Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries (A Subsidiary of Matador Infra B.V.)

Consolidated Financial Statements for the Years Ended December 31, 2015, 2014, and 2013, and Independent Auditors' Report Dated February 23, 2016

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015, 2014 and 2013 and Independent Auditors' Report

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Independent Auditors' Report to the Board of Directors and Stockholders of Red de Carreteras de Occidente, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated 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 the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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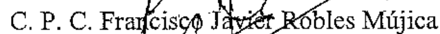
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries as of December 31, 2015, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Emphasis of matter

We draw attention to Note 3b to the financial statements which describes that our audits also included the translation of Mexico peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3b. The translation of the consolidated financial statement amounts into U.S. dollars and the translation of the consolidated financial statements into English have been made solely for the convenience of readers. Our opinion is not qualified in respect of this matter.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Francisco Javier Robles Mújica

February 23, 2016

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Financial Position

As of December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos and thousands of U.S. dollars)

Assets	Note	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Current assets:					
Cash and cash equivalents, current	5	U.S.$ 399,258	$ 6,923,061	$ 6,225,057	$ 5,215,836
Trade accounts receivable	6	23,639	409,904	422,405	355,249
Recoverable taxes		3,348	58,048	72,600	37,172
Financial asset- current portion	7	23,503	407,540	509,889	458,959
Other accounts receivable and prepaid expenses	6	5,813	100,793	80,044	43,379
Total current assets		455,561	7,899,346	7,309,995	6,110,595
Non-current assets:					
Long-term restricted cash	5	5,254	91,102	89,287	87,297
Financial assets derived from concessions - long-term portion	7	48,945	848,696	835,818	973,967
Intangible assets derived from concessions	8	2,502,490	43,392,680	43,693,608	44,606,648
Furniture and equipment and franchise rights - net	9	1,278	22,152	15,696	9,092
Machinery and equipment - net	9	1,330	23,067	13,950	-
Deferred income tax asset	14	362,347	6,283,018	6,170,042	5,418,101
Other assets		245	4,250	3,747	810
Total non-current assets		2,921,889	50,664,965	50,822,148	51,095,915
Total assets		U.S.$ 3,377,450	$ 58,564,311	$ 58,132,143	$ 57,206,510
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable to suppliers		U.S.$ 16,480	$ 285,768	$ 281,597	$ 287,545
Interest payable		49,225	853,558	676,361	403,695
Interest payable on derivative financial instruments		785	13,613	8,351	29,550
Other current liabilities		2,436	42,227	35,471	29,273
Provisions	10	45,146	782,827	590,301	647,975
Accounts payable to shareholders		62,273	1,079,800	-	-

(Continued)

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Financial Position

As of December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Current portion of long-term debt	14	19,495	338,047	275,826	163,760
Short-term employee benefits	13	4,074	70,639	93,915	41,549
Accounts payable for work executed, not yet approved	19	2,276	39,462	6,406	41,995
Taxes other than income tax		9,427	163,462	196,837	112,917
Income taxes payable	14	-	-	12,441	135,639
Total current liabilities		211,617	3,669,403	2,177,506	1,893,898
Non-current liabilities:					
Long-term debt	12	2,157,122	37,404,069	35,197,241	33,743,385
Provisions for major maintenance	10	3,993	69,243	224,750	210,476
Long-term employee benefits	13	447	7,752	38,790	22,120
Post-employment employee benefits	13	150	2,606	2,378	110
Derivative financial instruments	11	20,661	358,259	393,753	1,394,686
Other long-term liabilities		173	2,990	8,542	-
Total non-current liabilities		2,182,546	37,844,919	35,865,454	35,370,777
Total liabilities		2,394,163	41,514,322	38,042,960	37,264,675
Contingencies and commitments	22 and 23				
Stockholders' equity	17				
Capital stock		1,276,195	22,128,968	25,938,768	25,938,768
Accumulated deficit		(275,201)	(4,771,938)	(5,772,115)	(5,218,972)
Other comprehensive loss		(17,707)	(307,041)	(77,470)	(777,961)
Total stockholders' equity		983,287	17,049,989	20,089,183	19,941,835
Total stockholders' equity and liabilities		U.S.$ 3,377,450	$ 58,564,311	$ 58,132,143	$ 57,206,510

(Concluded)

See accompanying notes to consolidated financial statements.

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Revenues:					
Toll revenues		U.S.$ 295,546	$ 5,124,705	$ 4,547,571	$ 4,005,977
Shadow toll payments from the SCT		40,596	703,918	666,582	633,673
Availability payments from the SCT		23,626	409,677	398,611	388,645
Ancillary revenues from the use of rights of way and other related revenues		6,017	104,330	64,625	44,529
Construction revenues		19,960	346,097	317,706	347,079
Total revenues		385,745	6,688,727	5,995,095	5,419,903
Costs and expenses:	15				
Amortization of assets derived from concessions		45,047	781,113	1,148,832	1,080,993
Operation and maintenance provisions		38,889	674,322	433,998	592,485
Toll collection costs		6,379	110,617	134,759	144,468
Construction costs		19,960	346,097	317,706	347,079
Cost of ancillary revenues from the use of right of way and other related revenues		1,915	33,202	24,421	9,930
General and administrative expenses		21,430	371,599	353,741	151,982
		133,620	2,316,950	2,413,457	2,326,937
Income before other income – net		252,125	4,371,777	3,581,638	3,092,966
Other income – net		1,997	34,635	35,680	148,911
Income from operations		254,122	4,406,412	3,617,318	3,241,877
Interest expense		(195,405)	(3,388,279)	(4,839,778)	(4,803,602)
Interest income		10,624	184,222	163,567	199,257
Adjustments to principal amount of UDI denominated debt		(9,464)	(164,110)	(313,444)	(243,299)
Net foreign exchange loss		(14)	(237)	(121)	(376)
		(194,259)	(3,368,404)	(4,989,776)	(4,848,020)
Income (loss) before income taxes		59,863	1,038,008	(1,372,458)	(1,606,143)
Income tax expense (benefit)	14	2,182	37,831	(819,315)	(1,160,699)
Consolidated net income (loss) for the period		57,681	1,000,177	(553,143)	(445,444)

(Continued)

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos, unless otherwise stated, and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Other comprehensive income items:					
Items that will be reclassified subsequently to profit or loss:					
Valuation of derivative financial instruments		U.S.$ (7,843)	$ (136,004)	$ (748,398)	$ (254,103)
Deferred income taxes on derivative financial instruments		500	8,666	158,067	158,290
Reclassifications of derivative financial instrument amounts to profit and loss		(2,550)	(44,223)	1,749,388	2,018,066
Deferred income taxes on derivative financial instrument amounts reclassified to profit and loss		(3,345)	(58,010)	(458,364)	(604,580)
Items that not will be reclassified subsequently to profit or loss:					
Actuarial incomes and losses		-	-	(202)	(2)
Other comprehensive loss items		(13,238)	(229,571)	700,491	1,317,671
Comprehensive income for the period		U.S.$ 44,443	$ 770,606	$ 147,348	$ 872,227
Basic profit (loss) per common share (pesos)	18	U.S.$ 0.002	$ 0.035	$ (0.019)	$ (0.016)

(Concluded)

See accompanying notes to consolidated financial statements.

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos)

	Capital stock	Accumulated deficit	Other comprehensive loss	Total stockholders' equity
Balance as of January 1, 2013	$ 25,938,768	$ (4,773,528)	$ (2,095,632)	$ 19,069,608
Comprehensive income:				
Valuation of derivative financial instruments	-	-	(254,103)	(254,103)
Deferred income taxes on derivative instruments	-	-	158,290	158,290
Reclassifications for amounts recognized in profit and loss	-	-	2,018,066	2,018,066
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(604,580)	(604,580)
Actuarial losses	-	-	(2)	(2)
Net loss for the period	-	(445,444)	-	(445,444)
	-	(445,444)	1,317,671	872,227
Balance as of December 31, 2013	25,938,768	(5,218,972)	(777,961)	19,941,835
Comprehensive income:				
Valuation of derivative financial instruments	-	-	(748,398)	(748,398)
Deferred income taxes on derivative instruments	-	-	158,067	158,067
Reclassifications for amounts recognized in profit and loss	-	-	1,749,388	1,749,388
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(458,364)	(458,364)
Actuarial losses	-	-	(202)	(202)
Net loss for the period	-	(553,143)	-	(553,143)
	-	(553,143)	700,491	147,348
Balance as of December 31, 2014	25,938,768	(5,772,115)	(77,470)	20,089,183
Capital stock reduction	(3,809,800)	-	-	(3,809,800)
Comprehensive income:				
Valuation of derivative financial instruments	-	-	(136,004)	(136,004)
Deferred income taxes on derivative instruments	-	-	8,666	8,666
Reclassifications for amounts recognized in profit and loss	-	-	(44,223)	(44,223)
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(58,010)	(58,010)
Net income for the period	-	1,000,177	-	1,000,177
	-	1,000,177	(229,571)	770,606
Balance as of December 31, 2015	$ 22,128,968	$ (4,771,938)	$ (307,041)	$ 17,049,989

See accompanying notes to consolidated financial statements.

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos and thousands of U.S. dollars)

	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Operating activities:				
Income (loss) before income taxes	$ 59,863	$ 1,038,008	$ (1,372,458)	$ (1,606,143)
Adjustments for:				
Depreciation and amortization	45,373	786,751	1,150,939	1,081,983
Interest expense	192,152	3,331,871	2,963,224	2,633,571
Valuation effects of derivative financial instruments	9,602	166,505	1,749,388	2,016,711
Ineffective portion of derivative financial instruments	(12,148)	(210,645)	293	1,992
Amortization of commissions and debt issuance costs	5,799	100,548	126,873	151,327
Unrealized exchange (gain) loss	-	7	(66)	(6)
Adjustments to principal amounts of UDI denominated debt	9,464	164,110	313,444	243,299
	310,105	5,377,155	4,931,637	4,522,734
Decrease (increase) in:				
Trade accounts receivable	721	12,501	(67,156)	201,954
Recoverable taxes	32	548	145,425	34,709
Financial asset	5,160	89,471	87,219	175,521
Other accounts receivable and prepaid expenses	(1,197)	(20,749)	(36,665)	28,270
Other assets	(29)	(503)	(2,937)	(51)
Increase (decrease) in:				
Accounts payable to suppliers	240	4,164	(5,882)	243,476
Other current liabilities	69	1,204	14,740	10,213
Provisions	(12,457)	(216,014)	(284,290)	(171,494)
Accounts payable to related parties, net	-	-	-	(443,596)
Taxes other than income tax	31	546	(136,563)	(27,121)
Income taxes paid	(13,409)	(232,511)	(316,491)	(21,985)
Employee profit sharing	16	271	305	355
Employee benefits	(3,135)	(54,356)	70,797	6,650
Net cash provided by operating activities	286,147	4,961,727	4,400,139	4,559,635
Investing activities:				
Acquisition of furniture, machinery and equipment	(1,224)	(21,211)	(22,574)	(5,291)
Franchise rights	-	-	(87)	(728)
Intangible assets derived from concessions	(25,786)	(447,129)	(271,381)	(288,180)
Net cash used in investing activities	(27,010)	(468,340)	(294,042)	(294,199)

(Continued)

Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2015, 2014 and 2013
(Thousands of Mexican pesos and thousands of U.S. dollars)

	(Convenience translation, see Note 3b) 2015	2015	2014	2013
Financing activities:				
Proceeds from long-term debt	$ 191,685	$ 3,323,773	$ 9,101,403	$ 14,764,545
Payments of debt	(73,134)	(1,268,130)	(7,872,659)	(12,414,875)
Interest paid	(167,340)	(2,901,642)	(2,449,668)	(2,253,438)
Payments of derivative financial instruments	(9,592)	(166,319)	(1,770,823)	(1,851,520)
Commissions and debt issuance costs paid	(2,956)	(51,250)	(103,139)	(382,940)
Capital stock reduction	(157,441)	(2,730,000)	-	-
Net cash used in financing activities	(218,778)	(3,793,568)	(3,094,886)	(2,138,228)
Increase in cash, cash equivalents and restricted cash	40,359	699,819	1,011,211	2,127,208
Cash, cash equivalents and restricted cash at the beginning of period	364,153	6,314,344	5,303,133	3,175,925
Cash, cash equivalents and restricted cash at the end of period	$ 404,512	$ 7,014,163	$ 6,314,344	$ 5,303,133

(Concluded)

See accompanying notes to consolidated financial statements.

