Annual and Sustainability Report 2013

Connecting your life

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Glossary
Our glossary is available on page:
http://inversionistas.megacable.com.mx/herramientas/glosario.php

Relevant Data

Audited Consolidated Financial Results Figures expressed in millions of Mexican Pesos (at December 31, 2013)	2012	2013	2012 vs 2013
Service Income	8,977	10,279	14.5%
Operating Income	2,411	2,815	16.8%
Consolidated EBITDA	3,777	4,325	14.5%
Consolidated EBITDA Margin	42.1%	42.1%	
Adjusted EBITDA for Cable Operations	3,720	4,228	13.6%
Adjusted EBITDA Margin for Cable Operations	43.1%	42.8%	
Net Income	2,032	2,071	1.8%
CPO Revenues	2.26	2.24	
Total Assets	20,658	22,096	7.0%
Cash and Temporary Investments	2,494	2,607	4.5%
Total Liabilities	5,751	6,615	15.0%
Net Debt	-353	-404	14.2%
Shareholders' Equity	14,908	15,481	3.8%
FINANCIAL RATIOS			
Net Debt/Annualized EBITDA	-0.09	-0.09	
Interest Hedges	31.53	25.25	
Total Liabilities/Shareholders' Equity	0.39	0.43	

Operating Results (at December 31, 2013)	2012	2013	2012 vs 2013
Homes Passed	6,210,119	6,573,832	6%
Network Kilometers	44,390	46,958	6%
Two-way Network Percentage	97%	97%	
Cable Television Subscribers	2,100,345	2,143,773	2%
Digital Cable Subscribers	1,171,258	1,324,096	13%
Penetration Rate of Households/Homes Passed	33.8%	32.6%	
HSD Broadband Subscribers	834,781	950,705	14%
Penetration Rate/Cable Television Subscribers	39.7%	44.3%	
Telephony Subscribers	555,900	577,539	4%
Penetration Rate/Cable Television Subscribers	26.5%	26.9%	
Unique Subscribers	2,192,588	2,250,484	3%
Revenue Generating Units	3,491,026	3,672,017	5%
RGUs per Unique Subscriber	1.59	1.63	2%
ARPU per Unique Subscriber	357.2	385.6	8%

Corporate Information

Vision
To be a leader in the telecommunications industry in the delivery of high quality converged cable television, voice and data services.

Mission
To contribute to a better quality of life by providing excellent television and telecommunications services.

Values
Honesty, Commitment to work, A Service Attitude, Respect for People, Efficiency in the Use of Resources, Loyalty.

Letter from the Board of Directors to the Ordinary General Shareholders' Meeting of Megacable Holdings S.A.B. de C.V.

Dear Shareholders,

2013 was characterized by being a year in which major structural reforms were approved, low economic and employment growth, stability in the main economic variables such as inflation and interest rates, and within the sphere of our industry, a major increase in competition. Faced with this situation, we have focused our strategy on improving our service levels, responding to market demands with greater agility, making our operation even more efficient and consolidating our digitalization project in order to introduce new services, which resulted in a growth both in the number of customers and revenues.

Our investment in the national fiber optic network (GTAC) has had a considerable positive impact.
Our operating and financial results, as well as the positive expectations of the sector resulted in a very positive performance of our shares.

The positive results achieved in 2013 in a highly competitive market are the result of our proven business model that focuses on providing the best service, the best content, the best quality and competitive prices.

The approval of the Telecommunications Law initiative in driven by the Executive Branch represents a huge step forward for the industry in terms of openness and competitiveness. For Megacable, this reform translates into more and better opportunities for growth, a more open market and lower interconnection and programming costs for the Must-Carry/Must Offer regulations. All this will translate into a more efficient sector, with greater growth, investment opportunities and a better and broader offer of services to the population.

This Reform will also provide important opportunities in telephone services, primarily to companies that do not predominate in the market. This change will allow us to offer more cellular telephone competitive rates, so we expect to increase the number of users. For all these reasons, Megacable is being very attentive in order to capitalize on the opportunities arising from the new telecommunications legislation.

The investment we have made in the national fiber optic network (GTAC) has had a considerable positive impact, because it has generated significant savings in addition to no longer being dependent on third-party services. Above all, however, it has presented us with a great competitive advantage, because now we have a network with the capacity and high-capacity transmission speed in the regions where we operate to access the worldwide web.

The launch of Megacable on Demand has placed us as the first cable company that will offer a multi-screen service to customers in Mexico.

We continued to strengthen the data, telephony and cable television network, as well as improving service quality through our digitalization project.

The launch of Megacable on Demand has placed us as the first cable company that will offer a multi-screen service to customers in Mexico and one of the first providers that offers this type of service in Latin America, which constitutes a great differentiation in the market.

Moreover, Metrocarrier continues to grow in the corporate market thanks to the fiber optic coverage in industrial parks, which allows us to offer the connection speeds that our customers require.

We are uniquely positioned to capitalize on the growth opportunities that arise from the reforms, as well as to improve our competitive position.

In 2013, we rewarded our shareholders for the second consecutive year by paying two dividends, for a total amount of Ps. 1,568 million. The first dividend was paid in two equal installments in May and October totaling Ps. 568 million and the second in the amount of Ps. 1,000 million decreed and paid at the end of the year.

Our operating and financial results, as well as the positive expectations of the sector resulted in a very positive performance of our shares, the CPO closing at a price of Ps. 44.16, which represents a growth of 37%,

We will continue investing in and developing Megacable to be able to offer the best services and be a better company to work and invest in.

On behalf of the Board of Directors and the more than 12 thousand employees who make up this great company, I am grateful for the support and the trust placed in is by our customers and shareholders. We will continue investing in and developing Megacable to be able to offer the best services and be a better company to work and invest in.

Sincerely,

Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

“In my capacity as Secretary of the Board of Directors, I hereby certify the authenticity of this letter”

Manuel Urquijo Beltrán
Secretary of the Board of Directors

Letter from the Chief Executive Officer to Ordinary General Shareholders' Meeting of Megacable Holdings S.A.B. De C.V.

Dear Shareholders and Members of the Board of Directors,

In 2013, we achieved major results thanks to the confidence and the hard work of all who are part of this great company. The atmosphere of optimism and confidence to obtain even better results allowed us to achieve a significant increase in the number of subscribers in spite of the uncertainty of the domestic economy and the strong competition that characterized this period.

Our strategy is clear: Megacable seeks to generate products that are competitive in every market in which operate, especially in those segments with limited purchasing power, which represent great opportunities for growth. This strategy also has a goal of maintaining our customers' loyalty by providing excellent service and attention because this will allow us to achieve a more solid and sustained growth to strengthen customer loyalty still further.

Despite the strong competition we faced in the period, we achieve a slightly greater growth in the territories where we have more presence, thanks to the strengthening of the data, telephony and cable television network, as well as the improvement in service quality through our digitalization project.

The evolution of the Broadband service has resulted in higher growth than has been reported on television. The great difference that sets Megacable apart from other providers is the speed of our network, because our fiber optic and coaxial network allows us to offer our subscribers speeds of 10, 20, 50, 100 and 200 Megabytes per second, a service in which we do not have any representative competitors.

Megacable on Demand will offer to our more than 2 million subscribers their favorite television programs and channels live, wherever they may be, whenever they want and via any device, whether television, tablet, telephone, etc., which represents a significant competitive differential advantage for us.

Metrocarrier maintains its growth thanks to the efforts targeted at the corporate markets and its dedication to penetrate vertical markets by taking advantage of the coverage of Megacable's national network.

We transmit all sports events live, which has contributed to our regional positioning on being the only provider with 100% of the events of the season.

Our advertising continues to gain acceptance and positioning among our potential subscribers and customers, because the formula of including recognized characters of television series in the commercials has caught the audience's attention.

The speed of our network is the great difference that sets Megacable apart from other providers.

We held the third MEGATEC Symposium, which brings together the country's entire technical area, as well as certain some members of our value chain to discuss topics related to technology and business trends. In addition to this Symposium, we created the Megacable University, an institution we established for the technical training of our people, which had a significant effect on their obtaining knowledge of our technical area and improving their understanding of the customer and consequently the quality of our services. The Megacable University is being supported by different professors, who are also our business partners in the areas of network infrastructure, installations, etc.

With the introduction of the "National Preventive Maintenance Plan" (NPMP), we are looking to certify the quality of our network and service at national level. Proof of this is that in 2013 we achieved a 66% reduction in problems in these areas.

The presence of our network through three border crossings (Nogales, Reynosa and Ciudad Juárez) allows us to achieve a transmission capacity in the region of 200 Gigabytes per second. We are developing other functions continually by looking for new alternatives to improve our international capacity still further because our internal network gives us the approximate capacity of 1.1 Terabytes per second, but we are currently only using 18% of this capacity.

Megacable's main results in 2013 are summarized below:

CABLE TELEVISION

In this segment, which is reaching 2,143,773 subscribers, we also continued with our digitalization process, we added more than 153 thousand new digital cable television subscribers, which represent a 13% increase from 2012 to 2013, placing 1,574.798 additional boxes in the market.

We are one of the companies that offers the most high-definition channels in Mexico. We have a network ready to provide a service of extreme quality on a digital cable television platform with a high capacity for growth in the highest quality HD (High Definition) format. We currently have 50 HD channels and we estimate to increase them to around 70 by next year. This growth also will have a positive impact on television revenues.

We launched the Megacable on Demand service, which is based on the Cisco Videoscape Unity platform. With its service, we became the first cable company that will offer a multi-screen service to customers in Mexico and one of the first providers that offers this type of service in Latin America.

Megacable on Demand will enable our subscribers to enjoy their favorite televisions shows and channels live, wherever they are, whenever they want and using any transmission device. We currently have 20 live channels and we hope that in the coming years, we will be able to double this offer, as well as more than offering more than 3 thousand hours of series and movies.

Cable television revenues increased by 5% from 2012 to 2013, contributing to service income with Ps. 5,790 million. Moreover, average revenue per user (ARPU) for this segment remained on a par with 2012, reaching Ps. 227.7.

BROADBAND

The market share of our Broadband services within the subscriber base maintains a constant growth. At Megacable, we continue preparing for the future through our main competitive advantage: connection speed. In the period, our network architecture, which operates using DOCSIS 3.0 technology, increased by nearly 50%. This infrastructure is capable of delivering higher speed, rapidity and benefits in connections of over 100 megabytes per second.

Broadband subscribers increased by 14% compared to 2012, reaching 950,705 subscribers in 2013, thus increasing the base by 116 thousand in comparison to 2012. This segment generated revenues of Ps. 2,128 million, with a year-on-year increase of 18%.

The Company is confident that this trend will continue in 2014 and is also fully aware and understands that the Broadband is the key to future success in our industry. We are also convinced that Megacable is fully prepared to take advantage of its strengths to meet this challenge. In addition, the average revenue per user (ARPU) for this segment increased by 1%, from Ps. 198.4 in 2012 to Ps. 200.8 in 2013.

TELEPHONY

We are continuing to update our Megafon technology platform by introducing the newest in the world market, the IMS platform (IP Multimedia Subsystem), which is the newest in the market. With this, our customers will be able to enjoy integration services of their fixed lines with their cellular telephone line, as well as various applications that we will be offering in the coming months.

The complete restructure of the telephony platform will generate significant savings in the implementation process and a substantial offer in our service to our customers.

Megafon offers competitive rates and packages in addition to including value-added services at no extra cost. These are some of the advantages that we offer the Mexican market and that have gained greater customer loyalty for us. In this manner, the Company recorded 577,539 subscribers, which represents a 4% increase over 2012 through the addition of 22 thousand new subscribers to our base in 2013.

The segment contributed Ps. 1,222 million to the Company's revenues in 2013. The ARPU of this segment increased from Ps. 182.1 to Ps. 181.7 year-on-year due to the reduction of fixed-to-mobile interconnection charges, the deductions achieved by the adoption of Triple Play and the decrease in additional consumption (extra minutes, long distance and calls to cell phones).

CORPORATE SEGMENT

Created as a business unit responsible for developing commercial customers, it maintains a relationship with the Company's transport area. We are developing a strategy to realign the Metrocarrier services and that has been streamlined very strongly for Megacable. We have the infrastructure, the fiber optics, the knowledge and the most important factors, which is the relationship with the customer. This Metrocarrier evolution process will enable us to offer a very robust range of services to companies.

We are also developing another strategy to bring fiber optic to industrial parks using Gigabyte-capable Passive Optical Network (GPON) technology, which enables the delivery of high quality services at more than 300 Megabytes per second in commercial and other specific areas. We also have the capacity of up to 2.5 Gigabytes per second to meet the requirements of customers in this area who demand greater capabilities and Broadband access.

REVENUE GENERATING UNITS (RGUs) AND UNIQUE SUBSCRIBERS

Our RGUs achieved the figure of 3,672,017, with a year-on-year growth of 5%, and we managed to obtain 1.63 RGUs per unique subscriber compared with 1.59 in 2012. The number of unique subscribers totaled 2,250.484 at December 2013, which represents a growth of 3% compared to 2012. Moreover, the ARPU per unique subscriber increased from Ps. 357.2 to Ps. 385.6 year-on-year due to the already-mentioned additional services contracted by our subscribers.

HOMES PASSED AND NETWORK KILOMETERS

Megacable has the most extensive and modern fiber-optic and coaxial cable network in the country. The network passes by more than 6.6 million homes, covers an area of 46,958 km and has a 97% two-way transfer. In 2013, the network increased by approximately 3 thousand kilometers, which allowed us to increase the number of homes passed by approximately 6%. In addition, GTAC added more than 19 thousand kilometers to our fiber optic network.

AVERAGE MONTHLY CHURN RATE

The average monthly churn rate in the cable television and telephony segments increased 19 base points in cable television, from 2.8% to 3.0% year-on-year and telephony reached 21 base points, increasing from 3.6% to 3.8% year-on-year. Broadband remained in line with 3.2%

SERVICE INCOME

Service income reached Ps. 10,279 million, an increase of 15% compared to 2012. 56% of our total revenue comes from the Cable Television segment, 21% from the Broadband segment, 12% from the Telephony segment and finally 11% of the “Other” segment. The latter are represented primarily by the MCM, Ho1a and Metrocarrier operations.

NET PROFIT

The Company achieved a net profit of Ps. 1,941 million, remaining in line year-on-year, achieved mainly from the “Must Carry/Must Offer” benefit. Offset by the Fiscal Reform, some deferred taxes were paid in advance, which resulted in an increase in the effective rate due to a larger tax base.

Operating expenses increased 14% year-on-year, mainly due to the growth of the network, the efforts made in the digitalization project and the brand positioning strategy. Depreciation and amortization was another item that had a negative affected due to its increase of 11% from 2012 to 2013 as a result of the Company’s CAPEX policy of CAPEX and growth.

Earnings per share reached Ps. 1.12, equivalent to Ps. 2.24 by CPO.

BALANCE SHEET

The Company continues to increase its liquidity through cash generation, which grew 5%, taking into account that Ps. 1,568 million were paid in May, October and December 2013. The Company's cash is 18% higher than liabilities with cost, which combined with the existing lines of credit, puts us in a privileged position to capitalize on the opportunities for growth as a result of the reforms, as well as to improve our competitive position.

We strengthened our financial position by having renegotiated the bank loan, which remains in the amount of Ps. $2,100 million, at a 28-day TIIE rate plus 0.49 %.

The Company's shareholders' equity increased year-on-year by 4%, mainly due to the increase in retained earnings from 2012 to 2013 from Ps. 360 million to Ps. 11.361 million.

CAPITAL INVESTMENTS

The CAPEX investments in 2013 amounted to approximately Ps. 2,000 million, which was mainly allocated to the expansion and modernization of the network, the purchase of CTC/subscriber equipment.

Sincerely,

Enrique Yamuni Robles
Chief Executive Officer
Megacable Holdings S.A.B. de C.V.

"In my capacity as Secretary of the Board of Directors, I hereby certify the authenticity of this letter"

Manuel Urquijo Beltrán
Secretary of the Board of Directors

MEGACABLE

MEGAMÁTICO
CAJERO 24 HRS.

Cable Television

We have a network ready to provide a service of extreme quality on a digital cable television platform with a high capacity for growth in the HD (High Definition) format.

We currently have 50 HD channels and we estimate to increase them to around 70 by next year. This growth also will have a positive impact on television revenues.

We are maintaining our four services of Cable Television On Demand: All You Can Eat, live channels, transactional (premier movies) and Catch-Up TV.

As a follow-up to our digitalization process, we incorporated more than 153 thousand digital cable television subscribers and 1,574.798 additional boxes, which allowed us to achieve the total number of 1,324,096 digital subscribers, which represents a 13% increase compared to 2012.

We launched the Megacable On Demand service, which is based on the Cisco Videoscape Unity platform, through our OTT (Over The Top) services. With its service, we became the first cable company that will offer a multi-screen service to customers in Mexico and one of the first providers that offers this type of service in Latin America.

Cable Television subscribers

Average revenue per subscriber (ARPU) remained in line with 2012, reaching Ps. 227.7

Megacable on Demand will enable our subscribers to enjoy their favorite televisions shows and channels live, wherever they are, whenever they want and using any transmission device. We currently have 20 live channels and we hope that in the coming years, we will be able to double this offer.

Megacable On Demand provides more than 3 thousand hours of series and movies and a wide selection of live channels.

Digital subscribers

We achieved an increase of 13% compared to 2012

Cable television revenues increased by 5% from 2012 to 2013, contributing to service income with Ps. 5,790 million.

Broadband

The market share of our Broadband services within the subscriber base maintains a constant growth.

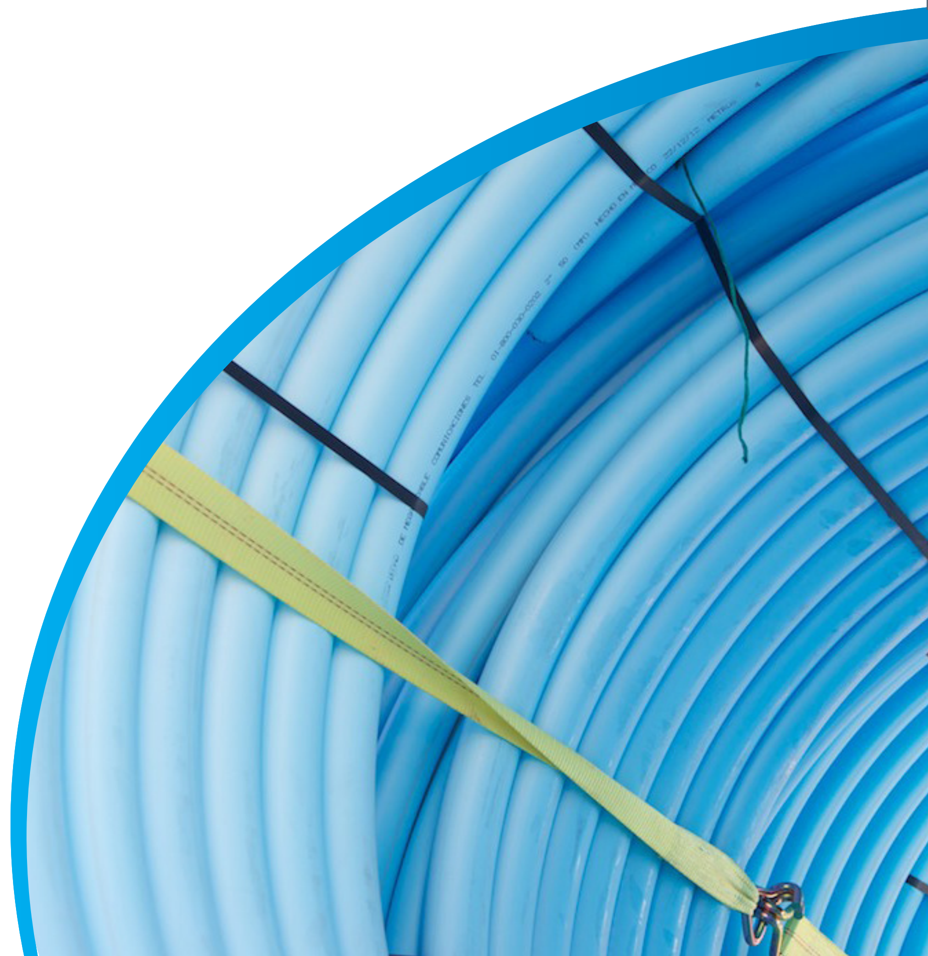
At Megacable, we continue preparing for the future through our main competitive advantage: connection speed. In the period, our network architecture, which operates using DOCSIS 3.0 technology, increased by nearly 50%. This infrastructure is capable of delivering higher speed, rapidity and benefits in connections of over 200 megabytes per second.

