

**MANTENIMIENTO Y CONSERVACION DE  
VIALIDADES S.A DE C.V.**

**FINANCIAL STATEMENTS**

**2013**

MANTENIMIENTO Y CONSERVACION  
DE VIALIDADES, S.A. DE C.V.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

INDEX

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## REPORT OF INDEPENDENT AUDITORS

Querétaro, Qro. January 31, 2014

To the shareholders Meeting of  
Mantenimiento y Conservación de Vialidades, S.A de C.V.:

We have audited the accompanying financial statements of Mantenimiento y Conservación de Vialidades, S. A. de C. V., which comprise the statement of financial position as at December 31, 2013 and 2012, and statements of comprehensive income, statement of changes in stockholders' equity and statement of cash flow for the years ended at December 31, 2013 and 2012, and 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, 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 misstatement.

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 risk of material misstatement of the financial statement, 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

## **DESPACHO HOWARD & WAYMAN, SC**



accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except by mentioned in the next paragraph, we believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

As mentioned in the previous paragraph, the financial statements attached acknowledge no accrued effects of inflation on the financial information provided up to December 31, 2013. The financial statements attached here to have not acknowledged the effects of inflation on the financial information of previous years; consequently, they are prepared on the basis of the original historical value; nevertheless, the Mexican financial information standards require the acknowledgment of effects of inflation accrued up to December 31, 2007.

#### Qualified Opinion

In our opinion, except for the lack of acknowledgment of the inflation effects on the financial information, the financial statements referred to above, present fairly, in all the important respects,, the financial position of Mantenimiento y Conservación de Vialidades, S. A. de C. V. at December 31, 2013 and 2012, and the results of its operations, changes in stockholders' equity and cash flows, for the years then ended according to the Mexican Financial Reporting Standards.

Despacho Howard & Wayman, S. C.

A handwritten signature in black ink, appearing to read 'Ricardo', written over a circular stamp or seal.

C.P.C. Ricardo Jesús Dávila Santamaría  
Auditor Partner

## DESPACHO HOWARD & WAYMAN, SC

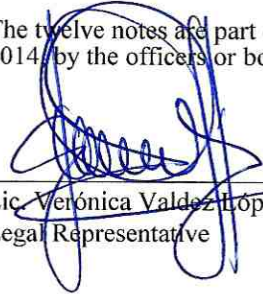
MANTENIMIENTO Y CONSERVACION  
DE VIALIDADES, S. A. DE C.V.

BALANCE SHEETS

Amounts expressed in Mexican Pesos,

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
<b>CURRENT ASSETS</b>		
Cash and investments (Note 5)	\$ 6,589,021	\$ 3,939,800
Accounts Receivable (Note 7)	3,052,113	3,131,044
Taxes to be recovered	1,359,526	1,361,067
Related parties (Note 6)	40,000	628,542
Advances paid to suppliers	104,093	153,738
Other assets	<u>55,206</u>	<u>23,500</u>
 Total current assets	 11,199,959	 9,237,691
 REAL ESTATE, MACHINERY AND EQUIPMENT – net (Note 8)	 3,183,299	 4,920,748
 Total assets	 <u>\$ 14,383,258</u>	 <u>\$ 14,158,439</u>
<u>Liabilities and stockholders' equity</u>		
<b>LIABILITIES IN THE SHORT TERM:</b>		
Suppliers	\$ 38,475	\$ 41,331
Creditors	34,496	41,341
Related parties (Note 6)	1,250	10,440
Other accounts payable and accrued expenses	780,185	956,314
Value added tax payable	<u>522,860</u>	<u>627,923</u>
Total liabilities in the short term	1,377,266	1,677,349
 <b>LONG-TERM LIABILITY</b>		
Deferred Taxes (Note 10)	31,540	16,711
 Total liabilities	 <u>1,408,806</u>	 <u>1,694,060</u>
 <b>STOCKHOLDERS' EQUITY:</b>		
Capital stock (Note 9)	9,550,000	9,550,000
Loss accrued from previous years	2,914,379	2,089,612
Net income (loss) of the year	<u>510,073</u>	<u>824,767</u>
Total stockholders' equity	<u>12,974,452</u>	<u>12,464,379</u>
 Total liabilities and stockholders' equity	 <u>\$ 14,383,258</u>	 <u>\$ 14,158,439</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2014 by the officers or board that sign completely these financial statements and its notes.