1. Nature of business and significant events of 2015:

Red de Carreteras de Occidente, S.A.B. de C.V. ("RCO") and subsidiaries' (collectively, the "Entity") main activity is to build, operate, conserve and maintain the concession highways Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León (the "Concessioned Highways"), and since September 22, 2011, the Querétaro-Irapuato and Irapuato-La Piedad highway sections under the service provision project agreements ("PPS").

On October 3, 2007, through the Department of Communications and Transportation ("SCT"), the Federal Government granted a 30-year concession (the "Concession Title") to the Entity (the "Concession Holder") to build, operate, conserve and maintain the Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León highways, with a total length of de 558.05 kilometers (as of such date), in the states of Michoacán, Jalisco, Guanajuato and Aguascalientes. The concession also included highway extension work. The investment in the Concessioned Highways will be recovered by collecting the tolls authorized by the SCT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the National Consumer Price Index (NCPI) or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate. Toll income secures the Entity's long-term debt (see Note 12).

On June 26, 2014, the SCT amended the Concession Title granted to RCO in order to incorporate the construction, operation, conservation and maintenance of a toll-free segment of approximately 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán, and ending at the Maravatío–Zapotlanejo toll road junction, in the state of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project that were not originally contemplated in the Concession Title, and in order to maintain the financial equilibrium of the Concession, the aforementioned amendment also includes an extension to the original term of the Concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic on the Concessioned Highways. The toll adjustment will be effective when construction on the segment is concluded.

Concesionaria de Vías Irapuato Querétaro, S.A. de C.V. ("COVIQSA"), a subsidiary of the Entity, operates, maintains, and conserves the Querétaro – Irapuato highway of approximately 93 kilometers in length, and Concesionaria Irapuato La Piedad, S.A. de C.V. ("CONIPSA"), a subsidiary of the Entity, operates, maintains, and conserves the Irapuato - La Piedad highway of approximately 73.5 kilometers in length (as of such date). Both concession terms are for a period of 20 years. Operation of the concessions is performed under the PPS scheme, as per the terms of the COVIQSA and CONIPSA concession agreements, which contemplate the recovery of investment through two types of revenues paid by the SCT: i) shadow toll payments; and ii) availability payments.

The Entity is incorporated in Mexico and has its domicile at Av. Américas No.1592 4th floor, Colonia Country Club, C.P.44610, Guadalajara, Jalisco.

Significant events of 2015:

a. *Common stock reduction*

Upon the recommendation of its Board of Directors the shareholders of RCO approved the reduction of the variable portion of its capital stick at Stockholders Ordinary General meetings held on February 9, 2015, May 12, 2015; and November 26, 2015; for the amounts of $ 1,350,000, $ 2,208,000 and $ 251,800, respectively. Due to the above, on March 10, 2015; June 10, 2015 and December 10, 2015 such reductions were paid in cash in the amount of $ 1,230,000, $ 300,000 and $ 1,200,000, respectively, all of which were made in proportionally to all RCO shareholders. In the case of Series "B" common stock payments were made through the "Institución para el Depósito de Valores" (Indeval).

b. *Re-documentation of acquisition loan*

On January 12, 2015 RCO re-documented the acquisition loan portion held by Banco Nacional de Obras y Servicios Públicos, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("Banobras") by an amount of $2,145,560 mentioned in Note 12. With this re-documentation, the terms of the acquisition loan have no longer effects, as from that date, the terms are set out in the Banobras loan obtained in 2013.

c. *Prepayment COVIQSA*

On August 20, 2015, COVIQSA obtained a secured loan for $1,048'782 granted by Banobras, at a fixed rate of 8.08% per year, maturing on May 27, 2025. The proceeds from this loan were used to pay in advance the syndicated loan at a variable rate that COVIQSA had with Banobras, Banco Santander (Mexico), SA, Institución de Banca multiple, Grupo Financiero Santander Mexico y Banco Mercantil del Norte, SA Institución financiera de Banca Múltiple, Grupo Financiero Banorte, with a maturity date of August 27, 2021. The prepayment was made on August 26, 2015.

d. *New Loan COVIQSA*

On September 1, 2015, COVIQSA obtained a secured syndicated loan of $ 1,751,217 granted by Banco Santander (Mexico), SA, Multiple Banking Institution, Grupo Financiero Santander Mexico and Banco Mercantil del Norte, SA Commercial bank, Grupo Financiero Banorte maturing on May 27, 2025 bearing an interest of TIIE plus a spread of 1.95% that increases every three years in accordance with the syndicated loan (See Note 12). The proceeds of the loan were used to pay the commissions generated under the contract, to fund the Reserve Debt Service Account and the remainder was applied in accordance with the Trust Agreement and distributed to the RCO Trust.

2. Application of new and revised International Financial Reporting Standards

a. ***Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Annual Improvements to IFRSs 2010 - 2012 Cycle **and** *2011 – 2013 Cycle*

The Entity has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010-2012 Cycle* and *2011 – 2013 Cycle* for the first time in 2015. The application of these amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

b. ***New and revised IFRSs in issue but not yet effective***

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management is in process of reviewing the impact of this new standard, to the date is not possible to provide a reasonable estimate of these effects.

IFRS 15 ***Revenue from Contracts with Customers***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity's management anticipates that the application of IFRS 15 in the future will not had a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Entity do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Entity's consolidated financial statements.

Amendments to IAS 16 IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Entity uses the straight-line method for depreciation for its furniture, machinery and equipment, and the traffic volume for amortization of its intangible assets. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent for the furniture, machinery and equipment as the traffic volume for the amortization of the intangible asset and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Entity's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The Entity's Management does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Entity's consolidated financial statements as the Entity is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Entity's Management anticipates that the application of these amendments will not have a material effect on the Entity's consolidated financial statements.

3. Significant accounting policies

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

b. *Convenience translation*

Solely for convenience of readers, Mexican peso amounts included in the consolidated financial statements as of December 31, 2015 and for the year then ended have been translated into U.S. dollar amounts at the rate of $17.3398 pesos per U.S. dollar as published by the Central Bank of Mexico. Such translation should not be construed as a representation that the Mexican peso amounts have been, could have been or could, in the future, be converted into U.S. dollars at such rate or any other rate.

c. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in more detail in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

d. ***Basis of consolidation of financial statements***

The consolidated financial statements include the financial statements of Red de Carreteras de Occidente, S.A.B. de C.V. and those of its subsidiaries over which it exercises control. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries accounting policies are consistent with the Entity's accounting policies.

RCO's shareholding percentage in capital stock of its subsidiaries is shown below:

Subsidiary name	Ownership Percentage	Activity
Prestadora de Servicios RCO, S. de R.L. de C.V.	100%	Administrative services
RCO Carreteras, S. de R. L. de C. V.	100%	Operative services
Concesionaria de Vías de Irapuato Querétaro, S.A. de C.V.	100%	Concession under a PPS scheme
Concesionaria Irapuato La Piedad S.A. de C.V.	100%	Concession under a PPS scheme

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

e. ***Monetary unit of the financial statements***

The 2015, 2014 and 2013 consolidated financial statements and notes include balances and transactions denominated in thousands of Mexican pesos.

f. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

g. ***Cash, cash equivalents and restricted cash***

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in profit or loss of the period. Cash equivalents are represented mainly by investments in treasury certificates or risk-free instruments. Cash and cash equivalents subject to restrictions or intended for a specific purpose are classified as restricted cash and presented separately under current or non-current assets as the case may be.

h. ***Financial assets***

All financial assets are initially measured at fair value. Transaction costs are generally added to the fair value of financial assets except for those financial assets classified as at fair value through profit or loss, in which case the related transaction costs are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

In addition to cash and cash equivalents, the main financial assets of the Entity relate to receivables which are measured at amortized cost using the effective interest method which is described below.

The Entity recognized an allowance for doubtful accounts due to the possibility of customer default, a legal or financial contingency affecting the customer or outstanding balances aged more than 90 days. This estimate is recorded based on the Entity's policy for the determination of such amount and is reviewed and updated, as necessary, at each reporting date.

The record of a doubtful account will be performed when there is certainty of the impossibility of recovery and legal requirements to be considered a doubtful account are met. It will also determine the customer account is doubtful if the customer becomes insolvent, bankrupt or in solution. The Director of Administration and Finance and the General Counsel of the Entity shall authorize the record in the results.

i. ***Intangible assets and financial asset in concession***

In order to account for its concession agreements, the Entity applies Interpretation No.12, "Service Concession Arrangements" ("IFRIC 12"), issued by the IFRS Interpretations Committee. This interpretation establishes guidance regarding the accounting by private sector operators engaged in providing infrastructure assets and services to the public sector under concession agreement, requiring such assets to be classified as either financial or intangible assets or as a combination of both.

A financial asset results when an operator constructs or makes improvements to the infrastructure, in which the operator has an unconditional right to receive a specific amount of cash or other financial assets during the term of the agreement.

An intangible asset results when the operator constructs or makes improvements and does not have an unconditional right to receive a specific amount of money. In exchange for its construction services, the Entity receives a license to operate the resulting asset for a given period. The future cash flows generated by the asset vary based on the use of such asset.

In both a financial and intangible asset model, revenue and costs related to construction or improvements are recognized as construction income and costs during the construction phase.

The payment made to the SCT in exchange for the Concessioned Highways was recognized as an intangible asset.

The intangible asset is amortized based on traffic volume during the respective concession period, as is mentioned in Note 1. The estimated useful life, the residual value and amortization method are reviewed at the end of each year, with the effect of any changes in estimates being accounted for on a prospective basis.

The concessions held by COVIQSA and CONIPSA are accounted for as a combination of an intangible and financial asset.

j. ***Furniture and equipment and franchise rights***

Furniture and equipment are recorded at acquisition cost, less accumulated depreciation and impairment loss.

Depreciation is recognized so as to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of assets are between 4 and 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Franchise rights are stated at cost less accumulated amortization and any impairment loss. The useful life is determined by the period of use and operation of the franchise asset.

k. ***Machinery and equipment***

Machinery and equipment are recorded at acquisition cost, less accumulated depreciation and impairment loss.
Depreciation is recognized so as to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of assets are 6 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

l. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition or construction of qualifying assets (such as investments in concessions), which are assets that necessarily take a substantial period of time before they are available for their intended use, are added to the cost of those assets, until such time as the assets are available for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. ***Impairment of long-lived assets***

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The Entity has not recorded any impairment adjustment in the year, or in previous years.

n. ***Provisions, maintenance and repairs***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
The Entity recognizes a provision for expenses incurred to maintain and repair the concession highways. This provision affects results beginning with the commencement of operations of a highway; amounts are provisioned through the date the maintenance and/or repair work is performed.