Internet subscribers

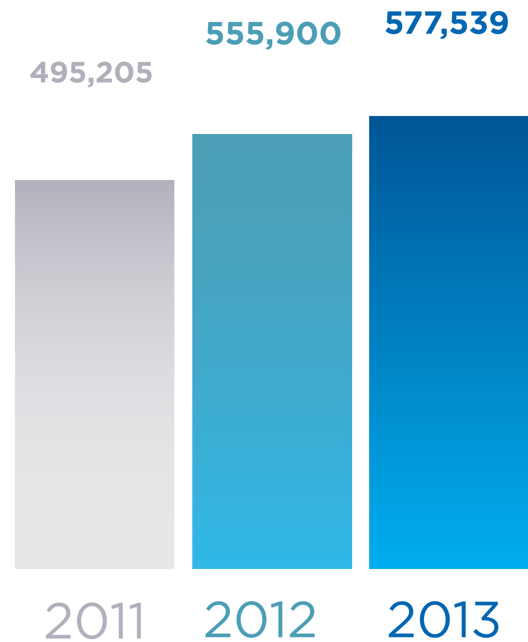
This segment generated revenues of Ps. 2,128 million.

Our subscribers increased by 14% compared to 2012.

The average revenue per user (ARPU) increased by 1% compared to 2012.



Telephone subscribers



Telephony

We are continuing to update our Megafon technology platform by introducing the newest in the world market, the IMS platform (IP Multimedia Subsystem). With this, our customers will be able to enjoy integration services of their fixed lines with their cellular telephone line, as well as various applications that we will be offering in the coming months.

The complete restructure of the telephony platform will generate significant savings in the implementation process and a substantial offer in our service to our customers.

Megafon offers competitive rates and packages in addition to including value-added services at no extra cost. These are some of the advantages that we offer the Mexican market and that have gained greater customer loyalty for us.

We recorded 577,539 subscribers, which represents a 4% increase compared to 2012

22 thousand subscribers joined our base in 2013.

Other Operating Results

Our fiber optic and coaxial cable network remained the most extensive and modern in the country, serving more than 6.5 million houses and has an extension of 46,958 km and a 97% two-way transfer.

MegaCanal has maintained important growth and local presence. We are seeking local coverage and local channels. We have enjoyed a good position in coverage of local channels.

Corporate Segment

Created as a business unit responsible for developing commercial customers, it maintains a relationship with the Company's transport area.

We are developing a strategy to realign the Metrocarrier services and that has been streamlined very strongly for Megacable. We have the infrastructure, the fiber optics, the knowledge and the most important factors, which is the relationship with the customer. This Metrocarrier evolution process will enable us to offer a very robust range of services to companies.

We are also developing another strategy to bring fiber optic to industrial parks using Gigabit-capable Passive Optical Network (GPON) technology, which enables the delivery of high quality services at more than 300 Megabytes per second in commercial and other specific areas. And we have a capacity of up to 2.5 Gigabytes per second to attract more commercial or corporate customers.

MEGATEC Symposium

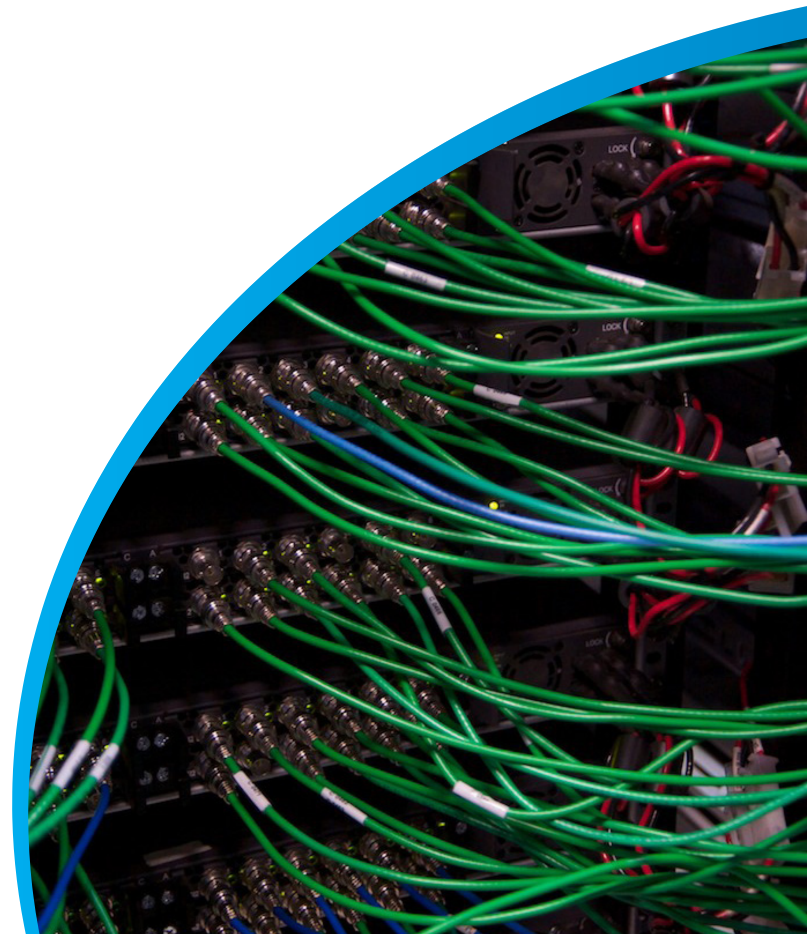
We held the third MEGATEC Symposium, which brings together the country's entire technical area, as well as certain some members of our value chain to discuss topics related to technology and business trends. In addition to this Symposium, we created the Megacable University, an institution we established for the technical training of our people (installers, technicians, corrective maintenance staff), which had a significant effect on their acquisition of knowledge of our technical area and has improved their understanding of the customer and consequently the quality of our services.

The Megacable University is being supported by different professors, who are also our business partners in the areas of network infrastructure, installations, etc.

Many of our professors also instruct our employees in how to complete installations, provide services and maintain the internal and networks, which resulted in a considerable improvement in the training of installation technicians.

With the introduction of the "National Preventive Maintenance Plan" (NPMP), we are looking to certify the quality of our network and service at national level. Proof of this is that in 2013 we achieved a 66% reduction in problems in these areas.

The presence of our network through three border crossings (Nogales, Reynosa and Ciudad Juárez) allows us to achieve a transmission capacity in the region of 200 Gigabytes per second. We are developing other functions continually by looking



In 2013, the network increased by approximately 3 thousand kilometers, which allowed us to increase the number of homes passed by approximately **6%**

for new alternatives to improve our international capacity still further because our internal network gives us the approximate capacity of 1.3 Terabytes per second, but we are currently only using 12% of this capacity.

The average monthly churn rate in the cable television and telephony segments increased 19 base points in Cable Television, from 2.8% to 3.0% year-on-year and telephony reached 21 base points, increasing from 3.6% to 3.8% year-on-year. Broadband remained in line with 3.2%

Our RGUs achieved the figure of 3,672,017, with a year-on-year growth of 5%, and we managed to obtain 1.63 RGUs per unique subscriber compared with 1.59 in 2012. The number of unique subscribers totaled 2,250.484 at December 2013, which represents a growth of 3% compared to 2012. Moreover, the ARPU per unique subscriber increased from Ps. 357.21 to Ps. 385.6 year-on-year due to the already-mentioned additional services contracted by our subscribers.

Service Income

Service income reached Ps. 10,279 million, an increase of 15% compared to 2012. 56% of our total revenue comes from the Cable Television segment, 21% from the Broadband segment, 12% from the Telephony segment and finally 11% of the "Other" segment. The latter are represented primarily by the MCM, Ho1a and Metrocarrier operations.

Net profit

The Company achieved a net profit of Ps. 1,941 million, remaining in line year-on-year, achieved mainly from the "Must Carry/Must Offer" benefit. Offset by the Fiscal Reform, some deferred taxes were paid in advance, which resulted in an increase in the effective rate due to a larger tax base.

Operating expenses increased 14% year-on-year, mainly due to the growth of the network, the efforts made in the digitalization project and the brand positioning strategy. Depreciation and amortization was another item that had a negative affected due to its increase of 11% from 2012 to 2013 as a result of the Company's CAPEX policy of CAPEX and growth.

Earnings per share reached Ps. 1.12, equivalent to Ps. 2.24 by CPO.

Balance Sheet

The Company continues to increase its liquidity through cash generation, which grew 5%, taking into account that Ps. 1,568 million were paid in May, October and December 2013. The Company's cash is 18% higher than liabilities with cost, which combined with the existing lines of credit, puts us in a privileged position to capitalize on the opportunities for growth as a result of the reforms, as well as to improve our competitive position.

We strengthened our financial position by having renegotiated the bank loan, which remains in the amount of Ps. $2,100 million, at a 28-day TIIE rate plus 0.49 %.

The Company's shareholders' equity increased year-on-year by 4%, mainly due to the increase in retained earnings from 2012 to 2013 from Ps. 360 million to Ps. 11.361 million.

Capital Investments

The CAPEX investments in 2013 amounted to approximately Ps. 2,000 million, which was mainly allocated to the expansion and modernization of the network, the purchase of CTC/subscriber equipment.

We expect to make the most of our potential to continue achieving good and better results.

It just remains for me to reiterate our commitment to maintain our on-going improvement in our services platform and customer service to the highest quality standards.

I hereby conclude this report, which was prepared in accordance with section XI of Article 44 of the Securities Market Law and request your subsequent approval.

Stock Market Performance

At December 31, 2013, the Company had 1,718 million outstanding shares, the number of equivalent outstanding CPOs amounted to 298 million, with 1.6 million CPOs in the Treasury.

The resources remaining in 4Q13 amount to 241 million shares with a free float of 35%.

BOARD OF DIRECTORS AND MANAGEMENT TEAM

Megacable's Board of Directors is composed of eleven members appointed by the General Shareholders' Meeting, of which 27% are independent directors.

Francisco Javier Robinson Bours Castelo
Chairman of the Board
Enrique Yamuni Robles
Chief Executive Officer
Manuel Urquijo Beltrán
Board Secretary
Sergio Jesús Mazón Rubio
Member
Jesús Enrique Robinson Bours Muñoz
Member
Juan Bours Martínez
Member
Arturo Bours Griffith
Member
José Gerardo Robinson Bours Castelo
Member
Mario Laborín Gómez
Independent Member
Nicolás Olea Osuna
Independent Member
Pablo Rión Santisteban
Independent Member

BOARD OF DIRECTORS' COMMITTEES

The Company's Board of Directors has two committees:

BEST CORPORATE PRACTICES COMMITTEE

Composed of three independent members:

Nicolás Olea Osuna
Chairman
Mario Laborín Gómez
Member
Pablo Rión Santisteban
Member

AUDIT COMMITTEE

Composed of three independent members:

Pablo Rión Santisteban
Chairman
Mario Laborín Gómez
Member
Nicolás Olea Osuna
Member

MANAGEMENT TEAM

Enrique Yamuni Robles
Chief Executive Officer
Raymundo Fernández Pendones
Joint General Director
Luis Antonio Zetter Zermeño
Administration and Finance Director

Consolidated financial statements

Megacable Holdings, S. A. B. de C. V. and Subsidiaries
December 31, 2013 and 2012

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External auditors' report

To the Stockholders of Megacable Holdings, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Megacable Holdings, S. A. B. de C. V. and subsidiaries, which comprise the consolidated statement of financial position at December 31, 2013 and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the consolidated financial statements

Management of the Company and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS, see note 2) and for the internal control structure considered by Management to be necessary to allow for ensuring that the consolidated financial statements are free of material misstatement due to fraud or errors.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 financial statements, whether due to fraud or error. In making those risk assessment, 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megacable Holdings, S. A. B. de C. V. and subsidiaries at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

C.P.C. F. Javier Alonso Rodriguez
Audit Partner

Guadalajara, Jalisco, April 28, 2014

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Assets			
Current assets:	5	$ 2,346,443	$ 2,493,905
Cash and cash equivalents	6	260,721	-
Financial assets carried at fair value through income	7	889,868	411,377
Accounts receivable, net		45,007	47,519
Income tax and flat tax		175,905	194,596
Recoverable	8	201,569	288,762
Value added tax and other		3,919,513	3,436,159
Inventories	10	12,485,905	11,571,482
Total current assets		3,919,513	3,436,159
Property, networks and equipment, net	10	12,485,905	11,571,482
Goodwill	2.12 and 11	4,378,397	4,277,036
Other intangible assets, net	12	298.671	448,904
Related parties	27	703,509	653,113
Investment in shares of associated companies and joint ventures	9	101,770	86,393
Deferred income taxes	2.18 y 22	179,915	156,315
Guarantee deposits	2.24	28,617	28,967
Total non-current assets		18,176,784	17,222,210
Total assets		$ 22,096,297	$ 20,658,369
Liabilities and stockholders' equity			
Current liabilities:			
Short-term portion of notes payable over the long term		$28,696	$ 30,762
Short-term portion of bank loans	14	56,926	2,080,894
Suppliers	2.14	682,929	593,964
Related parties	27	142,372	154,510
Income taxes payable	15	209,550	314,501
Other accounts payable	16	641,882	537,927
Derivative financial instruments	18	-	1,879
Total current liabilities		$1,762,355	$3,714,437

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Long-term liabilities:			
Notes payable over the long-term		3,183	3,763
Related parties	27	743,816	579,689
Bank loans	14	2,114,764	25,000
Employee benefits	17	140,355	125,447
Income tax	22	606,829	-
Deferred income taxes	2.18 and 22	1,243,509	1,302,362
Total long-term liabilities		$4,852,456	$2,036,261
Total liabilities		$6,614,811	$5,750,698
Stockholders' equity:			
Capital stock	20	910,244	910,244
Net premium on the placement and subscription of shares	20	2,117,560	2,117,560
Retained earnings:	20		
Prior years'		9,165,133	8,808,843
For the period		1,940,767	1,936,972
Reserve for repurchase of shares	20	255,552	255,881
Legal reserve	20	488,832	488,832
Total stockholders' equity of controlling interest		14,878,088	14,518,332
Non-controlling interest		603,398	389,339
Total stockholders' equity		15,481,486	14,907,671
Total liabilities and stockholders' equity		$ 22,096,297	$ 20,658,369

The accompanying notes are an integral part of these financial statements.

Lic. Enrique Yamuni Robles
Managing Director

C.P. Luis Antonio Zetter Zermeño
Administration and Finance Director

(Figures in thousands of pesos)

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Service income	2.22 and 29	$ 10,279,316	$ 8,977,018
Cost of services	23	4,524,771	3,676,906
Gross profit		5,754,545	5,300,112
Selling expenses	23	2,719,502	2,323,474
Administration Expenses	23	219,757	566,037
		2,939,259	2,889,511
Other income, net	24	68,702	10,992
Operating income		2,883,988	2,421,593
Financial income	25	204,481	232,092
Financial expenses	25	(171,317)	(119,791)
		33,164	112,301
Equity in income of associated company and joint venture	9	14,930	3,283
Income before income taxes		2,932,082	2,537,177
Income taxes	22	871,750	501,763
Net income for the year		$ 2,060,332	$ 2,035,414

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Other comprehensive income:			
Elements not to be reclassified to income:			
Employee benefits	17	11,094	(3,367)
Comprehensive income for the year		$ 2,071,426	$ 2,032,047
Net income attributable to:			
Controlling company's owners		1,929,673	1,940,339
Non-controlling company's owners		130,659	95,075
		$ 2,060,332	$ 2,035,414
Comprehensive income attributable to:			
Controlling company's owners		1,940,767	1,936,972
Non-controlling company's owners		130,659	95,075
		$ 2,071,426	$ 2,032,047
Earnings per basic and diluted share:			
Attributable profit per common share of controlling interest	2.23 y 21	$ 1.12	$ 1.13
Participation certificates (CPOs) per share	2.23 y 21	0.56	0.57

The accompanying notes are an integral part of these financial statements.

Lic. Enrique Yamuni Robles
Managing Director

C.P. Luis Antonio Zetter Zermeño
Administration and Finance Director

(Figures in thousands of pesos)

	Note	Capital stock	Net premium on placement and subscription of shares	Reserve for repurchase of shares	Retained earnings	Legal reserve	Total stockholders' equity of controlling interest	Non-controlling interest	Tota stockholders' equity
Balances at January 1, 2012		$910,244	$ 2,117,560	$ 262,058	9,830,675		$ 13,120,537	$ 294,264	$13,414,801
Transactions with stockholders:									
Net purchases of own shares	20			(6,177)			(6,177)		(6,177)
Legal reserve	20				(488,832)	488,832			-
Dividend decree	20				(533,000)		(533,000)		(533,000)
Total transactions with stockholders		910,244	2,117,560	255,881	8,808,843	488,832	12,581,360	294,264	12,875,624
Net income					1,940,339		1,940,339	95,075	2,035,414
Total other components of comprehensive income for the year					(3,367)		(3,367)		(3,367)
Comprehensive income					1,936,972		1,936,972	95,075	2,032,047
Balances at December 31, 2012		910,244	2,117,560	255,881	10,745,815	488,832	14,518,332	389,339	14,907,671
Transactions with stockholders:									
Net purchases of own shares	20			(329)			(329)		(329)
Effect IAS 19	17				(12,457)		(12,457)		(12,457)
Dividend decree	20				(1,568,225)		(1,568,225)		(1,568,225)
Total transactions with stockholders		910,244	2,117,560	255,552	9,165,133	488,832	12,937,321	389,339	13,326,660
Effect of acquisition	28							83,400	83,400
Net income					1,929,673		1,929,673	130,659	2,060,332
Total other components of comprehensive income for the year					11,094		11,094		11,094
Comprehensive income					1,940,767		1,940,767	130,659	2,071,426
Balances at December 31, 2013		$910,244	$ 2,117,560	$ 255,552	$ 11,105,900	$488,832	$ 14,878,088	$ 603,398	$15,481,486

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Operations:			
Profit before income taxes		$ 2,932,082	$ 2,537,177
Cost for the period of employee benefits	17	29,168	29,477
Allowance for customer doubtful accounts	7	-	32,178
Depreciation	10	1,250,057	1,057,132
Amortization	12	260,063	309,439
Loss on sale of property, systems and equipment		5,436	6,600
Interest receivable	25	(181,297)	(137,183)
Equity in income of associated company and joint venture	9	(14,930)	(3,283)
Exchange fluctuation		(174,218)	(127,700)
Interest payable	25	171,317	119,791
		4,277,678	3,823,628
(Increase) decrease in accounts receivable, income tax, flat tax and value added tax recoverable	7	(434,308)	62,813
Decrease in related parties	27	99,501	22,477
Decrease (increase) in inventories	8	87,193	(85,267)
Increase in suppliers		(177,460)	(478,230)
Increase in other accounts payable and income taxes payable	16	(184,978)	(16,990)
		3,667,626	3,328,431
Income taxes paid	15	(115,023)	(49,255)
Net cash flows provided by operating activities		3,552,603	3,279,176
Investing activities:			
Interest collected	25	175,255	101,713
Loans to related parties	27	(87,913)	(103,000)
Collections on loans to related parties	27	96,048	-
Acquisitions of property, networks and equipment	10	(2,025,452)	(2,165,136)
Investment in intangible assets	12	(31,373)	(30,729)
Acquisition of Grupo Hola	1 and 28	(89,406)	-
Net cash flows provided by investment activities		(1,962,841)	(2,197,152)

(Figures in thousands of pesos)	Note	At December 31,	
		2013	2012
Financing activities:			
Dividends paid	20	(1,568,224)	(533,000)
Interest paid	25	(171,317)	(119,791)
Purchases of own shares, net	20	(329)	(6,117)
Loans paid	14	-	(247,454)
Notes payable actually paid		-	(304,773)
Net cash flows provided by financing activities		(1,739,870)	(1,211,135)
Decrease in cash and cash equivalents		(150,108)	(129,111)
Cash and cash equivalents at beginning of year		2,493,905	2,509,930
Exchange fluctuation in cash and cash equivalents		263,367	113,086
Cash and cash equivalents at end of year		$2,607,164	$2,493,905

At December 31, 2013 and 2012, acquisitions totaled $76,526 and $695,300, respectively, related to networks and equipment not requiring the use of cash, as they were acquired through capital leasing.

