



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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

DESPACHO HOWARD & WAYMAN, SC

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

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Independent Auditor's Report to the Members Conservación de Infraestructuras de México, S. A. de C. V.

Opinion

We have audited the financial statements of Conservación de Infraestructuras de México, S. A. de C. V., which comprise the statement of financial position as at December 31 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly draw up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the financial position as at December 31, 2017 and of the financial performance, chances in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Financial Reporting Standards (IFRS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with code of ethics for professionals of the accountants of the international council of ethics for accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics for professionals of the accountants of the international council of ethics for accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Managements and Director for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transaction are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

DESPACHO HOWARD & WAYMAN, SC

In preparing the 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.

The director's responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Financial Reporting Standards 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 financial statements.

Despacho Howard & Wayman, S. C.



C.P. Ricardo Jesus Dávila Santamaría
Auditor Partner

February 7, 2018

Appendix A

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

- Identify and assess the risks of material misstatement of the 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.⁷
- 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.



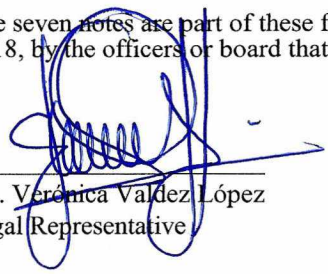
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MEXICO, S. A. DE C.V.

BALANCE SHEETS

Amounts expressed in Mexican Pesos,

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
<u>CURRENT ASSETS</u>		
Cash and investments	\$ 22,463	\$ 22,463
Related parties (Note 4)	45,000	45,000
Taxes to be recovered	<u>5,867</u>	<u>5,867</u>
 Total current assets	 73,330	 73,330
 Total assets	 <u>\$ 73,330</u>	 <u>\$ 73,330</u>
<u>Liabilities and stockholders' equity</u>		
<u>LIABILITIES IN THE SHORT TERM:</u>		
Related parties (Note 4)	<u>\$ 60,000</u>	<u>\$ 60,000</u>
 Total liabilities in the short term	 60,000	 60,000
 Total liabilities	 <u>60,000</u>	 <u>60,000</u>
<u>STOCKHOLDERS' EQUITY (Note 5):</u>		
Capital stock	50,000	50,000
Loss accrued from previous years	(36,670)	(36,670)
Comprehensive income	<u>-</u>	<u>-</u>
 Total stockholders' equity	 <u>13,330</u>	 <u>13,330</u>
 Total liabilities and stockholders' equity	 <u>\$ 73,330</u>	 <u>\$ 73,330</u>

The seven notes are part of these financial statements which were authorized for their issuance dated February 7, 2018, by the officers or board that sign completely these financial statements and its notes.



Lic. Verónica Valdez López
Legal Representative

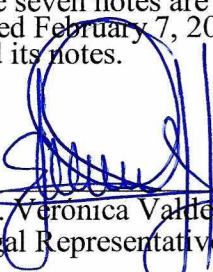
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S.A. DE C.V.

STATEMENT OF INCOME
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2017</u>	<u>Year ending on December 31</u> <u>2016</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>-</u>	<u>-</u>
(Loss) before income tax	-	-
Income tax (Note 6)	<u>-</u>	<u>-</u>
Net (Loss) for the year	<u>\$ -</u>	<u>\$ -</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ -</u>	<u>\$ -</u>
Profit by share (Nota 3):		
Basic profit on ordinary share (Nota 3): From continuing operations	<u>\$ 0.0000</u>	<u>\$ 0.00</u>

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Legal Representative

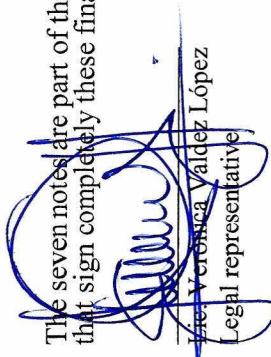
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S. A. DE C.V.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
BY THE PERIOD ENDING ON DECEMBER 31, 2017 AND 2016

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, 2015	50,000	(36,120)	(550)	13,330
Application of 2015 loss		(550)	550	-
Comprehensive income			-	-
Balances at December 31, 2016	50,000	(36,670)	-	13,330
Application of 2016 loss		-	-	-
Comprehensive income			-	-
Balances at December 31, 2017	<u>\$ 50,000</u>	<u>(\$ 36,670)</u>	<u>\$ -</u>	<u>\$ 13,330</u>

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Verónica Valdez López
Legal representative

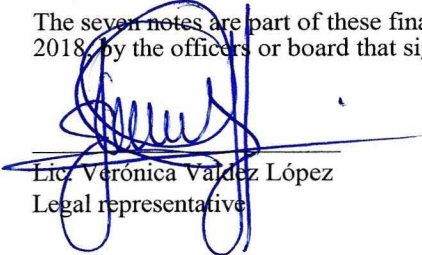
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S. A. DE C.V.

