017, with a maturity date on June, 2020 with a variable interest rate of 28 days TIIE + 0.68% (17-x)	$ 600,000	$ 600,000
Issued on October 11, 2018, with a maturity date on June 2027 with an fixed interest rate of 8.65% (17-2x)	$ 1,000,000	$ -
	$ 3,000,000	$ 2,000,000

The book value of the bonds is as follows:

	December 31,	
	2018	2017
Long-term portion of the bonds:		
Series 17-x	$ 595,275	$ 592,248
Series 17-2x	2,319,874	1,379,711
	2,915,149	1,971,959
Short-term portion of the bonds:		
Series 17-x	3,092	2,491
Series 17-2x	2,883	1,009
	5,975	3,500
Total	$ 2,921,124	$ 1,975,459

On June 28, 2017, the Company issued a sustainable bond through the Mexican Stock Market ("Bolsa Mexicana de Valores"), for an amount of $2,000,000. The issue of these bonds was performed in two tranches; the first tranche identified with the board ticker "Agua 17 2x" for $600,000, at a variable interest rate of adding 68 base points to TIIE 28 days rate, and the second tranche identified with the board ticker "Agua 17-2x" for $1,400,000, at a fixed interest rate of 8.65%, with interest payments each 182 days and a 10 years maturity; the third tranche is a complement of the sustainable bond issued under ticker "Agua 17-2x with the same conditions of maturity and rate. Such bonds are payable in one exhibition at their respective maturity dates. The related expenses of the bond certificates for $63,947 and $26,288 are net in the book values at December 31, 2018 and 2017, respectively.

The effective interest rates are shown as follows:

	Year ended on December 31,	
	2018 (%)	2017 (%)
BNDES	-	3.9
Series 17 x-2	9.19	10.73
Series 17 x	9.27	7.98

The fair value of bank loans is as follows:

	December 31,	
Fair value	2018	2017
Bank loans:		
BNDES	$ -	$ 350
HSBC Bank Argentina. S. A.	2,296	-
Series 17 x-2	2,403,065	-
Series 17 x	602,540	-
	$3,007,901	$ 350

The fair values of the loans based on discounted cash flow where determined using the discount rate (%) for each debt as follows:

	December 31,	
Fair value	2018 (%)	2017 (%)
Series 17 x-2	8.65	8.65
Series 17 x	8.59	7.38

The aforementioned fair values is similar to their book values, since the discount impact is not significant and fall within level 2 of fair value classifications.

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

	December 31,		
	2018	2017	
Reales *	R. -	R. 56	
Argentinian pesos*	A$. 4,405	A$. -	..
* Equivalent of Reales in Mexican pesos loan (Nota 19.1)	$ -	$ 334	
* Equivalent of Argentinian pesos in Mexican pesos loan (Nota 19.1)	2,296	-	
Loans in Mexican pesos	2,921,124	1,975,459	
Total in Mexican pesos	$ 2,923,420	$ 1,975,793	

19.3 Net debt reconciliation:

	Opening balance	Proceeds from bond debt	Finance costs	Payment of bank loans	Interest paid	Closing balance
Santander	$ -	$ 399,800	$ 6,090	($ 400,000)	($ 5,890)	$ -
HSBC Bank Argentina, S. A.	-	2,296	-	-	-	2,296
BNDES	334	-	3	(334)	(3)	-
Bond certificate series 17-x	594,739	3,027	55,731	-	(52,103)	598,367
Bond certificate Series 17-2x	1,380,720	939,690	168,523	-	(166,176)	2,322,757
	$1,975,793	$1,341,786	$ 230,347	($ 400,334)	($ 224,172)	$ 2,923,420

Note 20 - Suppliers:

	December 31,	
	2018	2017
Equistar Chemicals, LP	$ 49,898	$ 5,318
Pemex	34,772	56,388
Indelpro, S. A. de C. V.	32,061	47,365
Marangon Danilo & Co., S. de R. L.	29,988	29,598
Dow Internacional Mexicana, S. A. de C. V.	21,989	92,524
M. Holland Latinoamerica	19,394	-
Polyone de México Distributions	15,668	-
Xingfa International Co. Ltda.	13,667	12,336
Gasa México Consultoría y Servicios	9,654	-
Norwesco INC	7,833	-
Vinmar Overseas LTD	7,225	-
Procesos de Alta Tecnología, S. A. de C. V.	5,949	-
Arco Colores, S. A. de C. V.	3,067	5,032
Dismolper, S. A. de C. V.	1,035	6,494
Pentair Flow Technologies	-	5,921
Administración Nacional de Aduanas	-	10,972
Marra, S. de R. L.	-	9,385
Siderar, S. A. de C. V.	-	5,377
Others	147,336	163,100
	$ 399,536	$ 449,810

Note 21 - Other accounts payable:

	December 31	
	2018	2017
Sundry creditors	$ 432,572	$ 213,293
Accrued expenses and other accounts payable*[1]	611,272	352,565
	1,043,844	565,858
Less long-term portion	129,287	86,635
Total short-term	$ 914,557	$ 479,223

* Accrued expenses refer to rendered received services

[1] Include $120,288 related to the deferred consideration in the business acquisition of E-Commerce (Refer to Note 31).