Provisions are classified as current or noncurrent based on the period of time estimated to meet the obligations covered.

o. ***Employee benefits***

Short-term employee benefits

Direct benefits to employees are calculated, and a liability is recognized, based on the services provided, considering the employees' current salaries. Direct employee benefits include mainly compensated absences, such as vacation and vacation bonus.

Statutory employee profit sharing ("PTU") is recorded in the results of the year in which it is incurred and presented under general and administrative expenses in the accompanying consolidated statements of profit (loss) and other comprehensive income (loss).

As result of the 2014 Income Tax Law, as of December 31, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

Long-term employee benefits

Long-term employee benefits also includes a provision for bonuses granted by the Entity, as discussed in Note 13. The provision is recognized when: 1) the Entity assumes an obligation as the result of past events, and 2) the amount payable can be reliably estimated. The time value of money with respect to this obligation is recognized when significant.

Post-employment employee benefits

The Entity grants seniority premiums to all its employees at the end of the work relationship for those employees with 15 or more years' service or who are dismissed regardless of their time with the Entity. The benefits consist of a single payment equal to 12 days' salary for each year of service based on the employee's most recent salary, but without exceeding twice the current minimum wage.

Seniority premium is determined using the Projected Unit Credit Method, with actuarial valuations determined at the end of each reporting period.

p. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

   Current income tax ("ISR") is recognized in the results of the year in which is incurred.

2. Deferred income tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

q. ***Financial liabilities and equity instruments***

i). Classified as debt or equity:

Financial liabilities and equity instruments issued by the Entity are classified as debt or equity instruments in accordance with the economic substance of the contractual agreement.

ii). Financial liabilities at fair value through profit and loss:

Financial liabilities are classified as at fair value through profit and loss when the financial liability is either held for trading or it is designated as at fair value through profit and loss.

Derivative financial instruments are classified as financial liabilities held for trading, except when derivatives are entered into to hedge a position and are effective as cash flow hedges, which are measured at fair value.

The Entity has not otherwise designated any financial liabilities as at fair value through profit and loss.

iii). Other financial liabilities:

Other financial liabilities, including loans, are initially recognized at fair value, net of transactions costs, and are subsequently valued at amortized cost.
The amortized cost of a financial liability is the initial amount of the liability recognized less the cumulative amortization of the liability using the effective interest rate method to account for difference between the initial amount of the liability and the amount due upon maturity.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iv). Derecognition of financial liabilities:

The Entity derecognizes financial liabilities only when its obligations are discharged or cancelled or when they expire.

r. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 11.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset while a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i. Hedge accounting:

The Entity designates certain derivative financial instruments, mainly with respect to those that hedge interest rate risk, as hedging instruments, either as fair value hedges or as cash flow hedges.

To allow derivative financial instruments to be classified as hedges, there must be a hedge relationship between the derivative and a hedged item; changes in the fair value of derivative financial instruments must totally or partially offset the fair value or cash flow changes of a hedged item, for which purpose hedge effectiveness must be determined.

Hedge effectiveness is the extent to which changes in fair value or cash flows attributable to the risk of the hedged item are hedged by the derivative instrument.

The Entity usually hedges an asset or liability which exposes it to a change in fair value or future cash flows.

The accounting for hedges results in offsetting the effects derived from changes in the fair value or cash flows of hedge instruments and the hedged item, in profit or loss of the period.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 11 sets out details of the fair values of the derivative instruments used for hedging purposes.

ii. Fair value hedges:

Changes in the fair value of derivatives that qualify and are designated as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument is recognized in the same line item of the consolidated statements of profit (loss) and other comprehensive income (loss) as the effects of the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

iii. Cash flow hedges:

The effective portion of changes in the fair value of derivatives that qualify and are designated as cash flow hedges is recognized in other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of profit (loss) and other comprehensive income (loss) within interest expense.

Amounts previously recognized in the other comprehensive income and accumulated in stockholders' equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line item of the consolidated statements of profit (loss) and other comprehensive income (loss) as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity until the previously hedged item it is ultimately recognized in profit or loss.

iv. Embedded derivatives:

The Entity reviews all executed contracts to identify embedded derivatives which have to be separated from the host contract for purposes of their accounting valuation and recognition. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit and loss. The initial fair value and fair value changes are recognized in the results of the period within the interest expense or income. As of December 31, 2015, 2014 and 2013 there are no embedded derivatives that must be separated from the host contract.

s. ***Toll revenue recognition***

RCO recognizes toll revenues when vehicles utilize the highway and pay the respective toll in cash or electronically. In the case of CONIPSA and COVIQSA, shadow toll revenues are received directly from the SCT. However, whether paid by third parties or the SCT, toll revenues are recognized when the following conditions are fulfilled:

- Revenues can be reliably measured;
- It is probable that the Entity will receive the economic benefits associated with the transaction; and
- The service has been provided and any related costs have been or will be incurred and can be reliably measured.

t. *Recognition of revenues and construction costs derived from extension and rehabilitation projects*

The Entity recognizes revenues and construction costs when extension and rehabilitation projects related to the concession infrastructure are carried out and whenever these extension or rehabilitation works increase the capacity of the concession assets to generate future economic benefits.

u. *Recognition of availability payment*

When operating the PPS, COVIQSA and CONIPSA recognize availability payment revenues related to their unconditional right to receive availability payments for making the Irapuato – La Piedad and Querétaro – Irapuato highway sections available to users, based on the financial asset recognized in the consolidated statements of financial position, using the effective interest method.

v. *Statements of profit (loss) and other comprehensive income (loss)*

The Entity opted to present a single consolidated statement of profit (loss) and comprehensive income (loss), combining the presentation of profit and loss, including an operating profit line item, and comprehensive income (loss) in the same statement.

Due to the different economic and business activities of the Entity, costs and expenses presented in the consolidated statements of profit (loss) and other comprehensive income (loss) were classified according to their function. Accordingly, amortization of assets derived from the concessions, operation and maintenance provisions, toll collection costs, construction costs and general and administrative expenses were presented separately.

w. *Foreign currencies*

The Mexican peso is the functional currency of RCO and each of its subsidiaries. The transactions in currencies other than their functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Exchange fluctuations are recorded as a component of net foreign exchange (loss) income, net in the consolidated statements of profit (loss) and other comprehensive income (loss), except in those cases in which they can be capitalized.

x. *Earnings per share*

Basic earnings per common share are calculated by dividing consolidated net income attributable to the controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined on the assumption that the Entity's commitments to issue or exchange its own shares are to be met.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, Entity's Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following transactions are those in which management has exercised its professional judgment in applying accounting policies that may have a material effect on the amounts recorded in the consolidated financial statements:

- Management has determined that it does not recognize a profit margin for extension and rehabilitation work. Accordingly, the amount of revenues recognized is equal to construction costs, such that the Entity's profit level is not affected.

The significant estimates made in the accompanying consolidated financial statements which may result in changes to the carrying values of assets and liabilities as a result of changes in assumptions applied are as follows:

- The Entity has recoverable tax loss carryforwards for which it has assessed their recoverability and recognized a deferred income tax asset with respect to such amounts.

- The Entity values, at fair value, derivative financial instruments it has entered into to mitigate the risk of interest rate fluctuations. Derivative financial instruments which comply with the accounting criteria to be recognized as hedging instruments have been classified as cash flow hedges. Note 11 contains a description of the techniques and methodologies utilized to value derivative financial instruments.

- The Entity reviews the estimated useful life and amortization methods used for intangible assets derived from the concessions (described in Note 3) at the end of each reporting period. The effects of any modifications to estimates are recognized prospectively. Similarly, at the end of each reporting period, the Entity reviews the carrying values of its tangible and intangible assets to determine if any indications of impairment exist.

- Management prepares estimates to determine and recognize maintenance provisions for the Concessioned Highways, which affects results beginning with the commencement of operations of a highway; amounts are provisioned through the date the maintenance and/or repair work is performed (Note 10).

5. Cash, cash equivalents and restricted cash

For purposes of the consolidated statements of cash flows, cash and cash equivalents includes balances of cash on hand and in banks, as well as investments in money market instruments. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Cash	$ 768,708	$ 181,264	$ 215,530
Cash equivalents	6,154,353	6,043,793	5,000,306
	6,923,061	6,225,057	5,215,836
Long-term restricted cash	91,102	89,287	87,297
	$ 7,014,163	$ 6,314,344	$ 5,303,133

The Entity has established five management trusts to hold funds destined for specific purposes as follows:

(i) The first trust No. 300195 was established for the purpose of holding toll revenues and other revenues. The Entity utilizes the funds in trust mainly for the payment of debt as well as for other operating expenses of the Concessioned Highways. Amounts held in this trust as of December 31, 2015, 2014 and 2013 are $5,802,920, $5,157,579 and $4,017,818, respectively.

In order to comply with the twenty-eighth clause of the Concession Title, the Entity has also created a Conservation and Maintenance Fund, which must be equal to three days' annual expected gross revenue generated from the Concessioned Highways each year. At December 31, 2015, 2014 and 2013, the balances of this fund are $37,405, $33,407 and $31,000, respectively, which is included within cash equivalents above.

(ii) The second trust No. 300209 was established for the construction of expansion projects. Amounts held in this trust as of December 31, 2015, 2014 and 2013 are $ $326,656, $476,794 and $518,169, respectively. Within this trust, as required by certain obligations established in the concession agreement, the Entity created a fund of $100,000 for 2015 and $50,000 for 2014 and 2013, which is intended to cover the release of the rights-of-way; at December 31, 2015, 2014, 2013, this balance is $4,558, $1,522 and $6,277, respectively, and are included within cash equivalents above.

(iii) The third trust No. 661 was established for the issuance of Long-Term Infrastructure Development Equity Certificates. Amounts held in this trust as of December 31, 2015, 2014 and 2013 are $24,776, $27,348 and $29,438, respectively.

(iv) The fourth irrevocable trust No. 32-6, established for the administration, source of payment and securities issuances related to the COVIQSA project, into which all shadow toll and availability payment revenues are received from the PPS project agreements and from which all operating and financial expenses and dividends, if applicable, are distributed.

(v) The fifth irrevocable trust No. 31-8, established for the administration, source of payment and securities issuance related to the CONIPSA project, into which all shadow toll and availability payment revenues are received from the PPS project agreements and from which all operating and financial expenses and dividends, if applicable, are distributed.

The trustee of trust No. 300195 and No. 300209 is HSBC México, S.A. Institución de Banca Múltipe, Grupo Financiero HSBC, Division Fiduciaria, and the trustee of trust No. 661 is CI Banco, S.A., Institución de Banca Múltiple, División Fiduciaria. In the case of COVIQSA and CONIPSA, Grupo Financiero Multiva, S.A. is the trustee.

The long-term restricted cash account of $ $91,102, $89,287 and $87,297 at December 31, 2015, 2014 and 2013, respectively, are funds held with respect to COVIQSA and CONIPSA, primarily for reserves required to be established under the respective PPS and loan agreements.

