(Translation of financial statements originally issued in Spanish)

Autoridad del Canal de Panama

Statement of Costs of Investments in Progress and Statement of Operating Expenses of the Panama Canal Expansion Program

September 30, 2013

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AUTORIDAD DEL CANAL DE PANAMA

Translation of the Independent Auditors' Report originally issued in Spanish
(See explanation in the notes to the financial statements)

We have audited the accompanying schedule of the statement of cost of investments in progress as of September 30, 2013 and statement of operating expenses for the year then ended of the Panama Canal Expansion Program and a summary of significant accounting policies and other explanatory notes (together "the financial statements").

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

Opinion

In our opinion, the schedules present fairly, in all material respects, the cost of investments in progress as of September 30, 2013, and the operating expenses for the year then ended in the Panama Canal Expansion Program in accordance with International Financial Reporting Standards.

Ernst & Young

November 25, 2013
Panama, Republic of Panama

Autoridad del Canal de Panama
Statement of Costs of Investments in Progress
Canal Expansion Program
September 30, 2013
(In thousands of balboas B/.)

Notes			**2013**		2012
	Program management	**B/.**	**139,626**	B/.	117,216
9	Interests, commissions and other financing expenses		**176,198**		120,818
	Construction of the new locks		**2,027,510**		1,165,613
	Construction of channels		**364,378**		329,604
	Navigational channel improvements		**652,478**		602,127
	Water supply improvements		**9,356**		2,837
6a	Total costs of investment in progress		**3,369,546**		2,338,215
6b	Additions to properties, plant and equipments		**2,860**		2,860
6, 8	Total costs of investment	**B/.**	**3,372,406**	B/.	2,341,075

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

Autoridad del Canal de Panama
Statement of Operating Expenses
Canal Expansion Program
For the year ended September 30, 2013
(In thousands of balboas B/.)

Notes			**2013**		2012
	Contracted services and fees	**B/.**	**529**	B/.	605
	Materials and supplies		**246**		315
	Transportation and allowances		**145**		92
	Internal support		**547**		756
	Non-capitalized equipment		**52**		43
	Other expenses		**111**		126
7, 8	Total operating expenses	**B/.**	**1,630**	B/.	1,937

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

Explanation Added for Translation into English

The accompanying financial statements have been translated from Spanish into English for international use. These financial statements are presented in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. Certain accounting practices applied by Autoridad del Canal de Panama which are in conformity with International Financial Reporting Standards may differ from accounting principles generally accepted in some countries where the financial statements may be used.

1. General information

The Autoridad del Canal de Panama (ACP) is an autonomous agency established in conformity with Article 316 of the Political Constitution of the Republic of Panama. The ACP is responsible for the administration, operation, conservation, maintenance, modernization, and other related activities of the Panama Canal (the Canal), that are necessary to ensure the safe, uninterrupted, efficient and profitable operation of the Canal in accordance with the constitutional and legal regulations in effect. The ACP has its own patrimony and the right to manage it. The ACP was organized under Law No. 19 of June 11, 1997 (Organic Law).

The ACP, in coordination with government entities designated by law, is also responsible for the management, maintenance, use and conservation of the water resources of the Canal watershed, including lakes and their tributary streams. As part of this responsibility, the ACP optimizes these resources through the sale of water, energy and tourism related activities in the Canal.

With the expiration of the 1977 Torrijos-Carter Treaty at noon on December 31, 1999, the Panama Canal reverted to the Republic of Panama free of debts and liens, becoming an inalienable patrimony of the Republic of Panama, open to the peaceful and uninterrupted transit of vessels of all nations, and whose use will be subject to the requirements and conditions established by the Political Constitution of Panama, the Organic Law of ACP, and its management.

The main ACP offices are located at the Administration Building No. 101, Balboa, Corregimiento de Ancon, Republic of Panama.

(In thousands of balboas B/.)

