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Table of Contents**Annual Improvements 2011-2013 Cycle**

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at January 1, 2014 and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

**4. Summary of significant accounting policies****4.1 Currency and foreign currency transactions****4.1.1 Functional and presentation currency of the financial statements**

Plantas Eólicas adopted the US dollar as the functional and presentation currency since it better reflects the events and transactions performed by the Company. Adoption of the US dollar as functional currency was based on the following facts: income from energy capacity is generated in dollars, some obligations are denominated in dollars and certain operating costs and expenses are also incurred in that currency. Information related to exchange regulations and risks is included in Note 17.

Considering that the accounting records are kept in Costa Rican colons, and that the US dollar was adopted as the functional currency, assets and liabilities denominated in foreign currency were translated into the financial statements' functional currency using the exchange rate ruling on the date of the statement of financial position. Non-monetary items measured on a historical cost basis were converted on the date of the statement of financial position using the exchange rate ruling on the original transaction date. Income and expenses are converted at the exchange rate in effect on the transaction date.

**4.1.2 Transactions in foreign currency**

Transactions in foreign currency, any currency other than the functional currency, are recorded at the exchange rate ruling on the transaction date. In determining its financial situation and operating results, the Company appraises and adjusts its assets and liabilities denominated in foreign currency at the exchange rate ruling on the date of this valuation and determination. Exchange differences resulting from the application of these procedures are recognized in the results of the period in which they occur.

**4.2 Cash**

Cash is comprised of cash on-hand and in banks. For purposes of the statement of cash flows, cash is presented net of bank overdrafts, if any.

**4.3 Financial instruments**

The valuation of the Company's financial instruments is determined using the amortized cost or fair value, as defined below:

**Amortized cost**—The amortized cost is calculated using the effective interest method less any allowance for impairment. The calculation takes into consideration any award or discount in the acquisition and includes the transaction costs and fees which are an integral part of the effective interest rate.

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