6. Trade accounts receivable, other accounts receivable and prepaid expenses

a. Accounts receivable at the end of the reporting period are as follows:

	December 31, 2015		December 31, 2014		December 31, 2013	
Trade accounts receivable	$	412,648	$	425,341	$	356,267
Allowance for doubtful accounts		(2,744)		(2,936)		(1,018)
	$	409,904	$	422,405	$	355,249

Accounts receivable from customers detailed above are valued at their amortized cost.

Accounts receivable from customers include overdue amounts at the end of each reporting period and for which the Entity has recognized an estimated allowance for doubtful accounts due to the possibility of customer default, a legal or financial contingency affecting the customer or outstanding balances aged more than 90 days. This estimate is recorded based on the Entity's policy for the determination of such amount and is reviewed and updated, as necessary, at each reporting date.

At December 31, 2015, 2014 and 2013, trade accounts receivable is essentially composed of $320,910, $340,560 and $291,909, respectively, of accounts receivable that COVIQSA and CONIPSA are owed from the SCT, as established by the respective agreements with the SCT.

Customer aging

	December 31, 2015	December 31, 2014	December 31, 2013
Overdue 1-90 days	$ 409,904	$ 422,405	$ 355,249
Overdue more than 90 days	2,744	2,936	1,018
Total	$ 412,648	$ 425,341	$ 356,267

Movements in the allowance for doubtful accounts receivable are as follows:

	Total
Balance as of January 1, 2013	$ (1,361)
Write off	343
Balance as of December 31, 2013	(1,018)
Additions	(1,918)
Balance as of December 31, 2013	(2,936)
Write off	192
Balance as of December 31, 2014	$ (2,744)

b. Other accounts receivable and prepaid expenses consist of the following:

	December 31, 2015	December 31, 2014	December 31, 2013
Advances to suppliers	$ 34,785	$ 33,777	$ 3,366
Premiums paid in advance for insurance and bonds	34,037	34,624	33,796
Refundable VAT	16,231	1,568	32
Other accounts receivable	15,740	10,075	6,185
	$ 100,793	$ 80,044	$ 43,379

7. Financial asset

Following the acquisition of COVIQSA and CONIPSA, the Entity recognized current and long-term financial assets derived from the concessions, which represent the Entity's unconditional right to receive a specific amount of cash from the SCT with respect to the Entity's investment in the concessioned assets. The total current portion of the financial asset as of December 31, 2015, 2014 and 2013 is $$407,540, $509,889 and $458,959, respectively, while the long-term asset as of December 31, 2015, 2014 and 2013 is $848,696, $835,818 and $973,967, respectively. The main features of each concession are detailed below:

a. Based on the characteristics of the concession agreement executed by COVIQSA to operate the Queretaro-Irapuato highway, the concession has been classified as a combination of a financial asset, representing 25% of the total concession value and an intangible asset, representing 75% of the total concession value.

Through the SCT, on June 21, 2006, the Federal Government granted a 20-year concession to operate, maintain and conserve a toll-free section of the Querétaro-Irapuato highway measuring approximately 93 kilometers in the Mexican states of Querétaro and Guanajuato, while also modernizing this highway section. Likewise, the concession included an exclusive right to execute a PPS agreement with the Federal Government to provide the required highway capacity. The total project value is $1.465 billion, which includes $1.172 billion for engineering, procurement and construction of the sections to be modernized and extended; the remainder is intended for financing, maintenance and operation during the modernization stage.

The concession investment will be recovered through quarterly collections composed of: (1) an availability payment received from the SCT to maintain the concessioned highway available for use, and (2) a shadow toll payment received from the SCT based on the number of vehicles utilizing the concessioned highway based on an established tariff.

The income generated by the availability payments and shadow toll payments received from the SCT has been used to secure COVIQSA's long-term debt, which matures in May 2015. These funds are held in a trust, No. 32-6, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession expires, without affecting the rights and obligations of the parties to each agreement. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives. Prior to July 21, 2006, COVIQSA delivered a signed notice to the SCT regarding commencement of operations and maintenance work. In addition, before July 31, 2006, COVIQSA delivered a signed notice concerning the commencement of modernization work on the existing highway.

At the end of the concession period, the concessioned highway, rights-of-way, permanent facilities and any related infrastructure and improvements and auxiliary services rights will revert back to the Mexican Government at no cost and free from liens and encumbrances.

The significant terms contained in the concession agreement are as follows:

- Through the SCT, COVIQSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the total prior year payment, excluding value-added tax. This payment must be made on the final business day of January of each year during the 20-year concession period.

- COVIQSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance and modernization of the existing highway without the prior written authorization from the SCT. Under no circumstances would an assignment to a foreign government or state be authorized.

- In terms of the 14th clause of the Concession Agreement without the prior consent of the SCT, COVIQSA's stockholders may not provide shares representing COVIQSA's common stock as collateral; additionally, the concessionaire may not use the concession rights or the assets utilized for operation and maintenance of the highway as mortgage security nor attach liens or encumbrances to such assets.

- COVIQSA must create a conservation and maintenance fund for the concessioned highway, starting with an amount at least equal to the costs budgeted by the concessionaire for the first six months immediately preceding the PPS agreement. These funds must be maintained in trust No. 32-6, as discussed in Note 5.

Pursuant to an amendment to COVIQSA's PPS agreement, payments by the SCT are subject to a quarterly maximum cap of $192,459, based on December 31, 2012 prices and adjusted quarterly based on inflation.

At December 31, 2015, COVIQSA was in compliance with all conditions contained in the concession agreement.

b. Based on the characteristics of the concession agreement executed by CONIPSA to operate the Irapuato – La Piedad highway, the concession has been classified as a combination of a financial asset, representing 88% of the total concession value, and an intangible asset, representing 12% of the total concession value.

Through the SCT, on September 12, 2005, the Federal Government awarded a 20-year concession and services agreement to modernize, operate, conserve and maintain the Irapuato - La Piedad toll-free highway in the state of Guanajuato, with a length of 74.3 kilometers, under a PPS structure. The original investment was approximately $735 million. The investment will be recovered through quarterly collections composed of: (1) an availability payment received from the SCT to maintain the concessioned highway available for use, and (2) a shadow toll payment received from the SCT based on the number of vehicles utilizing the concessioned highway based on an established tariff.

The income generated by the availability payments and shadow toll payments received from the SCT has been used to secure CONIPSA's long-term debt, which matures in November 2019. These funds are held in a trust, No. 31-8, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession expires, without affecting the rights and obligations of the parties to each agreement. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives.

On July 31, 2008, the SCT was officially notified of the completion of construction and the commencement of the highway's operation.

On April 13, 2009, CONIPSA executed an amendment agreement to the concession agreement, which effectively reduces the original highway length from 74.320 kilometers to 73.520 kilometers. The highway begins at the junction of the Querétaro – Irapuato and Irapuato - La Piedad highway and ends at kilometer 76+520, at the junction of the forthcoming La Piedad de Cabadas road in the state of Guanajuato. This reduction is also reflected in the amount paid to CONIPSA to maintain the concessioned highway available for use, which was reduced from $146 million to $143 million (nominal value).

At the end of the concession period, the concessioned highway, rights-of-way, permanent facilities and any related infrastructure and improvements and auxiliary services rights will revert to the Mexican Federal Government at no cost and free from liens and encumbrances.

I. The significant terms contained in the concession agreement are as follows:

- Through the SCT, CONIPSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the total prior year payment, excluding value-added tax. This payment must be made on the final business day of January of each year during the 20-year concession period, beginning with the second quarter of 2007.

- CONIPSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance and modernization of the existing highway without the prior written authorization from the SCT. Under no circumstances would an assignment to a foreign government or state be authorized.

- In terms of the 14th Clause of the Concession Agreement without the prior consent of the SCT, CONIPSA's stockholders may not provide shares representing CONIPSA's common stock as collateral; additionally, the concessionaire may not use the concession rights or the assets utilized for operation and maintenance of the highway as mortgage security nor attach liens or encumbrances to such assets.

- CONIPSA must create a conservation and maintenance fund for the concessioned highway, starting with an amount at least equal to the costs budgeted by the concessionaire for the first six months immediately preceding the PPS agreement. These funds must be maintained in trust No. 31-8, as discussed in Note 5.

At December 31, 2015, CONIPSA was in compliance with all conditions contained in the concession agreement.

8. Intangible assets derived from the concessions

a. The intangible asset related to the concession is as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Investment in concession	$ 50,614,133	$ 50,224,582	$ 49,933,234
Capitalized financing costs	203,380	203,380	203,380
	50,817,513	50,427,962	50,136,614
Accumulated amortization	(7,510,099)	(6,759,255)	(5,610,423)
	43,307,414	43,668,707	44,526,191
Advances to suppliers	85,266	24,901	80,457
	$ 43,392,680	$ 43,693,608	$ 44,606,648

	Investment in concession	Capitalized financing costs	Total
Acquisition cost:			
Balance as of January 1, 2013	$ 49,537,379	$ 203,380	$ 49,740,759
Additions	395,855	-	395,855
Balance as of December 31, 2013	49,933,234	203,380	50,136,614
Additions	291,348	-	291,348
Balance as of December 31, 2014	50,224,582	203,380	50,427,962
Additions	389,551	-	389,551
Balance as of December 31, 2015	$ 50,614,133	$ 203,380	$ 50,817,513

Accumulated amortization:	Investment in concession
Balance as of January 1, 2013	$ (4,529,430)
Amortization	(1,080,993)
Balance as of December 31, 2013	(5,610,423)
Amortization	(1,148,832)
Balance as of December 31, 2014	(6,759,255)
Amortization	(750,844)
Balance as of December 31, 2015	$ (7,510,099)

b. During the years ended December 31, 2015, 2014 and 2013, the Entity recorded construction service revenues and costs with respect to expansion or rehabilitation to the Concessioned Highways for $346,097, $317,706 and $347,079, respectively.

c. The principal characteristics of the concession agreement are as follows:

As part of its economic policy, on October 3, 2007, the Mexican Federal Government, through the SCT, granted a concession agreement to RCO, to construct, operate, conserve and maintain, for a 30-year period, the Concessioned Highways (Maravatio-Zapotlanejo, Zapotlanejo-Lagos, León-Aguascalientes and Guadalajara-Zapotlanejo), with a total length of 558.05 kilometers (as of such date) in the states of Michoacán, Jalisco, Guanajuato and Aguascalientes; the concession agreement includes expansion work established in the concession agreement.

As mentioned in Note 1, on June 26, 2014, the SCT amended the Concession Title granted to RCO, in order to incorporate the construction, operation, conservation and maintenance of a toll-free segment of approximately 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán, and ending at the Maravatío–Zapotlanejo toll road junction, in the State of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project which had not been originally contemplated in the Concession Title, and in order to maintain the financial equilibrium of the Concession, the aforementioned amendment also includes an extension to the original term of the Concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic in the Concessioned Highways. Toll adjustment will be effective as of the conclusion of the segment's construction.