2. General information of the project

Approval and estimated cost

In compliance with Law 28 of July 17, 2006, issued by the Executive Branch, the proposal for the construction of the Panama Canal third set of locks was approved. Subsequently, on October 22, 2006, the people of Panama approved the Canal Expansion Program (the Program) through a national referendum in accordance with the constitutional requirement. The Program has an estimated cost of B/.5,250,000, detailed as follows:

Description		**Estimated amount**
Construction of the new locks	B/.	2,730,000
Water saving basins		620,000
Construction of channels		820,000
Navigational channels improvements		290,000
Water supply improvements		260,000
Inflation during the construction period		530,000
Total	B/.	5,250,000

The group of components described above was developed for the Canal Expansion Proposal submitted in April 2006. In order to optimize the execution of the Program, a more appropriate segregation was accomplished with the completion of the design, identification of the different implementation stages and definition of the different types of contracts that apply. As a result, components and estimates were adjusted as follows:

Description		**Estimated amount**
Construction of the new locks	B/.	3,626,108
Construction of channels		511,242
Navigational channel improvements		747,106
Water supply improvements		47,864
Program management		193,019
Program contingency		112,661
Operating expenses		12,000
Total	B/.	5,250,000

The objectives of the Canal Expansion Program are: 1) to achieve long-term sustainability and growth for the Canal's contributions to Panamanian society, through the payments ACP makes to the National Treasury, 2) to maintain the Canal's international competitiveness as well as the value added by Panama's maritime route to the national economy, 3) to increase the Canal's capacity to capture the growing tonnage demand with the appropriate levels of service for each market segment and, 4) to make the Canal more productive, safe and efficient.

2. General information of the project (continued)

Execution of the Program includes the development of designs, models, specification and contracts, the pre-classification of the possible contractors and finally, contractor selection. Also part of this program includes the simultaneous construction of both locks facilities with their water recycling basins, dry excavation of the new Pacific access channel, deepening and widening of the Gatun Lake navigation channels, as the entrances from both seas and the deepening of Culebra cut channels.

3. Statement of compliance

The statement of costs of investments in progress and the statement of operating expenses in the Panama Canal Expansion Program, including the comparative figures, have been prepared in accordance with International Financial Reporting Standards (IFRS), disseminated by the International Accounting Standards Board (IASB).

4. Basis of presentation of the financial statements

The statement of costs of investments in progress and the statement of operating expenses of the Panama Canal Expansion Program have been prepared on a historical cost basis except for hedging instruments which have been measured at fair value.

Functional currency

The ACP maintains its accounting records in balboas (B/.), which is its monetary unit, and the statement of costs of investment in progress and the statement of operating expenses are stated in this currency. The balboa, monetary unit of the Republic of Panama, is at par and is free exchange with the U.S. dollar. The Republic of Panama does not issue paper currency and instead uses the U.S. dollar as legal tender.

5. Significant accounting policies

Costs of investments in progress

Accumulated costs of investments in progress include all direct charges for materials, labor, studies, equipment, professional fees and indirect costs related to the expansion work. Once these works are concluded, the construction value will become part of the properties, plant, and equipment and its depreciation begins.

5. Significant accounting policies (continued)

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as expenses when incurred. Borrowing costs consist of interest and other costs that ACP incurs in connection with the borrowing of funds.

Internal support

The costs of the internal support in the Canal Expansion Program includes: salaries, employment benefits, materials, supplies and use of equipment. The internal support directly related to investment projects in the Canal Expansion Program is capitalized. Internal support charged to operating expenses represents indirect costs that are not directly attributable to the construction of the facility. These expenses include internal resources dedicated mainly to cleaning, moving and maintenance tasks of buildings and equipment.

Operating expenses

Operating expenses comprise the expenditures that are not capitalized which primarily include service contracts, purchase of materials, supplies and acquisition of equipment that do not meet capitalization criteria and which unit cost is less than B/.10.

6. Accumulated costs of investments

a. In progress

At September 30, 2013, the accumulated costs of investments in progress of the Panama Canal Expansion Program totaled B/.3,369,546 (2012: B/.2,338,215). These costs are included in the note 5 of the audited financial statements of the ACP as of September 30, 2013 in Properties, Plant, and Equipment - Constructions in Progress for B/.3,674,314 (2012: B/.2,695,222).

b. Additions to properties, plant and equipments

At September 30, 2013, B/.2,860 (2012: B/.2,860) represents investments made with funds from the Panama Canal Expansion Program that had been completed and are currently in use.

(In thousands of balboas B/.)

