

PLAN ESTRATEGICO DE JUAREZ, A. C.

STATUTORY FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

PLAN ESTRATEGICO DE JUAREZ, A. C.

STATUTORY FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

INDEX

	<u>Page (s)</u>
Independent auditor's report .....	1 and 2
Financial statements:	
Statements of financial position .....	3
Statements of activities .....	4
Statements of cash flows .....	5
Notes to financial statements .....	6 to 15

### ***Independent auditor's report***

(Free translation from the original report issued in Spanish)

To the Board of Associates of  
Plan Estrategico de Juarez, A. C.

We have audited the accompanying financial statements of Plan Estrategico de Juarez, A. C., which comprise the statement of the financial position as of December 31, 2015 and the statement of activities and of cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Mexican Financial Reporting Standards (MFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Plan Estrategico de Juarez, A. C. as of December 31, 2015 and its financial performance and its cash flows for the year then ended, in accordance with MFRS.

***Other matters***

We have not reviewed the statistical and narrative information included by the Organization Management in Note 12 to the financial statements, and therefore express no opinion on such information.

PricewaterhouseCoopers, S. C.



C. P. C. Arturo Elizondo O.  
Audit Partner  
May 17, 2016

PLAN ESTRATEGICO DE JUAREZ, A. C.

STATEMENTS OF FINANCIAL POSITION

Mexican pesos, (Note 2)

	<u>December 31,</u>	
<u>Assets:</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash (Note 4)	Ps 3,511,146	Ps 2,377,558
Associates accounts receivable (Note 5)		156,955
Other accounts receivable	<u>7,104</u>	<u></u>
Total current assets	3,518,250	2,534,513
FURNITURE AND EQUIPMENT - Net (Note 6)	502,624	669,483
OTHER ASSETS	<u>14,880</u>	<u>12,733</u>
Total assets	<u>Ps 4,035,754</u>	<u>Ps 3,216,729</u>
<u>Liabilities and net assets:</u>		
CURRENT LIABILITIES		
Salaries and tax related payable	Ps 158,496	Ps 109,588
Other accounts payable	61,317	46,258
Income tax payable (Note 11)	<u>35,195</u>	<u>32,659</u>
Total liabilities	<u>255,008</u>	<u>188,505</u>
NET ASSETS (Note 7):		
Unrestricted	3,059,978	2,473,657
Temporarily restricted	<u>720,768</u>	<u>554,567</u>
Total net assets	3,780,746	3,028,224
Commitments (Note 8)	<u></u>	<u></u>
Total liabilities and net assets	<u>Ps 4,035,754</u>	<u>Ps 3,216,729</u>

The accompanying thirteen notes are an integral part of these financial statements, which were authorized for its issuance on May 17, 2016, by the officer that sign at the end of these financial statements and its notes.

PLAN ESTRATEGICO DE JUAREZ, A. C.

STATEMENTS OF ACTIVITIES

Mexican pesos, (Note 2)

	Year ended as of December 31,	
	2015	2014
<u>Revenues:</u>		
Contributions received (Note 9)	Ps 7,167,273	Ps 6,518,617
Exchange gain	398,523	185,087
Gained interests	<u>2,942</u>	<u>1,785</u>
Total revenues	<u>7,568,738</u>	<u>6,705,489</u>
<u>Expenses:</u>		
General and administrative expenses (Note 2)	6,706,427	6,194,632
Exchange loss	<u>74,594</u>	<u>27,077</u>
Total expenses	<u>6,781,021</u>	<u>6,221,709</u>
Increase in net assets before taxes	787,717	483,780
Income tax (Note 11)	<u>35,195</u>	<u>32,659</u>
Increase in net assets during the year	752,522	451,121
Net assets, beginning of the year	<u>3,028,224</u>	<u>2,577,103</u>
Net assets, end of the year	<u>Ps 3,780,746</u>	<u>Ps 3,028,224</u>

The accompanying thirteen notes are an integral part of these financial statements, which were authorized for its issuance on May 17, 2016, by the officer that sign at the end of these financial statements and its notes.



PLAN ESTRATEGICO DE JUAREZ, A. C.