  
Lic. Verónica Valdez López  
Legal Representative

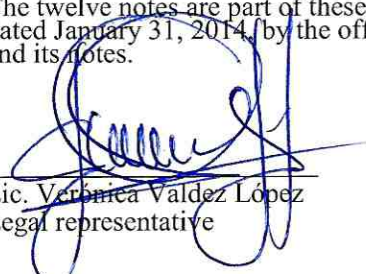
MANTENIMIENTO Y CONSERVACION  
DE VIALIDADES, S.A. DE C.V.

STATEMENT OF INCOME  
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2013</u>	Year ending on <u>December 31</u> <u>2012</u>
Net Sales	36,200,436	93,052,050
Management expenses	4,640,615	7,263,969
Operating expenses	<u>31,120,072</u>	<u>84,385,215</u>
	<u>35,760,687</u>	<u>91,649,184</u>
Operating income	439,749	1,402,866
Other (expenses) income	<u>207,290</u>	<u>(416,175)</u>
Comprehensive financing result: Interest gain – Net (Note 11)	<u>202,466</u>	<u>133,260</u>
Income before income tax	849,505	1,119,951
Income tax (Note 10)	<u>339,432</u>	<u>295,184</u>
Net Income for the year	<u>\$ 510,073</u>	<u>\$ 824,767</u>

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Lic. Verónica Valdez López  
Legal representative

MANTENIMIENTO Y CONSERVACION  
DE VIALIDADES, S. A. DE C.V.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
BY THE PERIOD ENDING ON DECEMBER 31, 2013 AND 2012

Amounts expressed in Mexican pesos

	<u>Capital stock</u>	<u>Accrued profits (losses) From previous years</u>	<u>Net of the year</u>	<u>Total stockholders' equity</u>
Balances at January 1, 2011	\$ 9,550,000	\$ 471,656	\$ 1,617,956	\$ 11,639,612
Application of 2011 loss		1,617,956	(1,617,956)	-
Net income for the year			<u>824,767</u>	<u>824,767</u>
Balances at December 31, 2012	9,550,000	2,089,612	824,767	12,464,379
Application of 2012 income		824,767	(824,767)	-
Net income for the year			<u>510,073</u>	<u>510,073</u>
Balances at December 31, 2013	<u>\$ 9,550,000</u>	<u>\$ 2,914,379</u>	<u>\$ 510,073</u>	<u>\$ 12,974,452</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2014, by the officers or board that sign completely these financial statements and its notes.

  
 Etc. Patricia Valdez López  
 Legal representative

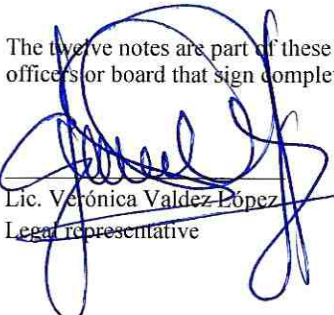
MANTENIMIENTO Y CONSERVACION  
DE VIALIDADES, S. A. DE C.V.