The accompanying notes are an integral part of these financial statements.

Lic. Enrique Yamuni Robles
Managing Director

C.P. Luis Antonio Zetter Zermeño
Administration and Finance Director

(Figures stated in thousands of pesos, unless otherwise indicated)

Note 1 - Company and group information:

When in these notes, joint reference to Megacable Holdings, S. A. B. de C. V and its subsidiary Mega Cable, S. A. de C. V. will be made as the "Group". The Group is controlled immediately by the Bours Families by 42.10%, represented by Mr. Francisco Javier R. Bours Castelo, Mazón with 11.11%, represented by Mr. Sergio Jesús Mazón Rubio, Mr. Manuel Urquijo Beltrán with 3.08%, Mr. Daniel Fernando Ramos Cabello with 2.29%, and Enrique Yamuni Robles with 6.34%, Trust with Nacional Financiera, S.N.C Institución de Banca de Desarrollo with 34.8%. In addition, the subsidiary Mega Cable is in turn the holding company of a group of companies engaged in the installation, operation, maintenance and exploitation of the systems for distribution of cable television, broadband and telephone signals. The Group is listed in the Mexican Stock Market and is present in 25 Mexican states. The Company has determined that its normal cycle of operations range from January 1 to December 31 every year.

The Group's head office is located at Av. Lázaro Cárdenas 1694, Col. Del Fresno, C.P. 44900, Guadalajara, Jalisco, Mexico.

IN this year, the Group acquired Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C. V. and Fidelizar, S.A. de C. V. (Grupo Hola), a company engaged in the purchase - sale of communications and telephone systems, as well as in providing technical services, advisory and sale of spare parts, materials and accessories related to its business activity. See Note 28.

The accompanying consolidated financial statements include the Group's figures, See Note 2, including those of joint ventures and associated companies, see Note 27, at December 31, 2013 and 2012, in which the Company exercises control and significant influence, respectively.

The accompanying consolidated financial statements and notes thereto were authorized for issuance on April 25, 2014 by Lic. Enrique Yamuni Robles (Managing Director) and C.P. Luis Antonio Zetter Zermeño (Administration and Finance Director), who hold the legal powers to authorize the financial statements and notes thereto.

2014 Telecommunications Reform

The Decree amending and adding to a number of provisions on the subject to Telecommunications of articles 6o, 7o, 27, 28, 73, 78, 95 and 105 of the Mexican Constitution was published in the June 11, 2013 Official Gazette. This decree establishes Congress's obligation to issue the Sole Legal codified law that regulates, on a convergent basis, the use and exploitation of the radio-electric spectrum, telecommunications networks, as well as the rendering of broadcasting and telecommunications services.

The Federal Telecommunications Institute was established on September 10, 2013. In addition, on March 24, 2014, the President sent the Senate the bill for the secondary law, that is to say, the Federal Telecommunications and Broadcasting Law. Said bill is currently under analysis and discussion.

At the Date of the financial statements, the Company is evaluating the effects of approval of the Telecommunications Reform.

Note 2 - Summary of significant accounting policies:

Following is a summary of the most significant accounting policies used in preparing the consolidated financial statements, which have been applied consistently in the years presented, unless otherwise specified.

2.1 Bases of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations thereof (IFRIC) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) on the historical cost basis of accounting, except cash and cash equivalents, property, plant and equipment and derivative financial instruments measured at fair value.

IFRS require that certain accounting estimates be made in preparing the financial statements. MFRS also require that management exercise judgments in determining the accounting policies to be applied by the Group. The line items involving a greater degree of judgment or complexity or the areas in which the assumptions and estimates are significant for the consolidated financial statements are described in Note 4.

The individual financial statements for statutory purposes, prepared in accordance with International Financial Reporting Standards, are the basis for payment of dividends.

2.1.1 Going Concern

As a result of the financing activities conducted and the growing attention to working capital, the Group has improved its short and middle-term liquidity. Taking into account the possible variations in the commercial performance, the Group's budget and projections show it is able to operate with its current level of financing.

After conducting the pertinent investigations, management expects the Group to secure the resources necessary to continue operating as a going concern in the foreseeable future. Consequently, the Group's consolidated financial statements were prepared on a going-concern basis.

2.1.2 Changes in accounting policies and disclosures

a. New standards, changes to standards and interpretations adopted by the Group

The following standards were adopted by the Group for the first time for the period beginning January 1, 2013, with no impact on the Group.

- Changes to IAS 1, "Preparation of financial statements" related to other comprehensive income. The main change resulting from this amendment is a requirement for entities to group elements presented in other comprehensive income (ORI from Spanish), based on whether or not they are potentially re-classifiable to income subsequently (reclassification adjustments). See statement of comprehensive income.

- IAS 19 "Employee benefits" was modified in June 2011. The impact on the Group will be: immediate recognition of all costs of past services, and replace interest costs and the expected return on plan assets with net interest calculated applying the discount rate for the net defined benefit liability (asset). See Note 17 for impact on the financial statements.

- IFRS 10 "Consolidated financial statements" is based on existing principles, through identification of the concept of control as the determining factor of whether or not the entity should be included in the controlling company's consolidated financial statements. The standard provides an additional guideline to aid in the determination of whether or not there is control where difficult to assess. See Note 2 for impact on the financial statements.

- IFRS 11 "Joint arrangements" focuses on the rights and obligations of the parties to the agreement rather than on the legal form. There are two forms of joint arrangements: joint operations and joint ventures. A joint operation arises when the investors have rights over assets and obligations over the arrangement's liabilities. An investor in a joint operation records his equity in the assets,

liabilities, income and expenses. A joint ventures arises when the investors have rights over the net assets of the arrangement. These investments are recorded by the equity method. Proportional consolidation for joint arrangements is no longer permitted. See Note 27 for impact on the financial statements.

- IFRS 12 "Disclosure of interests in other entities" sets forth the disclosure requirements for all investments in other entities, including joint arrangements, associated companies, structured entities and other vehicles off of the statement of financial position. See Note 9 for impact on the financial statements.

- IFRS 13 "Fair value measurement" is intended to improve the consistency and reduce the complexity by providing an accurate definition of fair value and a single source of measurements and disclosures of fair value for use throughout other IFRS. The requirements, which are in line between IFRS and US GAAP, do not provide an additional range of options for the use of the recording of fair value, but provides guidelines as to how to apply said accounting when use thereof is required or permitted by other standards within the body of IFRS. See Notes 13 and 27 for impact on the financial statements.

a. New standards, changes to standards and interpretations issued, but whose adoption is not yet compulsory and not yet adopted by the Group.

IFRS 9 - "Financial instruments" addresses classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010. This standard replaces the parts of IAS 39 related to classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified in two categories of measurement: those measured at fair value and those measured at their amortized cost. The determination is performed during the initial recognition. The classification depends on the business model used by the entity in managing its financial instruments and the contractual characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change, in those cases in which fair measurement for financial liabilities is taken, is that the result of the change in fair value due to the own entity's credit risk is recognized in other comprehensive income rather than in income, unless this generates an accounting departure. The Group is in the process of conducting a total valuation of the impact of IFRS 9. The Group will also consider the impact of the remaining phases of IFRS 9 until completed by IASB.

There are no other IFRS or IAS that are not yet effective, which are expected to have a material impact on the Group.

2.2 Consolidation

a. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed, or is entitled to variable yields stemming from its interest in the entity and has the capability to affect the yields through its power over the entity. When the Company's interest in the subsidiaries is less than 100%, the interest attributed to external stockholders is reflected as non-controlling interest.

The subsidiaries consolidate from the date on which they are controlled by the Group and cease to consolidate when said control is lost.

For consolidation purposes, the Group consolidates 4 companies with 51% interest, over which it has control.

The Group uses the purchasing method of accounting to record the business acquisitions. Consideration involved in the acquisition of a subsidiary is determined on the basis of the fair value of the net assets transferred, the liabilities assumed and the capital issued by the Group. Consideration pertaining to an acquisition also includes the fair value of contingent accounts receivable or payable as part of the agreement. Acquisition-related costs related to the acquisition are recorded as expenses as they are incurred. The identifiable assets acquired and liabilities and contingent liabilities assumed in a combination of businesses are initially valued at their fair value at the acquisition date. The group recognizes the non-controlling interest in the acquired entity, either at fair value at the acquisition date or at the proportional value of the acquired entity's identifiable net assets.

If the combination of businesses is shown in stages, the book value of the buyer's prior interest in the acquired entity at the acquisition date is subject to the fair value at the acquisition date, recognizing any difference in income.

The excess of the consideration transferred, the non-controlling interest in the acquired entity and the fair value of the Group's prior interest (if any) over the fair value of the acquired entity's identifiable net assets is recognized as goodwill. If said comparison results in a bargain purchase, the difference is recognized directly in the statement of income.

Any contingent consideration payable by the Group is recognized at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration recognized as an asset or liabilities are recognized as per IAS 39, either in income or in comprehensive income. Contingent consideration classified as capital does not require adjustment, and subsequent settlement thereof is recognized under capital.

Goodwill is initially measured as an excess of the total consideration transferred and the fair value of the minority interest over identifiable net assets and assumed liabilities. If the consideration is below the fair value of the acquired subsidiary's net assets, the difference is recognized in the statement of comprehensive income.

Transactions, balances and unrealized gains or losses resulting from operations between Group companies have been eliminated. The accounting policies applied by the subsidiaries have been modified to ensure their consistency with the accounting policies adopted by the Group, when necessary.

The most important entities included in the consolidated financial statements are listed below (all are variable stock corporations, except for Liderazgo Empresarial en Tecnologías de la Información, Servicios Especiales Turandot and Werther Administración Integral, which are variable capital private equity (S. A. P. I. de C. V.) subsidiaries.

Company	Shareholding % At December 31,		Business purpose
	2013	2012	
Mega Cable	100	100	Holding company and leasing of infra¬structure to subsidiaries.
Telefonía por Cable	99.99	99.99	Operations in the Sinaloa, Sonora, the Western area, Central area, Gulf, Chiapas, Comarca, Estado de México, León, Los Cabos systems, among others.
MCM Holding	99.99	99.99	Local telephone services in Mexico City, Guadalajara and Monterrey.
Liderazgo Empresarial en Tecnologías de la Información	51.00	-	Holding company and its subsidiaries are engaged in the purchase and sale of communications services in Mexico City, Guadalajara, Monterrey and Cancún.
Myc Red	51.00	51.00	Operations in the Sahuayo and Jiquilpan, Michoacán cable systems.
TV Cable del Golfo	99.99	99.99	Technical personnel service
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical personnel service
Mega Ventas	99.99	99.99	Sales personnel service
Servicios de Administración y Operación	99.99	99.99	Administrative personnel services
Tele Asesores	99.00	99.00	Administrative personnel services
Entretenimiento Satelital	95.00	95.00	Operating of the “video rola” channel
Servicios Especiales Turandot (1)	96.69	-	Leasing of equipment and infrastructure for providing telephone services.
Werther Administración Integral (1)	96.69	-	Leasing of equipment and infrastructure for providing telephone services.
Corporativo de Comunicación y Redes de GDL	51.00	51.00	Leasing of equipment and infrastructure for providing cable, broadband and telephone services.
Servicio y Equipo en Telefonía, Broadband y Televisión	51.00	51.00	Holding of the rights of subscribers of the Michoacán and Zacatecas systems, among others.

(1) On November 15, 2013, the subsidiary, Grupo Lipsio, S. A. P. I. de C. V., spun off creating two new subsidiaries, Servicios Especiales Turandot, S. A. P. I. de C. V. and Werther Administración Integral, S. A. P. I. de C. V.

b. Changes in the interest of subsidiaries without loss of control.

The Group recognizes transactions with non-controlling shareholders as transactions between Group stockholders. When a non-controlling interest is acquired, the difference between any consideration paid and the acquired interest measured at book value is recorded in stockholders' equity. Gains or losses on disposal of interest in a subsidiary, that does not imply the loss of control by the Group are also recognized in stockholders' equity.

c. Disposal of subsidiaries

When the Group loses control of or significant influence over an entity, any interest in said entity is measured at fair value, recognizing the effect thereof on income. Subsequently, said fair value is the initial book value for the purposes of recognizing the interest retained as an associate, joint venture or financial asset, as applicable. In addition, amounts previously applied to other comprehensive income, relating to said entity, are canceled as if the Group has disposed of the related assets or liabilities directly. This implies that the amounts previously applied to other comprehensive income are reclassified to income for the period.

d. Associated companies

Associated companies are those over which the Group exercises significant influence but not control. Generally, the Group maintains an interest in these entities of between 20% and 50% of the voting rights. Investments in associated companies are valued by the equity method and are initially recognized at cost. The Group's investment in associated companies includes goodwill identified at the time of the acquisition, net of any accumulated impairment loss. If equity in an associated company is reduced, but significant influence is maintained, only the proportional part of other comprehensive income corresponding to the equity sold is reclassified to income for the period, as applicable.

The Group's participation in the net gains or losses of associated companies, subsequent to the acquisition, are recognized in the statement of income and equity in other comprehensive income of associated companies is applied to other comprehensive income with the corresponding adjustment in the book value of the investment. When the Group's equity in the losses of an associated company exceeds the book value of its investment, including any unsecured account receivable recorded by the Group with the associate, the Group does not recognize said excess losses, unless it is legally obligated to make payments on behalf of the associated company.

At the end of every year, the Group determines whether or not there is objective evidence of impairment of its investment in associates. If so, the Group calculates the impairment loss by default of the recoverable value of the associated over its book value and recognizes the related loss in "Equity in profits (losses) of associated companies" in the statement of income.

Unrealized profits arising from transactions between the Group and its associates are eliminated in the Group's shareholding percentage in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence that the transferred asset is impaired. The accounting policies applied by the associates have been modified to ensure their consistency with the accounting policies adopted by the Group, when necessary.

Profits and losses arising from dilution of equity in associates are recognized in the statement of income.

At December 31, 2013 and 2012, the Group has no significant statutory, contractual or regulatory restriction with respect to accessing or using the assets or settling liabilities with said non-controlling investments.

e. Joint arrangements

The Group has applied IFRS 11 for all joint arrangements as from January 1, 2012. Under IFRS 11, investments in joint arrangements are classified either as a joint operation or as a joint venture,

depending on each investor's contractual rights and obligations. The Group has evaluated the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are recognized by the equity method.

Under the equity method, interest in joint ventures is initially recognized at cost and is subsequently adjusted to recognize the Group's equity in gains or losses subsequent to the acquisition, as well as movements in other comprehensive income. When the Group's equity in the losses of a joint venture equal or exceed its interest in the joint venture (which includes any long-term interest which, in substance, forms part of the Group's net investment in the joint venture), the Group does not recognize greater losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains from transactions between Group companies and their joint ventures are eliminated up to the extension of the Group's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The joint ventures' accounting policies have been modified when necessary, to ensure consistency with the policies adopted by the Group. The change in policy has been applied as from January 1, 2012.

It should be mentioned that during 2010, the Group, as well as investors Televisa and Telefónica, jointly invested in Grupo de Comunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC), to participate in the Federal Electrical Power Commission tender for accessory use and exploitation of a pair of dark optic fiber yarns. This operation is conducted through financial leasing. See Note 27.

2.3 Segment reporting

The operating segments are classified from the point of view of the information presented internally to the highest decision-making authority (Board of Directors) comprised of the CEO and other Directors (based at the Guadalajara facilities), responsible for assigning resources and ensuring the design of the operating segments. With respect to the periods shown in these consolidated financial statements, the Group has operated in the following four business segments: cable, Broadband, digital telephone service and other.

These segments are managed independently, due to the fact that the services provided and the markets they serve as different. Their activities are conducted through a number of subsidiary companies.

a. Foreign currency transactions and balances

Foreign currency operations are converted to the functional currency using the exchange rates prevailing on the date on which the transaction was entered into or the exchange rate in effect on the valuation date when the items are revalued. Exchange gains or losses arising in settling said operations or from conversion of monetary assets and liabilities denominated in foreign currency at the year-end close exchange rates are recognized in the statement of income, except when they must be included in other comprehensive income, as in the case of transactions qualifying as cash flow hedges, and net investment hedges. Exchange gains and losses are applied to financial income/expenses.

Posting, functional and reporting currency

In light of the fact that the posting, functional and reporting currency of the Company and its subsidiaries is the Mexican peso, no conversion was required.

2.4 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include available cash, demand deposits, other highly liquid short-term investments maturing at three months or sooner. In the consolidated balance sheet, bank overdrafts are shown as loans under current liabilities. Short-term investments are made through banking institutions, and consist of government debt financial instruments such as low-risk and moderate yield Treasury Certificates (CETES). At December 31, 2013 and 2012, these investments' maturities are at 28 and 90 days. See Note 5.

2.5 Prepayments

Advance payments represent disbursements (rights) made by the Group, in which the benefits and risks inherent to the goods to be acquired or to the services to be received have not yet been transferred. Prepayments are recorded at cost and are shown in the balance sheet in the "Accounts receivable, net" line item, (See Note 7).

2.6 Accounts receivable

Accounts receivable represent collection rights owed by customers, arising from services rendered by the Group in the normal course of operations. If recovery of accounts receivable is expected in a year or under, said loans are classified as current assets; otherwise, they are shown as non-current assets.

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost, using the effective interest rate method, less the impairment reserve, if applicable. An impairment reserve is recognized when there is evidence that the Group will be unable to collect the total amount as per the original terms of the service agreement. The amount of the impairment reserve is the difference between the recognized book value and the estimated amount to be recovered. (See Note 7).

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories: financial assets measure at fair value with changes applies to income, loans and accounts receivable. Management classifies its financial assets in the following categories upon initial recognition thereof, depending on the purpose for which they were acquired.

a. Financial assets carried at fair value through income.

These assets are acquired for trading purposes, that is, for sale in the short term. Derivative financial instruments are classified in this category, except if assigned for hedging purposes. This category's assets are classified as current assets, if expected to be realized during the year following the closing date; otherwise, they are classified as non-current. See Note 6.

b. Loans and receivables

Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments and which are not quoted in an active market. They are shown as current assets, except for those maturing in over 12 months as from the closing date of the period reported, which are classified as non-current assets. The latter are classified as non-current assets. Loans and accounts receivable include accounts receivable from customers, and other accounts receivable and cash and cash equivalents in the statement of financial position. See Notes 5 and 7.

2.7.2 Recognition and measurement

Purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value, plus transaction costs; except when they are financial assets measured at fair value with changes in income, which are initially recognized at fair value and transaction costs are recognized as expenses in the statement of income. Financial assets are canceled when the right to receive related cash flows expires or is transferred and the Group has substantially transferred all of the risks and benefits inherent to ownership thereof. Financial assets measured at fair value with changes to income are subsequently recorded at fair value. Loans and accounts receivable are subsequently recognized at their amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value with changes applied to income are included in the statement of income in the "Other profits/(losses), net", in the period in which they arise. Income from dividends pertaining to this category of financial assets is recognized in the statement of income in the "Other income (expenses), net", at the point in time the Group has the right to receive them.

At December 31, 2013 and 2012, the Group has no income from dividends pertaining to the financial-asset category.

2.8 Compensation of financial instruments

Financial assets and liabilities are offset and the net result is presented in the balance sheet when the right to offset the amounts recognized is legally enforceable and they are plans to settle them on a net basis or to realize the asset and pay the liability simultaneously.

2.9 Impairment of financial assets

a. Assets valued at their amortized cost

At the end of every reporting year, the Group evaluates whether or not there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized only if there is objective evidence of impairment resulting from one or more events occurring after initial recognition of the asset (a "loss event") and provided the loss event or events have an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment can include signs that debtors or a group of debtors is experiencing significant financial difficulties, lack of payment or delays in payment of interest, the likelihood of filing for bankruptcy, as well when the observable data indicate there is a measurable decrease in estimated future cash flows, such as changes in delays or economic conditions related to the lack of payment.