STATEMENTS OF CASH FLOWS

Mexican pesos, (Note 2)

	Year ended as of December 31,	
	2015	2014
<u>Operating activities:</u>		
Change in net assets	Ps 752,522	Ps 451,121
Investing activities related items:		
Depreciation expense	<u>193,750</u>	<u>189,240</u>
	946,272	640,361
Decreasing in accounts receivable and other	147,703	212,251
Increasing in salaries and other accounts payable	<u>66,504</u>	<u>35,737</u>
	<u>1,160,479</u>	<u>888,349</u>
<u>Investing activities:</u>		
Purchase of furniture and equipment - Net	<u>(26,891)</u>	<u>(136,817)</u>
Increasing net in cash	1,133,588	751,532
Cash at the beginning of the year	<u>2,377,558</u>	<u>1,626,026</u>
Cash at the end of the year	<u>Ps 3,511,146</u>	<u>Ps 2,377,558</u>

The accompanying thirteen notes are an integral part of these financial statements, which were authorized for its issuance on May 17, 2016, by the officer that sign at the end of these financial statements and its notes.

PLAN ESTRATEGICO DE JUAREZ, A. C.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015, AND 2014

(figures expressed in Mexican pesos (Ps), Note 2)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

Plan Estrategico de Juarez, A. C. ("the Organization" or Plan Estrategico) was incorporated on May 17, 2001, principally to promote actions and projects favoring the standard of living in Ciudad Juarez, Chihuahua.

Plan Estrategico de Juarez, A. C., is a nonprofit organization authorized by the Secretaria de Hacienda y Credito Publico (SHCP) to receive tax deductible contributions and exempt from federal income tax, except on income from the sale of shares, interest and prices in the terms of current tax provisions. On February 12, 2002, the Organization was authorized by the SHCP to receive income-tax deductible contributions; that authorization has been renewed annually. The Organization has defined that its regular operating cycle comprise from January 1 to December 31 of each year.

NOTE 2 – BASIS OF PREPARATION:

Mexican Financial Reporting Standards (MFRS)

The accompanying financial statements at December 31, 2015 and 2014, fairly meet the provisions of the MFRS to show a fair presentation of the Company's financial position. MFRS state that the International Financial Reporting Standard (IFRS), the International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC) and the Interpretation Committee (SIC) are a supplementary part of the MFRS when the absence of the MFRS requires it.

As of January 1, 2015, the Company retrospectively adopted the following improvements to Mexican Financial Reporting Standards (MFRS), issued by Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF), which became effective as of the aforementioned date. It is considered that no relevant effects over the financial information presented by the Company arise from such MFRS and Interpretations.

Improvements to MFRS

- MFRS B-16 "Financial statements of non-profit entities": It notes that it is not necessary to split Other Comprehensive Income (OCI) from the other income, costs and expenses of a non-profit entity because they do not distribute to their sponsors; therefore, it is not required to separately identify or present, in the statement of activities, the OCI mentioned in other particular MFRS.

Presentation of costs, expenses and additional items in the income statement

The Organization presents the costs and expenses in the income statement under the classification criterion based on the nature of items, as it breaks down the items of costs and expenses, taking into account the specific nature of the type of cost or expense of entity. The main items included as costs and expenses, grouped by specific nature are shown as follows:



	Year ended as of December 31,	
	2015	2014
Salaries, benefits and related taxes	Ps 1,778,383	Ps 1,379,363
Depreciation (Note 6)	193,750	189,240
Professional fees	2,633,633	2,439,259
Rent	550,745	528,308
Contributions made (Note 10)	1,557	
Other cost and expenses	<u>1,548,359</u>	<u>1,658,462</u>
	<u>Ps 6,706,427</u>	<u>Ps 6,194,632</u>

#### Inflation effects in financial information

According with the provisions in the MFRS B-10 "Inflation Effects", as of January 1, 2008, the Mexican economy is not an inflationary environment, since there has been a cumulative inflation below 26% (threshold to define that an economy should be considered as inflationary); therefore, it has been required to discontinue the recognition of the inflation effects in the financial information. Accordingly, the figures of the accompanying financial statements at December 31, 2015 and 2014 are stated in historical Mexican pesos modified by the inflation effects on the financial information recognized up to December 31, 2007.