RCO's investment will be recovered through the collection of tolls established by the SCT over the term established in the concession agreement. The toll rates may be adjusted annually based on the NCPI or sooner in the event of an increase of 5% or more of the NCPI used with respect to the most recent adjustment in the rate. The toll road revenues secure certain long-term debt (see Note 12).

d. The principal requirements and conditions of the concession agreement are as follows:

The concessionaire must carry out the following expansion works associated with the highways currently in operation, which include: (a) the subsection junction of the León-Aguascalientes highway to the junction Desperdicio II of the Zapotlanejo-Lagos de Moreno highway, with an approximate length of 19.00 kilometers; (b) Zacapu highway - junction of the Maravatío-Zapotlanejo highway with an approximate length of 8.67 kilometers in the state of Michoacán;(c) Modernization of six lanes (three in each direction) of the Guadalajara-Aguascalientes-León highway, in the section from Guadalajara-Zapotlanejo, with a length of 16.5 kilometers in the state of Jalisco, including expansion and strengthening of six traffic lanes of the Ing. Fernando Espinosa bridge, this requirement was amended by the SCT , to instead carry out the following works : (i) expansion to 6 lanes (3 in each direction), from kilometer 21+000 to kilometer 26+000, with a length of 5 kilometers, (ii) construction of 4 side rails (2 in each direction) parallel to the highway and within the right of way thereof, from kilometer 21+000 to kilometer 26+000 , with a length of 5 kilometers, (iii) expansion to 3 lanes of section "A" of the Highway, from kilometer 10+650 to kilometer 20+840 with a length of 10.19 kilometers approximately, (iv) construction of two overpasses returns , the first one located at kilometer 11+100 of the Highway, including 2 auxiliary tolling buildings, and the second one located at kilometer 12+900 Highway, (v) extension of the side rails from kilometer 18+700 to kilometer 21+260 of Highway including the construction of a twin bridge and (vi) strengthening of the bridge Fernando Espinosa at kilometer 9+830; (d) reconstruction of the traffic-bearing surface of the Guadalajara-Aguascalientes-León highway for the section from Zapotlanejo-Lagos de Moreno; subsection junction El Desperdicio at the junction with the Lagos de Moreno bypass, with a length of 27.8 km in the state of Jalisco, including improvement of horizontal and vertical signposting; (e) reconstruction of the traffic-bearing surface of the Guadalajara-Aguascalientes-León highway, for the section León-Aguascalientes; subsection junction El Salvador to the border with the states of Jalisco and Aguascalientes, with a length of 4.34 kilometers in the state of Jalisco, including improvements in horizontal and vertical signposting.

The rights and obligations derived from the concession cannot be transferred by the concessionaire unless: (i) it has the prior written authorization of the SCT; (ii) it has complied with all its obligations derived from the concession agreement at the date of the authorization request; (iii) a period of not less than three years has elapsed since the commencement date of the concession; (iv) the assignee fulfills the requirements established in applicable laws and regulations for the granting of the concession; and (v) the concessionaire and/or the assignee fulfills the provisions regarding concentration established in the Federal Antitrust Law.

Neither the concessionaire nor its stockholders may transfer or pledge their interests in the Entity, or the rights derived from the concession without the prior written authorization of the SCT.

The Entity made an initial payment equal to $44,051,000 to obtain the concession agreement, which forms part of the intangible asset.

The federal government retains the right to revoke the concession in accordance with the terms established in article 19 of the Mexican General Law on State Property. In the event this should occur, the government must establish the general basis applicable to settle any compensation payable to the concessionaire, bearing in mind the duly substantiated investment made, as well as the depreciation of equipment and other assets used directly for purposes of the concession.

On the termination date of the concession, the highways, including all assets permanently attached thereto, as well as the operating, conservation and maintenance rights and other ancillary services rights will revert to the Mexican government, in good condition, at no cost and free of any and all encumbrances.

As discussed in Note 3 m. the Entity performs annual impairment tests. At December 31, 2015, there is no indication of impairment losses involving the carrying value of concession assets.

The Entity must create a conservation fund to ensure compliance with the conservation and maintenance program, which must include a minimum amount equal to three days of the annual expected gross revenue with respect to the year in question. Such conservation fund must be used solely and exclusively for the conservation and maintenance of the highways.

The Entity will be obligated to pay consideration to the federal government each year equal to 0.5% of the gross toll rate revenues (excluding value-added tax), of the immediately prior year derived from the operation of the highways during the concession term. During 2015, 2014 and 2013, the consideration paid was $25,635, $22,755 and $20,044 respectively.

As of December 31, 2015, RCO was in compliance with all conditions contained in the concession agreement.

9. Franchise rights, furniture and machinery and equipment

a. Franchise rights correspond to the consideration payments to Subway International, B.V., Papa John's Eum S. de R.L. de C.V. and YF Yogurts, S. de R.L. de C.V. to operate restaurants and yogurt establishments located on the concessioned highways and are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Acquisition cost	$ 1,710	$ 1,502	$ 1,415
Accumulated amortization	(819)	(524)	(240)
	$ 891	$ 978	$ 1,175

b. Furniture and equipment consist of the following:

	December 31, 2015	December 31, 2014	December 31, 2013
Acquisition cost	$ 24,011	$ 18,340	$ 10,121
Accumulated depreciation	(2,750)	(3,622)	(2,204)
	$ 21,261	$ 14,718	$ 7,917
Computer equipment	$ 154	$ 862	$ 779
Furniture and fixtures	23,792	17,242	9,171
Vehicles	65	236	171
	$ 24,011	$ 18,340	$ 10,121

c. Machinery and equipment consist of the following:

	December 31, 2015	December 31, 2014	December 31, 2013
Acquisition cost	$ 29,682	$ 14,369	$ -
Accumulated depreciation	(6,615)	(419)	-
	$ 23,067	$ 13,950	$ -

d. Useful lives

The useful lives of assets are as follows:

Franchise rights	5 years
Computer equipment	4 years
Furniture and fixtures	10 years
Vehicles	4 years
Machinery and equipment	6 years

10. Provisions

As of and for the years ended December 31, 2015, 2014 and 2013, the composition and movements of the more significant items of provisions are as follows:

Provision for:	December 31, 2014	Used	Write- off	Additions	December 31, 2015
Major maintenance ST(1)	$ 586,301	$ (628,200)	$ -	$ 820,726	$ 778,827
Major maintenance LT(1)	224,750	-	-	(155,507) (2)	69,243
Other	4,000	-	-	-	4,000
	$ 815,051	$ (628,000)	$ -	$ 665,044	$ 852,070

Provision for:	December 31, 2013	Used	Write- off	Additions	December 31, 2014
Major maintenance ST(1)	$ 643,975	$ (348,394)	$ -	$ 290,720	$ 586,301
Major maintenance LT(1)	210,476		(140,300)	154,574 (2)	224,750
Other	4,000	-	-	-	4,000
	$ 858,451	$ (348,394)	$ (140,300)	$ 445,294	$ 815,051

	December 31, 2012	Used	Write- off	Additions	December 31, 2013
Provision for:					
Major maintenance ST(1)	$ 424,000	$ (447,467)	$ -	$ 667,442	$ 643,975
Major maintenance LT(1)	348,934			(138,458) (2)	210,476
Other	4,000	-	-	-	4,000
	$ 776,934	$ (447,467)	$ -	$ 528,984	$ 858,451

(1) The Entity recognizes a provision for the costs it expects to incur with respect to maintenance of its highways under concession. This provision affects results beginning with the commencement of operations of a highway; amounts are provisioned through the date the maintenance and/or repair work is performed. Amounts for maintenance are recognized at present value over five years, as required by International Accounting Standard 37, "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 12. A portion of this amount is classified as current ("ST"), while the remainder is classified as long-term ("LT"), depending on the period over which the obligation is expected to be paid. At December 31, 2015, 2014 and 2013, this provision includes finance costs of $253,033, $240,890 and $253,011 representing the unwinding of discount of the provision initially recognized to record the liability at its present value.

(2) Amount includes long-term to short-term provision reclassifications done during the period.

11. Derivative financial instruments

The Entity uses swaps or CAPs to set interest rates from variable rates to fixed rates. Transactions that comply with hedge accounting criteria have been designated as cash flow hedges.

The following table shows the financial instruments that the Entity has entered into to hedge interest rate fluctuations through interest rate swaps or CAPs:

	Date		Rate				
Notional amount of debt	Contracting	Maturity	Received	Paid	December 31, 2015	December 31, 2014	December 31, 2013
3,063,358	Oct.07/ Mar. 08	Oct. 18/ Dec. 21	TIIE *28 d (3.5475%)	8.58%	$ (336,205)	$ (393,761)	$(1,395,588)
-	Oct. 07/ Dec.07	Dec.23	TIIE *28 d (3.5475%)	UDI + 4.35%	-	-	836
1,725,825	Sep. 15	Feb. 25	TIIE *28 d (3.5475%)	6.11%	(22,054)	-	-
324,800	Aug.14	Aug.15	4.00%		-	6	-
1,051,883	Nov.14	Nov.15	4.75%		-	2	-
266,799	Aug. 15	Feb. 16	4.00%		-	-	-
1,127,108	Nov.13	Nov. 14	4.75%		-	-	66
					$ (358,259)	$ (393,753)	$(1,394,686)

(*) TIIE means the Mexican Interbank Equilibrium Offered Rate.

- Variable rate to fixed rate:

During 2007, RCO entered into three interest rate swaps that change the profile of variable rate financing to a weighted average fixed rate of 8.52% on a notional amount of $15,500,000. In March 6, 2008 RCO´s senior lenders entered into a novation agreement to split one of the three interest swaps in two. These swaps were classified, beginning May 2009, as cash flow hedges. Since the designation as a hedge, changes in fair value are recognized in other comprehensive income.

In February 2010, RCO partially terminated the aforementioned interest rate swaps by reducing their notional amount by $430,000 to reach a new notional amount of $15,070,000, while also paying a termination cost of $20,000, which was recognized as interest expense in the consolidated statements of profit (loss) and other comprehensive income (loss) in such year.

Due to the prepayment of debt mentioned in Note 12, in September 2012, RCO further partially terminated the aforementioned interest rate swaps, reducing their notional amount by $1,212,164 to reach a new notional amount of $13,857,836, paying a termination cost of $738,590, which was recognized as interest expense in the consolidated statement of profit (loss) and other comprehensive income (loss) in such year.

Due to the prepayment of debt mentioned in Note 12, during May, June and October 2013, the Entity further partially terminated derivative financial instruments, reducing their notional amount by $3,420,388 to reach a new notional amount of $10,437,473, paying a termination cost of $631,796, which was recognized as interest expense in the consolidated statement of profit (loss) and other comprehensive income (loss).

Due to the prepayment of debt mentioned in Note 12, during March, June, August and December 2014, the Entity further partially terminated derivative financial instruments, reducing their notional amount by $7,791,912 to reach a new notional amount of $2,645,561, paying a termination cost of $1,359,146, which was recognized as interest expense in the consolidated statement of profit (loss) and other comprehensive income (loss).

In November 2007, COVIQSA, which was not a subsidiary of the Entity at the time, entered into a swap to change its financing profile from a variable rate to a weighted average fixed rate of 8.00% based on a notional amount of debt of $1,077,373. As of November 2010, subsequent to its acquisition of COVIQSA, the Entity formally classified this derivative instrument as cash flow hedge; prior to such date, it was classified as trading, as mentioned below. Following its classification as a hedge, changes in the fair value of this instrument are recognized within other comprehensive income.

Upon execution of this derivative financial instrument, COVIQSA agreed to pay $8 million pesos to maintain a fixed rate of 8.00%. This payment represented the derivative's initial fair value. The swap established an option whereby the broker could extend the period of the derivative until December 27, 2012; this option resulted in the classification of the instrument as held for trading purposes. On November 27, 2010, the bank exercised the option to extend the derivative until December 27, 2012. When this option was exercised, the derivative became an interest rate instrument subject to the same conditions as its predecessor.

