

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

FINANCIAL STATEMENT

2014



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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

DESPACHO HOWARD & WAYMAN, SC

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

INDEX

<u>Contents</u>	<u>Page</u>
Report of independent auditors	1 y 2
Financial Statements:	
Balance sheets	3
Statement of Income	4
Statements of changes in Stockholders' Equity	5
Cash Flow Statement	6
Notes of financial statements	7 to 14



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, 2014. 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, 2014 and 2013, 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 faint circular stamp.

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

DESPACHO HOWARD & WAYMAN, SC



REPORT OF INDEPENDENT AUDITORS

Querétaro, Qro. January 31, 2015

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, 2014 and 2013, and statements of comprehensive income, statement of changes in stockholders' equity and statement of cash flow for the years ended at December 31, 2014 and 2013, 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

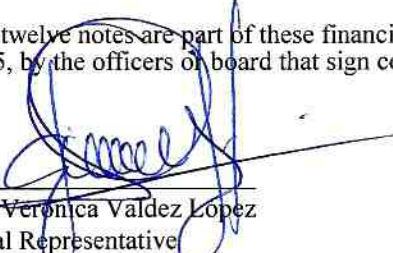
MANTENIMIENTO Y CONSERVACION
DE VIALIDADES, S. A. DE C.V.

BALANCE SHEETS

Amounts expressed in Mexican Pesos.

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and investments (Note 5)	\$ 8,087,719	\$ 6,589,021
Accounts Receivable (Note 7)	3,104,978	3,052,113
Taxes to be recovered	438,539	1,359,526
Related parties (Note 6)	60,000	40,000
Advances paid to suppliers	252,428	104,093
Other assets	<u>56,456</u>	<u>55,206</u>
 Total current assets	 12,000,119	 11,199,959
 REAL ESTATE, MACHINERY AND EQUIPMENT – net (Note 8)	 2,433,004	 3,183,299
 Total assets	 <u>\$ 14,433,123</u>	 <u>\$ 14,383,258</u>
<u>Liabilities and stockholders' equity</u>		
LIABILITIES IN THE SHORT TERM:		
Suppliers	\$ 19,266	\$ 38,475
Creditors	64,824	34,496
Related parties (Note 6)	-	1,250
Other accounts payable and accrued expenses	487,817	780,185
Value added tax payable	<u>829,058</u>	<u>522,860</u>
Total liabilities in the short term	1,400,965	1,377,266
 LONG-TERM LIABILITY		
Deferred Taxes (Note 10)	36,169	31,540
 Total liabilities	 <u>1,437,134</u>	 <u>1,408,806</u>
 STOCKHOLDERS' EQUITY:		
Capital stock (Note 9)	9,550,000	9,550,000
Loss accrued from previous years	3,424,452	2,914,379
Comprehensive income	<u>21,537</u>	<u>510,073</u>
Total stockholders' equity	<u>12,995,989</u>	<u>12,974,452</u>
 Total liabilities and stockholders' equity	 <u>\$ 14,433,123</u>	 <u>\$ 14,383,258</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2015, by the officers or board that sign completely these financial statements and its notes.



Lic. Veronica Valdez Lopez
Legal Representative

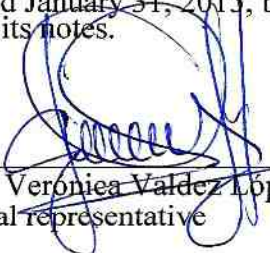
MANTENIMIENTO Y CONSERVACION
DE VIALIDADES, S.A. DE C.V.

STATEMENT OF COMPREHENSIVE INCOME
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2014</u>	<u>Year ending on December 31</u> <u>2013</u>
Net Sales	37,710,205	36,200,436
Management expenses	5,401,696	4,640,615
Operating expenses	<u>32,568,072</u>	<u>31,120,072</u>
	<u>37,969,768</u>	<u>35,760,072</u>
Operating (loss) income	(259,563)	465,749
Other income – Net (Note 11)	<u>177,870</u>	<u>207,290</u>
Comprehensive financing result:		
Interest gain	<u>114,580</u>	<u>202,466</u>
Income before income tax	32,887	849,505
Income tax (Note 10)	<u>11,350</u>	<u>339,432</u>
Net Income for the year	<u>21,537</u>	<u>510,073</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 21,537</u>	<u>\$ 510,073</u>
Profit by share (Nota 3):		
Basic profit on ordinary share (Nota 3):		
From continuing operations	<u>\$ 0.0023</u>	<u>\$ 0.053</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2015, by the officers or board that sign completely these financial statements and its notes.