As for loans and receivables, the loss is measured as the difference between the book value of the assets and the present value of estimated future cash flows (excluding future loan losses not yet incurred), discounted at the original effective interest rate of the financial asset. The book value of the asset is decreased and the loss is recognized in the consolidated statement of income. If the interest rate of a loan or investment held to maturity is variable, the discount rate to measure any impairment loss is the current effective interest rate determined contractually. The Group can measure impairment on the basis of the fair value of a financial instrument, using its observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (as an improvement in the borrower's credit quality); the reversal of the previously recognized impairment loss is recorded in the consolidated statement of comprehensive income.

2.10 Inventories

Inventories are mainly comprised of consumable operating materials and certain spare parts used to ensure proper maintenance of the cable signal system (network) in the normal course of operations. The most important spare parts and permanent maintenance equipment the Group expects to use over more than one period, and which can only be used in connection with a fixed asset component, are recognized as part of the property, systems and equipment line item.

Inventory stock is recorded at the lower of their acquisition cost or net realization value. The cost is determined by the average cost method. The net realization value is the selling price estimated in the normal course of operations, less the corresponding variable selling costs. See Note 8.

2.11 Property, networks and equipment

Property, networks and equipment are stated at historical costs less depreciation. The historical cost includes expenses directly attributable to the acquisition of said goods and the profit or loss arising from cash flow hedges in foreign currency related to future acquisitions of property, networks and equipment, timely recognized in other comprehensive income. See Note 10.

Costs related to an item incurred subsequent to initial recognition thereof are capitalized as part of said item or a separate item, as applicable, only when they are likely to generate future economic benefits for the Group and the cost can be measured reliably. It should be mentioned that the Group builds some of its cable system networks and installations and internal costs, such as labor costs in construction projects, dismantling expenses, and directly related redistribution and adaptation expenses for the asset to be at a place and in the conditions necessary to work as capitalized, provided they generate future economic benefits. The carrying amount of the replaced components is derecognized. Maintenance and repair expenses related to daily property, system and equipment servicing are recognized in the statement of income in the period in which they are incurred.

Land is not depreciated. Depreciation of the rest of property, systems and equipment is determined systematically on the value of assets, by the straight line method, which are applied to the cost of assets, without including their residual value and considering their useful lives estimated by management, as follows:

Description of Asset	Depreciation rate at Dec. 31, 2013	Depreciation rate at Dec. 31, 2012	Estimated useful lifetime at Dec. 31, 2013	Estimated useful lifetime at Dec. 31, 2012
Land	N/A	N/A	-	-
Buildings	2.5%	2.50%	40	40
Network and technical equipment for distribution and signal				
Networks:	6.64%	6.64%	15	15
Converters	10.00%	10.00%	10	10
Equipment.	6.65%	6.65%	15	15
Cable modems	10.00%	10.00%	10	10
Laboratory equipment	7.11%	7.11%	14	14
Office furniture and equipment	5.67%	5.67%	18	18
Computer equipment	12.50%	12.50%	8	8
Transportation equipment	11.11%	7.52%	9	9
Telecommunications equipment				
Telecommunications equipment	5.67%	5.67%	18	18
Production and video equipment	5.67%	5.67%	18	18
Measurement equipment	7.11%	7.11%	14	14
Radio equipment	6.38%	6.38%	16	16
Leasehold improvements	5.67%	5.67%	18	18
Other				
Tools and equipment	8.33%	6.65%	12	12

The Group applies the component approach whereby some of the components of property, networks and equipment can require replacement at regular intervals. The book value of property, networks and equipment would include the replacement cost of certain items when their cost is incurred, if it is likely that they will generate future economic benefits and the cost can be measured reliably. The book value of the parts replaced is cancelled on the date of their disposal or when they cease to be useful to the Group and are no future economic benefits are expected from their disposal. Each component of property, networks and equipment with a cost that is significant with respect to the total cost of the asset to which it pertains is depreciated separately. At December 31, 2013 and 2012, there are no significant components requiring depreciation on a separate basis.

Leasehold improvements are depreciated over the term of the respective operating lease agreements. The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each year-end close.

The value of property, networks and equipment is reviewed when there are signs of impairment in the value of said assets. When the recovery value, which is the greater between the selling price and its value in use (which is the present value of future cash flows), is below the net book value, the difference is recognized as an impairment loss. In the years ended December 31, 2013 and 2012, there were no signs of impairment. (See Note 2.9).

The gain or loss on the sale of property, networks and equipment is determined by comparing the fair value of the consideration received and the book value of the asset sold and is shown in the statement of income under "Other losses/ (profits) – Net".

2.12 Intangible assets

a. Goodwill

Goodwill arises from the acquisition of subsidiaries and/or interests in associates, and represents the consideration transferred in excess of the Group's interest in the net fair value of the acquired entity's net identifiable assets, liabilities and contingent liabilities and the fair value of the non controlling interest in the acquired entity.

Goodwill relating to the acquisition of a subsidiary is shown in the intangible assets line item and is recorded at cost, less accumulated impairment losses, which are not reverted.

In order to test impairment, the goodwill acquired in a business combination is assigned to each of the cash generating units (CGU) or groups of cash generating units expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is assigned represents the lowest level within the entity at which goodwill is controlled for internal management purposes. Goodwill is controlled at the operating segment level.

Goodwill impairment is tested annually or more frequently if events or changes in circumstances indicate possible impairment. Goodwill book value is compared with the recoverable amount, which is the greater of the value in use and fair value, less the cost of sales. Impairment, if any, is recorded immediately as an expense and is not subsequently reserved.

At December 31, 2013 and 2012, no impairment losses were recognize in goodwill. (See Note 11).

b. Customer base

The intangible assets acquired in a business combination are valued at fair value at the purchase date, the main intangibles recognized on the acquisitions are the portfolio of subscribers, for which, according to the study conducted (fair value), a useful life of approximately 4 years is estimated, to be amortized by the straight-line method. See Note 12.

c. Patents

Trademarks and patents acquired individually are recognized at their historical cost. Trademarks and patents acquired through business combinations are recognized at fair value at the acquisition date. Trademarks and patents have an indefinite useful life and are recorded at cost, less their accumulated amortization. Amortization is calculated by the straight-line method to distribute the cost of trademarks and patents based on the estimated useful lives of 20 years.

2.13 Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment.

Assets subject to amortization areas tested for impairment when events or circumstances arise, that indicate that their book value might not recover.

Impairment losses correspond to the amount at which the book value of the asset exceeds its recovery value. The recovery value of assets is the greater of the fair value of the asset less costs incurred for its sale and its value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash-generating units). Non-financial assets other than goodwill subject to write-offs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

2.14 Suppliers and other accounts payable

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's operations. When they are to be paid within a one-year period or less from the closing date (or within the business's normal cycle of operations, if said cycle exceeds this period), they are recognized in current liabilities. Otherwise, they are shown as non-current liabilities.

Accounts payable are initially recognized at fair value and subsequently re-measured at their amortized cost, using the effective interest rate method.

2.15 Loans

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recorded at their amortized cost. Differences, if any, between the amounts received (note of transaction costs) and the settlement value are recognized in the statement of income during the term of the loan, using the effective interest method.

Fees related to a credit facility that is available but not used are recognized as deferred costs of the transactions to the extent it is likely that part or all of the credit facility is used. Otherwise, fees are capitalized as prepayments for services to obtained liquidity and are amortized for the duration of the agreement.

2.16 Cost of loans

Overall costs related to loans directly attributable to the acquisition, construction or production of ratable assets, requiring a extended period to reach the conditions for use or sale thereof, are capitalized forming part of the costs of those assets. With respect to construction and development of the systems (network) and technical equipment required to distribute the signal, the substantial period to get them to the point required for use, is conditional to each particular investment project, which is at least a year.

Interest earned by the temporary investors of specific loan funds for the acquisition of ratable assets are deducted from capitalized costs.

All other loan-related costs are recognized as they are incurred in the statement of income.

At December 31, 2013 and 2012, no loan interest has been capitalized, as none have been used for the purchase of assets.

2.17 Provisions

Provisions are recognized when the Group has a legal obligation, present or assumed, as a result of past events, likely to require the use of cash flows to settle the obligation and the amount thereof can be reliably estimated.

When similar obligations exist, the likelihood that cash outflows will be required to settle the obligation is determined, taking into account the class of obligation as a whole. The provision is recognized even when the probability of cash outflows with respect to any specific item included in the same class of obligation is small.

Provisions are recognized at the present value of the disbursements expected to be required to cancel the obligation using a pre-tax rate that reflects current market conditions with respect to the value of money over time and of the specific risks of said obligation. The increase in the provision over time is recognized as an interest expense. At December 31, 2013 and 2012, there are no provisions.

2.18 Currently payable and deferred income taxes.

The tax expense comprises currently and deferred taxes. The tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive-income items or directly in equity, respectively. The tax on income incurred in the year is shown as a short-term liability net of advance payments made during the year.

Current income tax comprises the income tax and the flat rate business tax, which are recognized in profit or loss of the year when they are incurred.

The current income tax charge is calculated on the basis of the tax laws approved or substantially approved at the balance sheet date. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Subsequently, the Group recognizes the necessary provisions based on the amounts expected to be paid to the tax authorities.

To recognize deferred income taxes, the Company determines, based on its financial projections, whether it will pay income tax and recognizes the deferred tax that correspond to the tax it will pay each year. Deferred income tax is provided in full, based on the assets-and-liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their respective amounts in the consolidated financial statements. However, deferred income tax arising from initial recognition of an asset or liability in a transaction not corresponding to a combination of businesses that affects neither the book or tax profit or loss at the time of the transaction is not recorded. They are also not recognized if arising from initial recognition of goodwill. The deferred tax on profits is determined using tax rates and laws enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled. See Note 22.

Deferred income tax assets are recognized only to the extent it is probable that future tax profits will be obtained against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

a. Seniority premium

The Group companies have establishes a plan in conformity with the requirements set forth in the Federal Labor Law (FLL) in respect of which, the Group companies that have personnel are required to pay their employees and the latter are entitled to receive a seniority premium upon termination of employment after 15 years of service.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are immediately applied to income, unless the changes in the pension plan are subject to the employee continuing in service for a determined period of time (the period that grants the right). In this case, past-service costs are amortized by the straight-line method during the period granted by the right.

b. Defined benefit plans:

A benefit plan is determined as benefit amount per pension to be received by an employee at retirement, usually depending on one or more factors such as the age, years of service and compensation.

The liability recognized in the balance sheet, with respect to the defined benefit plans, is the present value of the defined benefit obligation on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries, by the projected unit cost method. The present value of the defined benefit obligations is determined by discounting estimated future cash flows using discount rates denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related pension liability.

Actuarial gains and losses generated by adjustments and changes in actuarial assumptions are recorded directly in stockholders' equity in other components of comprehensive income in the year in which they occur.

The Company determines the net financial expense (income), applying the discount rate to the net defined benefit liability (asset).

The costs of past services are recognized immediately in the statement of income.

c. Pension Plan

Defined contribution plans:

Teleasesores, S. A. de C. V., a subsidiary, has a defined contribution plan, which is a pension plan through which the Company paid fixed contributions to an entity separately. The Company has no legal or assumed obligations to pay additional contributions if the fund does not maintain sufficient assets to make the payment to all employees of benefits related to the service in the current and past periods. Contributions are recognized as expenses corresponding to employee benefits on the date of the obligation to make the contribution.

d. Employees' statutory profit sharing and bonuses

The Group recognizes a liability and a expense for bonuses and profit sharing based on a formula that takes into consideration the taxable income after certain adjustments. The Group recognizes a provision when contractually obligated or where there is a past practice that has created an assumed obligation.

2.20 Capital stock

The amounts of the capital stock, net premium on the placement and subscription of shares, legal reserve and retained earnings are presented at historical value.

Common shares are classified as capital.

Incremental costs directly attributable to issuance of new shares or options are shown in stockholders' equity as a deduction of the amount received, net of taxes.

a. Net premium on placement and subscription of shares

The net premium on share placement represents the surplus between the payment of subscribed shares and the face value thereof.

b. Legal reserve

According to the Corporations Law, a minimum of 5% must be set aside from net earnings for the period for the legal reserve until it reaches 20% of stockholders' equity. The legal reserve can be capitalized, but must not be distributed unless the Group is dissolved, and must be made up if it shrinks for any reason.

c. Reserve for repurchase of shares

When any of the Group companies purchases Company-issued shares (repurchased shares), the consideration paid, including costs directly attributable to said acquisition (net of taxes) is recognized as a decrease in the Group's stockholders' equity until such time as the shares are canceled or reissued. When said share are re-issued, the consideration received, including incremental costs directly attributable to the transaction (net of taxes), is recognized in the Group's stockholders' equity.

2.21 Leases

Leasing, in which a significant portion of the risks and benefits pertaining to ownership are retained by the lessor, is classified as straight leasing. Payments made under straight leasing (net of any incentive received from the lessor) are charged to the statement of income by the straight line method over the leasing period. At December 31, 2013 and 2012, the Group's straight leasing corresponds to commercial space used to provide the service, as well as to the rights to use the pole line (cabling) owned by the Federal Electricity Commission.

Property, plant and equipment leases under which all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is applied to the liability, recognizing the financial charge. Contract-related lease obligations, net of financial costs, are included in other long-term accounts payable. Financial-cost-related interest is charged to income over the lease period, obtaining a constant interest rate on the balance of the liability for each of the periods. Property, plant and equipment acquired through financial leases is depreciated in the shortest period of the useful life and the lease period.

At December 31, 2013, the Group's financial leasing mainly corresponds to the use of the optic fiber network paid to GTAC, a related party. See Note 19, point b.

2.22 Revenue recognition

Income arising from the rendering of services in the normal course of Group operations is recognized at fair value of the consideration received or receivable. Income is shown net of rebates and discounts, after eliminating sales between Group companies. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below: The Group determines its reserves based on accumulated experience, taking into account the type of customer, type of operation and the specific terms of each contract.

Cable television signal services

The cable television signal service is mainly represented by monthly rents, as well as by installation fees, pay per view and other related charges. Monthly rent for services and pay per view are recognized as book income at the month-end close, once the service has been provided and the risks and benefits have been transferred to the customer, which is when the television signal is transmitted to the customer. Installation and other related service charges are recognized as income once the customer has expressed his/her satisfaction with the services received.

Broadband services

Broadband service is mainly represented by monthly rents, as well as by installation fees and other related charges. Monthly rent for the service is recognized as book income at the month-end close, once the service has been provided and the risks and benefits have been transferred to the customer, which is when the Broadband signal is transmitted to the customer. Installation and other related service charges are recognized as income once the customer has expressed his/her satisfaction with the services received.

Digital telephone service

Telephone service income is represented by monthly rent for said service, which includes the service measured based on the number of calls. Monthly rent for local calls is recognized as book income at every month-end close, once the service has been rendered and the risks and rewards have been transferred to the customer. The excess in local calls is recognized when the calls are made. Long distance calls are recognized monthly on the basis of the length of time thereof.

Broadband and, digital and mobile phone services are billed in advance on a monthly basis and recognized as income for the period in which the service was rendered.

Income from the sale of communications systems are applied to income when all of the following requirements are met: the income and benefits of the goods has been transferred to the buyer and no significant control is maintained thereon.

Interconnections

Income on interconnections arising from use of the Group's infrastructure obtained from other operators to complete calls is recognized together with long-distance or excess calls originating with other operators and ending in the telephone network.

Installation and reconnection

The Group recognizes income per main installation and reconnection item according to the useful life of the subscriber, which is 4 years.

Interest

Interest income is recognized by the effective interest method. Interest income are mainly derived from loans granted to related parties and are applied to income for the period by the effective interest method. When a loan or account receivable is impaired, its book value is adjusted at its recovery value, which is determined discounting the estimated future cash flow at the instrument's original effective interest rate. Interest income on an impaired loan or account receivable is recognized using the original effective interest rate.

2.23 Earnings per share

Net earnings per share are calculated dividing the net profit for the year attributable to the controlling interest by the weighted average of shares outstanding during the year. At December 31, 2013 and 2012, there are no components of diluted earnings, thus earnings per diluted share are not calculated or disclosed.

2.24 Guarantee deposits

Guarantee deposits correspond to disbursements made to secure commitments assumed under certain agreements (mainly related to leaseholds). Guarantee deposits, whose recoverability will take place in a period of over 12 months, are recognized at their amortized cost using the effective interest method. Guarantee deposits to be recovered over a period of under 12 months are not discounted.

2.25 Dividend distribution

Dividends distributed to the Group's stockholders are recognized as liabilities in the period in which they are approved by the Group's stockholders.

Note 3 - Financial risk management:

3.1 Financial risk factors

The Group's activities expose it to a number of financial risks, such as: market risk (which includes exchange risk, interest rate risk related to market value and cash flows and price risk), credit risk and liquidity risk. The purpose of the Group's risk management plan is to minimize the potential negative effects arising from the unpredictable nature of the markets on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial risk management is handled by the CFO, as per the policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risk in close cooperation with its operating units. The Board of Directors has issued general written policies related to financial risk management, as well as policies addressing specific risks, such as exchange risks, interest rate risks, credit risks, the use of derivative financial instruments and of non-derivative financial instruments and investment of fund surpluses.

3.1.1. Market Risk

i. Exchange risk

The Group's total revenue is obtained from the local market and is transacted in Mexico pesos, thus its operating activities are not exposed to exchange risks arising from operating with foreign currencies. The exchange risk arises from the financial activities, mainly from exposure to movements in the exchange rate of the Mexican peso against the US dollar, due to operations with programmers and suppliers stated in U.S. dollars.

Management has established a policy which requires that the Group's companies manage the exchange risk in respect of the functional currency. The Group companies must hedge their risk exposure to foreign exchange risks through the Group's Treasury. To manage the exchange risk associated with future commercial and financing transactions and recognized assets and liabilities. The exchange rate risk arises when future commercial and financing transactions and the assets and liabilities recognized are entered into in a currency other than the entity's functional currency. At December 31, 2013 and 2012, the Group had contracted no hedging against exchange risk.

Based on its risk management policies, the Group keeps a marketable securities account stated in dollars, intended to hedge its advance cash flows for the next 12 months (mainly associated with bank liabilities and with suppliers), and eventually contracts forwards (dollars) to minimize the exchange risk.

If at December 31, 2013, the Mexican peso had revalued /devalued 10% in respect to the U.S. dollar, the other variables would have remained constant, income for the year after taxes would have been $7,225 ($7,876 in 2012) higher/lower, mainly as a result of the gains /losses on conversion of bank loans and accounts payable to suppliers denominated in U.S. dollars.

ii. Price risk

The Group is not exposed to price risks associated to the costs of the services it provides, as they are not subject to market indexes. In addition, prices of production materials acquired for providing the service during 2013 and 2012 showed no relevant changes.

iii. Market value and cash flow risk related to interest rates.

For the Group, the interest rate risk is associated to its long-term loans. Loans at variable rates expose the Group to the interest rate risk on cash flows, that is partially offset with cash held at variable rates. Fixed rate loans expose the Group to interest risk related to changes in fair value.

The Group analyzes its exposure to interest rate risk dynamically. A number of different situations are simulated, taking into account the positions in respect to financing, renewal of existing positions, alterative financing and hedging. Based on these scenarios, the Group calculates the impact on the profit or loss arising from a defined movement in interest rates. In each simulation, the same defined movement is used in interest rates for all currencies. These simulations are only conducted in the case of obligations that represent the interest-generating positions.

Based on the different simulations, the Group manages its interest rate risk related to its cash flows using swaps to hedge variable interest rates with fixed rates. Said interest rates swaps have an impact when converting variable rate loans to fixed rates. Normally, the Group contracts its long-term loans at variable rates and hedges them at fixed interest rates, which are lower than those which the Group would access if it borrowed at fixed rates. Through interest rate swaps, the Group agrees with other entities to exchange, at particular periods of time, the difference of the amounts of contracts at fixed interest rates and of those contracted at variable interest rates, calculated in respect of the nominal amounts agreed.

