Notes to the consolidated financial statements

for the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1. Activities

Grupo Sanborns, S.A. de C.V. ("Grupo Sanborns") and Subsidiaries (the "Entity") is a subsidiary of Grupo Carso, S.A.B. de C.V. ("Grupo Carso"). The Entity is the owner of a group of companies domiciled in Lago Zúrich number 245 seventh floor, Colonia Ampliación Granada in Mexico City, Postal Code 11529 and is primarily engaged in the operation of retail stores and restaurants, including a department store chains, fashion boutiques, Sanborns stores, the distribution and sale of latest generation Apple products, a network for the sale of recorded music and videos, a chain of luxury department stores, distribution of regional cosmetics and perfumes, a chain of traditional Mexican restaurants, a chain of industrial cafeterias and the management and leasing of two shopping malls. The detail of each of the Entity's subsidiaries and their primary activities is set out in Note 4c.

2. Significant events for the year

a. New openings - During 2016 the Entity opened 17 stores, 6 Sears' stores, 7 Sanborns' stores and 4 iShop's stores. During 2015 the Entity opened 12 stores, 4 Sears' stores, 2 Sanborns' stores, 4 iShop stores, 1 Boutique Perfumery and 1 Philosophy boutique. During 2014 the Entity opened 21 stores, 3 Sears' stores, 5 Sanborns' stores, 12 iShop's stores and 1 Sanborns Café store.

a. Share package acquisition - On July 15, 2016 Grupo Sanborns, S.A.B. de C.V., acquired from Sears Mexico Holdings Corp. (Sears USA) a share package of 14% in Sears Operadora México S.A. de C.V. (Sears Mexico) and 14% in Inmuebles SROM, S. A. de C. V. (SROM), for the amount of US $106 million, equivalent to $1,945,602. In connection with the transaction, a gain on the purchase of shares was generated for $1,141,267, recorded in the results of SROM, and a gain of $172,433 originated by the purchase of shares of Sears Mexico, recorded in stockholders' equity because control was already held over such entity. As a result of this transaction, the equity of Grupo Sanborns in Sears Mexico was increased to 98.94% and in Inmuebles SROM to 14%.

   Grupo Sanborns is boosting its profitability and cash flows. The parties recognize and agree that the issues of corporate governance and other provisions of the share sale contract will remain in full force, generating effects for the 1% of common stock which the selling stockholder holds in each of the aforementioned entities. The commercial agreements with Sears USA are not affected by this transaction.

b. Business acquisition - On February 5, 2016, Grupo Sanborns entered into a strategic partnership with América Móvil, S.A.B. de C.V. (AMX) and Promotora Inbursa, S.A. de C.V. (Inbursa), both related parties, which consisted of a capital investment in Claroshop.com, S.A. de C.V. (ClaroShop), owner of the e-commerce platform www.claroshop.com.

   As a result of this partnership, in order to strengthen and promote its online sales activities, Grupo Sanborns has an equity percentage of 56.54%, in ClaroShop, while AMX holds 25.75%, Inbursa 15.65% and other investors own the remaining 2.06%. The equity of ClaroShop was $970,000 as of that date. The total contribution made by Grupo Sanborns was $560,000. The results of such entity were included in the present consolidated financial statements as of the acquisition date.

- *Assets acquired and liabilities asumed at acquisition date*

February, 2016	Claroshop.com Holding, S.A. de C.V.
Assets:	
Cash and cash equivalents	$ 967,722
Accounts receivable	82,603
Inventories	1,746
Other current assets	2,123
Recoverable taxes	1,759
Furniture and equipment, net	313
Intangible assets	6,810
Deferred income taxes	27,971
Liabilities:	
Trade accounts payable	(5,684)
Due to related parties	(77,932)
Other accounts payable and accrued liabilities	(11,792)
	$ 995,639

- *Goodwil on adquisition*

February, 2016	Consideration transferred	Proportion of asset value net acquired	Goodwill
Claroshop.com Holding, S.A. de C.V.	$ 560,000	$ 562,934	$ (2,934)

Cash flows contributed by Grupo Sanborns to stockholders equity of Claroshop were made on February 19 in one lump sum.

Net cash acquired in the purchase of Claroshop is as follows:

February, 2016	Cash and cash equivalents at the date of acquisition	Consideration transferred	Net cash outflow on acquisition of subsidiaries
Claroshop.com Holding, S.A. de C.V.	$ 967,722	$ 560,000	$ 407,722

- *Non-controlling interest*

The non-controlling interest (43.46% ownership interest in Claroshop) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $430,925.