Lic. Verónica Valdez López
Legal representative

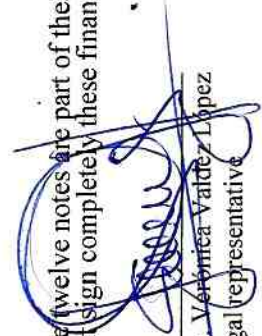
MANTENIMIENTO Y CONSERVACION
DE VIALIDADES, S. A. DE C.V.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
BY THE PERIOD ENDING ON DECEMBER 31, 2014 AND 2013

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, 2012	\$ 9,550,000	\$ 2,089,612	\$ 824,767	\$ 12,464,379
Application of 2012 loss		824,767	(824,767)	-
Comprehensive income			<u>510,073</u>	<u>510,073</u>
Balances at December 31, 2013	9,550,000	2,914,379	510,073	12,974,452
Application of 2013 income		510,073	(510,073)	-
Comprehensive income			<u>21,537</u>	<u>21,537</u>
Balances at December 31, 2014	<u>\$ 9,550,000</u>	<u>\$ 3,424,452</u>	<u>\$ 21,537</u>	<u>\$ 12,995,989</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2015, 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.

CASH FLOWS STATEMENT
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2014</u>	<u>Year ending on December 31</u>	<u>2013</u>
<u>Operating activities:</u>			
Income before income tax	\$ 32,887		\$ 849,505
Investing activities related items:			
Depreciation and amortization	1,235,455		1,635,054
Interests in favor	(127,901)		(213,763)
Income from property and equipment	<u>(171,687)</u>		<u>(392,295)</u>
Subtotal of the investing and financing activities related items	968,754		1,878,501
(Decreasing) increasing in receivable and other	866,872		48,766
Increasing in related items	(21,250)		579,352
Inventory decreasing	(148,336)		49,645
Suppliers Increasing	317,318		(114,763)
Income taxes paid	<u>(299,088)</u>		<u>(500,733)</u>
Operating activities net cash flows	<u>1,684,270</u>		<u>1,940,768</u>
<u>Investing activities:</u>			
Charges interest	127,901		213,763
Charges for property and equipment	<u>(313,473)</u>		<u>494,690</u>
Investing activities net cash flows	<u>(185,572)</u>		<u>708,453</u>
Exceeding cash to apply in financing activities	1,498,698		2,649,221
Net cash increasing and temporary investment	1,498,698		2,649,221
Cash and temporary investments at the beginning of the year	<u>6,589,021</u>		<u>3,939,800</u>
Cash and temporary investments at year end	<u>\$ 8,087,719</u>		<u>\$ 6,589,021</u>

The twelve notes are part of these financial statements which were authorized for their issuance dated January 31, 2015, 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, 2014 AND 2013

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 2014 and 2013, 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, 2014 and 2013 are stated in historical Mexican pesos.

The inflation rates are shown below:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Of the year	4.08%	3.97%
Accrued during the last three years	11.62%	11.36%

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, 2015 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, 2014 and 2013 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 2014 and 2013 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.
- h. Earnings per basic ordinary share is the result of dividing the net earning of the year by the weighted average of the current shares during 2014 and 2013

NOTE 4 - FOREIGN CURRENCY POSITION:

- a. At December 31, 2014 and 2013, the Company had the following US dollar monetary, as shown as follows::

	Amounts in foreign			
	<u>currency</u>			
	<u>2014</u>		<u>2013</u>	
Assets	Dlls	1,232	Dlls	1,232

At December 31, 2014 and 2013 the exchange rate was \$ 14.73 and \$13.08 per dollar, respectively. At January 31, 2015, date of issuance of these audited financial statements, the exchange rate was \$ 14.84 per US dollar.

NOTE 5 - CASH, BANKS AND TEMPORARY INVESTMENTS:

The cash and cash equivalent balance at December 31, 2014 and 2013 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>2014</u>	<u>2013</u>
Cash	\$ 76,000	\$ 96,000
Bank deposits	411,719	293,021
Investments with maturity	<u>7,600,000</u>	<u>6,200,000</u>
Non-restricted total	<u>8,087,719</u>	<u>6,589,021</u>
Total cash	<u>\$ 8,087,719</u>	<u>\$ 6,589,021</u>

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

The main balances with related parties at December 31, 2014 and 2013 are shown as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Receivables		
Agacel Agregados y Asfaltos, S. A de C. V.	\$ -	\$ -
Conservación de Infraestructuras de México, S. A. de C. V.	<u>60,000</u>	<u>40,000</u>
	<u>\$ 60,000</u>	<u>\$ 40,000</u>
Payables		
ESM Mantenimiento Integral, S. A de C. V	\$ -	\$ -
Empresas PAME, S. A de C. V	\$ -	\$ 1,250
	<u>\$ -</u>	<u>\$ 1,250</u>

During the years ended at December 31, 2014 and 2013, the Company carried out the following operations with related parties at their market value.