6. Accumulated costs of investments (continued)

The annual activity of costs of investments in progress and additions to properties, plant and equipment are detailed as follows:

		Year ended September 30, 2013	
a. Costs of investments in progress	**Beginning Balance**	**Increase**	**Ending Balance**
Program management	B/. 117,216	B/. 22,410	B/. 139,626
Interests, commissions and other financing expenses	120,818	55,380	176,198
Construction of the new locks	1,165,613	861,897	2,027,510
Construction of channels	329,604	34,774	364,378
Navigational channel improvements	602,127	50,351	652,478
Water supply improvements	2,837	6,519	9,356
	2,338,215	**1,031,331**	**3,369,546**
b. Additions to properties, plant and equipments	2,860	-	2,860
Total costs of investment of the Expansion Program	**B/. 2,341,075**	**B/. 1,031,331**	**B/. 3,372,406**

		Year ended September 30, 2012	
a. Costs of investments in progress	Beginning Balance	Increase	Ending Balance
Program management	B/. 96,301	B/. 20,915	B/. 117,216
Interests, commissions and other financing expenses	67,858	52,960	120,818
Construction of the new locks	510,984	654,629	1,165,613
Construction of channels	268,278	61,326	329,604
Navigational channel improvements	492,257	109,870	602,127
Water supply improvements	2,777	60	2,837
	1,438,455	899,760	2,338,215
b. Additions to properties, plant and equipments	-	2,860	2,860
Total costs of investment of the Expansion Program	B/. 1,438,455	B/. 902,620	B/. 2,341,075

7. Operating expenses

Operating expenses of the Panama Canal Expansion Program for the year ended September 30, 2013, totaled B/.1,630 (2012: B/.1,937) as summarized in the statement of operating expenses are included in the income statement of the ACP's audited financial statements.

(In thousands of balboas B/.)

8. Costs and expenses of the Panama Canal Expansion Program

Costs and expenses of the Panama Canal Expansion Program as of September 30 are summarized as follows:

		2013		2012
Capitalized costs as of September 30	**B/.**	**3,372,406**	B/.	2,341,075
Expenses:				
2007		**821**		821
2008		**524**		524
2009		**1,971**		1,971
2010		**1,271**		1,271
2011		**1,903**		1,903
2012		**1,937**		1,937
2013		**1,630**		-
Total capitalized costs and expenses	**B/.**	**3,382,463**	B/.	2,349,502

9. Interests, commissions and other financing expenses

The interests, commissions and other financing expenses for the year ended September 30 are detailed as follows:

		2012		2012
Interest on loans	**B/.**	**18,883**	B/.	17,063
Commitment fees		**2,723**		3,240
Other expenses		**33,774**		32,657
Total interests, commissions and other financing expenses		**55,380**		52,960
Less: amount of loans' cost capitalized		**(55,380)**		(52,960)
	B/.	**-**	B/.	-

The accumulated interests, commissions and other financing expenses totaled B/.176,198 as of September 30, 2013 (2012: B/.120,818).

10. Risk Management

Financial Risk Management

The ACP maintains a conservative financial policy, designed to protect its capital and generate optimal performance with low risk, for which various risk management activities that include: analysis, evaluation and risk mitigation, are performed throughout the year. This allows management to plan and make decisions that enhance the economic contribution and operational excellence, improving the chances of achieving strategic goals.

The ACP's capital structure consists of net debt (borrowings as detailed in note 11), compensated by cash and bank deposit balances and equity of the enterprise (consisting of contributed capital, reserves, other equity accounts, and unappropriated retained earnings).

Historically, the ACP has operated with its own resources due to its high levels of cash generated by its operations; however, on December 9, 2008, the ACP subscribed to a common term agreement with five multilateral and bilateral agencies, which committed to grant borrowings totaling B/.2,300 with the purpose of partially finance the Canal Expansion Program (see note 11).

Interest rate risk management

The ACP is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by the ACP through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rates and the defined risk tolerance, ensuring that the most cost-effective hedging strategies are applied.

Interest rate swap contracts

Since March 2010, the ACP established interest rate swap contracts, without collateral, to fix the floating interest rate of the B/.800,000 variable rate loan. Of the B/.800,000, B/.200,000 were disbursed on March 1, 2010; B/.300,000 on October 29, 2010, and B/.300,000 on April 13, 2011. Biannual amortizations of B/.40,000 are programmed to start on May 15, 2019 until loan maturity on November 15, 2028.

