

**CONSERVACION DE INFRAESTRUCTURAS DE
MEXICO SD DE CV**

FINANCIAL STATEMENTS

2013

CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S.A. DE C.V.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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REPORT OF INDEPENDENT AUDITORS

Querétaro, Qro. January 31, 2014

To the shareholders Meeting of
Conservación de Infraestructuras de México, S.A de C.V.:

We have audited the accompanying financial statements of Conservación de Infraestructuras de México, 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

DESPACHO HOWARD & WAYMAN, SC



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 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 evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Qualified Opinion

In our opinion, the financial statements referred to above, present fairly, in all the important respects, the financial position of Conservación de Infraestructuras de México, 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', with a stylized flourish at the end.

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

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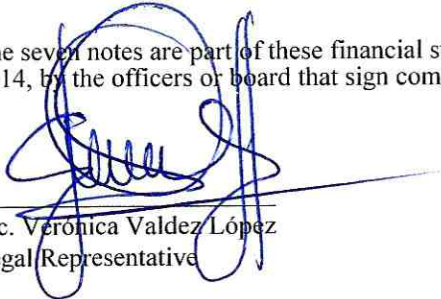
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MEXICO, S. A. DE C.V.

BALANCE SHEETS

Amounts expressed in Mexican Pesos.

	<u>2013</u>	<u>December 31</u> <u>2012</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and investments	\$ 4,377	\$ 12,033
Related parties (Note 4)	45,000	45,000
Taxes to be recovered	<u>5,603</u>	<u>4,547</u>
 Total current assets	 54,980	 61,580
 Total assets	 <u>\$ 54,980</u>	 <u>\$ 61,580</u>
 <u>Liabilities and stockholders' equity</u>		
LIABILITIES IN THE SHORT TERM:		
Related parties (Note 4)	<u>\$ 40,000</u>	<u>\$ 40,000</u>
 Total liabilities in the short term	 40,000	 40,000
 Total liabilities	 <u>40,000</u>	 <u>40,000</u>
 STOCKHOLDERS' EQUITY (Note 5):		
Capital stock	50,000	50,000
Loss accrued from previous years	(28,420)	(21,820)
Net (loss) of the year	<u>(6,600)</u>	<u>(6,600)</u>
 Total stockholders' equity	 <u>14,980</u>	 <u>28,180</u>
 Total liabilities and stockholders' equity	 <u>\$ 54,980</u>	 <u>\$ 68,180</u>

The seven 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

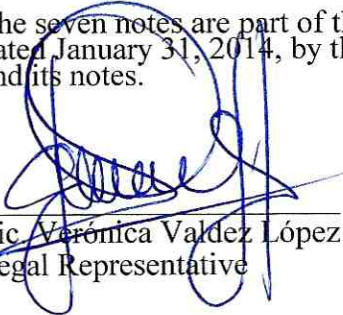
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S.A. DE C.V.

STATEMENT OF INCOME
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2013</u>	<u>Year ending on December 31</u> <u>2012</u>
Net Sales	-	-
Operating expenses	<u>-</u>	<u>-</u>
Operating (loss)	-	-
Other (expenses) income - Net	<u>-</u>	<u>-</u>
Comprehensive financing result: Interest (paid) – Net	<u>(6,600)</u>	<u>(6,600)</u>
(Loss) before income tax	(6,600)	(6,600)
Income tax (Note 6)	<u>-</u>	<u>-</u>
Net (Loss) for the year	<u>\$ (6,600)</u>	<u>(\$ 6,600)</u>

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CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, 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 December 31, 2011	50,000	(20,610)	(1,210)	28,180
Application of 2011 loss		(1,210)	1,210	-
Net loss for the year			<u>(6,600)</u>	<u>(6,600)</u>
Balances at December 31, 2012	50,000	(21,820)	(6,600)	21,580
Application of 2012 loss		(6,600)	6,600	-
Net loss for the year			<u>(6,600)</u>	<u>(6,600)</u>
Balances at December 31, 2013	<u>\$ 50,000</u>	<u>(\$ 28,420)</u>	<u>(\$ 6,600)</u>	<u>\$ 14,980</u>

The seven 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
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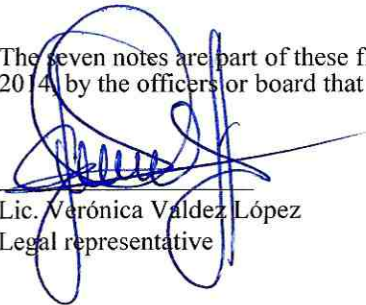
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S. A. DE C.V.

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>		
Loss before income tax	(\$ 6,600)	(\$ 6,600)
Financing activities related items:		
Capital Stock	-	-
Interest in charge	<u>6,600</u>	<u>6,600</u>
Subtotal of the investing and financing activities related items	-	-
(Increasing) decreasing in receivable and other	(1,056)	(1,056)
(Increasing) decreasing in related items	-	-
Income taxes paid	<u>-</u>	<u>-</u>
Operating activities net cash flows	<u>(1,056)</u>	<u>(1,056)</u>
<u>Financing activities:</u>		
Paid interests	(6,600)	(6,600)
Net cash increasing and temporary investment	<u>(7,656)</u>	<u>(7,656)</u>
Cash and temporary investments at the beginning of the year	<u>12,033</u>	<u>19,689</u>
Cash and temporary investments at year end	<u>\$ 4,377</u>	<u>\$ 12,033</u>

The seven 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

CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, 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 September 1, 2010, under the name of Conservación de Infraestructuras de México, 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 making projects, quality controls and technique management of all kind of public works and privates; this could be about the industrial, farm, civil engineering, railroads, roads and highways.

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. 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.
- c. The Capital Stock, and the retained deficit are expressed at modified historical cost.
- d. The integral loss is composed by the net loss, 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 loss are stated in modified historical pesos.
- e. 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 - 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		
ELSAMEX S. A.	\$ 45,000	\$ 45,000
	<u>\$ 45,000</u>	<u>\$ 45,000</u>

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Payables		
Mantenimiento y Conservación de Vialidades S. A. de C. V.	\$ 40,000	\$ 40,000
	<u>\$ 40,000</u>	<u>\$ 40,000</u>

NOTE 5 - 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	
5,000	Mantenimiento y Conservación de Vialidades S. A. de C. V.	\$ 5,000
45,000	ELSAMEX, S. A	45,000
<u>50,000</u>	Capital stock in purchasing power pesos as of December 31, 2013	<u>\$ 50,000</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 6 - INCOME TAX AND FLAT TAX

a. Income Tax:

i. On December 7, 2009 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%.

b. Flat Tax:

i. 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.

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

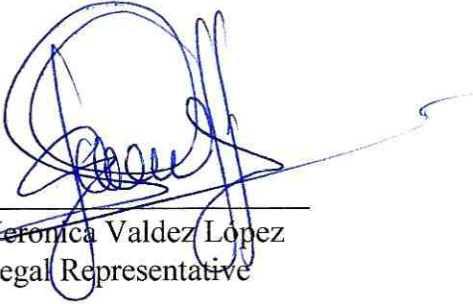
NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS:

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.



Veronica Valdez Lopez
Legal Representative