CASH FLOWS STATEMENT  
(NOTE 2)

Amounts expressed in Mexican pesos

	Year ending on December 31	
	<u>2013</u>	<u>2012</u>
<u>Operating activities:</u>		
Income before income tax	\$ 849,505	\$ 1,119,951
Investing activities related items:		
Depreciation and amortization	1,635,054	1,577,939
Interests in favor	(213,763)	(152,666)
Income from property and equipment	<u>(392,295)</u>	<u>(84,483)</u>
Subtotal of the investing and financing activities related items	1,878,501	2,460,741
(Decreasing) increasing in receivable and other	48,766	(3,328,854)
Increasing in related items	579,352	(653,542)
Inventory decreasing	49,645	(16,272)
Suppliers Increasing	(114,763)	161,136
Income taxes paid	<u>(500,733)</u>	<u>(53,173)</u>
Operating activities net cash flows	<u>1,940,768</u>	<u>(1,429,964)</u>
<u>Investing activities:</u>		
Charges interest	213,763	152,666
Charges for property and equipment	<u>494,690</u>	<u>(2,164,899)</u>
Investing activities net cash flows	<u>708,453</u>	<u>(2,164,899)</u>
Exceeding cash to apply in financing activities	2,649,221	(3,442,197)
Net cash increasing and temporary investment	2,649,221	(3,442,197)
Cash and temporary investments at the beginning of the year	<u>3,939,800</u>	<u>7,381,997</u>
Cash and temporary investments at year end	<u>\$ 6,589,021</u>	<u>\$ 3,939,800</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2014, by the officers or board that sign completely these financial statements and its notes.

  
Lic. Verónica Valdez López  
Legal representative



MANTENIMIENTO Y CONSERVACIÓN  
DE VIALIDADES, S. A. DE C. V.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Amount expressed in Mexican pesos

NOTE 1 - COMPANY HISTORY AND ACTIVITY:

The company was organized in Querétaro City, on March 1, 2006, under the name of Mantenimiento y Conservación de Vialidades, S. A. de C. V., with a term of 99 years and a corporate domicile in the city of Santiago de Querétaro.

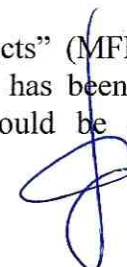
The company's main activity is the provision of information services, administrative, communications, comprehensive maintenance, routine maintenance, periodic maintenance, reconstruction, rehabilitation of bridges, road services, quality control and management of the work on the road, with or without added materials, by others or by self. Technical assistance, business advice and the management and administration of all kinds of businesses, companies or businesses, technology transfer all kinds of products and building systems.

NOTE 2 – BASIS FOR PREPARATION

The accompanying financial statements at December 31 2013 and 2012, fairly meet the provisions of the MFRS to show a fair presentation of the Company's financial position. The Company presents costs and expenses in the income statement under the classification criterion based on the function of items, which main characteristic is to take away the sales costs from the other costs and expenses, except for what is mentioned in item 1 below.

Additionally, for a better analysis of its financial position, the Company has deemed necessary to separately present the amount of the operating profit (loss) in the income statement as such information is a common disclosure practice of the sector which the entity belongs to.

1. According with the provisions in the MFRS B-10 "Inflation Effects" (MFRS B-10), 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) in the most recent three year period. Therefore, as of January 1, 2008 it has been required to discontinue the recognition of the inflation effects in the financial information (disconnection from inflationary accounting). Consequently, the figures of the accompanying financial statements at December 31, 2013 and 2012 are stated in historical Mexican pesos.

The inflation rates are shown below:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Of the year	3.97%	3.57%
Accrued during the last three years	11.36%	11.79%

Because the recording currency, the functional currency and the reporting currency are the Mexican peso, it was not necessary to perform any conversion process.

The accompanying non consolidated financial statements and their notes were authorized, for their issuance on January 31, 2014 by Veronica Valdes Lopez, Legal Representative, with legal capacity to authorize the financial statements and their notes.

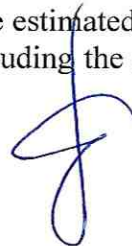
### NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 and cash equivalents, including cash balances, bank deposits and other highly liquid investments with minor risks by changes in value.
- b. At December 31, 2013 and 2012 the inventories and sales cost are expressed at its historical cost determined through the by the first in-first out method. Values determined like this do not exceed its market value.
- c. The property, plant and equipment, including the financial leasing acquisitions, are expressed at their historical cost.