According to interest rate swap contracts, the ACP agrees to swap the difference between the fixed and floating interest rate amounts calculated on the agreed notional principal amounts. Such contracts allow the ACP to mitigate the risk of interest rate changes over the cash flow of the hedged debt agreed at a floating interest rate. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the curves at the end of the period in question and the inherent credit risk in the contract, as it is detailed further ahead.

(In thousands of balboas B/.)

10. Risk Management (continued)

The following table details the notional principal amounts and the remaining terms of the outstanding interest rate swap contracts at the end of the reporting period:

Cash flow hedges
(Effective date: May 15, 2010, maturity: Nov 15, 2028)

Contracts with floating interest rates and outstanding fixed payment rates	Average contracted fixed interest rate		Notional principal value				Fair value			
	2013	2012		**2013**		2012		**2013**		2012
5 years or more	**4.67%**	4.67%	**B/.**	**800,000**	B/.	800,000	**B/.**	**(144,573)**	B/.	(239,582)

The interest rate swaps are paid biannually. The floating rate on the interest rate swaps is at 6-month Libor rate. The ACP will pay or receive the difference between the floating and the fixed interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the ACP's cash flow exposure resulting from floating interest rates on borrowings.

Interest rate sensitivity analysis

The following sensitivity analyses have been determined based on the financial instruments exposure to interest rates at the end of the reporting period.

As of September 30, 2013, for each basis point increase/decrease in the Libor rate curve through the remaining term of the contract, the unrealized loss on the interest rate swap contract would decrease/increase by B/.834.4. This amount was calculated based on the DV01 indicator generated by Bloomberg’s valuation model tool used in the valuation of interest rate swap contracts.

As of September 30, 2013, the ACP expects that the Libor rate would increase its value by 30 basis points through the remaining term of the contract during fiscal 2014, representing an equity increase of B/.25,032.

(In thousands of balboas B/.)

10. Risk Management (continued)

Price risk on adjustment clauses in contracts related to the Canal Expansion Program

As mentioned in Note 12, the ACP has different commitments related to the Canal Expansion Program. These commitments include adjustment clauses related to the main commodities that will be used during construction, such as: reinforced steel, cement, structural steel, and light diesel. The clauses use, as adjustment references, representative price indexes of the commodities' fair value, a fixed reference price for each commodity, the quantities or maximum volume, and the target dates for adjustment calculations.

The maximum quantities, to which the ACP is exposed to when contracts were signed, are as follows:

Commodity	Agreed volume (thousands)	Fixed reference price	Fair value reference index
Reinforced steel	279.0 metric tons	B/.575 per metric ton	"Reinforcing Bar - Platts Steel Market Daily"
Structural steel	67.2 metric tons	B/.1,000 per metric ton	"Plate - Platts Steel Market Daily"
Cement	1,278.6 short tons	B/.100 per short ton	"Portland and Other Cements, Commodity Code 13220161" from the US Bureau of Labor Statistics
Light Diesel (Third Set of Locks contract)	60,000 gallons	B/.1.4000 per gallon	US Gulf Coast Diesel No.2 Oil from Platts Latin American Wire
Light Diesel (Pacific access channel excavation contracts)	2,054 gallons	B/.1.7580 per gallon	Diesel's Import Parity Price from the Secretariat of Energy for Light Diesel

During the life of the project, the ACP shall determine the fair value of the commodities and consumed materials among periods established in the proposal in order to define the difference with the fixed referenced price. This price difference shall be multiplied by the agreed quantities of commodities or consumed materials in order to obtain the amount over which the ACP must pay or charge the contractor during periodic payments for work progress made. Additionally, the locks construction contract allows compensation for a portion of the incremental local labor cost, as it was considered to cover exclusively over costs in Panamanian labor costs.

10. Risk Management (continued)

Sensitivity to price risk on adjustment clauses in contracts related to the Canal Expansion Program

The ACP's internal policies allow to award hedging contracts with specialized institutions, in an effort to neutralize or mitigate the risks associated with the price fluctuation of the commodities procured by the ACP, in regards to the functioning, maintenance, operations, modernization, and expansion of the Canal.

Light diesel

On April 18, 2012, ACP conducted a hedging transaction for 18.1 million gallons of light diesel to cover the risk of variability in future cash flows attributable to variability in the diesel price index from April 26 2012 to July 25, 2014. The instrument was set at a swap price of B/.3.1347/gal.