The inflation rates are shown below:

	December 31,	
	2015	2014
Annual inflation rate	2.13%	4.08%
Cumulative inflation in the last three years	12.08%	11.77%

#### Recording, functional and reporting currency

Because the recording currency as the functional and reporting currencies of the Organization is Mexican peso, no translation process was needed.

#### Financial statements authorization:

The accompanying financial statements and their notes as of December 31, 2015 and 2014 were authorized for its issuance on May 17, 2016, by Miguel Fernandez Iturriza.

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

MFRS require the use of some critical accounting estimates in the preparation of the financial statements. Also, Management judgment is required in the process of defining the Company's accounting policies.

##### a. Cash

Cash includes cash balances, bank deposits and with minor risks by changes in value. See restricted cash in Note 4.

b. Furniture and equipment

The furniture and equipment, are expressed as follows: i) acquisition subsequent to January 1, 2008 at their acquisition cost, and ii) acquisitions up to December 31, 2007 from domestic origin at their restated values determined by applying factors derived from the National Index of Consumer Prices (INPC by its Spanish acronym) up to December 31, 2007 at their acquisition costs. Accordingly, as of December 31, 2015 and 2014 the furniture and equipment are expressed at their modified historical cost.

Depreciation is calculated by the straight line method based on the useful lives of the assets, such estimations were calculated by the Organization.

Long lived assets are subject to annual impairment testing only when impairment indicators are identified. As of December 31, 2015 and 2014 there were no impairment indicators on such assets.

c. Employees' Benefits

Employees' benefits granted by the Organization to its employees, including defined benefit plans (or defined contribution plans) are described as follows:

Direct benefits (salary, overtime, vacation, holidays, compensated absences payments, etc.) are recognized in the income as they accrue and their corresponding liabilities are expressed at nominal value since they are short-term. Compensated absence payments based on the legal or contractual provisions, are non-cumulative.

According with MFRS D-3 "Employee's Benefits", termination benefits due to reasons different from restructure (firing compensation or indemnities, aging bonus, special compensations or voluntary separation etc.) as well as the retirement benefits (pension, aging bonus, and compensation, etc.) are recognized based on actuarial studies carried out by independent actuaries through the projected unitary credit method. The Organization has not determined a provision for employee's benefits, however these provisions are not considered important in view of the reduced number of employees and its aging in the organization.

d. Contributions

Contributions are recorded as increases in net assets when received in cash, cash equivalents or unconditional promises to give. Contributions in-kind and in services are recorded in the financial statements at fair value.

Contributions whose restrictions are extinguished in the same period are shown under unrestricted net assets; they are not shown as restricted and then reclassified. That treatment is consistent with the preceding period.

e. Net assets

Unrestricted net assets: Consists of the Organization's net assets, the use of which is not subject to permanent or temporary restrictions. In other words, net assets resulting from a) all income, expenses, profits and losses not derived from changes in net assets that has been restricted permanently or temporarily, or in accordance with sponsor stipulations, and b) all income arising from reclassifications of permanently or temporarily restricted net assets.

The only limitation on unrestricted net assets is the one resulting from the nature of the Organization and the specific purpose of its regulations and bylaws.



Temporarily restricted net assets: Is comprised of temporarily restricted assets, whose use is limited by donor restrictions that expire over time or because the established purposes are met.

f. Exchange gain (loss)

Transactions in foreign currencies (US dollars) are initially recorded at recording currency applying the exchange rate prevailing on the date of their operation. Assets and liabilities denominated in such currency are translated at the exchange rate prevailing at the date of the statement of the financial position. Exchange gain or loss arising from fluctuations in the exchange rates between the transaction and settlement dates, or valuation at the period-end are recognized in income as a component of income or expenses.

g. Income tax (IT)

Under current tax provisions, the Organization is not subject to the payment of federal income tax, and is therefore not required to record deferred taxes. See Note 11.