Had these business combinations been effected at January 1, 2016, the revenue of the Entity the income from operations would have been $1,619 (unaudited). Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

3. Basis of presentation

a. Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Entity that conform with International Financial Reporting Standards (IFRS) may not conform with accounting principles generally accepted in the country of use.

b. Application of new International Financing Reporting Standards (IFRS or IAS) and interpretations that are mandatorily effective for the current year

In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The application of these amendments to IAS 1 did not have impacts on the Entity's consolidated financial statements.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations. Specifically,* the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments are applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The application of these amendments to IFRS 11 did not have an impact on the Entity's consolidated financial statements.

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

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

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

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

Currently, the Entity uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The management of the Entity believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to IAS 16 and IAS 38 did not have an impact on the Entity's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016.

The application of these amendments to IFRS 10 and IAS 28 may had no impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

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

The application of these amendments had no material effect on the Entity's consolidated financial statements.

4. Significant accounting polices

a. Statement of compliance

The consolidated financial statements of the Entity have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain long-term assets and financial instruments which are valued at restated or fair value at each period end, as explained in the accounting policies discussed below. The consolidated financial statements are prepared in Mexican pesos, the legal currency in Mexico, and are presented in thousands of Mexican pesos, unless otherwise stated.

i. Historical cost

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

ii. Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

c. Basis of consolidation of the financial statements

The consolidated financial statements incorporate the financial statements of the Grupo Sanborns, S.A.B. de C.V. and entities (including structured entities) controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

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

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Grupo Sanborns' accounting policies.

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

The ownership percentages over the capital stock of its subsidiaries as of December 31 are shown below:

		% de Ownership		
Subsidiary	Activity	2016	2015	2014
Sanborn Hermanos, S.A. and Subsidiaries ("Sanborns")	Operation of department stores, gifts, records and restaurants under the Sanborns brand	99.23	99.23	99.23
Sears Operadora México, S.A. de C.V. and Subsidiaries ("Sears")	Operation of department stores under the Sears band	98.94	84.94	84.94
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiaries	Operation of computer and record stores, restaurants and coffee shops under the Ishop, Mix-up and Sanborns Café brands	99.96	99.96	99.96
Operadora de Tiendas Internacionales, S.A. de C.V. and Subsidiary	Operation of department stores under the Saks Fifth Avenue brand	100.00	100.00	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V. and Subsidiaries	Boutiques operator and subholding	100.00	100.00	100.00
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti")	Sanborns and Sears stores in El Salvador	100.00	100.00	100.00
Comercializadora Dax, S.A. de C.V. and Subsidiary	Operation of department stores under Dax brand	100.00	100.00	100.00

Subsidiary	Activity	% de Ownership 2016	2015	2014
Grupo Inmobiliario Sanborns, S.A de C.V.	Sale, lease or sublease of fixed assets.	100.00	100.00	100.00
C.E.G. Sanborns, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Satélite, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Tezontle, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Monterrey, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Perisur, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns 2, S.A de C.V.	Generation and supply of electricity.	66.20	0.54	0.54
Claroshop.Com Holding, S.A. de C.V.	E-commerce	56.54	-	-

i) Changes in the Entity's ownership interests in existing subsidiaries

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

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

ii) Seasonality

Historically, the Entity has experienced seasonal patterns of sales in stores due to increased consumption activity during the Christmas and New Year period, in the months of May and June, because of Mother's Day and Father's Day, respectively, and at the start of the school year in September. During these periods it promotes products such as toys or winter clothes, and school utensils and articles during the back-to-school period. By contrast, it suffers a drop in sales in July and August.

The Entity seeks to reduce the effect of seasonality in its results through commercial strategies such as agreements with suppliers, competitive pricing and intensive promotion, for which reason its impact in the statements of comprehensive income and of financial position is insignificant.

d. Cash and cash equivalents

Consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash or with a maturity up to three months upon its acquisition and are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in results of the period. Cash equivalents are represented by money market funds and short-term bank investments in pesos and U.S. dollars.

e. Other cash equivalents

Correspond to daily investments available that are used primarily to fund the expansion plan and remodeling of the main formats Grupo Sanborns (Sears, Sanborns and iShop) plus other purposes as prepayment of debt and working capital.

f. Investment in shares and others

Permanent investments made by the Entity in companies where there is no control, joint control or significant influence are initially recorded at cost and dividends received are recognized in current earnings unless from earnings from previous periods acquisition, in which case they are deducted from the permanent investment. If impairment indicators are present investments are subject to impairment tests.

g. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable considering the amount of sales returns, discounts and other similar discounts or rebates. Revenues are recognized based on the criteria outlined below:

i. Sale of goods - The sale of goods is recognized when the significant risks and rewards are transferred to the customer, provided the respective income can be reliably measured, it is likely that the Entity will receive the economic benefits associated with the transaction, the costs that have been or will be incurred to perform the transaction can be reliably measured, the Entity is not continuously involved in the ownership of the goods and does not retain effective control over them. Generally, revenues recognition coincides with the date on which the goods are delivered and ownership is legally transferred to the customer.

ii. Finance income on credit sales - Finance income on credit sales recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks, Mixup and Corpti).

iii. Services - Provided are recognized when the service is rendered.

iv. Rentals - They are recognized on a straight-line basis as lease services are provided and maintenance fees are collected; these amounts are recognized throughout the period of the lease contract from which they are derived.

h. Loyalty programs for customers

Awards are accounted for as a separate component of the initial sale transaction, measured at their fair value and recognized as deferred income in the statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

i. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the general policy of the Entity for borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

j. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

The corresponding adjustments to goodwill and fair value generated in the acquisition of a foreign operation are treated as assets and liabilities of this operation and translated at the rate prevailing at the closing date. The resulting exchange differences are recognized in other comprehensive income.

The functional and recording currency and Grupo Sanborns and its subsidiaries is the Mexican peso, except for certain subsidiaries whose currencies recording and / or functional are different as follows:

Entity	Recording currency	Functional currency
Sanborns Panamá, S.A.	US Dollar	US Dollar
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	US Dollar	US Dollar

The entities listed above are considered foreign operations under IFRS.

k. Direct employee benefits, employee retirement benefits and statutory employee profit sharing (PTU)

The costs to direct employee benefits and defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income, net of deferred tax, based on the net asset or liability recognized in the consolidated statement of financial position, so as to reflect the over- or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the statement of financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred.

As result of the 2014 Income Tax Law, PTU is determined based on taxable income, according to Section I of Article 9 of the Law.

l. Income taxes

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

i. Current tax

The tax calculated corresponds to income tax (“ISR”) and recorded in the income year in which it is incurred.

ii. Deferred income taxes

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

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

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

iii. Current and deferred tax

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

m. Inventories and cost of sales

Are stated at the lower of cost of acquisition and / or construction or net realizable value (estimated selling price less all costs to sell), as follows:

They are valued using the average cost methods, including the cost of materials and direct expenses that are incurred in the acquisition of inventory by the Entity. Impairments are reflected as reductions in the carrying amount of inventories.

n. Property, plant and equipment

As of January 1, 2011, property, plant and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), or fair value determined through appraisals for certain items of property, machinery and equipment. Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets which are reviewed yearly; the effect of any change in the accounting estimate is recognized on a prospective basis.

	Year life
Buildings and leasehold improvements	10 to 50 years
Machinery and equipment	20 years
Vehicles	4 and 5 years
Furniture and fixtures	20 years
Computers	4 and 6 years

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

o. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Properties which are held as investments mainly include two shopping malls.

Investment property acquired and improvements are recorded at cost, including transaction costs related to the acquisition of assets.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

p. Other assets

Include mainly guarantee deposits, shopping center's operating rights and installation expenses for a new system which is in the testing stage; consequently, they are expected to be amortized once the implementation is concluded.

The shopping center's operating rights are amortized over the term established in the contract. The costs incurred for the installation of a new system, with regard to a recognized intangible asset, are recorded in the financial statements. However, if the system is engaged in a testing stage, such costs are amortized once the implementation is concluded.

q. Impairment of tangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses , the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable value amount, so that the increased carrying amount does not exceed the carrying amount that is would have resulted if it had not recognized an impairment loss for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in earnings.

r. Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

s. Financial instruments

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

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

i. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

- Financial assets at FVTPL

  Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

  A financial asset is classified as held for trading if:

  - It is purchased primarily for the purpose of selling in the near term; or
  - Upon initial recognition, is part of a portfolio of identified financial instruments that the Entity manages together and for which there is a recent actual pattern of making short-term profits; or
  - It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

  - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
  - The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
  - It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire hybrid contract (asset or liability) to be designated as fair value through profit or loss.

  Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income, Net' line item. Fair value is determined in the manner described in Note 11.