Occasionally, the Group also contracts interest rate swaps to hedge contracts at variable rates to hedge the interest rate risk related to changes in fair value of borrowings at variable rates. At December 31, 2013, the Group no longer contracted fixed interest rate swaps. In 2012, the Group had hedged the variable rate by 7'% and the totality of its bank loans for the 3 years at which variable interest rates were agreed.

3.1.2. Credit risk

The credit risk is managed at the Group level, including the credit risk of accounts receivable; however, each company is responsible for conducting a credit risk analysis of each of its customers prior to offering payments, delivery terms and other conditions. The credit risk is associated with cash and cash equivalents, derivative financial instruments and deposits in banks and financial institutions, as well as credit exposure to customers, which includes outstanding balances of accounts receivable and agreed-upon transactions.

With respect to banks and financial institutions, only institutions with a solid operating history and an excellent reputation in the market are accepted. As for the portfolio, the credit risk is limited, as the amounts recoverable refer basically to monthly rent for services rendered and the fact that there is no significant portfolio concentration due to the large number of subscribers that comprise it. On an independent basis, the portfolio area evaluates the customer's credit quality, taking into account his/her financial position (personal bank statements, credit cards, etc.), past experience and other factors. Credit limits are established according to the limits set by the Board of Directors, based on the historical information available on the portfolio's behavior and on certain internal and/or external ratings, if applicable. Use of the credit limits is monitored periodically.

Credit limits were not exceeded during the reporting period and Management does not expect the Group to incur in any loss given its performance.

Lastly, the maximum exposure to credit risk is limited to the book value of each of the accounts receivable, as shown in the following table: Consequently, the Group has no significant credit risk concentration.

Credit quality of financial assets

	December 31,	
	2013	**2012**
Accounts receivable		
Group 1	$ 767,886	$ 280,833
Group 2	24,492	40,286
Total trade receivables, net	$ 792,378	$ 321,119
Related parties		
Group 1	$ 865,933	$ 653,113
Group 2	-	-
Total related parties	$ 865,933	$ 653,113

Group 1 - New customers - existing customers/related parties (under 6 months).

Group 2 - Existing customers/related parties (over 6 months) with some defaults in the past.

	December 31,	
	2013	2012
Cash in banks and short-term bank deposits[1]		
AAA	$ 2,346,443	$ 2,493,905
Financial assets measured at fair value through results at short term 1		
A	$ 260,721	$-

(1) The rest of cash equivalents in the balance sheet corresponds to cash on hand.

3.1.3. Riesgo de liquidez

The cash flow projection is conducted at the Group's operating entities and the information is concentrated by the Group's Finance Director's Office. The Group's Finance Director's Office supervises the updating of projections of liquidity requirements to ensure there is sufficient cash to meet its operating needs and permanently maintain sufficient margin in the credit lines not yet drawn down, to avoid having the Company default on the credit limits or covenants of any credit facility. Said projections consider financing plans through debt, compliance with covenants, compliance with financial ratios based on internal financial information and if applicable, applicable regulatory requirements.

Cash surpluses held by the Group and surplus balances on the amount required for working capital are transferred to the Group's Treasury, which invests the cash surpluses in term deposits and marketable securities, selecting instruments with proper maturities or of sufficient liquidity to provide sufficient margins. Surpluses, if any, can be invested in expanding the cash generating facilities, with the Board of Directors' authorization.

The following table shows an analysis of the Company's financial liabilities classified based on the period between the balance sheet date and maturity date (including unearned interest). The table was prepared on a cash flow basis without discounting, from the first date on which the Group will be required to pay.

At December 31 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 28,696	$ 3,183	$	$
Interest on notes payable	1,423	316		
Bank loans	56,926	24,849	2,089,915	
Interest on bank loans	91,654	91,256	75,755	
Suppliers	682,929			
Related parties	142,372	219,552	381,242	305,446
Interest from related parties		20,441	71,198	42,691
Other accounts payable	641,882			
	1,645,882	$ 359,597	$ 2,618,110	$ 348,137

At December 31 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 30,762	$ 3,763	$	$
Interest on notes payable	1,526	373		
Bank loans	2,080,894	25,000		
Interest on bank loans	111,868	1,211		
Suppliers	593,964			
Related parties	169,772	82,800	248,400	248,400
Interest from related parties		11,294	50,823	90,351
Other accounts payable	537,927			
Derivative financial instruments	1,008			
	$ 3,527,721	$ 124,441	$299,223	$338,751

Derivative financial instruments settled on a net basis and comprising interest rate swaps used by the Group to manage the interest rate profile.

3.2. Capital risk management

The Group's objectives in terms of capital risk management are: safekeeping its capability of continuing as a going concern; provide the stockholders' with returns and other interested parties with benefits and maintain an optimal capital structure to reduce its cost.

In order to maintain or adjust the capital structure, the Group can vary the amount of dividends payable to the stockholders, conduct a capital stock reduction, issue new shares or sell assets and reduce its debt.

Like other entities in the industry, the Group monitors its capital structure based on the leverage financial ratio. This ratio is calculated by dividing the debt by total capital. The net debt includes total current and non-current loans recognized in the consolidated balance sheet less cash and cash

equivalents. Total capital includes stockholders' equity as shown in the consolidated balance sheet, plus the net debt.

The credit rating regarding the Group's ability to comply with financial obligations has been maintained throughout the period. The leverage ratio at December 31, 2013 and 2012 is as follows:

	Note	At December 31,	
		2013	2012
Total loans	14	2,171,690	$ 2,105,894
Less: cash and cash equivalents	5	(2,346,443)	(2,493,905)
Net debt		(174,753)	(388,011)
Total stockholders' equity		15,481,486	14,907,671
Ratio (See Note 14)		0.43	0.39

3.3. Fair value estimate

The different levels of financial instruments have been defined as follows:

- Quoted prices (not adjusted) in active markets for identical assets and liabilities (level 1). Assets and liabilities measured at fair value in this hierarchy are related parties receivable and payable and bank loans.

- Information other than quoted prices included in level 1 that can be confirmed for the asset or liability, whether directly (prices) or indirectly (derived from prices), (level 2).

- Information on the asset or liability not based on data that can be confirmed in active markets (unobservable information), (level 3).

The fair value of financial instruments negotiated in active markets is based on trading prices at the balance sheet date. A market is considered active is there are quoted prices that are normally available in a stock exchange, negotiators, brokers, industry group, price services or of a regulating agency, and those prices represent real transactions recurring in the market on a free competition basis. The market price used in the financial assets held by the Group is the current ask price. These instruments are included in level 1. The instruments included in level 1 mainly consider capital investments classified as trading or held-to-maturity.

The fair value of financial instruments not traded in active markets (i.e. derivatives available outside the stock market) is determined using valuation techniques. These valuation techniques maximize the use of observable market information in those cases in which it is available and places the least possible trust in the entity's specific estimates. If all the relevant variables for establishing the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more relevant variables are not based on observable market information, the instrument is included in level 3.

The specific techniques for valuation of financial instruments include:

- Quoted market prices or quotation of negotiators of similar instruments.
- The fair value of interest rate swaps is calculated based on the present value of estimated future cash flows on observable profitability curves.
- The fair value of foreign currency forwards is determined using exchange rates prevailing at the balance sheet date, discounting the value determined at present value.

- Other techniques, such as the discounted cash flow analysis are used to determine the fair value of other financial instruments.

Fair value estimates related to cash equivalents (See Note 5) are included in level 1; whereas those related to financial instruments (swaps) (See Note 20) are included in level 2.

Assets and liabilities valued at amortized cost at December 31, 2013 and 2012, closely resembling fair value, due to the fact that their realization period is less than a year, except for those presented at long term described in Notes 13, 14 and 27.

Note 4 - Critical accounting estimates and judgments:

Estimates and judgments used are reviewed on a regular basis and are based on historical experience and other factors, including expectation of future events considered reasonable under current circumstances.

4.1. Critical accounting estimates and judgments

The Group makes estimates and judgments in respect of the future. Actual results may differ from those estimates. Estimates and assumptions indicating a significant risk of giving rise to a material adjustment to the values of assets and liabilities within the following year are as follows.

4.1.1. Government-granted concessions

The aforementioned services are rendered through concessions granted free of charge by the Department of Communications and Transport (SCT) in the regions set out in Note 29.3 a at a 30-year term, renewable.

Cable signal broadcasting service providing require a concessions granted, at the time, by the Department of Communications and Transport (SCT) in the regions set out in Note 29.3. At December 31, 2013 and 2012, some of the Group subsidiaries hold concession titles for installation and operation of the public telecommunications network for 30 and 20-year terms renewable for similar periods on an indefinite basis, provided they are operated by the Group. Moreover, any concessions that have expired have been renewed. The entities holding concession titles are: Mega Cable, Megacable Comunicaciones de México and Myc Red. For accounting purposes, the Group has conducted an evaluation, determining that the titles do fall within the scope of IFRIC 12, “Service concession arrangements” because, among other aspects, the Government does not regulate the rates and there is no residual value to be returned to the government.

The main features of the concessions are:

a. General

- Purpose and services: the licensee is obligated to install, operate and exploit the Network and provide the services indicated in the concession.
- Service provision through affiliated or subsidiary companies: provided it is accredited, to the Authorities’ satisfaction, that said companies are financially, legally and technically capability to provide the services.
- Subscription or sale of shares: a list of its main stockholders and respective shareholding percentages must be presented to the authorities by April 30 each year.
- Designating of a technical and legal representative.

b. Provisions applicable to the services

- Service quality: this refers to provision of the services on an on-going and efficient basis.
- Quality control monitoring and measuring equipment: the licensee must take the necessary measurements to ensure the accuracy and reliability of the equipment for measuring quality.

- Code of commercial practices: the concessionaire must prepare a code describing the services to be provided and the methodology for billing and applying the corresponding rates.
- Emergency services: the concessionaire must present an action plan to prevent the interruption of the services in the event of an act of God or force majeure.
- Network modernization: the concessionaire must keep the network up to date through the introduction of the most recent technological developments.

c. Verification of information

- Information: the concessionaire is required to deliver its company's audited financial statements within 150 calendar days following the close of the corresponding period.
- Information on installation of the network: the concessionaire must report quarterly on progress on installation of the network.
- Accounting information: the concessionaire is required to provide accounting information per service, region, duty and the components of its network.

d. Commitments

- Network coverage commitments: the concessionaire must install, with own infrastructure, during the first 3 years, each of the stages of the coverage program as set out in the concession title.

- Term to start providing the service: the concessionaire must begin providing the service in question within 180 calendar days following the date on which it was granted.

e. Renewal

- According to the Company's concession titles to install, operate and exploit the network and provide telecommunications services, the terms are 30 years as from the date on which the title is signed and can be extended as per article 27 of the Federal Telecommunications Law which sets out the concessions for public telecommunications networks and can be extended up to terms equal to those originally stipulated. In order for a concession to be extended, the concessionaire must comply with all the conditions set down in the concession to be extended; must request the extension before the beginning of the last fifth of the concession, and must accept the new conditions established by the Authorities in accordance with this Law and other applicable provisions. The Ministry will resolve all pertinent matters within a term no longer than 180 calendar days.

  In this regard, at December 31, 2013, the Group's management intends to continue to renew its concessions as it has so far.

f. Guarantees

- Within said 30 calendar days (60 days for concessions granted to GTAC) following the date on which the concession was granted, the concessionaire must provide the Federal Treasury guarantees to ensure compliance with the obligations contracted in each concession, through a bond contracted with bonding institutions by the SHCP for the equivalent to 4000 days of minimum wage in effect in the Federal District for the year under guarantee. The guarantee must be restated annually using factors derived from the National Consumer Price Index (NCPI).

4.1.2. Estimated goodwill impairment

The Group conducts an annual assessment to determine whether goodwill has suffered impairment, as per the accounting policy described in Note 2.12. The amounts recoverable from cash generating units (CGU) have been determined on a basis of a value in use computation. These calculations require the use of estimates (Note 11).

In 2013 and 2012, none of the CGUs showed signs of impairment and the most sensitive variables of the calculations are the discount rate and the gross operating margin.

If the estimated cost of capital used to determine the pre-tax discount rate for calculation of the value in use would have been 10% greater than that estimated by $567,792, the Group would not have recognized additional impairment of goodwill.

If the estimated cost of capital used to determine the pre-tax discount rate for calculation of the value in use would have been 10% lower than that estimated by ($785,618), the Group would not have recognized additional impairment of goodwill.

4.1.3. Income taxes

The Group is subject to income taxes. Significant judgment is required to determine the income tax provision, as the Group prepares tax projections per legal entity to determine whether the Group will pay flat tax (up to December 2013, when this tax was abolished) or income tax, and then determines deferred income tax or deferred flat tax, as appropriate.

The determination of the final tax calculation could be uncertain due to the complexity and judgment required to treat certain transactions. When the final result of these situations differs from the amounts initially recorded, the differences will have an impact on the current or deferred income tax asset and liability in the period in which this fact is determined. At the 2013 and 2012 year-end close, the Group has no significant uncertain tax positions.

Based on the simulations performed, the impact on income after taxes if a 5% movement would generate a maximum increase or decrease of $146,078 in 2013 ($126,859 in 2012). Simulations are prepared periodically to verify that the maximum potential loss is within the limit established by Management.

4.1.4. Impairment provisions for accounts receivable

The methodology applied by the Group to determine the balances of this provision is described in Note 3.1.2

If at December 31, 2013 and 2012, the impairment provision for accounts receivable had changed by 10% more and/or less than those estimated by Management, the Group would have increase and/or decreased said provision by $14,186 and $12,978, and operating income would have been affected and/or benefits in the same amount.

4.1.5. Estimated useful life and residual values of property, furniture and equipment.

The Company estimates the useful lives of its property, plant and equipment to be able to determine the depreciation expense to be recognized during any reporting period. The useful life of these assets is calculated when the asset is acquired and is based on past experience with similar assets, taking into account anticipated technological changes or changes of any other nature. Should technological changes occur faster than expected, or if they are other than expected, the useful lives assigned to these assets may need to be shortened. This would result in recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in recognition of an impairment charge to reflect the reduction in the value of assets. The Company reviews assets annually to know if they show signs of impairment, or when certain events or circumstances indicate that the book value might not be recovered throughout the remaining life of the assets, if there are indicators of impairment, the Company conducts a study to determine the value in use of assets. At December 31, 2013 and 2012, there were no indicators of impairment.

4.1.6. Fair value of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined through the use of valuation methods. The Group applies judgments in selecting a variety of methods and makes assumptions mainly based on existing market conditions at the date of each reporting period. The Group has used the discounted cash flow analysis for financial assets available for sale that are not traded in active markets.

The book value of financial assets would be zero or higher by $12,000, if the discount rate used in the analysis of discounted cash flows had varied by 10% from Management's estimates.

4.1.7. Pension plan benefits -

The present value of pension plan obligations depends on the number of factors determined on the basis of actuarial studies using a number of assumptions. The assumptions used in determining the net cost (income) of pensions include the discount rate. Any changes in these assumptions will impact the carrying value of pension plan obligations.

The Group determines the best discount rate at each year end. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle pension plan obligations. At December 31, 2013 and 2012, the Group used as reference for the discount rate, the zero coupon government bond curve of 7.25% and 5.50, respectively.

Other key assumptions to establish pension plan obligations are based in part on current market conditions. Note 17 presents additional information on the matter.

If the discount rate used at December 31, 2013 and 2012 had differed by 1% from those estimated by Management, the book value of pension plan obligations would have approximated $23,448 and $11,386, respectively.

4.1.8. Consolidation of entities in which the Group has a 51% or greater interest.

Management considers that the Company has control with 51% of the voting rights. The Company is the majority stockholder with 51% shareholding, whereas the other shareholders individually do not hold more than 20% of the capital. There is no record of shareholders comprising a group to exercise their vote jointly. Total non-controlling interest for the period is $144,015.

Note 5 - Cash and cash equivalents:

Cash and cash equivalents are described as follows:

	December 31,	
	2013	2012
Cash and cash equivalents	$ 1,904,599	$ 1,342,817
Highly liquid investments	441,844	1,151,088
Total	$ 2,346,443	$ 2,493,905

At December 31, 2013 and 2011, the Group had no cash and cash equivalents subject to restrictions on availability thereof.

Note 6 - Financial assets carried at fair value through income:

	December 31,	
	2013	2012
Investments in mutual funds and corporate bonds	$ 215,450	$ -
Variable rate investments	45,271	-
Total	$ 260,721	$ -

The Group has entered into an agreement with Credit Suisse to handle cash in investments such as bank deposits, shares or corporate bonds, which, at December 31, 2013, total $260,721. Said amount is invested in a moderate risk portfolio totaling $215,450 and a high risk portfolio of $45,271.

The high risk portfolio is divided into bank deposits totaling $679 and variable rate investments of different companies of $44,592.

The balance at December 31, 2013 is as follows:

	Amount
Cash deposit	$ 39,196
Cash withdrawals	(144)
Dividends/interest	954
Fees	(353)
Change in account valuation	5,618
Total investments in variable rate	$ 45,271

The moderate risk portfolio is comprised of shares totaling $3,423, investments in mutual funds of $6,716, and with respect to fixed rate, there is an investment in sovereign debt, corporate bonds, and in terms of the financial margin $210,232, for an overall total of $220,371.

The balance at December 31, 2013 is as follows:

	Amount
Cash deposit	$ 218,467
Dividends/interest	22,616
Fees	(653)
Change in account valuation	(24,980)
Total investments in mutual funds and corporate bonds	$ 215,450

At the date of issuance of the audited consolidated financial statements, the Group withdrew its high and moderate risk investments with Credit Suisse.

Note 7 - Accounts receivable - Net:

Accounts receivable are comprised as follows:

	December 31,	
	2013	2012
Trade receivables	$ 869,947	$ 388,802
Sundry debtors	64,303	61,616
Prepayments (See Note 2.5)	97,483	90,258
	1,031,733	540,676
Allowance for doubtful accounts	(141,865)	(129,299)
Net total	$ 889,868	$ 411,377

At December 31, 2013 and 2012, in general, account receivable amounts are in compliance with the contractual terms.

Past-due but not impaired accounts receivable are related to a number of independent customers with no recent history of default. The analysis of the aging of the balances of these accounts receivable is as follows:

	December 31,	
	2013	2012
(Total) Over 180 days	$ 24,492	$ 40,286

The book value of the Group's accounts receivable and other accounts receivable are mainly denominated in Mexican pesos.

Impaired accounts receivable correspond to customers facing an unexpected difficult economic situation or whose credit record has shown default. Estimates show that only a small portion of these accounts receivable will be recovered. Aging of accounts receivable is as follows:

	December 31,	
	2013	2012
Total (Over 180 days)	$ 141,865	$129,299

The movement of the impairment reserve for trade receivables is as follows:

	December 31,	
	2013	2012
Balance at beginning of year	$129,299	$97,121
Increases	12,566	32,178
Decreases	-	-
Balance at end of year	$141,865	$129,299

The creation and authorization of the allowance for impaired doubtful accounts is included in operating expenses in the "administration expenses" account in the statement of income. The amounts charged to the provision are usually written off when there are no expectations of recovery of additional cash.

The components of accounts receivable and other accounts receivable have no impaired assets.

Maximum exposure to credit risk at the reporting date is the book value of each type of account receivable mentioned. The Group does not require collateral guarantee.

Note 8 - Inventories:

Inventories are comprised as follows:

	December 31,	
	2013	2012
Materials and equipment for operations	$103,771	$169,998
Inventory in transit	31,307	34,802
Advances to suppliers	66,491	83,962
	$201,569	$288,762

The cost of inventories recognized as expenses and included in the "cost of sales" account totals $309,273 in 2013 ($375,409 in 2012).

Note 9 - Investment in shares of associated company and joint venture:

The investment in shares of associated company and joint venture is comprised of the following items:

Company	Interest December 31, 2013 and 2012	Business purpose
Productora y Comercializadora de Televisión, S. A. de C. V. (associate)	28.02%	Sale of TV programming and signal for the cable television industry.
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (joint venture)	33.33%	Licensing of rights to operate the dark fiber owned by the Federal Electrical Power Commission.

The joint venture presented below has capital stock consisting solely of ordinary shares, held by the Group directly.