On April 22, 2010, ACP conducted a hedging transaction for 36.5 million gallons of light diesel to cover the risk of variability in future cash flows attributable to variability in the diesel price index from April, 26 2010 to April 25, 2012 (first two years of the project). The instrument was set at a swap price of B/.2.4396/gal.

The variation of light diesel prices will not affect the ACP's income statement or its equity, as it is capitalized as part of the Expansion Program.

Reinforced steel and cement

For these commodities, under market conditions, it has not been feasible to obtain financial hedge services to allow the mitigation of future cash flows risk due to price variability. For this reason, the ACP is exposed to price fluctuations, assuming the risk of price increases or benefiting from decreasing prices.

10. Risk Management (continued)

The following table shows the quantities established in the lock design and construction contract and the estimated adjustments at the beginning of fiscal year 2013:

Commodity	Unit	Quantity	Total (in thousands)
Reinforced Steel	Metric Ton	82,890	B/.14,995
Cement	Short Ton	455,750	B/.(3,720)

Reinforced Steel

As of September 30, 2013, the scaling adjustment for reinforced steel totaled B/.12,240, representing B/.2,755 less than the estimate at the beginning of fiscal year 2013. As of September, 30, 2013, the reinforced steel price (moving average as stipulated in the contract) was B/.694.44 per metric ton, which is B/.119.44 over the reference price of B/.575.00 per metric ton. If the average price remains unchanged for fiscal year 2014, for the established volume of 5,726 metric tons, ACP's exposure would total B/.683.9.

Cement

As of September 30, 2013 the scaling adjustment for cement resulted in a credit totaling B/. 3,801 in favor of ACP, exceeding by B/.81 the amount estimated at the beginning of fiscal year 2013. As of September 30, 2013 the price was B/.94.98 per short ton, B/.5.02 per short ton below the reference price of B/.100.00 per short ton. If the average price remains unchanged during fiscal year 2014, and with an established consumption of 34,597 short tons, it would represent a credit of B/.173.7 in favor of ACP.

The variation in price in these commodities will not affect the ACP's income statement nor its equity, as it is capitalized as part of the Canal expansion project.

Liquidity risk management

The ACP manages the liquidity risk through continuous monitoring of the forecasted and actual cash flows, and reconciling the maturity profiles for the financial assets and liabilities. Historically, the cash generated by the ACP's operations has been enough to cope with its operations and the requirements of its investments program, while generating adequate returns to the ACP. However, since 2008, the ACP faced the necessity to obtain financing for a portion of the Canal Expansion Program. The credit facilities available to the ACP to reduce the liquidity risk are detailed afterwards.

(In thousands of balboas B/.)

10. Risk Management (continued)

Interest and liquidity risk tables

To finance the expansion program, the ACP has a credit facility with five multilateral financial institutions. Currently, 6.9% of the debt is contracted at fixed effective rate of 5.196%, and the remaining 93.1% shows a moving average effective rate of 2.89% percent, calculated based on undiscounted cash flows to the date in which the ACP shall make the payments.

	Weighted average effective interest rate (%)	1 month or less	1 - 3 months	1 - 5 years	More than 5 years	Total
September 30, 2013 (2012)						
Variable interest loan	**2.89%** (2.611%)	B/. -	B/. -	B/. -	B/. 1,350,000	B/. 1,350,000
Fixed interest loan	**5.196%** (5.196%)	-	-	-	100,000	100,000
		B/. -	B/. -	B/. -	B/. 1,450,000	B/. 1,450,000

The ACP has access to financing facilities, as described afterward, of which USD 850,000 were not utilized at the end of the 2013 period. The ACP expects to comply with its other obligations with the cash flows from its operations and from the maturity of financial assets.

All subscribed contracts with the different counterparties have a clause that prevents the ACP from having to provide collateral guarantees for any unrealized loss resulting from the periodic valuations of these financial instruments.

(In thousands of balboas B/.)