- Held to-maturity investment

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

- Financial assets classified as available-for-sale (AFS financial assets)

  AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

  Dividends on equity instruments available for sale are recognized in income when the right of the Entity is set to receive dividends.

  The fair value of monetary assets available for sale denominated in foreign currency is determined in that foreign currency and translated at the closing rate at the end of the reporting period. Gains and losses on foreign exchange recognized in income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

  Capital investments available for sale that do not have a quoted market price in an active market and whose fair value cannot be estimated reliably and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are stated at cost less impairment losses identified at the end of each reporting.

- Loans and receivables

  Loans, accounts receivable from customers and other accounts receivable with fixed or determinable payments which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are valued at their applied cost by using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, while excluding short-term accounts receivable when interest recognition is insignificant.

- Effective interest method

  The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received), that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

- Impairment of financial assets

  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

  For listed equity instruments quoted or not in an active market are classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

  For all other financial assets, objective evidence of impairment could include:

  - Significant financial difficulty of the issuer or counterparty; or;
  - Breach of contract, such as a default or delinquency in interest or principal payments; or
  - It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
  - The disappearance of an active market for that financial asset because of financial difficulties.

  For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on collection payments.

  For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

  For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

  When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

Except for equity instruments available for sale, 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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

– Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

ii. Financial liabilities and equity instruments

Classification as debit or equity - Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the criteria of a financial liability and an equity instrument.

Equity Instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issuance costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Financial liabilities - Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

iii. Other financial liabilities

Other financial liabilities including loans are initially valued at their fair value, net of transaction costs. They are subsequently valued at their applied cost by using the effective interest rate method, while interest expenses are recognized on an effective return basis.

iv. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

t. Statements of cash flows

The indirect method is used for presenting cash flows from operating activities, such that the net income is adjusted for changes in operating items not resulting in cash receipts or disbursements, and for items corresponding to cash flows from investing and financing activities. Interest received is presented as an investing activity and operating activity and interest paid is presented as a financing activity.

u. Earnings per share

The basic earnings per common share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of common outstanding shares during the year.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 4, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments and key sources of uncertainty in applying the estimations that may have a significant impact on the amounts recognized in the accompanying interim consolidated financial statements are as follows:

a. Inventory and accounts receivable allowances - The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products.

When determining the allowance for doubtful accounts, the Entity primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions.(See Notes 8 and 9 for further detail).

b. Property, plant and equipment - The Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period, to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

c. Investment property - The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including physical inspection, market and income approaches; the Entity has utilized the physical inspection. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

The valuation techniques used by the Entity were not modified in 2016, 2015 and 2014. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

d. Impairment of long-lived assets - The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Value in use calculations require that the Entity determine the future cash flows produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

e. Valuation of financial instruments - The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Note 11 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

f. Contingencies - As the Entity is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising, accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.

g. Employee benefits at retirement - The Entity uses assumptions to determine the best annual estimate of these benefits. Like the above assumptions, these benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Entity considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of income and other comprehensive income of the period in which any such modification takes place.

6. Non-cash transactions

During 2016, 2015 and 2014, The Entity entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows and are related to the payment of dividends to its shares repurchased during the year, which corresponded to them $2,087, $10,741 and $7,111, respectively.

7. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2016	2015	2014
Cash	$ 854,776	$ 498,642	$ 487,657
Cash equivalents:			
Demand deposits	-	2,979,246	2,021,178
Government paper	346,839	84,047	209,506
Certificates of deposit	496,089	339,691	852,853
Demand deposits in US dollars	15,289	1,318	88
Others	1,363	1,602	1,217
	$ 1,714,356	$ 3,904,546	$ 3,572,499

8. Accounts receivable

	2016	2015	2014
Clients	$ 12,531,187	$ 10,992,863	$ 10,482,673
Allowance for doubtful accounts	(375,792)	(359,507)	(351,871)
	12,155,395	10,633,356	10,130,802
Sundry debtors	215,491	176,706	127,763
Due from related parties	65,136	57,979	62,167
Recoverable taxes mainly value added tax and wage tax credit	680,867	603,985	706,170
	$ 13,116,889	$ 11,472,026	$ 11,026,902

a. Trade accounts receivable

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 206, 203 and 203 days at December 31, 2016, 2015 and 2014, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $1,291,061, $1,281,389 and $1,273,053 as of December 31, 2016, 2015 and 2014, respectively.

b. Past due but not impaired

Accounts receivable from customers include amounts that are overdue at the end of the reporting period and for which the Entity has not recognized an allowance for bad debts as there has been no significant change in the customer's credit rating and the amounts in question are still deemed to be recoverable.