Note 22 - Provisions:

For the period of 2018	Legal suits	Total
At January 1, 2018	$ 21,057	$ 21,057
Effect of currency translation	(3,103)	(3,103)
Charge to the profit and loss	6,133	6,133
Cancellations	(1,138)	(1,138)
Payments	(15,583)	(15,583)
At December 31, 2018	$ 7,366	$ 7,366

For the period of 2017	Legal suits	Total
At January 1, 2017	$ 33,634	$ 33,634
Effect of currency translation	(1,515)	(1,515)
Charge to the profit and loss	12,254	12,254
Cancellations	(9,677)	(9,677)
Payments	(13,639)	(13,639)
At December 31, 2017	$ 21,057	$ 21,057

Provisions mainly include liabilities for 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 - Lease:

On January 1, 2018, the Company applied for the first time IFRS 16 “Leases”, applying the simplified transition approach that allows the Company not to restate the comparative figures of the prior year on adoption, the outcome of such adoption consists in recognizing most of the lease contracts on the balance sheet, eliminating the difference between finance and operating leases. In accordance to this new standard a right for the usage of a leased asset and a liability for leases are recognized (initially recognized at present value of the minimum future lease payments) on the balance sheet.

a. As of December 31, 2018, the right of use of the asset and accumulated depreciation of the leases is shown below:

Year ended on December 31, 2018:	Buildings	Transportation equipment	Total
Initial recognition of the financial asset for the usage a leased asset	$ 112,883	$ 12,966	$ 125,849
New contracts	17,528	910	18,438
Depreciation of the year	(54,218)	(5,324)	(59,542)
Closing balances	$ 76,193	$ 8,552	$ 84,745

Year ended on December 31, 2018:	Buildings	Transportation equipment	Total
Cost	$ 130,411	$ 13,876	$ 144,287
Accumulated depreciation	(54,218)	(5,324)	(59,542)
Closing balances	$ 76,193	$ 8,552	$ 84,745

b. Minimum future lease payments as of December 31, 2018 is as follows:

Region	Monthly rent	Up to 1 year	Between 1 and 5 years	Period of the contract
Peru	$ 501	$ 6,205	$ 11,504	December 2020
Mexico	3,011	35,253	41,051	April 2019, May and December 2020
Honduras	27	321	1,121	October 2023
Nicaragua	16	189	268	September 2020
Costa Rica	79	491	-	June 2019
Salvador	21	250	780	December 2022
USA	1,048	10,003	23,312	April 2019, May 2020 and 2023
	$ 4,701	$ 52,711	$ 78,037	

c. The discounted future payments of the leases as of December 31, 2018, are as follows:

	December 31, 2018	2017
2018	$ 29,204	$ -
2019	33,705	-
2020	13,912	-
2021	14,054	-
2022-2024	2,660	-
	93,535	-
Short-term liability	29,204	-
Long-term liability	$ 64,331	$ -

d. The interest expense related to the finance lease, for the year ended on December 31, 2018 was $10,078 and the charge to profit and loss for depreciation concept of leased assets was $59,543.

e. Short-term leases or leases were the subjacent asset are considered low-value, the lessee will recognize the lease associated payments to the leases as an expense in straight-line during the life of the lease or else another systematic base. As of December 31, 2018 the Company recognized an amount in profit and loss of $13,398.

f. The activities from the Group as lessor are not significant and, as such, the Group does not expect to have a significant impact in the financial statements.

Note 24 - Employee benefits:

The value of obligations for benefits acquired at December 31, 2018 and 2017 totaled $16,186 and $10,905, respectively.