10. Risk Management (continued)

Financing Structure

Used and available borrowing amounts:

		2013		2012
Amount used				
Japan Bank for International Cooperation (JBIC)	**B/.**	**800,000**	B/.	800,000
Inter-American Development Bank (IADB)		**400,000**		100,000
European Investment Bank (EIB)		**200,000**		100,000
Andean Development Corporation (ADC)		**50,000**		-
		1,450,000		1,000,000
Available amount				
European Investment Bank (EIB)		**300,000**		400,000
Inter-American Development Bank (IADB)		**-**		300,000
International Finance Corporation (IFC)		**300,000**		300,000
Andean Development Corporation (ADC)		**250,000**		300,000
		850,000		1,300,000
	B/.	**2,300,000**	B/.	2,300,000

11. Borrowings

Financing received for the Canal Expansion Investment Program, presented at amortized cost as of September 30, is detailed as follows:

		2013		2012
Japan Bank for International Cooperation (JBIC)	**B/.**	**800,000**	B/.	800,000
European Investment Bank (EIB)		**200,000**		100,000
Inter-American Development Bank (IADB)		**400,000**		100,000
Andean Development Corporation (ADC)		**50,000**		-
Balance at the end of the year	**B/.**	**1,450,000**	B/.	1,000,000

Financing from JBIC, IADB, ADC and a tranche of EIB are subscribed at a floating rate (6-month Libor plus margin), with semi-annual payments to principal beginning on May 15, 2019, and ending in November 2028. A tranche of EIB is subscribed at a fixed rate with semi-annual payments to principal beginning on May 15, 2019, and ending in November 2028.

The ACP complies with reporting to the five multilateral agencies about the financial obligations of the Common Terms Agreement concerning the verification of the financial covenants over this debt related to two debt indicators to be maintained: Total Debt to EBITDA Ratio and the Debt Service Coverage Ratio.

12. Commitments

Total commitments include the Panama Canal expansion program contracts awarded during the fiscal year totaling B/.22,343 (2012: B/.30,271).

Contracts awarded during fiscal year 2013, include miter gate hydraulic cylinders to IHC Vremac Cilinders BV for B/.3,602, procurement of medium voltage cables for the third set of locks to Conductores Monterrey S.A. de C.V for B/.3,848 and construction of 25 range towers in Gatun Lake to Ingenieria Continental, S.A. for B/.6,455.

Contracts awarded during fiscal year 2012, include Modifications to Agua Clara Substation on the East Side of the Canal at the Atlantic Side to Celmec, S.A. for B/.3,797, realignment of Highway Limón, new Telfers Road and improvements to the Bolivar Avenue at the Atlantic Side to Howard Group, S.A for B/.5,777 and diesel swap hedge for the Panama Canal expansion program to J Aron Company for B/.9,227.

Fiscal year 2013 balance includes the design-build contract for the Canal Expansion Program´s major component, the third set of locks, to Grupo Unidos por el Canal, S.A. (GUPCSA) of B/.1,408,126 (2012: B/.2,205,906).

13. Contingent liabilities

At September 30, 2013, the ACP has received claims from GUPCSA for a total of B/.589,000. These claims are at different stages of the dispute resolution process provided for in the contract for the design and construction of the third set of locks. One of these claims concerning mixtures of concrete and aggregates was denied by the ACP. At September 30, 2013, GUPCSA filed this claim for B/.498,000 to the Dispute Adjudication Board (known by its acronym as DAB) for evaluation and conclusion. A hearing is scheduled for January 2014 which is expected to have a decision during the first quarter of 2014. In addition, the ACP received other claims for an aggregate amount of B/.91,000 of which have been denied by the ACP. Some of these claims could be submitted to the DAB for its decision within the next few months.

The contractor submitted claims for B/.130,000 of which were rejected entirely by the DAB. GUPCSA has submitted a Notice of Dissatisfaction with which reserves the right to seek for an international arbitration, but has not indicated whether it will proceed to date like this.

ACP has received claims related to other contracts of the Expansion Program for an aggregate amount of B/.54,000 of which have been rejected in their entirety by the ACP.

The notes contained herein relating to claims against the ACP cannot and should not be considered as support or evidence of acceptance of responsibility on the part of the ACP. In the opinion of the Administration and its General Counsel, the outcome of these actions will not have significant adverse effects on the financial position of ACP.

14. Events after the reporting period

On November 1, 2013, the ACP requested the EIB, a disbursement of B/.300,000 based on the agreement related to the financing contracted with multilateral agencies to fund a portion of the Canal Expansion Program. The funds will be received in the month of December 2013. (See note 11).

15. Approval of financial statements

These financial statements for the year ended as of September 30, 2013, were approved by the Board of Directors and authorized for issuance on November 25, 2013.