For the years ended December 31, 2013 ineffectiveness related to the aforementioned hedging instruments totaled $1,992 which was recognized in profit and loss of the period. For the year ended December 31, 2015 and 2014, there was no ineffectiveness associated with the aforementioned derivative financial instruments.

In September 2015 COVIQSA agreed two swaps that change the profile from a variable rate to a fixed rate of 6.11%, the original amount of the swaps was $1,751,218.

- Variable rate to fixed rate plus UDIs

  In October and December 2007, two swaps were entered into to change the profile of variable rate financing to a weighted average rate of 4.33% plus UDIs. The notional amount of both swaps was $12,975,000. In 2007, these derivatives were classified as derivatives held for trading purposes and fluctuations in their fair value was recognized in net foreign exchange (loss) income directly within results.

  However, in 2009, these derivatives were formally designated as cash flow hedges. Since such designation as hedges, changes in fair value is recognized in other comprehensive income. Also as of such date, the notional amount was decreased to $8,400,398. Due to the prepayment of debt mentioned in Note 12, during May, June and October 2014, and the restructure of derivative financial instruments operations during April, May, July and September 2014, the Entity further partially terminated derivative financial instruments, reducing their notional amount by $8,400,398 to reach a new notional amount of $0, paying a termination and restructure costs of $760,896, which were recognized as interest expense in the consolidated statement of profit (loss) and other comprehensive income (loss).

  As of December 31, 2015 and 2014 there are not variable rate to fixed rate plus UDIs derivatives.

  For the year ended December 31, 2013, there was no ineffectiveness associated with this instrument.

- Hedges with CAP options

  Executing options ("CAPs") establishes variable interest rate ceiling limits, while maintaining rate reduction benefits for projects. The fair value of the CAPs is lower than the amount of premiums paid, for which reason there are no unrealized gains to be recognized in other comprehensive income. Fluctuations in the fair value of the premium paid are recognized within interest expense. At December 31, 2015, 2014 and 2013, the fair value of the CAPs was $0, $8 and $66 respectively, and the accrued effects of valuation recognized within profit were $82, $293 and $637, respectively.

The Entity considers that of the total amount recognized with respect to derivative financial instruments of $180,227, $152,488 will be reclassified to profit or loss during 2016.

12. Long-term debt

Long-term debt consists of the following:

	December 31, 2015	December 31, 2014	December 31, 2013
Syndicated loan provided to RCO by various local and foreign financial institutions. To secure its payment obligations under the loan, the Entity assigned the collection rights from the highway tolls of the Concessioned Highways to a management trust (see Note 5). Additionally, certain shares with voting rights of the Entity secure the debt. The term of the loan is from 7 to 11 years, and may be extended through the term of RCO's concession agreement, and bears interest at the TIIE plus an applicable margin ranging from 165 basis points for the first year, and increasing gradually over the subsequent years until reaching 375 basis points in the 10th and 11th years. These loans accrue interest monthly, while principal is payable at maturity. The syndicated loan is comprised as follows:			

	December 31, 2015	December 31, 2014	December 31, 2013
Acquisition loan – Line of credit for up to $31,000,000. In October 2013, RCO entered into an amendment to extend the maturity of $2,145,560, for this loan from an original maturity date in 2018, to a new maturity date in 2032, bearing interest at TIIE rate plus 225 basis points through October 2014, 325 basis points through October 2016, 375 basis points through October 2018 and a fix rate of 9.50% through 2032. In 2014 and 2013 RCO made prepayments for this credit of $7,710,113 and $11,913,000, respectively. In January 12, 2015 RCO re-documented the acquisition loan balance for $2,145,560 as a part of the Credit Line by an amount of $7,135,561 as mentioned subsequently.	$	$ 2,145,561	$ 9,855,673
Line of credit for up to $ 500,000 contracted by RCO, payable quarterly beginning on December 10, 2014, bearing interest at the TIIE rate plus 350 basis points.	352,941	470,588	490,000
Certificados bursátiles of RCO of 1,481,044,500 UDIs maturing in 2032, bearing monthly interest at a fixed interest rate of 5.25%.	7,969,760	7,805,650	7,492,206
Certificados bursátiles of RCO of $2,841,000 maturing in 2027 bearing monthly interest at a fixed interest rate of 9.00%.	2,841,000	2,841,000	2,841,000
Senior debt instruments issued by RCO of $ 7,500,000 maturing in 2028, bearing interest payable semi-annually at a fixed rate of 9.00%.	7,500,000	7,500,000	7,500,000
Certificados bursátiles of RCO for $4,400,000 due in 2030, bears interest at fixed rate of 9.05%.	4,400,000	4,400,000	-
Credit line contracted by RCO up to $7,135,561 maturing in 2032, Tranche A for $ 4,990,000 bearing interest at fixed rate of 9.50% and Tranche B for $2,145,561 bearing interest at the TIIE rate plus 325 basis points through October 2016, 375 basis points through October 2018 and bearing interest at the fixed rate of 9.50% through 2032.	7,135,561	4,990,000	4,990,000
Credit line contracted by RCO up to $4,596,000 due in 2029, bears interest biannually at a fixed rate of 9.527%.	4,596,000	4,596,000	-
Secured loan contracted by RCO up to $1,000,000 due in seven years, bears monthly interest at the TIIE rate plus 2.75%.	619,176	95,403	-
Secured loan issued by CONIPSA for up to the amount of $580,000 to modernize and extend the Irapuato - La Piedad highway section, with maturity in November 2019, bearing interest at a rate equal to the 91-day TIIE plus a spread (1). This loan is secured by the Entity's shares in CONIPSA.	266,800	324,800	382,800
Secured loan issued by COVIQSA for up to the amount of $1,048,782, with maturity in 2025, bearing interest at a fixed rate of 8.08% payable on quarterly basis. This loan is secured by the Entity's shares in COVIQSA.	1,033,575	-	-
Secured loan issued by COVIQSA for up to the amount of $1,300,000 to modernize and extend the concessioned highway section, bearing interest at a rate equal to the 91-day TIIE plus 2.25% payable on quarterly basis. This loan is secured by the Entity's shares in COVIQSA. In August 26, 2015 COVIQSA made prepayment for this loan.	-	1,051,883	1,127,018

	December 31, 2015	December 31, 2014	December 31, 2013
Secured loan issued by COVIQSA for up to the amount of $1,751,217, with maturity in 2025, bearing interest at the TIIE rate plus a spread (2). This loan is secured by the Entity's shares in COVIQSA.	1,725,825		
Total Debt	38,440,638	36,220,885	34,678,697
Less: current portion	338,047	275,826	163,760
Long-term debt	38,102,591	35,945,059	34,514,937
Commissions and debt issuance costs	(1,710,182)	(1,658,931)	(1,555,791)
Accumulated amortization of commissions and debt issuance costs	1,011,660	911,113	784,239
Total	$ 37,404,069	$ 35,197,241	$ 33,743,385

(1) According to the loan agreement, the applicable spread is equal to 2.00% during the disposal period; 2.50% as of the following day and until the fifth anniversary; 2.75% as of the fifth anniversary date and until the tenth anniversary, and 3.00% from the tenth anniversary until maturity.

(2)The applicable margin from the date of the sign of the contract until May 27th, 2018 of 1.95% from May 27, 2018 until May 27, 2021 of 2.10%, from May 27 2021 to May 27th 2024 2.35% and from May 27th 2024 until the date of maturity of 2.55%

The TIIE rate defined by the Bank of Mexico at December 31, 2015, 2014 and 2013 was 3.548%, 3.311% and 3.790%, respectively.

The aforementioned loan agreements contain various covenants that restrict the Entity's ability to incur additional indebtedness, issue guarantees, sell fixed and other non-current assets and make capital distributions of cash excess.

Only could make distributions of excess cash if i) the rate of service coverage historic debt (twelve months before the date of distribution) at date of distribution is equal to or greater than 1.25 to 1.00, ii) projections demonstrate reasonable coverage rate projected debt service (twelve months after the date of distribution) is equal to or greater than 1.25 to 1.00 and iii) has not occurred or continue any default event.

As well require compliance with certain financial ratios. More specifically, with respect to COVIQSA and CONIPSA, such entities maintain long-term restricted cash accounts as disclosed in Note 5. Additionally, they are required to maintain a debt service coverage ratio of 1.2 and have restrictions for making capital distributions. Undistributed earnings of COVIQSA and CONIPSA as of December 31, 2015, 2014 and 2013 were $1,342,427, $1,317,007 and $1,195,517, respectively.

For the year ended December 31, 2015, 2014 and 2013, the Entity was in compliance with such covenants.

The scheduled maturity of long-term debt as of December 31, 2015, taking into consideration the extended terms discussed above, without considering commissions and debt issuance costs, is as follows:

2016	$	338,047
2017		506,882
2018		535,082
2019		1,801,014
2020		2,052,261
2021		2,315,319
2022 and thereafter		30,892,033
	$	38,440,638

Interest payable based on debt maturity is as follows:

2016	$	2,955,713
2017		2,945,966
2018		2,926,801
2019		3,093,853
2020		2,947,170
2021		2,769,443
2022 and thereafter		12,410,409
	$	30,049,355

13. Short-term, long-term and post-employment employee benefits

a. The Entity must pay its employees a seniority bonus. The net cost of these obligations for the years ended December 31, 2015, 2014 and 2013 is $229, $2,066 and $35, respectively. Other disclosures required under accounting provisions are not considered material.

b. Eligible executives are entitled to compensation and annual bonus. As of December 31, 2015, 2014 and 2013, annual bonus payable amounted to $79,027, $129,798 and $63,100, respectively.

14. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU.