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

	December 31,	
	2018	2017
Obligations for acquired benefits	$ 5,042	$ 10,905
Senior premium	11,140	-
Current situation	$16,182	$10,905
Present value of non-funded obligations	$16,182	$10,905
Liability in the statement of financial position	$16,182	$10,905

DBO movements were as follows:

	Seniority premium December 31,	
	2018	2017
Balance at January 1,	$ 10,905	$ 9,248
Net cost for the period (NCP)	6,937	1,625
Payments with reserve charge	(160)	(309)
Actuarial gains	(1,500)	341
Balance at December 31,	$ 16,182	$ 10,905

The NCP is as follows:

	Seniority premium December 31,	
	2018	2017
Cost of service for the period	$ 6,125	$ 952
Financial costs - Net	812	673
	$ 6,937	$ 1,625

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

	December 31,	
Mexico	2018 (%)	2017 (%)
Discount rate	9.0	7.5
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 ODB due to changes in the weighted average of the main assumptions is as follows:

		Impact on the OBD	
December 31, 2018	Change in inputs (%)	Increase in inputs (%)	Decrease in inputs (%)
Discount rate	1.0	Decrease of 9.30	Increase of 9.22
Salary increase rates	1.0	Increase of 9.91	Decrease of 9.50

		Impact on the OBD	
December 31, 2017	Change in inputs (%)	Increase in inputs (%)	Decrease in inputs (%)
Discount rate	1.0	Decrease of 9.34	Increase of 9.88
Salary increase rates	1.0	Increase of 12.0	Decrease of 11.4

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.

RVU

RVUs 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 of the preceding year at settlement date, less the cost price at exercise when they were assigned and are settled in cash. RVUs are subject to the conclusion by the employee of a service period and 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, 2018 and 2017, available RVUs were 2,990 and 3,030, respectively, and their fair value was $16,757 and $23,222, respectively.

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

	2018		2017	
	Weight average value	RVUs number	Weight average value	RVUs number
January 1,	$ 14.91	3,030,989	$ 13.82	3,102,646
Granted		-	-	-
Cancelled		-	-	(71,657)
Exercised		(40,968)		-
December 31,	6.82	2,990,021	14.91	3,030,989

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

	Maturity date		Outstanding RVUs	
Granted	June 30	Assignment value	2018	2017
2009-2013	2019	$ 8.11	608,600	649,570
2011-2015	2021	9.30	390,335	390,335
2012-2016	2022	9.30	528,417	528,417
2013-2017	2023	11.94	598,097	598,097
2014-2018	2024	29.67	507,176	507,176
2015-2019	2025	29.51	357,394	357,394
			2,990,021	3,030,989

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

Note 25 - Equity:

The capital stock is comprised as follows:

Stocks*		Description	December 31,	
2018	2017		2018	2017
15,104	15,104	Represents the minimum fixed portion of equity with no withdrawal rights (Class I)	$ 39	$ 50
486,219,830	486,219,830	Represents the variable portion of capital with withdrawal rights (Class II)	4,790,003	4,964,281
486,234,934	486,234,934	Historical capital stock	4,790,042	4,964,326
		Hyperinflation increase up to 1997	71,391	71,391
			4,861,433	5,035,717
(23,949,320)	(14,975,660)	Treasury stock	(580,141)	(381,241)
462,285,614	471,259,274	Capital stock	$4,281,292	$ 4,654,476

* Nominal ordinary stocks, single series, without expression of nominal value as of December 31, 2018 and 2017 fully subscribed and paid.

On May 7, 2018 the Company announces an equity reimbursement payment for an amount of MXN$0.37 for each equity stock in circulation. The related payment was made in one exhibition through the S.D. Indeval, with a fixed equity balance of $39 and a variable balance of $4,790.

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

	Year ended on December 31,	
	2018	2017
Profit attributable to Company controlling interest	$ 370,530	$ 518,843
Weighted average of common stocks in circulation (in thousands)	468,613	473,620
Basic and diluted earnings per stocks	$ 0.79	$ 1.095

Reconciliation of treasury stocks is shown as follows:

	Number of shares	Total
Balance as of January 1, 2017	8,825,101	$ 222,382
Own stocks acquired *	6,370,559	165,100
Own stocks sold *	(220,000)	(6,241)
Balance as of December 31, 2017	14,975,660	$ 381,241
Balance at January 1, 2018	14,975,660	381,241
Own stocks acquired *	32,344,460	765,496
Own stocks sold *	(23,370,800)	(566,596)
Balance as of December 31, 2018	23,949,320	$ 580,141

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

On April 28, 2017, it was unanimously agreed to reimburse equity in cash to the fixed and variable parts, proportionally, without stock cancellation, for an amount of $175,578, at a ratio of $0.37 cents per stock in one exhibition. This reimbursement proceeds from the Restated Capital Contribution Account ("CUCA", by its Spanish acronym).

In 2018 and 2017, the Company acquired 32,344,460 and 6,370,559 of its own shares at an average price of $23.67 and $25.92 per share, the total amount of bought shares during these periods was $765,496 and $165,100, 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 2018. 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, 2018 and 2017, the CUFIN balance was $38,321 and $36,558, respectively.