	Year ending on December 31,	
	<u>2014</u>	<u>2013</u>
Income:		
Net sales	\$ <u>1,982,896</u>	\$ <u>4,190,225</u>
Expenses:		
Purchases of raw material	\$ <u>1,908,627</u>	\$ <u>6,204,710</u>

NOTE 7 – ACCOUNTS RECEIVABLE:

	December 31,	
	<u>2014</u>	<u>2013</u>
Clients	\$ 3,091,618	\$ 3,051,137
Sundry debtors	<u>13,360</u>	<u>976</u>
	\$ <u>3,104,978</u>	\$ <u>3,052,113</u>

NOTE 8 - PROPERTY, AND EQUIPMENT:

	December 31,		Annual depreciation rate
	<u>2014</u>	<u>2013</u>	
Machinery and equipment	\$ 2,539,663	\$ 2,743,442	10%
Transportation equipment	4,659,404	4,593,477	25%
Computer equipment	526,656	494,749	30%
Furniture and office equipment	<u>281,636</u>	<u>267,335</u>	10%
	8,007,359	8,099,003	
Cumulative depreciation	<u>(5,574,355)</u>	<u>(4,915,704)</u>	
	\$ <u>2,433,004</u>	\$ <u>3,183,299</u>	

NOTE 9 - STOCKHOLDERS' EQUITY

At December 31, 2014 and 2013, 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, 2014	<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.

In October 2013 the Chamber of Senators and Representatives approved the issuance of a new Law on Income Tax (Income Tax Law) which came into force on January 1, 2014. Among other things, this Act sets a tax of 10% by the profits generated as of 2014 to dividends paid to foreign residents and Mexican individuals, it also states that for the years 2001-2013, the net taxable profit is determined in terms of the Income Tax Law in force in the fiscal year concerned.

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 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. 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

iii 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

iv Amendment mechanics to accumulate the income from alienation forward and generalizes the method to determine the gain on disposal of shares

v. 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).

vi. Establishes an income tax rate for 2014 and the following years of 30%, in contrast to previous ITL establishing a rate of 30%, 29%, and 28% for 2013, 2014 and 2015, respectively.

vii. The income tax provision is analyzed as follows:

	<u>Year ending on</u> <u>December 31,</u>	
	2014	2013
Income tax payable	\$ 6,721	\$ -
Income tax deferred	<u>4,629</u>	<u>14,829</u>
 Total provision	 <u>\$ 11,350</u>	 <u>\$ 14,829</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 December 31,	
	2014	2013
Flat tax payable	\$ -	\$ 324,603

During October 2013 the Chamber of Senators and Representatives approved the repeal of the Act of Flat Tax (flat tax) published on October 1, 2007, so that, after the entry into force of the Decree approved in October 2013, will void the resolutions and general administrative provisions and resolutions to questions, interpretations, authorizations or permits issued to individual capacity on the tax for the Flat Tax Law that are repealed.

NOTE 11 - ANALYSIS OF OTHER EXPENSES AND INCOMES:

The other expenses and incomes accrued are composed as follows:

	<u>2014</u>	<u>2013</u>
Income in insurance recovery	-	25,628
Profit in fixed asset sales	197,377	392,295
Employees Statutory Profit Sharing	-	(110,402)
Other (expenses)	<u>(19,507)</u>	<u>(100,231)</u>
Total other income (expenses)	<u>\$ 177,870</u>	<u>(\$ 207,290)</u>

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS:

During December 2013 and 2012, the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) issued a series of Mexican Financial Reporting Standards (MFRS) and interpretations to those standards, which will become effective as of January 1, 2013 and 2014, with exception of MFRS C-3 "Accounts Receivable" and MFRS C-20 "Receivable financial instruments" which will become effective as of January 1, 2016, which early application is allowed. Those MFRS and their interpretation are not considered to have a significant affectation in the financial information to be presented by the Company.

MFRS B-12 "Offsetting financial assets and financial liabilities". Establishes standards concerning the rights of compensation to be considered in order to present a financial asset and a financial liability in their offsetting amount within the statement of the financial position, as well as which are the characteristics required contemplating compensation, based on the principle that a financial asset and a financial liability should always be recorded in their offsetting amount and provided the future cash flow of collection or settlement is net.

MFRS C-11 "Stockholders' equity". Establishes the valuation, presentation and disclosure standards for those items comprising stockholders' equity in the statement of the financial position of profit entities. The main changes in relation to the above standard are: it requires the pricing per share to be issued by advances for future capital increases and that it is established that it can not be repaid before capitalized, in order to qualify as equity, and includes the standard related to financial instruments that at initial recognition are identified as equity.

MFRS C-14 "Transfer and derecognition of financial assets". Establishes the principle of transfer of risks and rewards of ownership of the financial asset, as underlying condition to derecognition. When entities deduct accounts or notes receivable with resources, they must not show the discount amount as a credit to accounts and notes receivable, but as a liability.


Verónica Valdéz López
Legal Representative