Nature of the investment in joint ventures at December 31, 2013 and 2012

Name of entity	Place of business/ country of incorporation	% of shareholding	Nature of the relationship	Measurement method
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V.	Cd. de México	33.33%	Trunking capacity supplier	Equity method

Following is a summary of the financial information pertaining to the Group's associated company and joint venture:

Item	Productora y Comercializadora de Televisión, S. A. de C. V. December 31,		Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. December 31,	
	2013	2012	2013	2012
Current assets	$310,330	$353,298	$362,167	$348,152
Non-current assets	323,624	282,078	1,915,722	2,022,688
Current liabilities	246,040	307,910	306,325	424,096
Non-current liabilities	7,718	10,464	2,078,005	1,968,623
Income for the period	1,380,943	1,510,135	117,596	76,617
Net income (losses) for the period and accrued of prior periods	148,047	84,853	(270,441)	(185,879)
	148,047	84,853	(270,441)	(185,879)

The investment in shares of associated companies and the gain or loss on equity in the results of associated companies is as follows:

Equity in stockholders' equity of associated company and joint ventures is as follows:

	December 31,	
	2013	2012
Productora y Comercializadora de Televisión, S. A. de C. V.	$101,770	$86,393
Grupo Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (1)	-	-
	$101,770	$86,393

Equity in the results of associated company and joint ventures is as follows:

	Year ended	
	2013	2012
Productora y Comercializadora de Televisión, S. A. de C. V.	$14,930	$14,315
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (1)	-	(11,032)
	$14,930	$3,283

The balance of the investment in shares of associated companies and joint venture is comprised as follows:

Productora y Comercializadora de Televisión, S. A. de C. V. (PCTV)
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)

	PCTV	GTAC	Total
At January 1, 2012	$71,159	$11,032	$82,191
Capital stock increase	919	-	919
Equity in income for the period	14,315	(11,032)	3,283
At December 31, 2012	86,393	-	86,393
Capital stock increase	447	-	447
Equity in income for the period (1)	14,930	-	14,930
At December 31, 2013	$101,770	$-	$101,770

(1) At December 31, 2013 and 2012, the Group stopped recognizing a loss in its equity in GTAC, associated company, of $28,176 and $7,560, respectively.

Main subsidiaries

The Group has the following subsidiaries (all of them are variable capital corporations, except Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C. V.) at December 31, 2013.

Name	Country of incorporation and place of business	Nature of the business	Proportion of ordinary shares held by holders (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)	Proportion of ordinary shares held by the Group (%)
Myc Red	México	Cable system operator	51%	51%	49%	-
Servicio y Equipo en Telefonía, Broadband y Televisión	México	Cable system operator	51%	51%	49%	-
Corporativo de Comunicación y Redes de GDL	México	Leasing of fixed assets	51%	51%	49%	-
Liderazgo Empresarial en Tecnologías de la Información	México	Telephone communication service	51%	51%	49%	-

All of the subsidiary companies are included in consolidation. The proportion of voting rights in subsidiary companies held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company holds no interest in Group subsidiaries, thus said entities consolidate with those of which the Group has a 51% interest.

Management considers that the Company has control with 51% of the voting rights. The Company is the majority stockholder with 51% shareholding, whereas the other stockholders individually do not hold more than 20% of the capital. There is no record of shareholders comprising a group to exercise their vote jointly. Total non-controlling interest for the period is $144,015.

Summarized financial information of subsidiaries with material non-controlling interest.

Following is a summary of financial information pertaining to each subsidiary with non-controlling interest that is material to the group.

Summarized statement of financial position

	Myc Red, S. A. de C.V. for the year ended December 31,		Servicio y Equipo en Telefonía, Broadband y Televisión, S.A. de C.V. for the year ended December 31,	
	2013	2012	2013	2012
Short term				
Assets	$7,990	$11,932	$108,927	$128,312
Liabilities	(30,829)	(29,599)	(392,094)	(346,428)
Total current liabilities - net	(22,839)	(17,667)	(283,167)	(218,116)
Long-term				
Assets	52,020	52,257	216,866	219,404
Liabilities	-	-	-	-
Total current liabilities - net	52,020	52,257	216,866	219,404
Assets (liabilities), net	$29,181	$34,590	($66,301)	$1,288

	Corporativo de Comunicaciones Redes de GDL, S. A. de C.V. for the year ended December 31,		Liderazgo Empresarial en Tecnología de la Información, S.A.P.I. de C.V. (2) for the year ended December 31,	
	2013	2012	2013	2012
Short term				
Assets	$343,929	$251,295	$201,761	$-
Liabilities	-	(4,768)	(240,087)	-
Total current assets (liabilities), net	343,929	246,527	(38,326)	-
Long-term				
Assets	408,732	442,871	273,818	
Liabilities	(34,942)	(21,632)	(79,054)	-
Total current liabilities - net	373,790	421,239	194,764	-
Assets (liabilities), net	$717,719	$667,766	$156,438	$-

Summarized statement of income

	Myc Red, S. A. de C.V. for the year ended December 31,		Servicio y Equipo en Telefonía, Broadband y Televisión, S.A. de C.V. for the year ended December 31,	
	2013	2012	2013	2012
Income	$41,741	$42,435	$408,658	$378,097
Profit (loss) before taxes	(2,932)	(4,368)	28,575	4,841
Tax (expense) income taxes	(2,475)	1,470	(35,782)	21,478
Total comprehensive income	($5,407)	($2,898)	($7,207)	$26,319

	Corporativo de Comunicaciones Redes de GDL, S. A. de C.V. for the year ended December 31,		Liderazgo Empresarial en Tecnología de la Información, S.A.P.I. de C.V. (2) for the year ended December 31,	
	2013	2012	2013	2012
Income	$93,400	$87,040	$130,117	$-
Pretax income	63,263	56,376	15,073	-
Tax on income expense		(10,497)	(2,225)	-
Total comprehensive income	$49,953	$45,879	$12,848	$-

Statement of cash flows

	Myc Red, S. A. de C.V. for the year ended December 31,		Servicio y Equipo en Telefonía, Broadband y Televisión, S.A. de C.V. for the year ended December 31,	
	2013	2012	2013	2012
Cash flows provided by operating activities				
Interest paid	$1,366	$1,584	$3,725	$6,085
Income taxes paid	-	-	(3,971)	(10,119)
Net cash provided by operating activities	3,312	3,533	122,569	103,933
Net cash used in investment activities	(1,867)	(3,173)	(68,728)	(53,046)
Net cash used in financing activities	-	-	(69,000)	(65,000)
Net increase (decrease) in cash and cash equivalents	1,444	360	(15,159)	(14,113)
Cash and cash equivalents at beginning of year	360	-	41,375	55,489
Cash and cash equivalents at end of year	$1,804	$360	$26,216	$41,376

	Corporativo de Comunicaciones Redes de GDL, S. A. de C.V. for the year ended December 31,		Liderazgo Empresarial en Tecnología de la Información, S.A.P.I. de C.V. (2) for the year ended December 31,	
	2013	2012	2013	2012
Cash flows provided by operating activities				
Interest paid	$-	$-	$ 5,824	$-
Income taxes paid	-	-	(6,800)	-
Net cash provided by operating activities	50,384	38,445	47,427	-
Net cash used in investment activities	(875)	(592)	(93,377)	-
Net cash used in financing activities	-	-	42,355	-
Net increase (decrease)/ increase in cash and cash equivalents	49,509	37,853	(3,595)	-
Cash and cash equivalents at beginning of year	84,166	46,313	3,934	-
Cash and cash equivalents at end of year	$133,675	$84,166	$339	$-

The information presented above represents the amount before intercompany eliminations.

(2) Only 2013 information is presented, as it is an acquisition for said year, and with respect to the statement of income, it is shown for the months since it is considered a subsidiary.

At December 31, 2013 and 2012, there are no commitments or contingent liabilities.

Note 10 - Property, networks and equipment:

a. Property, networks and equipment are comprised as follows

December 31, 2012	Land	Buildings	Network and tech. equipment for distribution and signal	Computer equipment office furniture and equipment	Transportation equipment	Lease- hold improvements	Communications equipment	Other (1)	Total
Opening net book balance	$49,319	$86,132	$8,721,528	$286,189	$223,614	$49,140	$15,977	$77,552	$9,509,451
Business acquisitions			33,107	79					33,186
Acquisitions through financial leasing			695,300						695,300
Additions	557	239	2,236,912	75,238	79,745	22,808	135	7,007	2,422,641
Disposals			(1,913)	(27)	(30,024)				(31,964)
Depreciation charge		(2,469)	(825,898)	(169,847)	(32,879)	(18,258)	(1,388)	(6,393)	(1,057,132)
Closing net book balance	49,876	83,902	10,859,036	191,632	240,456	53,690	14,724	78,166	11,571,482
Cost	49,876	93,694	16,468,608	744,365	385,976	184,847	24,330	119,268	18,070,964
Accumulated depreciation	-	(9,792)	(5,609,572)	(552,733)	(145,520)	(131,157)	(9,606)	(41,102)	(6,499,482)
Net book value	$49,876	$83,902	$10,859,036	$191,632	$240,456	$53,690	$14,724	$78,166	$11,571,482

December 31, 2012	Land	Buildings	Network and tech. equipment for distribution and signal	Computer equipment office furniture and equipment	Transportation equipment	Lease- hold improvements	Communications equipment	Other (1)	Total
Opening net book balance	$49,876	$83,902	$10,859,036	$191,632	$240,456	$53,690	$14,724	$78,166	$11,571,482
Business acquisitions			179,039	8,869	213	16,856			204,977
Acquisitions through financial leasing			212,244						212,244
Additions		3,313	1,603,689	65,330	34,609	20,461	187	35,530	1,763,119
Disposals				(1,908)	(13,952)				(15,860)
Depreciation charge		(2,487)	(1,101,713)	(98,055)	(15,055)	(20,367)	(1,394)	(10,986)	(1,250,057)
Closing net book balance	49,876	84,728	11,752,295	165,868	246,271	70,640	13,517	102,710	12,485,905
Cost	49,876	97,015	18,463,580	816,656	406,846	222,164	24,517	154,798	20,235,452
Accumulated depreciation	-	(12,287)	(6,711,285)	(650,788)	(160,575)	(151,524)	(11,000)	(52,088)	(7,749,547)
Net book value	$49,876	$84,728	$11,752,295	$165,868	$246,271	$70,640	$13,517	$102,710	$12,485,905

(1) Other assets are comprised as follows:

	December 31,	
	2013	2012
Tools and equipment	$157,082	$116,633
Accumulated depreciation	(54,372)	(41,102)
Materials, spare parts and other, net	102,710	75,531
Assets in process	-	2,635
	$102,710	$78,166

b. The depreciation expense for the periods ended December 31, 2013 totaled $1,222,540 ($1,057,132 in 2012), of which $1,100,286 ($951,419 in 2012) was recorded in the costs of services and a $122,254 complement ($105,713 in 2012) was recorded under selling and administration expenses.

c. Financial leases included and related to the components of property, networks and equipment are as follows:

	At December 31,	
	2013	2012
Network and technical equipment for signal distribution	$907,544	$695,300

Note 11 - Goodwill:

According to its origin, goodwill is comprised as follows:

	Acotel (1)	TCO (2)	IMATEL (3)	IRA (3)	SIGETEL (3)	Other (4)	Total
Balances at January 01, 2012							
Cost	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Accumulated impairment	-	-	-	-	-	-	-
Net book value	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Balances at December 31, 2012:							
Net opening balance	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Additions	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Closing net balance	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Cost	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Accumulated impairment	-	-	-	-	-	-	-
Net book value	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036

	Acotel (1)	TCO (2)	IMATEL (3)	IRA (3)	SIGETEL (3)	Other (4)	Total
Balances at December 31, 2013:							
Opening net balance	$2,296,815	$381,098	$331,811	$240,378	$54,893	$972,041	$4,277,036
Additions	-	-	-	-	-	$101,361	$101,361
Impairment	-	-	-	-	-	-	-
Closing net balance	$2,296,815	$381,098	$331,811	$240,378	$54,893	$1,073,402	$4,378,397
Cost	$2,296,815	$381,098	$331,811	$240,378	$54,893	$1,073,402	$4,378,397
Accumulated impairment	-	-	-	-	-	-	-
Net book value	$2,296,815	$381,098	$331,811	$240,378	$54,893	$1,073,402	$4,378,397

(1) On August 7, 2007, the Group signed a purchase agreement for the acquisition of 100% of the capital stock of Acotel, S. A. de C. V. and subsidiaries, a company engaged in operating cable, for $256 million U.S. dollars. With this transaction, the Group acquired, among other assets and the market to operate in 28 towns in 6 states in Mexico.

(2) On November 21, 2007, the Group signed a share purchase agreement to acquire 51% of the capital stock of Tele Cable Centro Occidente, S. A. de C. V. (TCO) for $39.2 million U.S. dollars. This company is engaged in operating cable and Broadband services in Morelia, Pátzcuaro and other minor neighboring locations.

(3) In July and August 2007, the Group acquired 100% of Sistemas Generales de Telecomunicaciones, S. A. de C. V. (SIGETEL), Giga Cable, S. A. de C. V. (Grupo IRA) and Imatel Entretenimiento por Cable, S. A. de C. V. (IMATEL), which hold concession titles in municipalities in different states such as Puebla, Veracruz, Chiapas, Campeche, Tabasco, Oaxaca, Morelos, Guerrero and the State of Mexico, for $5.3, $22 and $29.7 million U.S. dollars.

(4) This amount is related to acquisitions of shares of different companies, that took place in 2005. In addition, the acquisition of Grupo Hola in 2013 is added. See Note 27.

Impairment testing of goodwill:

Management reviews the business's performance based on the geography and type of business. The Mexican states where the Group has a presence have been identified. The Group provides cable, telephone and Broadband service in all geographic areas (States). Goodwill is controlled by management at the operating segment level. Following is a summary of the allocation of goodwill for every operating segment:

At December 31, 2013 and 2012	Opening balance	Additions	Disposals	Impairment	Other adjustments	Ending balance
Cable	$2,489,520	$-	$-	$-	$-	$2,489,520
Telephone	826,987	-	-	-	-	826,987
Broadband	907,540	-	-	-	-	907,540
Other segments	52,989	101,361	-	-	-	154,350
Total	$4,277,036	$101,361	$-	$-	$-	$4,378,397

The recovery amount of all CGU is determined on the basis of calculations of value in use. These calculations use cash flow projections before taxes based on financial budgets approved by Management, covering a five-year period. Cash flows exceeding the five-year term are extrapolated using the following estimated growth rates: Growth rates do not exceed the average long-term growth rate for the telecommunications business in which the CGUs operate. The recovery value of each of the CGU are as follows:

	Importe
North	$2,162,659
West	8,049,076
Pacific	7,425,430
South west	4,481,468
TCO	1,576,610
Bajío	5,930,751
Central	4,844,961
Gulf	3,184,954

The key assumptions used in calculating the value in use for 2013 are as follows (global, as it includes all segments):

	Gross margin	Growth rate	Discount rate
North	51.5%	7.2%	12.26%
West	58.4%	7.1%	12.26%
Pacific	55.6%	5.9%	12.26%
South west	54.5%	5.6%	12.26%
TCO	57.0%	7.9%	12.26%
Bajío	54.4%	13.2%	12.26%
Central	53.0%	6.8%	12.26%
Gulf	59.2%	6.5%	12.26%

The key assumptions used in calculating the value in use for 2012 are as follows:

	Gross margin	Growth rate	Discount rate
North	53.0%	5.1%	10.74%
West	53.5%	5.1%	10.74%
Pacific	52.8%	5.1%	10.75%
South west	50.7%	5.1%	10.75%
TCO	48.5%	5.1%	10.75%
Bajío	59.9%	5.1%	10.74%
Central	51.3%	5.1%	10.74%
Gulf	58.3%	5.1%	10.75%

These assumptions have been used in the analysis of each CGU within the operating segment.

Management determined the budgeted gross margins based on past results and its expectations of market development. The weighted average growth rates used are consistent with the projections included in reports in the industry. The discount rates used are pretax and reflect the specific risks related to relevant operating segments.

Note 12 - Other intangible assets:

Intangible assets are comprised as follows:

	December 31,	
	2013	2012
With a definite lifetime:		
Customer base (1)	$ 1,417,494	$1,321,599
Accumulated amortization	(1,132,908)	(872,844)
	284,586	448,755
Definite life (2):		
Licenses and software, net	7,449	-
Patents, net	6,636	149
Total	$298,671	$448,904

(1) Corresponds to the cost of acquisitions of portfolio/subscribers. Movements in the net client base are as follows:

Client base, net:	
At January 1, 2012	$729,437
Additions	31,338
Amortization	(312,020)
At December 31, 2012	$448,755
Additions	95,894
Amortization	(260,063)
At December 31, 2013	$284,586

Amortization is calculated based on the straight-line method, taking into account the estimated lifetime of assets (4 years). At December 31, 2013 and 2012, it was recorded in the cost of sales totaling $252,431 and $312,020, respectively.

During 2013 and 2012, Telefonía por Cable (a subsidiary) acquired intangible assets of $32,407 and $31,338, respectively. In addition, with the acquisition of Grupo Hola, they were recognized as intangible assets of $63,487. Intangible assets correspond to the portfolio of subscribers acquired, which underwent a fair value analysis, which showed an average useful lifetime of 4 years.

The Group has obtained a number of concessions granted at no charge by the Federal Government to install and operate a public telecommunications network; however, because they were granted for free, they were not recognized for accounting purposes. For further details, see Note 1.

(2) Refers to the trademark registration for “Video Rola música para tu ojos” and its design granted by the Mexican Institute of Industrial Property (renewable in accordance with the applicable provisions) and which applies to video entertainment and preparation thereof, disc, cassettes and videos covered in this classification. Amortized at the 5% rate.

Note 13 - Financial instruments per category:

a. Per category

	December 31, 2013		
	Loans and accounts receivable	Assets measured at fair value with changes applied to income	Total
Assets according to balance sheet			
Accounts receivable, net, excluding prepayments	$892,049	-	$892,049
Related parties	689,956	-	689,956
Financial assets at fair value through results	-	260,721	260,721
Cash and cash equivalents	1,904,599	441,844	2,346,443
Total	$3,486,604	$702,565	$4,189,169

	December 31, 2013		
	Liabilities at fair value changes to income	Other financial liabilities at amortized cost	Total
Liabilities according to balance sheet			
Bank loans	$ -	$2,171,690	$2,171,690
Derivative financial instruments			-
Suppliers	-	682,929	682,929
Related parties	-	41,825	41,825
Notes payable	-	3,183	3,183
Other accounts payable, excluding non-financial liabilities	-	569,479	569,479
Total	$ -	$3,469,106	$3,469,106

	December 31, 2013		
	Loans and accounts receivable	Assets measured at fair value with changes applied to income	Total
Assets according to balance sheet			
Accounts receivable, net, excluding prepayments	$ 320,635	$ -	$ 320,635
Related parties	710,916		710,916
Cash and cash equivalents	1,342,817	1,151,088	2,493,905
Total	$ 2,374,368	$ 1,151,088	$ 3,525,456

	December 31, 2013		
	Liabilities at fair value changes to income	Other financial liabilities at amortized cost	Total
Liabilities according to balance sheet			
Bank loans	$ -	$ 2,105,894	$ 2,105,894
Derivative financial instruments	1,879	-	1,879
Suppliers	-	593,964	593,964
Related parties	-	4,172	4,172
Notes payable	-	3,763	3,763
Other accounts payable, excluding non-financial liabilities	-	486,737	486,737
Total	$ 1,879	$ 3,194,530	$ 3,196,409

Note 14 - Bank loans:

Bank loans are comprised as follows:

	December 31,	
	2013	2012
Unsecured loan in the amount of $2,100,000 (nominal), maturing on August 20, 2013 and renewed on July 31, 2013 and its new maturity is July 31, 2016, subject to monthly interest at the average interbank compensation interest rate (TIIE from Spanish), plus a 0.49% margin applicable at maturity. The effective rates at December 31, 2013 and 2012 totals 1.05% and 1.47% (1)	$ 2,093,097	$ 2,080,894
Unsecured loan of up to $20,000 million pesos with BBVA Bancomer, S.A. maturing in July 2015, subject to monthly interest at the TIIE, plus 1.1. The effective rates determined at December 31, 2013 and 2012 totals 1.50% and 1.48%	15,000	15,000
Unsecured loan of up to $30,000 million pesos with Scotiabank Inverlat maturing in December 2015, subject to monthly interest at the TIIE Rate, plus 2.5 points. The effective rates determined at December 31, 2013 and 2012 totals 1.50% and 1.48%	6,667	10,000
Current account credit facilities with Banamex, S.A. bank, for a maximum $31,750, with an 180-day term, automatically renewable, at the TIIE, plus 0.49 percentage points monthly. The effective rate determined at December 31, 2013 totals 0.53%.	31,750	-
Current account credit facility in U.S. dollars with Santander, S. A. of USD$1,000, at an annual interest rate ranging between 3% and 5.5%, maturing in February 2014. The effective rate determined at December 31, 2013 totals 0.88%.	13,326	-
Current account credit facilities with Santander, S.A. bank, for a maximum $6,000 and $2,850, with 12 and 8-day terms, automatically renewable, at the TIIE, plus 2.50 percentage points monthly. The effective rates determined at December 31, 2013 totals 2.14% and 2.61%	8,850	-

	December 31,	
	2013	2012
Credit facility for working capital in pesos with Banco IXE, S.A. for up to $3,000,000, subject to in¬terest at the TIIE, plus 4.50 percentage points monthly, maturing in May 2014. The effective rate determined at December 31, 2013 totals 2.43%.	3,000	
Total bank loans	2,171,690	2,105,894
Less:		
Short-term portion of long-term bank loans	(56,926)	(2,080,894)
Bank loans with maturities at terms of over one year	$ 2,114,764	25,000

(1) On July 31, 2013, Mega Cable (an accredited subsidiary) and Telefonía por Cable S.A. de C.V., as well as Grupo Lipsio S.A.P.I. de C.V. (joint liability subsidiaries) renewed the unsecured loan agreement with Banco Nacional de México, S.A. (Banamex) of $900,000. BBVA Bancomer, S.A. of $900,000 and Grupo Financiero Santander Serfin, S.A. of $300,000, as lenders, and Banamex as administrative agent. These loans mature on July 31, 2016.