At December 31, 2018 and 2017, the balance of the CUCA was $6,534,237 and $6,406,813, 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 (ITL), 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 ITL, 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, if, 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 (%)
2018	2%
2019 onwards	5%

Note 26 - IT:

i. In 2018, the Company determined a tax profit of $423,513 (2017: $806,102). In 2018, the Company amortized prior years' combined tax losses of $29,423 (2017: $4,103). The tax result differs from the book result mainly due to items that accrue over time and 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:

	Year ended on December 31,	
	2018	2017
Current IT	$ 341,053	$ 292,618
Deferred IT	(122,900)	(96,337)
Total charges to consolidated income	$ 218,153	$ 196,281

The main components of the deferred IT and the movements in assets and liabilities from deferred IT in 2018 and 2017 are shown in the following pages.

Reconciliation of the 2018 movements:

Company	Labor Obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory	Client advances	Allowance for doubtful accounts	Acquisition effects	Hyperinflationary effects	Total
Opening balance as of January 1, 2018	($ 3,270)	($ 81,026)	$ 127,133	($233,006)	($ 7,630)	($ 7,539)	($13,874)	$ -	$ -	($ 219,212)
Translation effect	-	95	(1,867)	18,044	-	-	-	-	-	16,272
Movements of 2018										
Grupo Rotoplas	-	(4,396)	-	9,529	-	-	-	-	-	5,133
Rotoplas	-	(2,637)	(6,825)	-	(8,344)	(1,149)	(4,615)	-	-	(23,570)
RRH	(290)	(935)	(83)	(10,230)	-	-	-	-	-	(11,538)
Servicios	(1,293)	(375)	(5,973)	7,190	-	-	-	-	-	(451)
Comercializadora	-	-	(4,799)	1,055	-	-	-	-	-	(3,744)
Bienes Raices	-	-	(3,466)	0	-	-	-	-	-	(3,466)
Latinoamerica	-	-	-	(25,090)	-	-	-	-	-	(25,090)
Sytesa	-	3,718	6,252	(8,470)	-	-	(639)	-	-	861
Rotoplas Labs	-	-	-	(2,479)	-	-	-	-	-	(2,479)
Argentina	-	(219)	(565)	(2,400)	(153)	-	55	-	2,789	(493)
Talsar	-	28	-	-	(26)	-	(1,424)	-	4,472	3,050
IPS	-	-	3,784	-	-	-	-	-	554	4,338
MAC	-	11,809	-	(72,897)	(1,968)	(15,007)	1,089	-	-	(76,974)
Brasil	-	-	(59)	12,614	-	-	-	-	-	12,555
Peru	-	(604)	-	-	59	-	(63)	-	-	(608)
Sanzfield	-	-	-	-	-	-	-	-	-	-
Centro America	-	88	(225)	(224)	(63)	-	-	-	-	(424)
Movement of the year, Net	(1,583)	6,477	(11,959)	(91,402)	(10,495)	(16,156)	(5,597)	-	7,815	(122,900)
Recognized items in OCI										
Latinoamerica	-	-	-	-	-	-	-	187,229	(51,003)	136,226
Argentina	-	-	8,946	-	(24)	(16)	-	-	-	8,906
Talsar	-	-	9,120	-	(2)	(3)	-	-	-	9,115
IPS	-	-	3,612	-	-	-	-	-	-	3,612
Balance as of December 31, 2018	($ 4,853)	($ 74,454)	$ 134,985	$306,364	($ 18,151)	($23,714)	($19,471)	$ 187,229	$(43,188)	($ 167,981)

Deferred income tax balances deferred from active items as of December 31, 2018:

Company	Labor Obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory	Client advances	Allowance for doubtful accounts	Acquisition effects	Hyperinflationary effects	Total
Grupo Rotoplas	$ -	$ 7,761	$ -	$ 12,860	$ -	$ -	$ -	$ -	$ -	$ 20,621
Rotoplas	-	5,631	2,382	-	8,344	8,687	15,841	-	-	40,885
RRH	2,656	3,075	293	25,993	-	-	-	-	-	32,017
Servicios	2,199	4,917	26,268	-	-	-	-	-	-	33,384
Latinoamerica	-	-	-	25,090	-	-	-	-	51,003	76,093
Rotoplas Labs	-	-	-	2,479	-	-	-	-	-	2,479
IPS	-	3,805	-	-	-	-	-	-	-	3,805
MAC	-	34,772	-	157,160	2,004	15,281	605	-	-	209,822
Brasil	-	14,848	(6,422)	58,574	4,787	-	53	-	-	71,840
Peru	-	1,468	-	-	967	-	645	-	-	3,080
Centro America	-	369	-	643	675	(1)	266	-	-	1,952
Balance as of December 31, 2018	$ 4,855	$ 76,646	$ 22,521	$282,799	$ 16,777	$ 23,967	$ 17,410	$ -	$51,003	$ 495,978