ISR -The rate was 30% in 2013. As a result of the new 2014 ISR law ("2014 Income Tax Law"), tax rate was 30% for 2014 and 2015 and will continue at 30% thereafter.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%. Due to the abolishment of the IETU law, CONIPSA cancelled in 2013 deferred IETU previously recorded.

a. Income tax (benefits) in 2015, 2014 and 2013 are as follows:

	2015	2014	2013
ISR and IETU:			
Current	$ 200,151	$ 232,923	$ 285,752
Cancellation of deferred IETU	-	-	(96,665)
Deferred ISR benefit	(162,320)	(1,052,238)	(1,349,786)
Total ISR and IETU tax (benefit)	$ 37,831	$ (819,315)	$ (1,160,699)

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of loss before income tax benefit is:

December 31, 2015	Amount	Tax	%
Income before income taxes	$ 1,038,008	$ 311,402	30.0
Changes to current tax:			
Non deductible	14,200	4,260	0.4
Annual inflation adjustment	694,532	208,360	20.0
Other temporary items	(1,079,570)	(323,871)	(31.2)
	(370,838)	(111,251)	(10.8)
Current Tax	667,170	200,151	19.2
Changes to deferred tax:			
Other temporary items	1,079,570	323,871	31.2
Inflation effects	(1,388,181)	(416,454)	(40.1)
Restructure of financial derivative operations	(210,728)	(63,218)	(6.1)
Others	(21,727)	(6,519)	(0.6)
Deferred tax	(541,066)	(162,320)	(15.6)
Income taxes	$ 126,104	$ 37,831	3.6

December 31, 2014	Amount	Tax	%
Loss before income taxes	$ (1,372,458)	$ (411,737)	30.0
Changes to current tax:			
Non deductible	15,052	4,516	(0.3)
Annual inflation adjustment	1,257,369	377,211	(27.5)
Other temporary items	876,448	262,933	(19.2)
	2,148,869	644,660	(47)
Current Tax	776,411	232,923	(17)
Changes to deferred tax:			
Other temporary items	(876,500)	(262,934)	19.2
Inflation effects	(2,653,126)	(795,938)	58
Others	22,166	6,634	(0.5)
Deferred tax	(3,507,460)	(1,052,238)	76.7
Income taxes	$ (2,731,049)	$ (819,315)	59.7

December 31, 2013	Amount	Tax	%
Loss before income taxes	$ (1,606,699)	$ (482,010)	30.0
Changes to current tax:			
Non deductible	5,356	1,607	(0.1)
Annual inflation adjustment	1,168,137	350,441	(21.8)
Other temporary items	1,385,623	415,714	(25.9)
	2,559,116	767,762	(47.8)
Current Tax	952,417	285,752	(17.8)
Changes to deferred tax:			
Other temporary items	(1,385,623)	(415,714)	25.9
Inflation effects	(2,298,180)	(689,454)	42.9
Effect of changes in tax rates	(875,180)	(262,554)	16.3
Cancelation of deferred IETU	(322,217)	(96,665)	6
Others	59,786	17,936	(1.1)
Deferred tax	(4,821,414)	(1,446,451)	90
Income tax	$ (3,868,997)	$ (1,160,699)	72.2

c. Deferred income tax assets are comprised of the following:

	December 31, 2015	December 31, 2014	December 31, 2013
Assets:			
Furniture and equipment	$ 233	$ 162	$ 246
Intangible assets derived from the concessions	2,248,072	2,273,728	1,984,672
Derivative financial instruments	107,478	156,822	418,406
Accrued liabilities and provisions	295,692	299,323	351,903
	$ 2,651,475	$ 2,730,035	$ 2,755,227
Liabilities:			
Commissions and debt issuance costs	$ (209,445)	$ (224,345)	$ (231,466)
Prepaid expenses and advances to suppliers	(20,656)	(20,163)	(30,195)
Financial assets derived from the concessions	(376,871)	(403,712)	(429,878)
	(606,972)	(648,220)	(691,539)
Net deferred income tax asset from temporary differences	2,044,503	2,081,815	2,063,688
Tax loss carryforwards	4,238,515	4,088,227	3,354,413
Net deferred income tax asset	$ 6,283,018	$ 6,170,042	$ 5,418,101

d. Deferred taxes balances

2015	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 162	$ 71	$ -	$ 233
Intangible assets derived from concessions	2,273,728	(25,656)	-	2,248,072
Derivative financial instruments	156,822	-	(49,344)	107,478
Accrued liabilities and provisions	299,323	(3,631)	-	295,692
Commissions and debt issuance costs	(224,345)	14,900	-	(209,445)
Prepaid expenses and advances to suppliers	(20,163)	(493)	-	(20,656)
Financial assets derived from concessions	(403,712)	26,841	-	(376,871)
	2,081,815	12,032	(49,344)	2,044,503
Tax loss carryforwards	4,088,227	150,288	-	4,238,515
	$ 6,170,042	$ 162,320	$ (49,344)	$ 6,283,018

2014	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 246	$ (84)	$ -	$ 162
Intangible assets derived from concessions	1,984,672	289,056	-	2,273,728
Derivative financial instruments	418,406	38,713	(300,297)	156,822
Accrued liabilities and provisions	351,903	(52,580)	-	299,323
Commissions and debt issuance costs	(231,466)	7,121	-	(224,345)
Prepaid expenses and advances to suppliers	(30,195)	10,032	-	(20,163)
Financial assets derived from concessions	(429,878)	26,166	-	(403,712)
	2,063,688	318,424	(300,297)	2,081,815
Tax loss carryforwards	3,354,413	733,814	-	4,088,227
	$ 5,418,101	$ 1,052,238	$ (300,297)	$ 6,170,042

2013	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 685	$ (439)	$ -	$ 246
Intangible assets derived from concessions	1,460,659	524,013	-	1,984,672
Derivative financial instruments	910,188	(45,492)	(446,290)	418,406
Accrued liabilities and provisions	224,495	127,408	-	351,903
Commissions and debt issuance costs	(182,074)	(49,392)	-	(231,466)
Prepaid expenses and advances to suppliers	(15,791)	(14,404)	-	(30,195)
Financial assets derived from concessions	(271,973)	(157,905)	-	(429,878)
	2,126,189	383,789	(446,290)	2,063,688
Tax loss carryforwards	2,485,081	869,332	-	3,354,413
	4,611,270	1,253,121	(446,290)	5,418,101
Deferred IETU	(96,665)	96,665	-	-
	$ 4,514,605	$ 1,349,786	$ (446,290)	$ 5,418,101

e. In accordance with rule I.3.3.2.4 of the omnibus tax ruling of November 19, 2015, taxpayers engaged in the operation of a concession granted by the federal government may utilize their tax losses until they are fully utilized, or the concession expires or the Entity is liquidated, whichever occurs first. As of December 31, 2015, the amount of the tax loss carryforward benefits (restated for the effects of inflation as permitted by Mexican Income Tax Law) is $14,128,384.

15. Costs and expenses by nature

Total costs and expenses classified by nature are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Amortization of assets derived from the concessions	$ 781,113	$ 1,148,832	$ 1,080,993
Major maintenance expenditures	412,186	64,103	275,972
Minor maintenance expenditures	45,662	69,794	57,731
Operating costs	137,089	209,573	149,471
Other	79,385	90,528	109,311
Operation and maintenance provisions	674,322	433,998	592,485
Insurance and bonds	79,378	83,295	86,105
Payment to Federal Government	25,635	22,755	20,044
Professional fees		22,053	28,012
Other	5,604	6,656	10,307
Toll collection costs	110,617	134,759	144,468
Construction costs	346,097	317,706	347,079
Cost of ancillary revenues from the use of right of way and other related	33,202	24,421	9,930
Salaries	281,333	275,765	95,494
Consultants	38,776	36,161	28,592
Other	51,490	41,815	27,896
General and administrative expenses	371,599	353,741	151,982
	$ 2,316,950	$ 2,413,457	$ 2,326,937

16. Risk management

a. ***Significant accounting policies***

Details of significant accounting policies (including recognition criteria, bases of valuation and revenue and expense recognition) for each type of financial asset, financial liability and equity instrument are detailed in Note 3.

b. ***Financial instrument categories and risk management policies***

The main financial instrument categories are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Financial assets			
Cash and cash equivalents	$ 6,923,061	$ 6,225,057	$ 5,215,836
Long-term restricted cash	91,102	89,287	87,297
Accounts receivable:			
Trade accounts receivable	409,904	422,405	355,249
Other accounts receivable and prepaid expenses	100,793	80,044	43,379
Financial asset	1,256,236	1,345,707	1,432,926
Financial liabilities			
Suppliers	285,768	281,597	287,545
Payable interest	853,558	676,361	403,695
Payable financial derivative interest	13,613	8,351	29,550
Other accounts payable	42,227	35,471	29,273
Accounts payable to related parties	1,079,801	-	-
Current portion of long-term debt	338,047	275,826	163,760
Long-term debt	37,404,069	35,197,241	33,743,385
Other long-term liabilities	2,990	8,542	-
Financial derivative instruments	358,259	393,753	1,394,686

The Entity's assets and liabilities are exposed to different economic risks including (i) financial market risks (traffic, foreign currency and prices), (ii) interest rates risk (iii) credit risks, and (iv) liquidity risks.

The Entity seeks to minimize the potential negative effects of the above risks on its financial performance by implementing different strategies. It utilizes derivative financial instruments to hedge against its exposure to financial risks derived from the transactions recognized in the consolidated statements of financial position (recognized assets and liabilities). The Entity does not hedge against other types of exposure because it considers potential risks to have an insignificant effect on its operations.

The Entity only enters into derivative financial instruments as hedges to reduce the financial exposure of its liabilities. The derivative financial instruments entered into for this purpose can be designated for accounting purposes as hedges or for trading purposes without affecting their primary objective of mitigating the risks to which the Entity's is exposed through its projects.

The Entity's internal control policy establishes that the authorization to issue loans and assume the respective project risks requires the prior joint analysis of the finance, legal and management areas. This analysis also evaluates the use of derivative financial instruments to hedge against financial risks. As an internal control policy, once this analysis has been concluded.

When evaluating the use of derivative financial instruments to hedge against financial risks, the Entity analyzes the sensitivity of pertinent variables at different potential levels so as to define the economic efficiency of each alternative proposed for hedging the measured risk. This process is then matched with the obligations and/or conditions of each alternative to define the most appropriate solution. Furthermore, the Entity performs effectiveness tests with the support of an expert appraiser to determine the treatment applicable to each derivative financial instrument.

In the case of interest rate hedges, instruments are contracted in order to fix maximum financial costs to support the viability of the projects or to link them to the allowed rate increases.

Many of the counterparties of derivative financial instruments that hedge the Entity's debt are the same financial institutions that issue the related debt (or their affiliates).

c. ***Market risk***

The Entity's activities primarily expose it to financial risks derived from highway traffic and their maintenance cost.

Revenues of the Entity are directly related to the operation of the Concessioned highways, any government action that had a negative effect on the Concession, a recession in the regions where it operates, a natural disaster or any other event that could affect traffic level on highways operated, could have a material adverse effect on the financial position and operating results of the Entity. Additionally, the interference of the moving in the tolls related from social movements could adversely affect the income of the highways in operation.

On the other hand, the revenues from toll collection by the Entity are regulated according to the increase in inflation. The Concession Title allows RCO increase levels of tolls according to inflation annually, or earlier if cumulative inflation is equal or higher than 5.0% over the last tariff increase. However, inflation is a variable key in the cost structure of the financing that RCO has agreed and considerable inflation could affect the financial results of RCO.

The Entity is exposed to the risk in prices, mainly of the maintenance cost of the highways which may have an adverse material effect on the financial position and operating results of the Entity.

The Entity considers that its exposure to exchange rate risk is insignificant due to the low number of transactions and balances denominated in foreign currency. The Entity enters into financing in the same currency as the payment source. However, if its exposure to this risk becomes significant during a given period, it is managed within approved policy parameters.

d. ***Interest rate risk management***

The Entity is mainly exposed to interest rate risks because it has entered into debt at variable rates. The Entity manages this risk by maintaining an adequate combination of variable-rate loans and interest rate swap contracts. The Entity's hedging activities are regularly monitored so that they align with interest rates and their related risk in order to implement the most effective hedging strategies.

In order to mitigate the risk of interest rate fluctuations, the Entity utilizes interest swaps to fix variable rates and CAPs (see Note 11).

The interest rate swaps and CAPs entered into by the Entity change variable interest rate profiles to fixed profiles, including rates linked to inflation (UDIs), or cap variable interest rates. The Entity performs a stress analysis to determine the most appropriate combination of fixed payments and those linked to inflation, while considering that concessions generally allow the Entity to increase toll rates based on inflation and demand elasticity. A TIIE rate increase / (decrease) of 100 basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates, and would result in an decrease of stockholders' equity of $(21,472) and $(24,224), respectively. The effect on the net loss of the year would be insignificant because the instruments that expose the Entity to these risks are protected by highly effective cash flow hedges.