At December 31, 2013 and 2012, in respect of the most significant loan of $2,100,000 (nominal) mentioned above, the Group determined an effective interest rate in 2013 and 2012 of 1.05% y1.47%, respectively, based on which it recorded the financial cost of said loan; in addition, the fair value thereof at said dates of $1,867,213 and $2,148,400, respectively, determined using the contractual discount rate of the TIIE, plus 0.49%.

The current loan establishes different obligations to do and not to do and covenants applicable to Mega Cable and its subsidiaries, including obligations with respect to limitations on: (a) mergers or consolidation with any third party; (b) selling, transferring or leasing assets; (c) certain investments; (d) amounts of borrowings; (d) certain payments of dividends of capital stock distributions by Mega Cable or its subsidiaries, or the purchase, redemption or other acquisition of capital stock of any of its subsidiaries; (f) hedge agreements, except if intended to mitigate certain risks or acquire benefits and (g) changes in accounting, and require that Mega Cable and subsidiaries comply with certain financial rates, including a consolidated leverage rate no higher than 3.00 and a consolidated interest hedge rate over 3.50.

Obligations not to do in this contract allow for dividends in cash to be paid to Megacable Holdings as follows: a) for a total not exceeding a percentage of the consolidated net in¬come of Mega Cable and guarantors, subject to a reduction in the event of distributions or dividends or other payments in respect of shareholding interest, b) in additional amounts at any time equal to cash resources net of issuance and sale of Mega Cable shares (but not of its subsidiaries) and as a capital contribution of Mega Cable (but not of its subsidiaries), among others.

At December 31, 2013 and 2012, the Company has complied with its obligations.

Following is the Group loans' exposure to changes in interest rates and to the contractual dates to revise the rates:

	2013	2012
Under 6 months	$ 48,076	$ -
6 to 12 months	8,850	2,080,894
From over 1 year to 5 years	2,114,764	25,000
	$ 2,171,690	$ 2,105,894

The book value and fair value of long-term loans is as follows:

	Book value		Fair value	
	2013	2012	2013	2012
Debentures and other loans	$ 2,114,764	$ 25,000	$ 1,890,330	$ 25,000

The fair values of loans with current maturities approximate their book values, as the discount value is not significant.

The book values of the Group's loans are denominated in the following currencies:

	2013	2012
Pesos	$ -	$ -
U.S. dollars	$ 13,326	-

Note 15 - Income taxes payable:

	December 31,	
	2013	2012
Income tax payable	$ 187,436	$ 167,806
Flat tax	22,114	146,695
Total	$ 209,550	$ 314,501

	Income tax	Flat tax	Total
At January 1, 2012	$ 200,250	$ 135,840	$ 336,090
Charge to income	(32,444)	10,855	(21,589)
Used in the year	-		-
At December 31, 2012	167,806	146,695	314,501
Charge to income	19,630	(124,581)	(104,951)
Used in the year	-	-	-
At December 31, 2013	$ 187,436	$ 22,114	$ 209,550

Note 16 - Other accounts payable:

	December 31,	
	2013	2012
Benefits payable	$ 45,623	$ 45,829
Sundry creditors	569,479	472,876
Employees' statutory profit sharing	26,780	19,222
Total	$ 641,882	$ 537,927

Note 17 - Employee benefits:

The value of benefit obligations acquired is as shown below:

	December 31,	
	2013	2012
Seniority premium	$ 81,470	$ 75,999
Recoverable taxes	58,885	49,448
	$ 140,355	$ 125,447

The net cost for the period for the years ended December 31, 2013 and 2012 is as follows:

	December 31,	
	2013	2012
Seniority premium	$ 17,817	$ 19,474
Retirement benefits	11,351	10,003
	$ 29,168	$ 29,477

a. Seniority premium

The economic hypotheses in nominal and real terms used were as follows:

	December 31,	
	2013	2012
Discount rate	7.25%	5.50%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is comprised as follows:

	December 31,	
	2013	2012
Labor cost	$ 13,901	$ 14,579
Financial cost	3,916	4,895
Net income for the year	$ 17,817	$ 19,474

The amount shown for liabilities in the statement of financial position is comprised as follows.

	December 31,	
	2013	2012
Defined benefit obligations	$ 81,470	$ 75,999
Plan assets	-	-
Liabilities in statement of financial position	$ 81,470	$ 75,999

Defined benefit obligation movements were as follows:

	2013	2012
Opening balance at January 1	$ 75,999	$ 53,242
Labor cost	13,901	14,579
Financial cost	3,916	4,895
Remediation:		
(Gain) loss from experience	(12,346)	3,283
Ending balance at December 31	$ 81,470	$ 75,999

The general rate expected of yields represents a weighted average of expected yields of the different categories of plan assets. Management's evaluation of expected returns is based on the historical trends of yields and analysts' predictions of the market for assets, on the lifetime of the related obligation.

b. Retirement benefits

The economic hypotheses in nominal and real terms used were as follows:

	December 31,	
	2013	2012
Discount rate	7.25%	5.50%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is as follows:

	December 31,	
	2013	2012
Labor cost	$ 6,639	$ 6,129
Financial cost	4,712	3,874
Net income for the year	$ 11,351	$ 10,003

The amount shown for liabilities in the statement of financial position is comprised as follows.

	December 31,	
	2013	2012
Defined benefit obligations	$ 58,885	$ 49,448
Plan assets	-	-
Liabilities in statement of financial position	$ 58,885	$ 49,448

Defined benefit obligation movements were as follows:

	2013	2012
Opening balance at January 1	$ 49,448	$ 23,042
Net cost for the period	11,351	10,003
Re-measurements:		
(Gain) loss from experience	(1,914)	16,403
Ending balance at December 31	$ 58,885	$ 49,448

The general rate expected of yields represents a weighted average of expected yields of the different categories of plan assets. Management's evaluation of expected returns is based on the historical trends of yields and analysts' predictions of the market for assets, on the lifetime of the related obligation.

The Group operates defined pension plans in th country where the plans operates with similar regulatory frameworks. All plans are final salary pension plans, which provide the members with benefits to the extent that it provides a guaranteed level of pension payable for life. The level of loans depends on the length of the members' service and their salary in the last years prior to retirement. In the plans of the country where it operates, the current pensions are generally restated in line with the retailers' price index, whereas in Mexico, pensions usually do not receive inflationary increases once they are being paid. Except for this inflationary risk in the country where it operates, plans face broadly similar risks, as described below: Most benefit payments are trust fund-related; however, there is also a series of plans without funds in which the company meets the obligation to pay the benefits at maturity thereof. The plan assets in trusts are regulated by each country's local standards and practices, as well as the nature of the relationship between the Group and the administrators and their composition. Management's responsibility with respect to the plans - including investment decisions and contribution plans - are joint between the Company and the board of directors. The board of directors must be comprised of company representatives and plan participants, as per plan regulation.

The sensitivity analysis of the main assumptions of the defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Change of assumption	Increase in obligation
Discount rate	1%	Decreases 8%
Salary growth rate	1%	Increases 8%
Minimum salary increase	1%	Increases 1%

Note 18 - Derivative financial instruments:

Interest rate swaps

a. To minimize the risk of adverse movements attributable to the profile of interest rates contracted in the long-term debt and other liabilities subject to interest recognized in the balance sheet, the Group's management has entered into the following interest rate swaps:

			Interest rate		Fair value at December 31,	
Notional amount	Contracting date	Maturity date	Fija	Variable	2013	2012
$ 800,000	31/August/2012	20/August/2013	5.09%	TIIE at 28 days	$ -	($ 1,056)
300,000	31/August/2012	20/August/2013	5.09%	TIIE at 28 days	-	320
500,000	01/August/2012	20/August/2013	5.30%	TIIE at 28 days	-	(1,143)
					$ -	($ 1,879)

b. At December 31, 20121, the changes in income generated by these instruments totaled $559, recognized as an interest expense.

Hedging derivative financial instruments are classified as non-current assets or liabilities if the item or position hedged is non-current and as current assets and liabilities, when the item or position hedged is current.

Note 19 - Leases:

Lease income is recognizing by the straight-line method in the term of the lease agreement.

a. Operating leases

The Company has entered into a number of agreements for straight leasing of the buildings that house some of its offices and warehouses. The terms stipulated in said contracts mainly fluctuate between one and five years and the minimum amounts payable are adjusted applying factors derived from the National Consumer Price Index. Minimum future payments for each of the five following years are summarized as follows:

	December 31,	
	2013	2012
Up to one year	$ 96,987	$ 90,701
More than 1 year and up to 5 years	245,764	246,977
	$ 342,751	$ 337,678

The amount charged to income corresponding to straight leasing (property) totaled $163,747 in 2013 and $155,113 in 2012.

b. Financial leasing

On August 1, 2012, the subsidiary Mega Cable, S.A. de C.V. (MEGA) entered into a capacity provision agreement for high capacity telecommunications services with Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. (GTAC), which was granted, through the Department of Communications and Transport, certain concessions through the Federal Electricity Commission (FEC) in 2010, for a 20-year term, renewable totally or partially, covering the Pacific, Central and Gulf regions of Mexico, under which MEGA is to make annual advance payments of $37,700 as from July 2013 up until 2020, for use of the trunk capacity from 2010 to 2027. The purpose of said payments is for GTAC to provide maintenance and repair the public network.

Future minimum payments are summarized as follows:

	December 31,	
	2013	2012
Up to one year	$ 100,546	$ 165,600
More than 1 year and up to 5 years	600,795	330,400
More than 5 year and up to 10 years	171,295	249,200
	$ 872,636	$ 745,200

Note 20 - Stockholders' equity:

a. The paid-in capital stock and number of shares are as follows:

	Series "A" shares		
	Fixed	Variable	Amount
Capital stock at January 1, 2012	94,733	1,718,253,340	$910,244
Net purchases in cash of own shares (i)	-	296,578	-
Capital stock at December 31, 2012	94,733	1,718,549,918	910,244
Net sales in cash of own shares (ii)	-	(35,678)	-
Capital stock at December 31, 2013	94,733	1,718,514,240	$910,244

Shares representing the Company's capital stock, issued and outstanding, are entire paid in.

Participation certificates (CPOs from Spanish) are nominative securities representing the provisional right over the yields and other benefits or goods which may be held in an irrevocable trust, issued by the Group to go public. A CPO is equivalent to two shares.

i. During the period ended December 31, 2012, the Company sold 1,623,800 CPOs, equivalent to 3,247,600 shares pertaining to the variable portion of series A.

During the period ended December 31, 2012, the Company purchased 1,772,089 CPOs, equivalent to 3,544,178 shares pertaining to the variable portion of series A. These operations represented 0.21%.

During the period ended December 31, 2012, the Group conducted net purchases of CPOs totaling 148,289, equivalent to 296,578 shares pertaining to the variable portion of series A. These operations represented .017%.

ii. During the period ended December 31, 2013, the Company sold 1,672,089 CPOs, equivalent to 3,344,178 shares pertaining to the variable portion of series A.

During the period ended December 31, 2013, the Company purchased 1,654,250 CPOs, equivalent to 3,308,500 shares pertaining to the variable portion of series A. These operations represented .19%.

During the period ended December 31, 2013, the Group conducted net sales of CPOs totaling 17,839, equivalent to 35,678 shares pertaining to the variable portion of series A. These operations represented .002%.

At the Ordinary Stockholders' Meetings held in 2013 and 2012, the stockholders agreed to decree dividends for a net total of $1,568,224 and $533,000, respectively.

b. The balances of the tax accounts of stockholders' equity are:

	December 31,	
	2013	2012
Capital Contributions Account (CUCA)	$16,793,799	$21,156,273
After tax earnings account (CUFIN)	1,518,000	2,900,587
Total	$18,311,799	$24,056,860

c. Tax provisions related to stockholders' equity:

Dividends are free of income tax if paid out from the After Tax Earnings Account (CUFIN). Any excess over the CUFIN is taxable at a rate fluctuating between 4.62% and 7.69%, if paid out from the reinvested CUFIN (CUFINRE). Dividends in excess of the CUFIN are subject to 42.86% tax if paid in 2013. Tax accrued is payable by the Company and may be credited against IT for the year or the immediately following two years, or otherwise against the Flat Tax for the year. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payments. See adjustment resulting from Tax Reform in Note 22, point ii.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

Profit sharing and capital stock reductions in excess of the balance of the CUFIN and CUCA are subject to tax in accordance with the provisions of articles 11 and 89 of the Income Tax Law and are subject to payment of corporate income tax at the rate in effect at the time of the distribution.

Note 21 - Earnings per share:

Net earnings per share is calculated dividing the net profit for the year by the weighted average of shares outstanding during the year, excluding the common shares acquired by the Company and held as treasury shares.

	At December 31,	
	2013	2012
Controlling interest's net income	$1,929,673	$1,940,339
Weighted average of shares	1,718,532	1,718,402
Earnings per ordinary shares (pesos)	$1.12	$1.13
CPO per share	0.56	0.57

Note 22 - Income taxes:

In October 2013, the Senate and House of Representatives approved issuance of the new Income Tax Law (new ITL), which went into effect on January 1, 2014, repealing the ITL published on January 1, 2002 (the former ITL). The new ITL picks up the essence of the former ITL; however, it makes significant changes, such as, that it:

i. Places restrictions on deduction of contributions to pension funds and exempt salaries, care leasing, restaurant expenses and social security dues. It also eliminates immediate deduction fixed assets.

ii. Modifies the procedures for determining the tax base for Employees' Statutory Profit Sharing (ESPS), establishes the mechanics for determining the opening balance of the capital contributions account (CUCA) and of the CUFIN.

iii. Establishes an income tax rate applicable for 2014 and 30% for subsequent years; unlike the former ITL which established a rate of 30%, 29%, and 28% for 2013, 2014 and 2015, respectively.

As a result of these changes in the tax reform, the Group will no longer be able to perform an immediate deduction of fixed assets, which will be reflected in the cash flow due to payment of income tax. At December 31, 2013 and 2012, the Group had deductions totaling $1,698,846 and $1,400,708 respectively.

In addition, the 2014 Tax Reform for investors in SIBRAS gives rise to the probability of payment of income taxes in 2016 on the gain generated from its contributions to said entities, due to which, at December 31, 2013, $606,829 was reclassified as a long-term liability.

The Company has revised and adjusted the deferred tax balance at December 31, 2013, taking into account, in the determination of temporary differences, application of these new provisions, whose impact is detailed in the reconciliation of the effective rate presented below. However, the effect on the restrictions on deductions and other previously indicated will be applied as from 2014, and will mainly affect currently-payable taxes as from that period.

In October 2013, the Senate and House of Representatives approved the abrogation of the Flat Tax Law published on October 1, 2007. Therefore, as from the entering into effect of the Decree approved in October 2013, the resolutions and general administrative provisions, and resolutions issued in response to consultations, interpretations, authorizations or permits granted to individual parties, in respect to the tax established in the repealed law are rendered null and void.

Given the above-mentioned changes, the Group canceled, during 2013, with a charge to income for the year, the deferred flat tax recognized at December 31, 2012, and recognized the corresponding deferred income tax.

1. Income taxes are comprised as follows:

	At December 31,	
	2013	2012
Income tax incurred	$285,992	$231,715
Deferred income tax	650,966	213,234
Flat tax incurred	88,843	36,629
Cancellation of deferred flat tax	(154,051)	-
Deferred flat tax	-	20,185
Total	$871,750	$501,763

2. Following is a reconciliation of the rate incurred and the effective consolidated income tax rate:

	At December 31,	
	2013	2012
Income before income taxes	$2,932,082	$2,537,177
Tax rate incurred	30%	30%
Income tax at legal rate	879,625	761,153
Plus (less) income tax effect of the following items:		
Unamortized benefits of tax losses	(144,192)	(278,673)
Annual adjustment for inflation	10,045	2,356
Nondeductible	6,648	4,427
Restatement and immediate deduction (fixed assets)	147,348	37,817
Effect of rate change	126,327	(25,317)
Cancellation of deferred flat tax	(154,051)	-
	$871,750	$501,763
Effective rate	30%	20%

3. The deferred income tax balance is composed as follows:

Deferred income tax asset	December 31, 2013	2012
Unamortized tax losses	$281,142	$189,543
Property, networks and equipment, net	49,744	309,072
Intangible assets	268,937	362,729
Allowance for doubtful accounts	44,121	38,205
Other items	142,123	127,089
	$786,067	$1,026,638

Deferred income tax liability	December 31, 2013	2012
Property, networks and equipment, net	($1,824,912)	($2,108,137)
Other items	(24,749)	(16,913)
	($1,849,661)	($2,125,050)
Deferred income tax liability	($1,063,594)	($ 1,098,412)
Plus: Deferred flat tax liability (see breakdown in section 4 below)	-	(47,635)
Total deferred income taxes	($1,063,594)	($1,146,047)

4. The deferred flat tax balance is composed as follows:

	December 31, 2012
Assets	
Employee benefits	$23,985
Accounts payable, net	8,173
Other items	18,306
	$50,464
Liabilities	
Fixed assets	($55,470)
Accounts receivable and other	(41,846)
Other items	(783)
	($98,099)
Deferred flat tax liability	($47,635)

5. Following is an analysis of deferred tax assets and liabilities:

	December 31,	
	2013	2012
Deferred tax asset:		
Deferred tax asset recoverable after 12 months	$73,390	$123,686
Deferred tax asset recoverable within 12 months	106,525	32,629
	179,915	156,315
Deferred tax liability:		
Deferred tax liability recoverable after 12 months	(42,729)	337,846
Deferred tax liability recoverable within 12 months	(1,200,780)	(1,640,208)
	(1,243,509)	(1,302,362)
Deferred tax liability, net	($1,063,594)	($1,146,047)

6. The movement in deferred income tax assets and liabilities during the year was as follows:

Deferred income tax asset:	Property, networks and equipment, net	Unamortized tax loss	Intangible assets	Allowance for doubtful	Provisions and other	Total
At January 1, 2012	$98,490	$192,953	$132,796	$28,690	$56,143	$509,072
Charged (credited) to income statement	210,582	(3,410)	229,933	9,515	70,946	517,566
At December 31, 2012	$309,072	$189,543	$362,729	$38,205	$127,089	$1,026,638
Charged (credited) to income statement	(259,328)	91,599	(93,792)	5,916	15,034	(240,571)
At December 31, 2013	$49,744	$281,142	$268,937	$44,121	$142,123	$786,067

Deferred income tax liability:	Property, networks and equipment, net	Other	Total
At January 1, 2012	($1,393,524)	($727)	($1,394,251)
Charged (credited) to income statement	(714,613)	(16,187)	(730,800)
At December 31, 2012	($2,108,137)	($16,914)	($2,125,051)
Charged (credited) to income statement	283,225	(7,835)	275,390
At December 31, 2013	($1,824,912)	($24,749)	($1,849,661)

Deferred flat tax asset:	Employee benefits	Accounts payable	Provisions and other items	Total
At January 1, 2012	$23,551	$4,723	$15,056	$43,330
Charged (credited) to income statement	434	3,450	3,250	7,134
At December 31, 2012	$23,985	$8,173	$18,306	$50,464

Deferred flat tax liability:	Fixed assets	Accounts payable	Other items	Total
At January 1, 2012	($45,256)	($24,530)	($ 992)	($70,778)
Charged (credited) to income statement	(10,214)	(17,316)	211	(27,319)
At December 31, 2012	($55,470)	($41,846)	($781)	($98,097)

7. At December 31, 2013 and 2012, the Group had accrued consolidated tax losses amounting to $937,139 y $1,183,302, respectively. The right to amortize those losses against future consolidated profits expires as follows:

	December 31, 2013		
Year in which loss was generated	Restated amount		Year of expiration
2004	$	62,731	2014
2006		707,524	2016
2007		46,920	2017
2008		68,887	2018
2009		37,621	2019
2011		499	2021
2012		6,386	2022
2013		6,571	2023
	$	937,139	

Year in which loss was generated	December 31, 2012		
	Restated amount		Year of expiration
2006	$	1,140,862	2016
2008		18,321	2018
2009		9,587	2019
2010		4,825	2020
2012		9,707	2022
	$	1,183,302	

At December 31, 2013 and 2012, no tax losses were recognized, as there was no certainty of their recoverability of $19,578 and $424,355, respectively, which expire in 2016.