NOTE 4 - CASH:

Cash consist of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash	Ps 5,000	Ps 5,000
Cash deposits	<u>2,785,378</u>	<u>1,817,991</u>
Total unrestricted	2,790,378	1,822,991
Restricted cash (1)	<u>720,768</u>	<u>554,567</u>
Total cash	<u>Ps 3,511,146</u>	<u>Ps 2,377,558</u>

- (1) Restricted cash arises from the need to handle contributions intended for the following programs: a) "Fortalecimiento de iniciativas de control democratico municipal", and b) "Cultura de legalidad de la Embajada".

NOTE 5 - ACCOUNTS RECEIVABLE FROM ASSOCIATES:

Contributions receivable from unconditional promises to receive cash are comprised as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Promoting partners	Ps -	Ps 146,955
Permanent partners	<u>                    </u>	<u>10,000</u>
	<u>Ps -</u>	<u>Ps 156,955</u>

#### NOTE 6 - FURNITURE AND EQUIPMENT:

The investment in such assets is as follows:

	<u>December 31,</u>		<u>Annual depreciation rate (%)</u>
	<u>2015</u>	<u>2014</u>	
Furniture and equipment	Ps 970,840	Ps 964,809	10
Communication equipment	235,530	235,530	10
Computer equipment	757,466	736,606	33.33
Transportation equipment	<u>434,094</u>	<u>434,094</u>	25
	2,397,930	2,371,039	
Accumulated depreciation	<u>(1,895,306)</u>	<u>(1,701,556)</u>	
	<u>Ps 502,624</u>	<u>Ps 669,483</u>	

Depreciation recorded in the statement of activities for the years ended as of December 31, 2015 and 2014 amounts Ps193,750 y Ps189,240, respectively.

#### NOTE 7 - NET ASSETS:

Net assets of the Organization is used for the original business purposes for which it was incorporated, and therefore no benefits may be offered on capital increases.

Net assets are comprised as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Unrestricted net assets	Ps 3,059,978	Ps 2,473,657
<u>Temporary Restricted Net Assets</u>		
Set aside for the program "Fortalecimiento de iniciativas de control democrático municipal"	26,756	183,900
Set aside for the program "Cultura de la legalidad de la Embajada"	<u>694,012</u>	<u>370,667</u>
	<u>720,768</u>	<u>554,567</u>
Total net assets	<u>Ps 3,780,746</u>	<u>Ps 3,028,224</u>

In the event the entity is liquidated, its assets will be entirely turned over to entities authorized to receive contributions, in the terms of the applicable tax laws.

According to the exemption ruling for income tax specified in Note 11, the Organization may not distribute to its sponsors, in full or in part, the remaining portion of income over expenses during the term of its operations.

#### NOTE 8 - COMMITMENTS:

The Organization has signed a collaboration agreement with the Centro de Investigaciones en Antropología Social "El CIESAS", for mutual collaboration in promoting activities of each of the parties with a view to carrying out actions for creating, strengthening and systematizing democratic municipal control initiatives within the state of Chihuahua, the program by the name of "Fortalecimiento de

iniciativas de control democratico municipal", by means of the coordination, technical assistance and accompaniment of recipients, and systematizing their work in compliance with the objectives and activities of the Association, financed by EL CIESAS. This is achieved by providing financial support to Plan Estrategico totaling Ps 202,000 (two hundred and two thousand Mexican pesos) in three installments.

I. CIESAS agrees to:

- a. Supervise, through Dr. Ernesto Isuanza Vera, the proper development of the project by the Organization.
- b. Coordinate the process for preparing and training the recipients of the action.
- c. Coordinating the contemplated publication for editorial purposes.
- d. Advising the Organization on the development and implementation of the project.
- e. Making payments on the financing for the project.
- f. Providing follow-up on the project and evaluating results.
- g. Arranging for the results to be made known, based on those considered most important, in consultation with the Organization.

II. Plan Estrategico agrees to:

- a. Administering the funds arising from CIESAS and handle an independent bank account, as well as punctually recording vouchers for expenses corresponding to the project.
- b. Implementing the action in proper time and form.
- c. Providing the following deliverables:
  1. Three six-month period reports on progress and the exercise of resources.
  2. A document on systematization of the experience as material for the "Atrevete a saber-atrevete a exigir. Guia para el control democratico municipal"
  3. A final report on results.