Deferred income tax liability balances as of December 31, 2018

Company	Labor Obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory	Client advances	Allowance for doubtful accounts	Acquisition effects	Hyperinflationary effects	Total
Comercializadora	$ -	$ -	($ 4,423)	$ 2,295	$ -	$ -	$ -	$ -	$ -	($ 2,128)
Bienes Raíces	-	-	(55,768)	-	-	-	-	-	-	(55,768)
Latinoamérica	-	-	-	-	-	-	-	(187,229)	-	(187,229)
Sytesa	-	-	(71,088)	8,470	-	-	549	-	-	(62,069)
Argentina	-	1,001	(13,494)	9,068	149	15	9	-	2,789	(463)
Talsar	-	114	(19,165)	-	19	3	1,256	-	4,472	(13,301)
IPS	-	-	(5,492)	-	-	-	-	-	554	(4,938)
Centro America	-	23	(2,581)	-	432	2	23	-	-	(2,101)
Balance as of December 31, 2018	$ -	$ 1,138	($ 172,011)	$ 19,833	$ 600	$ 20	$ 1,837	($ 187,229)	$ 7,815	($ 327,997)

Reconciliation of 2017 movements:

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory net	Client advances	Allowance for doubtful accounts	Total
Opening balance January 1, 2017	($ 2,773)	($ 18,880)	$ 69,143	($ 220,629)	($ 3,322)	($ 3,192)	($ 16,895)	($ 196,548)
Effect of currency translation	-	64	(1,257)	12,148	-	-	-	10,955
Movements of 2017								
Grupo Rotoplas	-	(7,453)	-	(1,815)	-	-	-	(9,268)
Rotoplas	-	1,269	1,329	-	-	(4,347)	3,850	2,101
RRH	(340)	(800)	(173)	(15,763)	-	-	-	(17,076)
Servicios	(157)	(529)	(6,647)	(7,190)	-	-	-	(14,523)
Comercializadora	-	-	(92)	991	-	-	-	899
Bienes Raices	-	-	(3,136)	-	-	-	-	(3,136)
Latinoamerica	-	-	-	24,904	-	-	-	24,904
Sytesa	-	-	(6,372)	-	-	-	-	(6,372)
Argentina	-	(208)	(3,747)	5,377	160	-	52	1,634
MAC	-	(46,822)	743	(23,206)	892	-	(1,306)	(69,699)
Brazil	-	(7,204)	15,276	(10,783)	(5,279)	-	462	(7,528)
Peru	-	(185)	76	-	(279)	-	(43)	(431)
Sanzfield	-	-	(225)	2,454	-	-	-	2,229
Central America	-	(278)	(503)	506	198	-	6	(71)
Movement for the year, net	($ 497)	($ 62,210)	($ 3,471)	($ 24,525)	($ 4,308)	($ 4,347)	$ 3,021	($ 96,337)
Recognized tax derived from the finalization of the fair value of the net assets acquired:								
Sytesa	$ -	$ -	$ 67,870	$ -	$ -	$ -	$ -	$ 67,870
Talsar	-	-	(5,152)	-	-	-	-	(5,152)
Talsar	-	-	62,718	-	-	-	-	62,718
Balance as of December 31, 2017	($ 3,270)	($ 81,026)	$127,133	($ 233,006)	($ 7,630)	($ 7,539)	($ 13,874)	($ 219,212)

Deferred IT balances from asset items as of December 31, 2017:

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory net	Client advances	Allowance for doubtful accounts	Total
Grupo Rotoplas	$ -	$ 3,366	$ -	$ 22,388	$ -	$ -	$ -	$ 25,754
Rotoplas	-	2,993	(4,442)	-	-	7,539	11,226	17,316
RRH	2,365	2,141	210	15,763	-	-	-	20,479
Servicios	905	4,542	20,296	7,190	-	-	-	32,933
Argentina	-	1,736	(4,611)	15,204	61	-	88	12,478
Talsar	-	331	5,670	-	-	-	-	6,001
MAC	-	46,985	-	83,265	-	-	1,721	131,971
Brazil	-	17,397	(7,621)	86,352	5,629	-	63	101,820
Peru	-	968	-	-	1,063	-	614	2,645
Central America	-	278	589	(506)	(198)	-	(7)	156
Balance as of December 31, 2017	$ 3,270	$ 80,737	$ 10,091	$ 229,656	$ 6,555	$ 7,539	$ 13,705	$ 351,553

Deferred IT balances from liability items as of December 31, 2017:

Company	Labor obligations	Provisions	Property, plant and equipment	Unamortized tax losses	Inventory net	Client advances	Allowance for doubtful accounts	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rotoplas	-	-	-	-	-	-	-	-
RRH	-	-	-	-	-	-	-	-
Servicios	-	-	-	-	-	-	-	-
Comercializadora	-	-	(5,265)	3,350	-	-	-	(1,915)
Bienes Raíces	-	-	(59,234)	-	-	-	-	(59,234)
Latinoamérica	-	-	-	-	-	-	-	-
Sytesa	-	-	(65,406)	-	-	-	(90)	(65,496)
Argentina	-	-	-	-	-	-	-	-
Talsar	-	-	-	-	-	-	-	-
MAC	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-
Peru	-	-	-	-	-	-	-	-
Sanzfield	-	289	(4,829)	-	1,075	-	259	(3,206)
Central America	-	-	(2,490)	-	-	-	-	(2,490)
Balance as of December 31, 2017	$ -	$ 289	($137,224)	$ 3,350	$ 1,075	$ -	$ 169	($ 132,341)

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

	Year ended on December 31,	
	2018	2017
Profit before income taxes	$ 592,041	$729,314
Statutory IT rate	30%	30%
IT at statutory rate	177,612	218,794
Plus (less) income tax effect of the following permanent items:		
Inflation annual adjustment	(23,361)	(24,955)
Effect of different tax rates*	(3,945)	(8,263)
Non-deductible expenses	6,521	18,786
Tax losses **	19,101	-
Other	42,226	(8,081)
	$ 218,153	$196,281
Effective IT rate	37%	27%

* The legal rate used in this reconciliation is in accordance with the ITL, which is the most representative for the reporting entity. The effect on rates is because 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	30
Brasil	34
Peru	29.5
Guatemala	25
Mexico	30
USA	27*
Nicaragua	30
Costa Rica	30
Honduras	25

* Enacted from January 1, 2018 on, previously 35%.

Accrued income tax losses

At December 31, 2018, the Company has accrued income tax losses for a total of $1,379,735, which right to be amortized against future profits expires as follows:

Tax loss Year	Grupo Rotoplas	Recursos Humanos	Argentina	MAC	Brasil	Central America	Latinamerica	Comercializadora	Rotoplas Labs	Sytesa	Restated amount	Expiry date
2010	$ -	$ -	$ -	$ -	$ 58,538	$ -	$ -	$ -	$ -	$ -	$ 58,538	Indefinite
2011	-	-	-	-	19,637	-	-	-	-	-	19,637	Indefinite
2014	-	-	6,063	-	-	-	-	-	-	-	6,063	2019
2014	10,806	-	-	-	-	-	-	-	-	-	10,806	2024
2014	-	-	-	4,885	-	-	-	-	-	-	4,885	2034
2014	-	-	-	-	-	1,700	-	-	-	-	1,700	2019
2015	-	-	-	-	209,577	-	-	-	-	-	209,577	Indefinite
2015	-	-	-	-	-	2,149	-	-	-	-	2,149	2019
2015	-	-	8,440	-	-	-	-	-	-	-	8,440	2020
2015	-	-	-	72,592	-	-	-	-	-	-	72,592	2035
2016	-	-	-	219,735	-	-	-	-	-	-	219,735	2036
2016	-	-	-	-	115,071	-	-	-	-	-	115,071	Indefinite
2017	-	-	-	-	-	3,417	-	-	-	-	3,417	2020
2017	-	56,055		-	-	-	-	-	-	-	56,055	2027
2017	-	-	-	176,909	-	-	-	-	-	-	176,909	2037
2017	-	-	-	-	34,149	-	-	-	-	-	34,149	Indefinite
2018	32,061	30,587	-	-	-	-	83,634	7,648	8,263	28,232	190,425	2028
2018	-	-	15,723	-	-	-	-	-	-	-	15,723	2023
2018	-	-	-	107,954	-	-	-	-	-	-	107,954	2038
2018	-	-	-	-	63,897	-	-	-	-	-	63,897	Indefinite
2018	-	-	-	-	-	2,013	-	-	-	-	2,013	2021
Total	$ 42,867	$ 86,642	$ 30,226	$ 582,075	$ 500,869	$ 9,279	$ 86,634	$ 7,648	$ 8,263	$ 28,232	$ 1,379,735	

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

Note 27 - Analysis of costs by nature:

	Year ended on December 31,	
	2018	2017
Raw material and production materials purchases	$ 3,352,768	$ 2,578,516
Installation costs	202,796	293,307
Direct labor	295,777	237,159
Electrical power	83,916	77,642
Energy (gas)	86,623	72,313
Depreciation and amortization	236,257	163,762
Indirect manufacturing expenses	503,815	609,360
Total	$ 4,761,952	$ 4,032,059