Note 23 - Costs and expenses classified by their nature:

Cost of sales and administration and selling expenses are analyzed as follows:

	At December 31,			
	2013		2012	
Cost of services:				
Programming	$	1,511,370	$	1,404,141
Depreciation		1,125,051		641,980
Network connections and Installation		490,918		243,633
Labor technical personnel		456,071		346,644
Amortization		260,063		309,439
Advertising and promotion		206,270		198,053
Network Links		147,160		195,158
Sources of power		142,389		122,859
Phone traffic		115,187		142,641
Other minor expenses		70,292		72,358
Total cost of services	$	4,524,771	$	3,676,906

	At December 31,	
	2013	2012
Selling expenses		
Labor and benefits	$ 1,318,286	$ 1,170,184
Maintenance and conservation expenses	435,101	323,106
Leasing	245,631	229,983
Depreciation	115,871	52,857
Sales commission	87,525	66,641
Electrical power	77,271	71,125
Preparation of account statements and courier service	54,099	49,120
Security and hygiene	38,394	40,577
Transfer of securities	41,560	38,492
Bank commissions	41,195	36,199
Office suppliers	40,442	40,539
Insurance	25,234	23,412
Security services	20,964	20,964
Telephone service	20,119	15,055
Dues and licenses	17,137	14,471
Nondeductible	16,312	8,385
Training and recruitment	15,902	13,234
Recovery of equipment	12,804	3,423
Freight	9,027	11,537
Conventions	6,089	1,137
Other expenses	80,539	93,033
Total selling costs	$ 2,719,502	$ 2,323,474

	At December 31,			
	2013		2012	
Administration expenses				
Labor and benefits	$	122,697	$	113,196
Advisory services		73,877		77,028
Leases		11,021		10,319
Depreciation		9,135		362,296
Security and hygiene		3,027		3,198
Total administration expenses	$	219,757	$	566,037
Cost of services, selling and administration expenses:				
Programming	$	1,511,370	$	1,404,141
Labor and benefits (1)		1,897,053		1,630,024
Depreciation		1,250,057		1,057,133
Network connections and installation		490,918		243,633
Maintenance and conservation expenses				323,106
Amortization		260,063		309,439
Leases		256,652		240,302
Advertising and promotion		206,270		198,053
Network Links		147,160		195,158
Sources of power		142,389		122,859
Phone traffic		115,187		142,641
Sales commission		87,525		66,641
Electrical power		77,271		71,125
Advisory services		73,877		77,028
Preparation of account statements and courier service		54,099		49,120
Transfer of securities		41,560		38,492
Office suppliers		40,442		40,539
Security and hygiene		41,420		43,775
Bank commissions		41,195		36,199
Insurance		25,234		23,412

	At December 31,			
	2013		2012	
Security services		20,964		20,964
Telephone service		20,119		15,055
Dues and licenses		17,137		14,471
Nondeductible		16,312		8,385
Training and recruitment		15,902		13,234
Recovery of equipment		12,804		3,423
Freight		9,027		11,537
Conventions		6,089		1,137
Other expenses		154,615		165,391
Total	$	7,467,812	$	6,566,417

(1) Following is a breakdown of personnel compensation and benefits:

	At December 31,			
	2013		2012	
Salaries, benefits and bonuses	$	1,201,847	$	1,029,787
Taxes and dues		340,503		294,478
Commissions		325,535		276,282
Net cost for the period		29,168		29,477
	$	1,897,053	$	1,630,024

Note 24 - Analysis of other income and expenses:

	At December 31,	
	2013	2012
Other income:		
Tax refund	$18,070	$-
Balance cleanup	16,232	-
Third-party works	8,094	3,711
Restatement of taxes	4,663	1,062
Sales of accessories	2,886	3,086

	At December 31,	
	2013	2012
Petty cash surpluses	1,643	1,119
Other minor income	23,246	4,503
Total other income	$74,834	$13,481
Other expenses:		
Cost of sale of fixed assets	($5,494)	$ -
Promotional articles	(638)	(2,489)
Total other expenses	($6,132)	($2,489)
Total other income, net	$68,702	$10,992

Note 25 - Financing income:

	At December 31,	
	2013	2012
Interest expenses:		
- Interest on bank loans	$ 171,317	$ 114,208
- Interest on notes payable	-	5,583
Financial expenses	$ 171,317	$ 119,791

	At December 31,			
	2013		2012	
Financial income:				
- Interest income from short-term bank deposits	$	143,480	$	101,713
- Interest income from loans to related parties (Nota 27)		37,817		35,470
- Exchange gain		23,184		94,909
Financial income		204,481		232,092
Financing income - Net	$	33,164	$	112,301

Note 26 - Commitments and contingencies:

1. Commitments

1.1. Concessions.-

In accordance with the terms and conditions of the concessions, the subsidiary companies holding concession titles granted by the SCT to operate the services must comply with certain obligations.

Failure of the Group to comply with those obligations could result in certain sanctions. Furthermore, the concessions of the Group are subject to cancellation for different reasons, including interruptions in the service, failure to comply with the obligations or conditions established in the concessions certificates, the assignment or transfer of concession rights, or for failure to pay established amounts to the federal government.

In any of said assumptions, the concession can be revoked without the government being obligated to pay an indemnity to Mega Cable, S. A. de C. V. If the SCT revokes any of the Group's concessions, it will not be able to operate in the area covered by the revoked concession, or to obtain new concessions to operates in that or any other area for a five-year term.

Rescission of any of the Company's concessions would have a significant adverse effect on its activities, financial position and operating income.

1.2. Contractual obligations

The Group has obligations guaranteed by Mega Cable and some of its subsidiaries with financial institutions with which it has contracted a straight loan. Said loan includes clauses prohibiting the Group from conducting activities such as the sale of fixed assets and a merger with a third party (unless early notice is given and authorization is granted by the financial institution). Additionally, the loan agreement requires compliance with certain financial ratios.

At December 31, 2013 and 2012, the Group had complied with all of its contractual commitments.

Note 27 - Related parties:

a. The main operations carried out with related parties are shown below:

Entity	Type of relationship	Item	December 31,	
			2013	2012
Long-term accounts receivable:				
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC) (1)	Joint venture	Loan granted	$687,008	$647,713
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Prepayments	16,501	5,400
Total			$703,509	$653,113
Accounts payable:				
Productora y Comercializadora de Televisión, S. A. de C. V.	Associate	Cost Programming	$41,825	$38,899
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC) (2)	Joint venture	Financial leasing	844,363	695,300
Total			886,188	734,199
Less – accounts payable in the short term			(142,372)	(154,510)
Total accounts payable in the long-term			$743,816	$579,689

(1) The account receivable at December 31, 2013 and 2012 in the long term arises from a straight loan granted to GTAC, an associated company, with a credit facility of up to $688,217. The loan matures at December 31, 2021, at monthly interest at the interbank rates at 28 days, plus 2 percentage points. The effective rate at December 31, 2013 and 2012 was 6.2% and 5.9%, respectively. At December 31, 2013 and 2012, the fair value of the account receivable is $407,417 and $655,126, respectively.

(2) The account payable at December 31, 2013 and 2012 corresponds to the agreement entered into with GTAC for provision of telecommunications capacity. Under said agreement, the Group is to make, over the following 18 year, annual payments of $41,400, to be increased annually using the National Consumer Price Index (NCPI). It also establishes that payments corresponding to years 10 to 18 can be made in advance. In accordance with IAS 17, the requirements to quality as financial leasing are met. See Note 19, point b.

The embedded interest rate determined for the payments the Group makes is the TIIE + the greater of 1.22 and 6%. In 2013, the effective rate was 5.6%.

Fair value at December 31, 2013 and 2012 of the accounts payable is $777,598 and $745,200, respectively.

b. The following operations were conducted during the year:

Entity	Type of relationship	Item	December 31,	
			2013	2012
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Interest collected	$37,817	$35,470
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Maintenance	$39,240	$25,172
Productora y Comercializadora de Televisión, S. A. de C. V.	Asociada	Cost Programming	$418,820	$416,796

The goods acquired from the joint venture are done so in normal commercial terms and conditions.

c. Key personnel compensation

Key personnel include the directors (executive and other) and members of the Executive Committee. Compensation paid or payable to these executives for their services is as follows:

	At December 31,	
	2013	2012
Salaries and other short-term benefits	$30,365	$25,412
Retirement benefits	4,070	2,340
	$34,435	$27,752

d. Loans to related parties

	At December 31,	
	2013	**2012**
Total loans to related parties (1):		
At January 1	$652,633	$510,045
Loans granted during the year	87,913	103,000
Collection of loan	(96,048)	-
Interest charged (includes IVA)	45,458	39,588
At December 31	$689,956	$652,633

1) See point a).1) above.

For the years ended December 31, 2013 and 2012, there are no outstanding balances on loans granted to key management personnel.

Note 28 - Acquisitions:

During 2013, the Group acquired the following shares:

In August 2013, the Group acquired 51% of the shares with potential voting rights of Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C. V. and Fidelizar, S. A. de C. V.

With these acquisitions, the Group strengthens its position in the business and corporate market, and public sector, broadening the telecommunications solutions, data and information handling solutions. The purchase price of the shares was $89.4 million, which was paid on September 23, 2013. The valuation method for acquisition of the businesses used was the acquisition method. As from said date, the subsidiaries are consolidated.

Goodwill totals $91,907, with the following tax effects, the goodwill recognized is not expected to be deductible for income tax/flat tax purposes. The main factors that give rise to goodwill are inseparable intangible assets.

The following table summarizes the compensation paid by the Group, the fair value of the assets acquired, assumed liabilities and the non-controlling interest at the date of the acquisition.

Compensation paid at September 23, 2013		Amount
Cash - total compensation transferred	$	89,406

Amounts recognized for identifiable assets and assumed liabilities		
Fixed assets/Deferred, net (Note 10)	$	81,486
Net working capital		15,856
Brands (included in intangibles) (Note 12)		6,452
Customer portfolio (included in intangibles) (Note 12)		63,487
		167,281
Liabilities acquired (Note 14)		($56,925)
Employee benefits (Note 17)		(7,910)
Deferred income tax (Note 22)		(19,046)
		(83,881)
Total identifiable assets, net		83,400
Non-controlling interest		83,400
Goodwill		91,907
Total	$	175,307

Note 29 - Segment reporting:

Information by business segment is reported on the basis of the information used by the Operations Committee in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis. Income pertaining to the different Group segments is as follows:

Cable

Includes the operation of cable television systems in several states of Mexico and derives revenues primarily from basic and premium services. This segment also includes advertising and installation fees from cable subscribers, pay-per-view fees and local and national advertising sales.

Broadband

Includes high-speed Broadband services provided to residential and commercial customers.

Telephone

Although the Telephone segment does not meet the quantitative limits required by IFRS 8 to be reported separate, Management has done so because they consider that the potential growth of this segment will imply that it contributes significantly to the Group's income in the future. The telephone business receives its digital fixed telephone service income from the Broadband protocol, from services provided to customers, residential and commercial.

Other

This represents operating segments individually totaling less than 10% of the consolidated total. Others includes TV programming production and broadcasting operations, broadcasting services from multiple points and channels (MMDS) and private virtual network and other network services.

Corporate costs are distributed among the different business segments.

IFRS 8 requires disclosure of assets and liabilities pertaining to one segment, if measurement is regularly provided to the decision making body; however, with respect to the Company, the Operations Committee only evaluates the performance of the operating segments based on an analysis of income and operating profit, but not of each segment's assets and liabilities.

Income reported by the Company represents the income obtained from external customers, as no inter-segment sales are conducted.

29.1. Income and results per segment:

	December 31, 2013									
		Cable		Broadband		Telephone service		Other(*)		Consolidated total
Income	$	5,789,583	$	2,128,449	$	1,646,272	$	715,012	$	10,279,316
Costs and expenses		4,199,820		1,543,998	$	1,194,222	$	525,990		7,464,030
Profit before other income		1,589,763		584,451	$	452,050	$	189,022		2,815,286
Other income								68,702		68,702
Operating income		1,589,763		584,451		452,050		257,724		2,883,988
Financing costs, return on investments, exchange fluctuation and results of associated companies										48,094
Income taxes										871,750
Consolidated net income									$	2,060,332

	December 31, 2013				
	Cable	Broadband	Telephone service	Other(*)	Consolidated total
Income	$ 5,392,718	$ 1,807,819	$ 1,481,161	$ 295,320	$ 8,977,018
Costs and expenses	3,944,611	1,322,365	1,083,425	216,016	6,566,417
Profit before other income	1,448,107	485,454	397,736	79,304	2,410,601
Other income				10,992	10,992
Operating income	1,448,107	485,454	397,736	90,296	2,421,593
Financing costs, return on investments, exchange fluctuation and results of associated companies					115,584
Income taxes					501,763
Consolidated net income					$ 2,035,414

(*) The "Other" segment is mainly comprised of income from advertising, metrocarrier, megacanal, etc.

Presentation by business segments ANTES REVELADOS/disclosed above? is the same as that used by management in its periodic review processes of the Company's performance.

Taxes and financing costs are handled at the Group level and not within each of the segments reported. As a result, said information is not shown distributed in each of the segments reported. Operating income is the key performance indicator for management, which is reported monthly to the Operations Committee.

29.2 Other information by business segment:

	December 31, 2013										
		Cable		Broadband		Digial tel. service		Other	Eliminations		Consolidated total
Total assets per segment	$	9,376,065	$	1,917,904	$	400,677	$	791,259	$-	$	12,485,905
Acquisitions in the year of property, networkds and equipment	$	1,676,872	$	205,004	$	88,766	$	193,838	$-	$	2,164,480
Depreciation and amortization of fixed assets	$	938,708	$	192,016	$	40,115	$	79,218	$-	$	1,250,057

	31 de diciembre de 2012										
		Cable		Broadband		Digial tel. service		Other	Eliminations		Consolidated total
Total assets per segment	$	8,869,086	$	1,065,211	$	706,305	$	251,695	$-	$	10,892,297
Acquisitions in the year of property, networkds and equipment	$	2,139,614	$	152,525	$	100,302	$	30,200	$-	$	2,422,641
Depreciation and amortization of fixed assets	$	883,737	$	74,923	$	38,242	$	60,230	$-	$	1,057,132

Some of the fixed assets included in the cable segment are also used in other segments, such as Broadband and telephone; however, the cost of said assets is assigned only to cable.

29.3 Information by geographic location:

a. Analysis of net income by geographic location:

State	Total service income At December 31,			
		2012		2012
Jalisco	$	1,756,601	$	1,422,243
Sonora		1,122,405		996,312
Sinaloa		1,067,913		979,113
Veracruz		836,152		752,575
Puebla		817,000		760,794
Michoacán		730,469		675,015
Guanajuato		689,438		584,870
Estado de México		644,764		585,843
Durango y Coahuila		579,216		535,178
México, D.F.		541,589		368,941
Querétaro		333,142		270,323
Nayarit		260,468		247,793
Chiapas		234,834		221,873
Baja California Sur		170,711		161,671
Oaxaca		108,645		97,853
Colima		107,093		94,643
Zacatecas		88,590		75,567
Morelos		54,326		46,965
Guerrero		34,038		33,142
Chihuahua		33,336		33,713
Monterrey		16,872		-
Quintana Roo		16,123		-
Hidalgo		15,949		14,804
Tabasco		4,648		4,498
San Luis Potosí		4,519		4,359
Otros		10,475		8,930
Consolidated total	$	10,279,316	$	8,977,018

State	Total assets				Acquisitions of networks and equipment			
	December 31,				December 31,			
	2013		2012		2013		2012	
Jalisco	$	3,812,556	$	2,819,812	$	814,325	$	818,090
Sonora		1,209,222		1,119,725		179,258		188,446
Sinaloa		986,520		953,336		138,081		190,999
Puebla		944,159		900,917		146,710		211,624
Veracruz		911,018		852,345		143,999		164,984
México, D.F.		768,412		647,879		166,600		148,979
Guanajuato		684,465		572,384		152,876		163,317
Durango y Coahuila		679,825		641,078		110,542		106,818
Michoacán		493,589		476,685		44,977		110,258
Querétaro		476,485		428,377		83,413		78,306
Chiapas		308,962		266,963		62,643		69,509
Colima		231,354		256,355		10,814		20,368
Baja California Sur		226,138		224,730		20,017		39,659
Oaxaca		222,025		198,193		34,487		24,692
Nayarit		176,990		175,347		22,434		21,571
Zacatecas		120,835		123,049		10,855		24,278
Guerrero		79,025		69,665		12,743		11,683
Morelos		68,484		70,564		4,024		6,813
Chihuahua		59,821		69,647		1,778		14,926
Otros menores		26,020		25,246		3,904		7,321
Consolidated total	$	12,485,905	$	10,892,297	$	2,164,480	$	2,422,641

b. Analysis of income from services provided to external customers per product:

Cable segment	December 31, 2013		2012	
Basic cable	$	3,481,737	$	3,339,274
Lifeline cable		1,524,052		1,344,396
Premier cable		705,360		583,428
Mini Basic cable		(9,359)		34,352
Other services		83,521		91,269
Total cable segment	$	5,785,311	$	5,392,719
Broadband segment				
High-speed residential Broadband	$	1,868,824	$	1,587,062
High-speed commercial Broadband		254,135		220,757
Total Broadband segment	$	2,122,959	$	1,807,819
Digital phone service segment				
Residential phone service	$	1,083,753	$	1,023,968
Commercial telephone service		134,273		110,341
Total digital phone service segment	$	1,218,026	$	1,134,309
Segments of Other and elimination	**$**	**1,153,020**	**$**	**642,171**
Total consolidated	$	10,279,316	$	8,977,018

Note 30 - Authorization of issuance of consolidated financial statements:

The financial statements and notes thereto were authorized for issuance by Lic. Enrique Yamuni Robles (CEO) and C.P. Luis Antonio Zetter Zermeño (CFO) on April 25, 2014, for the approval of the Audit Committee and the Board of Directors. These financial statements will be presented to the Shareholders for their approval.

Design: DDMerc Diseño Integral

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Annual and Sustainability Report 2013

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