CASH FLOWS STATEMENT
(NOTE 2)

Amounts expressed in Mexican pesos

	Year ending on <u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Operating activities:</u>		
Loss before income tax	\$ -	\$ -
<u>Financing activities related items:</u>		
Interest in charge	<u>-</u>	<u>-</u>
Subtotal of the investing and financing activities related items	-	-
(Increasing) decreasing in receivable and other	-	-
(Increasing) decreasing in related items	-	-
Income taxes paid	<u>-</u>	<u>-</u>
Operating activities net cash flows	<u>-</u>	<u>-</u>
<u>Financing activities:</u>		
Paid interests	-	-
Net cash increasing and temporary investment	<u>-</u>	<u>-</u>
Cash and temporary investments at the beginning of the year	<u>22,463</u>	<u>22,463</u>
Cash and temporary investments at year end	<u>\$ 22,463</u>	<u>\$ 22,463</u>

The seven notes are part of these financial statements which were authorized for their issuance dated February 7, 2018, 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, 2017 AND 2016

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.

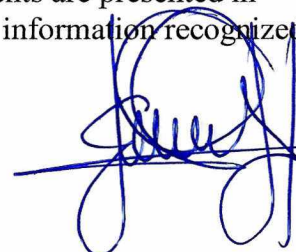
The company's main activity is making projects, quality controls and technique management of all kind of public works and privates; this could be about the industrial, farm, civil engineering, railroads, roads and highways.

NOTE 2 – BASIS FOR PREPARATION

The accompanying financial statements have been prepared, in a reporting currency equal to that of registration (Mexican currency), without making the conversion to the functional currency, because it was opted for the exception of not converting the, since they will be used exclusively For presentation to the General Meeting of Shareholders and to comply with the legal provisions to which the Company is subject, as an independent legal entity.

The accompanying financial statements at December 31 2017 and 2016, fairly meet the provisions of the MFRS to show a fair presentation of the Company's financial position. The NIF establishes that International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations to International Financial Reporting Standards (INIIF) and the Interpretations Committee (SIC) are Absence of NIF so requires.

According with the provisions in the MFRS B-10 "Inflation Effects" (MFRS B-10), 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) in the most recent three year period. Therefore, since that date the recognition of the effects of inflation on financial reporting has been suspended. Consequently, the figures as of December 31, 2017 and 2016 of the accompanying financial statements are presented in historical pesos, modified by the effects of inflation on the financial information recognized up to December 31, 2007.

 (8)

The inflation rates are shown below:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Of the year	6.77%	3.36%
Accrued during the last three years	12.26%	9.57%

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 February 7, 2018 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 2017 and 2016 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, 2017 and 2016 are shown as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Receivables		
ELSAMEX S. A.	\$ 45,000	\$ 45,000
	<u>\$ 45,000</u>	<u>\$ 45,000</u>

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Payables		
Mantenimiento y Conservación de Vialidades S. A. de C. V.	\$ 60,000	\$ 40,000
	<u>\$ 60,000</u>	<u>\$ 40,000</u>

NOTE 5 - STOCKHOLDERS' EQUITY

At December 31, 2017 and 2016, 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, 2017	<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 are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym) (and, will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested vet tax profit account). Any dividends paid in excess of this account will cause a tax equivalent to 42.869% if they are paid on 2014. 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:

During October 2013 the Chamber of Senators and Representatives approved the issuance of a new Law on Income Tax (new ITL) which came into force on January 1, 2014, repealing the Income Tax Law issued on January 1 2002 (previous ITL). The new ITL captures the essence of the previous ITL; however, makes significant changes among which we can highlight the following :

- i. Limited deductions in contributions to pension funds and exempt wages, car lease, consumption in restaurants and in social security contributions, also eliminates the immediate deduction of fixed assets [and exploration expenditures in the mining sector].
- ii. Amendment mechanics to accumulate the income from alienation forward and generalizes the method to determine the gain on disposal of shares.
- iii. Modifies the procedure for determining the tax base for the Employees' Statutory Profit Sharing (ESPS), provides the mechanism to determine the opening balance of the capital account of contributions (CUCA by its Spanish acronym) and CUFIN and establishes a new mechanism for recovery Tax Assets (TA).
- iv. Establishes an income tax rate for 2017 and the following years will be of 30%.



NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS:

The following describes a series of NIFs issued by the CINIF issued the modifications derived from the convergence to the International Financial Reporting Standards, some of them are in development and will come into force in 2018.

NIF A-6 "Recognition and valuation", divides the concepts of historical value, historical cost and current value, instead of entry value and output values.

NIF A-7 "Presentation and Disclosure", is intended to reduce complexities and improve consistency in the disclosure of all valuations made, based on a single set of requirements as well as being clearer in communicating the objective to be pursued in the determination of fair value and improve transparency to increase the quality of disclosures.

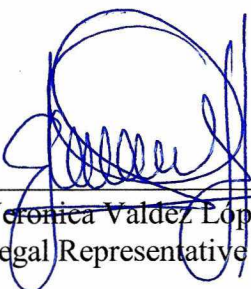
NIF B-6 "Statement of Financial Position", the definitions of assets, liabilities and stockholders' equity will be modified and explanations will be added to make them more understandable.

NIF C-17 "Investment Property", intends to incorporate the option of using the "Fair Value Model" to value the investment properties intended for capital appreciation.

NIF D-1 and D-2 "Revenue from contracts with customers and Costs from contracts with customers"

NIF D-5 "Leases"

NIF E-3 "Construction Contracts"


Veronica Valdez López
Legal Representative