Note 28 - Analysis of operating expenses by nature:

	Year ended on December 31,	
	2018	2017
Salaries and remuneration to employees	$ 823,418	$ 636,240
Distribution and logistics	424,834	412,202
Advertising	194,005	146,975
Travel expenses	80,011	53,332
Hired services	143,163	74,389
Commissions	31,481	34,229
Leases	13,398	38,401
Repair and maintenance	53,286	33,588
Depreciation and amortization	139,117	78,331
Fuels and lubricants	22,620	17,683
Training	10,141	7,089
Medical insurance	11,624	8,017
Software maintenance	21,263	19,169
ESPS[1]	10,899	14,497
Other	271,624	324,639
Total expenses	$ 2,250,884	$ 1,898,781

[1] In 2018 and 2017, the Company was subject to ESPS, which is calculated applying the procedures established in the ITL. In 2018 and 2017, the Company determined a current ESPS in Mexico of $1,783 and $4,521, respectively and a current ESPS in Peru of $16,268 and $19,533, respectively.

Current ESPS was allocated in accordance with the type of employee in 2018 in cost of sales and operating expenses by $11,807 and $10,899 (2017: $9,557 and $14,497).

Note 29 - Finance income and costs:

	Year ended on December 31,	
Finance income	2018	2017
Interest earned	$ 59,445	$ 107,898
Profit of derivative financial instruments	48,690	64,755
	$ 108,135	$ 172,653

	December 31,	
Finance costs	2018	2017
Interest expense	($ 286,710)	($ 139,182)
Cost of derivative financial instruments	(18,538)	(17,882)
Loss in net monetary position	(63,834)	-
Currency exchange loss	6,961	(15,458)
	(362,121)	(172,522)
	($ 253,986)	$ 131

Note 30 - Fideicomiso AAA, commitments and contingencies

Fideicomiso AAA

The Company owns a trust named Fideicomiso AAA established 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 signed various 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	2018 Executed percentage (%)	2017 Executed percentage (%)
0.044.00/2013	Brasilia	99	99
0.214/2013	Minas Gerais	100	99
0.213.00/2013	Piauí	80	66
057/2014	Piauí	6	6

Contingencies:

As of December 31, 2018 and 2017, and at the date of issuance of the accompanying consolidated financial statements, there are no contingencies.

Note 31 - Business acquisitions:

31.1 E-Commerce

On October 20, 2017, the Company completed the acquisition of a controlling share investment in an E-Commerce business by a percentage described in Note 2.

E-Commerce is considered a business that offers water and liquids storage tanks in a diverse variety of options with operations in California, Florida and Texas in the USA.

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

Purchase consideration:

Concept	Amount
Fair value of the transferred consideration	$ 462,407
Deferred consideration [1]	120,288
Total purchase consideration	582,695
Proportional part of the non-controlling interest	(223)
Fair value of the acquired identifiable net assets	(15,313)
Goodwill and other intangible assets [2]	$ 567,159

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

Concept	Amount
Cash and cash equivalents	$ 41,436
Account receivables and other account receivables	14,694
Inventory	34,284
Prepaid expenses	320
Property, plant and equipment - Net	530
Guarantee deposits	368
Related parties payable	(6,337)
Suppliers	(42,567)
Advance payments from clients	(26,207)
Payable salaries	(1,208)
Fair value of the net identifiable net assets	$ 15,313

1 Deferred consideration E-Commerce

A deferred consideration of $120,288 was recognized, which at a closing exchange rate was revalued to $125,602 (USD 6,390), this resulting from the acquisition of E-Commerce. This amount was deposited and withhold by Citibank, N. A. as trustee, to guarantee those contingencies that could materialize and/or meet any indemnification obligation, such amount is considered part of the acquisition consideration and will be released, to the benefit of the sellers in two payments as follows: on October 20, 2019 for USD 2,000 and on October 20, 2020 the rest, discounting, any contingent obligation not previously recognized at acquisition date, if any. At December 31, 2018 and 2017, the deferred consideration was recognized as restricted cash and a liability for the same amount in other accounts payable was recognized.

The acquisition of the E-Commerce business is based in the capacity of increasing the operation of the market in the USA. The Company finalized its purchase price allocation at fair value of the net assets acquired, no adjustments or separable intangible assets were identified and the consideration paid in excess was transferred to goodwill. Goodwill is leveraged to the market penetration that the E-Commerce maintains in the USA and its commercial profitability. There is no expectation that the goodwill will be deductible for tax purposes. At December 31, 2017, the E-Commerce business has contributed to the sales of the Group by $135 million.