In addition, the Organization has signed an agreement to participate with the US Department of State in developing and completing citizen promotion programs intended to strengthen the state of law and the culture of legality in Ciudad Juarez, Chihuahua, a program by the name of "Cultura de la legalidad de la Embajada". This is designed to increase citizen participation, transparency, and defense and responsibility of citizens at key points of the city by means of financial support for Plan Estrategico totaling US\$790,231 (seven hundred and ninety thousand two hundred and thirty one US dollars).

I. Plan Estrategico agrees to:

- a. No later than 30 days following the end of each quarter based on calendar days, issue four quarterly reports on progress and exercise of the resources.
- b. Issuing a final report, once the program has concluded, specifying an analysis of the solution to problems, statistics, practical improvements, and analysis of problems pertaining to the execution of the project and conclusions concerning project sustainability.



- c. Notify the Department of State in the event that any of the employees assigned to the project is working or is to work on some other project or program.
- d. Keep documentation supporting the program conducted for a minimum of three years to be used in the event that it is the subject of an audit by the US government.
- e. If necessary, issue a written request for an extension to the program period, 30 calendar days prior to termination of the project term, providing reasons for the modification and a revised budget for the project plan. Additionally, may make no additional commitments and incur in no additional expenses beyond the amount authorized by the project.

**NOTE 9 - CONTRIBUTIONS RECEIVED:**

As of December 31, 2015, the Organization has nine promoting partners, who are committed to make annual contributions of US\$20,000 each, and together represent a significant portion of the contributions received by the Organization annually. As of December 31, 2015 and 2014, contributions made by promoting partners represent 39% and 38%, respectively, of annual contributions received. The contributions were received as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Contributions in cash	Ps 7,167,273	Ps 6,518,617
Contributions in-kind	-	-
	<u>Ps 7,167,273</u>	<u>Ps 6,518,617</u>

**NOTE 10 - CONTRIBUTIONS MADE:**

The Organization made contributions to other nonprofit entities as reimbursement of remainders of funds for programs, as follows:

	<u>Year ended as of</u> <u>December 31,</u>	
<u>Concept</u>	<u>2015</u>	<u>2014</u>
Unrestricted contributions	Ps 1,557	Ps -
	<u>Ps 1,557</u>	<u>Ps -</u>

**NOTE 11 - TAX POSITION:**

The Organization was registered as a non-profit organization for tax purposes and it is therefore exempt from income tax (IT) under the provisions of title III of the IT Law and authorization ruling 325-SAT-o8-II-B-260 dated January 29, 2003, which establishes that in order for income earned from its operations to be tax exempt, the entity must not distribute profits in the period of operations and must not incur expenses not strictly indispensable for carrying out its social purpose.

Nondeductible expenses incurred by the Organization are subject to IT in conformity with the applicable legal tax provisions. Because there are no temporary items in the determination of income tax payable by the Organization, no deferred income tax need be recorded. In 2015 and 2014, tax payable by the Organization is Ps35,195 and Ps32,659, respectively.

Additionally, as published in the Official Gazette of March 6, 2015, authorization was issued for taxpayers making donations to deduct those amounts from their taxable income, provided said donations are used exclusively for carrying out their social purpose.

NOTE 12 - STATISTICAL AND NARRATIVE INFORMATION:

Achievements 2015

Although it is difficult to claim achievements in these areas, as explained below, following are certain situations that can be viewed as good results of the Organization's work:

- Work continued on the system for surveillance and monitoring of the 2013-2016 Municipal Development Plan (PMD by its Spanish acronym).
- Regulating citizen group Regidor 19 consolidated the system for monitoring performance at the Juarez City Hall. 25 municipal government sessions were attended.
- Regidor 19, now known as RegidorMX, is now implementing the project at seven other counties in the country: Atoyac, Acapulco, Tecpan, Coyuca, en Guerrero, y Nezahualcoyotl, Naucalpan and Ecatepec, in Mexico State.
- There are now more citizens with knowledge of what a municipal development plan is, what it is for and the mechanisms necessary to take part in its implementation.
- Increase in compliance by regulators at commission meetings; they previously met infrequently, but compliance has risen from 20% in early 2010 to 96% in 2015.
- An increase in citizen interest in citizen matters such as the municipal government, Regulators, the PMD and citizen participation in general. This is thanks to an increase in interaction of the citizenry with the social networks of the Plan Estrategico de Juarez A.C., Regidor MX groups and The Neighbors Network. There have been more than 14,000 likes on our Facebook page.
- Two citizen reports have been issued on monitoring the Municipal Government, the Municipal Development Plan and the Municipal Budget.
- More young people of "Prepa al Cabildo" with knowledge of the Juarez City Hall, decision-making and the citizens' responsibility for surveillance, demanding and proposing.
- More than 270 high school students trained in matters pertaining to the Juarez City Hall; La Prepa al Cabildo program total more than 1,500 young people trained since 2012.
- Social and citizenry inclusion: young people participating in the Prepa al Cabildo project often live in the surrounding areas, which means that the distance to the downtown area of the city prevents them from taking part in different dynamics, including knowledge and appropriation of spaces for public decision-making; interaction with governors; and knowledge of Juarez public spaces.



- The Neighbors Network is now a venue for discussions between society and the government in search of solutions for local problems. Work tables were organized in the Valle del Sol areas with the offices for street cleaning, public services, urban development and public security.
- The Neighbors Network contributed more than 200 neighbor proposals that contributed to improving the quality of life of those living in Juarez City.
- The Neighbors Network conducted 119 advisory sessions directed to the citizenry in general to resolve public problems.
- The Neighbors Network was instrumental in organizing 33 meetings with functionaries and regulators in 2015 to resolve city problems.
- The Neighbors Network was composed of more than 215 individuals from more than 46 areas of the city.
- Visibility of the work of the organization in the media: 211 notes in the media in 2015
- Participation of different schools in the Prepa al Cabildo project. CBTIS 270, Preparatoria Agustín Pro, y CECYT 7.
- Invitation of several organizations throughout the country to submit a model for Plan Estrategico de Juarez, A. C. in states such as Oaxaca, Coahuila, Tamaulipas, Nuevo León, Yucatán, Guerrero and Mexico.
- We are a consultation source and reference at the national and local level concerning the matter of social controllership and accountability, and the Asi Estamos Juarez System of Indicators as a source of information for incidences.

#### NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS:

The following describes a series of MFRS issued by CINIF during December 2013, 2014 and 2015, which will take effect in 2016 and 2018. Those MFRS are not considered to have a significant affectation in the financial information to be presented by the Company.

##### 2016:

MFRS C-3 "Employees' Benefits" It states the valuation, presentation and disclosure standards for the initial and subsequent recognition of short-term and long term liabilities for termination and post-employment benefits. The concept of remeasurements of assets and liabilities for defined benefits is established and the possibility of deferring the recognition of actual gains and losses directly to income, as they accrue, is eliminated. Due to the above, such actuarial gains and losses should be immediately recognized in other comprehensive income (OCI), requiring their subsequent recycling to net profit or loss. Its early application is allowed as from January 1, 2015.

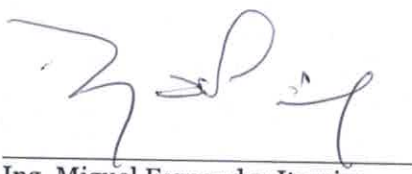
IFRIC 21 "Recognition of payments for employee separation". IFRIC 21 was issued with the purpose of clarifying the accounting treatment to be applied to separation payments established in MFRS D-3 "Employee benefits".

2018:

MFRS C-9 "Provisions, contingencies and commitments". Establishes the valuation, presentation and disclosure standards for liabilities, provisions and commitments, reducing its scope to relocate the matter related to financial liabilities in MFRS C-19. The definition of liability was modified, removing the concept of "virtually unavoidable" and including the term "likely".

Improvements to MFRS 2016:

- Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments". The concept of "transaction costs" is included, establishing that are those incurred in to produce a financial asset or through which a financial liability is assumed, that would have not been incurred in had such financial asset or liability had been recognized.



Ing. Miguel Fernandez Iturriza  
Presidente