Depreciation is calculated by the straight line method based on the estimated useful lives of the assets applied to the property, plant and equipment values, including the acquired under financial leasing. (See Note 8).



- d. The liabilities' provisions represent present obligations for past events where the outflow of economic resources is possible. These provisions have been recorded based on management's best estimation.
- e. The Capital Stock, and the retained deficit are expressed at modified historical cost.
- f. The integral profit is composed by the net profit, as well as by such other entries that due to specific provisions are reflected in the stockholders' equity and are no capital contributions, reductions or distributions. The amounts of 2013 and 2012 integral profit are stated in modified historical pesos.
- g. The income by the sale of maintenance services of roads and highways are recognized in the income statement when the overall following requirements are met: a) the goods' risk and benefits were transferred to the buyer and there is no significant control on any of them, b) the amount of the revenue, incurred costs or to be incurred in are reliably determined and c) the Company is likely to receive economical benefits associated to the sale.

NOTE 4 - FOREIGN CURRENCY POSITION:

- a. At December 31, 2013 and 2012, the Company had the following US dollar monetary, as shown as follows::

	Amounts in foreign currency			
	<u>2013</u>		<u>2012</u>	
Assets	Dlls	1,232	Dlls	1,267

At December 31, 2013 and 2012 the exchange rate was \$ 13.08 and \$12.98 per dollar, respectively. At January 31, 2014, date of issuance of these audited financial statements, the exchange rate was \$ 13.32 per US dollar.

NOTE 5 - CASH, BANKS AND TEMPORARY INVESTMENTS:

The cash and cash equivalent balance at December 31, 2013 and 2012 is mainly comprised by cash at bank including foreign currency amounts, which are of high liquidity to and are subject to non significant value change risks. The integration of such balance is shown as follows:



	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 96,000	\$ 124,000
Bank deposits	293,021	316,047
Investments with maturity	<u>6,200,000</u>	<u>3,499,753</u>
Non-restricted total	<u>6,589,021</u>	<u>3,939,800</u>
Total cash	<u>\$ 6,589,021</u>	<u>\$ 3,939,800</u>

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

The main balances with related parties at December 31, 2013 and 2012 are shown as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Receivables		
Agacel Agregados y Asfaltos, S. A de C. V.	\$ - 5	\$ 588,542
Conservación de Infraestructuras de México, S. A. de C. V.	<u>40,000</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 628,542</u>

Payables

ESM Mantenimiento Integral, S. A de C. V	\$ -	\$ 10,440
Empresas PAME, S. A de C. V	\$ 1,250	\$ 10,440
	<u>\$ 1,250</u>	<u>\$ 10,440</u>

During the years ended at December 31, 2013 and 2012, the Company carried out the following operations with related parties at their market value.

	Year ending on December 31,	
	<u>2013</u>	<u>2012</u>
Income:		
Net sales	\$ <u>4,190,225</u>	\$ <u>19,929,844</u>
Expenses:		
Purchases of raw material	\$ <u>6,204,710</u>	\$ <u>36,701,704</u>

NOTE 7 – ACCOUNTS RECEIVABLE:

	December 31,	
	<u>2013</u>	<u>2012</u>
Clients	\$ 3,051,137	\$ 3,128,368
Sundry debtors	<u>976</u>	<u>2,676</u>
	<u>\$ 3,052,113</u>	<u>\$ 3,131,044</u>

NOTE 8 - PROPERTY, AND EQUIPMENT:

	December 31,		Annual depreciation rate
	<u>2013</u>	<u>2012</u>	
Machinery and equipment	\$ 2,743,442	\$ 2,704,324	10%
Transportation equipment	4,593,477	5,701,319	25%
Computer equipment	494,749	494,749	30%
Furniture and office equipment	<u>267,335</u>	<u>265,160</u>	10%
	8,099,003	9,165,552	
Cumulative depreciation	<u>(4,915,704)</u>	<u>(4,244,804)</u>	
	<u>\$ 3,183,299</u>	<u>\$ 4,920,748</u>	



NOTE 9 - STOCKHOLDERS' EQUITY

At December 31, 2013 and 2012, the capital stock is integrated as follows:

<u>Number of shares</u>	<u>Description</u>	<u>Amount</u>
	Represents the fixed portion, with no right of withdrawal	
32,000	Elsamex Internacional, S. L.	\$ 32,000
18,000	Agacel, Agregados y Asfaltos, S. A de C. V.	18,000
	Represents the variable portion of free subscription	
6,080,000	Elsamex Internacional, S. L.	6,080,000
<u>3,240,000</u>	Agacel, Agregados y Asfaltos, S. A. de C. V.	<u>3,420,000</u>
<u>9,550,000</u>	Capital stock in purchasing power pesos as of December 31, 2013	<u>\$ 9,550,000</u>

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock..

Dividends paid will be free from the Income Tax if they come from the Net Fiscal Profit Account (CUFIN, by its Spanish acronym). Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid on 2013. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the Flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the provisions of the Income Tax Law arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.



NOTE 10 - INCOME TAX AND FLAT TAX

a. Income Tax:

i. Based on its financial and tax projections, the Company's management determined that the tax to be paid in the future will be the Income tax, therefore it has been recognized the deferred Income Tax.

ii. On December, 2012 the decreed by which diverse provisions of the Income Tax Law are reformed, added and derogated for 2013, which establishes, among other, that the Income Tax rate applicable from 2013 will be 30%, for 2014 will be 29% and as of 2015 will be 28%.

iii. The income tax provision is analyzed as follows:

	Year ending on <u>December 31,</u>	
	2013	2012
Income tax payable	\$ -	\$ 278,473
Income tax deferred	<u>14,829</u>	<u>16,711</u>
 Total provision	 <u>\$ 14,829</u>	 <u>\$ 295,184</u>

b. Flat Tax:

i. In 2013 the Company determined a tax profit, which exceeds the determined for Income tax purposes. The tax result differs from the accounting result, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or tax result.

ii. 2013 Flat Tax of the period is calculated at the 17.5% rate, on the profit determined with base on the cash flows, such net income represents the difference between the total income collected by taxable activities, less the authorized tax deduction paid. In addition, it is also allowed to reduce this amount with the Flat tax credits, based on the procedures established in the effective law.

iii. According with the effective tax law, the Company must pay annually the higher tax between Income tax and Flat tax.

	Year ending on <u>December 31,</u>	
	2013	2012
Flat tax payable	\$ 324,603	\$ -



NOTE 11 - ANALYSIS OF OTHER EXPENSES AND INCOMES:

The other expenses and incomes accrued are composed as follows:


	<u>2013</u>	<u>2011</u>
Income in insurance recovery	25,628	13,507
Profit in fixed asset sales	392,295	84,483
Employees Statutory Profit Sharing	(110,402)	(159,667)
Other (expenses)	<u>(100,231)</u>	<u>(354,498)</u>
Total other income (expenses)	<u>\$ 207,290</u>	<u>(\$ 416,175)</u>

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS:

During December 2012, the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF by its Spanish acronym) issue approved a certain NIF, which will take effect on January 1, 2013 and 2014 and is considered to have a significant effect on the financial information presented, as explained below:

NIF B-12 "Offsetting financial assets and financial liabilities". It establishes the principle of compensation of assets and liabilities, indicating that items must be offset financial.

NIF C-14 Transfer and derecognition of financial assets. "It establishes the principle of transfer of risks and rewards of ownership of the financial asset, as a fundamental condition for ending.

  
Verónica Valdez López  
Legal Representative