A non-controlling interest of E-Commerce at acquisition was recognized in the proportion of the non-controlling stockholders participation of the net identifiable assets of the acquired entity.

31.2 Sanzfield

On March 21, 2017, the Company announced the acquisition of the investment interest of 43.94% (52.70% participation of the voting rights) of the Canadian entity Sanzfield by an amount of USD 2,275 thousands. In accordance to the bylaws of Sanzfield, the Company has the right to designate three out of the five directors that integrate the board of directors, which provides the right and capacity of utilizing their power to vote in the decisions that affect the results and exercise control over the entity. Sanzfield is an innovation center in Canada that specializes in the development of water treatment and recycling systems, using technologies that can remove 100% of organic materials, viruses and bacteria from residual water without generating solid waste.

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

Purchase consideration:

Concept	Amount
Fair value of the transferred consideration	$ 44,818
Deferred consideration	9,114
Proportional part of the controlling interest	15,743
Provisional fair value of the acquired identifiable net assets	(28,083)
Goodwill	$ 41,592

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

Concept	Amount
Cash and cash equivalents	$ 264
Account receivables and other account receivables	27,685
Other recoverable taxes	36
Prepaid expenses	221
Property, plant and equipment - Net	416
Suppliers	(187)
Other accounts payable	(352)
Net identifiable assets	$ 28,083

As part of the acquisition agreement, the Company has the right, but not the obligation, to acquire at any time the rest of the stocks in Sanzfield at a market value on the date of exercise of the option.

A non-controlling interest of Sanzfield at acquisition was recognized in the proportion of the non-controlling stockholders participation of the net identifiable assets of the acquired entity.

31.3 IPS

On July 2, 2018 the Company completed successfully the remaining closing acts, completing as such the transaction in which it acquires 100% of the stockholders' equity of IPS in Argentina. IPS is a leading Argentinian company that focused on the manufacturing, distribution and commercialization of water flow solutions with over 4,100 active clients. From this date on, the Company possess control over IPS operation, fulfilling its individual solutions portfolio in Argentina, with brands and leading technologies to enhance its region growth.

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

Purchase consideration:

Concept	Amount
Fair value of the transferred consideration[1]	$1,092,395
Provisional fair value of the acquired identifiable net assets	(614,269)
Goodwill	$ 478,126

[1] The total transferred consideration includes restricted cash for an amount equivalent to $5,500 thousand USD ($108,302), such amount is currently hold by the former owners in guarantee for fulfilling the contingent consideration obligation and/or in case of any adjustment to the "Performance Guarantee Price". First cash unwind will become effective on December 31, 2020 for an amount of USD$4,125 thousand ($81,929) and/or the remaining after discounting any adjustment to the Performance Guarantee Deposit. The second cash unwind will become effective on December 31, 2024 for an amount of USD$1,375 thousand ($27,309) and a liability for the same amount in other accounts payable was recognized.

Related issuance costs were $1,780 directly attributable to the stock issuance.

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

Cash and cash equivalents	$ 99,781
Account receivables and other account receivables	138,744
Recoverable income tax	8,193
Other recoverable taxes	3,922
Inventory	94,039
Prepaid expenses	3,868
Property, plant and equipment - Net	59,330
Customer loyalty	354,162
Non-compete agreement	3,180
Brand	188,515
Deferred tax asset	4,866
Guarantee deposits	70
Short-term bank loan	(3,062)
Suppliers	(18,339)
Sundry creditors	(20,766)
Payable salaries	(10,291)
Advance payments from clients	(3,405)
Income tax payable	(37,121)
Pending collectable VAT	(1)
Other taxes payable	(19,284)
Sundry payables	(38,980)
Deferred tax liability	(193,152)
Fair value of the net identifiable net assets	$ 614,269

On the date of issuance of these consolidated financial statements, Management is reviewing the fair value of the net identifiable assets, and identifying the intangible assets derived from this transaction, the assigned values at the moment are provisional.

Goodwill is generated from the established market in Argentina and the high profitability of the acquired business. Goodwill recognized will be non-deductible for tax purposes.

The acquired entity contributed to the sales of the Group by $495,250 and to the net profit in $70,115, during the period that comprises July 1 to December 31, 2018. If the acquisition would have occurred on January 1, 2018, the entity would have contributed to the sales and net profit in $8,639,442 y $484,434, respectively.

Note 31 - Authorization of issuance of consolidated financial statements:

The undersigning officers thereto, authorized the accompanying consolidated financial statements and notes for issuance on April 25, 2019.

Carlos Rojas Mota Velasco	Mario A. Romero Orozco
President	Finance and Administrative Vice-president