The carrying value of the Entity's derivative financial instruments and debt is $38,100,375 at December 31, 2015.

e. *Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss for the Entity. The Entity's main credit risk primarily involves cash and cash equivalents and, to a lesser extent, its accounts receivable from its customers, including its financial concession assets. In the case of the accounts receivable and financial assets of COVIQSA and CONIPSA, as the main customer is the SCT, despite the level of concentration, the credit risk is deemed to be insignificant. With regards to cash and cash equivalents, the Entity maintains a policy of only performing transactions with institutions with an acknowledged reputation and high credit rating. The main funds are held in trusts. The Entity's maximum credit risk exposure is approximately $8,680,303 at December 31, 2015. Notes 5, 6 and 7 describe the main financial assets subject to credit risks.

f. *Liquidity risk management*

The Entity manages its liquidity risk by maintaining adequate reserves and bank loans and consistently monitoring its projected and actual cash flows. Long-term debt maturities are presented in Note 12. The Entity maintains funds in trusts to cover certain of its contractual obligations; these funds are used for debt repayment, as well as highway maintenance and extension costs, among other purposes. The Entity also has lines of credit under its bank loans, as discussed in Note 12.

The liquidity risk associated with cash, cash equivalents and long-term restricted cash is $7,014,163 at December 31, 2015.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on contractual repayment periods and considering future cash flows:

December, 31 2015	Less than 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Long-term debt (1)	$ 3,293,761	$ 16,809,030	$ 48,387,202	$ 68,489,993
Accounts payable to suppliers	285,768	-	-	285,768
Other current liabilities	42,227	2,990	-	45,217
Derivative financial instruments	415,368	943,929	20,085	1,379,382
Total	$ 4,037,124	$ 17,755,949	$ 48,407,287	$ 70,200,360

(1) Amount does not include commissions and debt issuance costs.

g. *Fair value of financial instruments*

The fair value of the interest rate and CAPs entered into by the Entity is determined according to the present value of future cash flows. The fair value of each derivative is calculated based on its fixed rate and market curve at that date so as to determine variable cash flows, while applying an appropriate discount rate to estimate the present value. The Entity also utilizes recognized information sources such as interest rate curves.

All the Entity's derivatives are classified as Level 2 of the fair value hierarchy established by IFRS 7, "Financial Instruments – Disclosure". Level 2 fair value measurements are based on information other than the quoted prices included within Level 1 (fair value measurements derived from quoted prices (unadjusted) on active markets for identical assets and liabilities), which can be observed for assets or liabilities, whether directly (e.g. prices) or indirectly (e.g. derived from prices).

Except with respect to long-term debt, the Entity's management considers that the carrying values of its financial assets and liabilities recognized in the consolidated financial statements at amortized cost approximate their fair values:

	December 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 6,923,061	$ 6,923,061	$ 6,225,057	$ 6,225,057
Trade accounts receivable	409,904	409,904	422,405	422,405
Other accounts receivable and prepaid expenses	100,793	100,793	80,044	80,044
Financial asset	1,256,236	1,256,236	1,345,707	1,345,707
Long-term restricted cash	91,102	91,102	89,287	89,287
Financial liabilities:				
Accounts payable to suppliers	$ 285,768	$ 285,768	$ 281,597	$ 281,597
Current portion of long-term debt	338,047	338,047	275,826	275,826
Other current liabilities	42,227	42,227	35,471	35,471
Other long-term liabilities	2,990	2,367	8,542	12,729
Long-term debt	37,404,069	38,634,131	35,197,241	37,595,238

	December 31, 2013	
	Carrying value	Fair Value
Financial assets:		
Cash and cash equivalents	$ 5,215,836	$ 5,215,836
Trade accounts receivable	355,249	355,249
Other accounts receivable and prepaid expenses	43,379	43,379
Financial asset	1,432,926	1,432,926
Long-term restricted cash	87,297	87,297
Financial liabilities:		
Accounts payable to suppliers	$ 287,545	$ 287,545
Accounts payable to related parties	163,760	163,760
Current portion of long-term debt	29,273	29,273
Long-term debt	33,743,385	34,388,433

The Entity engages experts to value and recognize financial instruments at their fair value.

17. Stockholders' equity

a. Common stock at par value is as follows:

As of December 31, 2015:

	Number of Shares	Amount
Fixed capital		
Series A	53,393	$ 50
Variable capital		
Series A	20,105,331,110	16,439,513
Series B	8,609,634,800	5,689,405
Total	28,715,021,303	$ 22,128,968

As of December 31, 2014 and 2013:

	Number of Shares	Amount
Fixed capital		
Series A	53,393	$ 50
Variable capital		
Series A	20,105,331,110	19,296,863
Series B	8,609,634,800	6,641,855
Total	28,715,021,303	$ 25,938,768

b. At the Stockholders' Ordinary General Meeting mentioned below, the stockholders approved reductions in the variable portion of common stock to be paid in proportion to the value of the contribution by stock by each shareholder, as follows:

Stockholders' meeting date	Importe
February 9, 2015	$ 1,350,000
May 12, 2015	2,208,000
November 26, 2015	251,800
	$ 3,809,800

On March 10, 2015, June 10, 2015 and December 10, 2015, payments related to these capital reductions by $ 1,230,000, $ 300,000 and $ 1,200,000, respectively were paid.

c. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.

The common stock reductions made during 2015, were not subject to ISR.

d. Administration of capital management - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. Entity management reviews the capital structure when presenting its financial projections to the Board of Directors and stockholders as part of the business plan. When performing its review, the Board of Directors considers the cost of equity and its associated risks.

e. At December 31, 2015, 2014 and 2013, the tax value of the contributed capital account balance is $37,736,625, $35,546,934 and $34,159,963, respectively.

18. Earnings per share

a. The consolidated net profit (loss) and weighted average number of ordinary shares used in the calculation of basic earnings (losses) per share are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Consolidated net income (loss) for the period	$ 1,000,175	$ (553,143)	$ (445,444)
Weighted average number of ordinary shares for the purposes of basic earnings per share	28,715,021,303	28,715,021,303	28,715,021,303

b. The consolidated net profit (loss) and the weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Consolidated net loss for the period	$ 1,000,175	$ (553,143)	$ (445,444)
Weighted average number of ordinary shares for the purposes of basic earnings per share	28,715,021,303	28,715,021,303	28,715,021,303
Weighted average number of ordinary shares for the purposes of diluted earnings per share	28,715,021,313	28,715,021,313	28,715,021,303

19. Balances and transactions with related parties

a. Transactions with related parties, carried out in the ordinary course of business, that are not shown separately in these consolidated financial statements, were as follows:

	For the years ended December 31,		
	2015	2014	2013
Operation and maintenance provisions	$ -	$ -	$ 247,817
Construction costs	-	-	26,430

b. Compensation of key management personnel:

The compensation received by directors and other key members of management during the period was as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Short-term employee benefits	$ 110,269	$ 32,230	$ 28,779
Long-term employee benefits	7,752	157,409	43,651
	$ 118,021	$ 189,639	$ 72,430

The compensation of the Entity's key executive officers is approved by the corporate practices committee based on the Entity's performance and market trends.

20. Segment information

The Entity's activities are primarily related to building, operating, conserving and maintaining concessioned highways. The Entity determines its reportable segments in accordance with IFRS 8, as follows:

- RCO: RCO is responsible for operating, conserving and maintaining highways in operation under the FARAC I Concession Agreement, which were granted on October 4, 2007. The concession agreement grants the right and obligation to construct, operate, conserve and maintain the following highways (i) Zapotlanejo-Guadalajara, (ii) Maravatío-Zapotlanejo, (iii) Zapotlanejo-Lagos and, (iv) León-Aguascalientes for a term of 30 years from the grant date. The concession agreement also includes the requirement to build and maintain extensions on the highways.

- CONIPSA: CONIPSA is responsible for operating, conserving and maintaining, for a period of 20 years from 2005, the stretch of federal toll-free highway starting at the junction of the Querétaro-Irapuato highway and the Irapuato-La Piedad highway, and ends at kilometer 76 +520, at the junction with the bypass of Cabadas La Piedad, in the state of Guanajuato. The stretch of highway under CONIPSA´s concession is part of a highway corridor from east to west, linking together various cities located in the Bajío region in central Mexico, and the west of Guadalajara and eastern Mexico City.

- COVIQSA: COVIQSA is responsible for operating, conserving and maintaining, for a period of 20 years from 2006, the 93 kilometer stretch of federal toll-free highway located in the states of Querétaro and Guanajuato. This stretch of highway corridor is an important part of the Bajío region, from east to west that connects the cities of Querétaro and Irapuato, and gives way to large number of carriers that do business in the city of Querétaro, Irapuato and La Piedad, plus regions such as northern León, southern Morelia, western Guadalajara and eastern Mexico City.

Information regarding these reportable segments is as follows:

	December 31, 2015		
	RCO	COVIQSA	CONIPSA
Total revenues	$ 5,633,647	$ 862,666	$ 254,146
Income from operations	3,663,451	603,895	158,457
Net income	966,466	397,678	93,027

	December 31, 2014		
	RCO	COVIQSA	CONIPSA
Total revenues	$ 5,003,520	$ 827,814	$ 238,872
Income from operations	2,859,217	578,740	198,094
Net (loss) income	(658,940)	408,453	117,037

	December 31, 2013		
	RCO	COVIQSA	CONIPSA
Total revenues	$ 4,421,035	$ 795,877	$ 227,404
Income from operations	2,495,325	643,711	121,644
Net (loss) income	(969,351)	414,530	128,391

21. Nonmonetary transactions

For the years ended December 31, 2015, 2014 and 2013, the Entity recognized construction revenues of $346,097, $317,706 and $347,079, respectively, which are not reflected in the consolidated statements of cash flows.

22. Contingencies

Neither the Entity nor its assets are subject to any lawsuits other than the routine legal proceedings derived from its activities.

23. Commitments

a. RCO executed an operating lease agreement for its current offices for a mandatory three-year period which expires in February 2016; this lease establishes monthly rental payments which may be increased by the NCPI. Rental expense was $2,105, $2,056 and $1,542 for the years ended December 31, 2015, 2014 and 2013, respectively.

b. During 2013, COVIQSA and CONIPSA executed an operating lease agreement for their current offices located in Avenida de los Insurgentes No. 2010, Colonia Playa Azul in Irapuato, Guanajuato C.P. 36555 for a mandatory five-year period which expires in November 2017; these leases establish monthly rental payments of $17 and $14, respectively, which may be increased by the NCPI. Rental expense was a $396, $556 and $421, for the years ended December 31, 2015, 2014 and 2013, respectively.

c. During 2015, RCO, COVIQSA and CONIPSA executed financing lease agreements for the acquisition of machinery and equipment of $8,891, $2,628 and $2,590, respectively. The financial lease contacts have terms of 2 and 3 years and mature in 2016 and 2017. Total financial lease payments for the years ended December 31, 2015 and 2014 is $6,399 and $1,795, respectively.

24. Authorization for issuance of financial statements

On February 23, 2016, the issuance of these consolidated financial statements was authorized by . Demetrio Javier Sodi, Chief Executive Officer of the Entity and Jorge Parra Palacios, Chief Financial Officer of Red de Carreteras de Occidente, S.A.B. de C.V. These consolidated financial statements are subject to approval at the stockholders' meeting, where they may be modified based on provisions set forth by the Mexican General Corporate Law.

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