A summary of customer accounts receivable which are overdue, but are not considered impaired is detailed below:

	2016	2015	2014
1-30 days	$ 1,031,908	$ 903,543	$ 847,067
31-60 days	311,037	255,416	275,960
61-90 days	165,566	152,060	149,587
More than 90 days	214,118	213,077	215,018
Total	$ 1,722,629	$ 1,524,096	$ 1,487,632

The Entity carries out certain procedures to follow up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Entity's policies, if customer payments are delayed, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Entity implements out-of-court and legal measures to recover the outstanding balance. However, if such measures are unsuccessful, the respective credit line and account are canceled. The Entity has recognized an allowance for doubtful accounts equal to 100% of all uncollectible accounts receivable.

c. Reconciliation of the allowance for doubtful accounts is presented below:

	December 31, 2016	December 31, 2015	December 31, 2014
Beginning balance	$ 359,507	$ 351,871	$ 328,687
Period accrual	493,134	468,448	409,489
Write offs and cancelations	(476,849)	(460,812)	(386,305)
Ending balance	$ 375,792	$ 359,507	$ 351,871

9. Inventories

	December 31, 2016	December 31, 2015	December 31, 2014
Merchandise in stores	$ 10,486,098	$ 9,229,930	$ 8,952,341
Allowance for obsolescence and shrinkage inventories	(417,451)	(380,702)	(357,205)
	10,068,647	8,849,228	8,595,136
Goods in transit	266,682	242,949	260,617
Replacement parts and other inventories	120,603	112,391	110,278
	$ 10,455,932	$ 9,204,568	$ 8,966,031

The Entity recognizes two reserves for possible losses, one for obsolete and slow-moving goods and one for shrinkage.

The allowance for obsolescence and slow-moving inventories is determined based on prior-year experience by store and department, the displacement of goods on the market, their utilization at different locations, fashions and new product models. The Entity analyzes the possibility of increasing this allowance when goods have insufficient displacement.

The goods shrinkage allowance is determined based on the Entity's experience and the results of cyclical physical inventory counts. The Entity adjusts these inventories according to the variable shrinkage percentages of different stores.

A reconciliation of the allowance for obsolete, slow moving and shrinkage inventories is presented below:

	December 31, 2016	December 31, 2015	December 31, 2014
Beginning balance	$ 380,702	$ 357,205	$ 311,842
Period accrual	155,910	149,178	144,090
Write offs and cancelations	(119,161)	(125,681)	(98,727)
Ending balance	$ 417,451	$ 380,702	$ 357,205

10. Financial risk management

The Entity is exposed to market, operating and financial risks as a result of its use of financial instruments, these include interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by Grupo Sanborns' corporate treasury.

The different financial instrument categories and amounts are detailed below:

	December 31, 2016	December 31, 2015	December 31, 2014
Financial assets			
Cash and cash equivalents	$ 1,714,356	$ 3,904,546	$ 3,572,499
Other cash equivalents:	-	951,027	2,539,740
Loans and receivables	12,370,886	10,810,062	10,258,565
Long-term accounts receivable	10,143	27,479	46,000
Due from related parties	65,136	57,979	62,167
Financial liabilities			
At amortized cost:			
• Payables to suppliers	7,166,771	6,049,697	6,158,554
• Other payables and accrued liabilities	3,854,636	3,602,990	3,286,137
• Due to related parties	518,388	216,930	265,181

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

a. Capital risk management - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity.

The capital structure of the Entity is composed by its net debt (mainly the related party debt detailed in Note 19) and stockholders' equity (issued capital, capital reserves, accumulated earnings and non-controlling equity detailed in Note 18). The Entity is not subject to any kind of capital requirement.

Management reviewed monthly its capital structure and borrowing costs and their relation to EBITDA (defined in this case as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and Shareholders.

The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months. See Note 27.

Considering that the Entity has no financial debt it is not applicable to the determination of the debt and interest coverage.

b. Market risk - The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

c. Interest rate risk management - The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. However, it manages this risk through an adequate combination of fixed and variable interest rates and by using interest rate swaps for its customer portfolio.

The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2016, 2015 and 2014 would have increased or decreased by approximately $44,623, $65,422 and $82,272, respectively. At December 31, 2016, 2015 and 2014 there would be no impact on other comprehensive income because no derivative financial instruments outstanding at that date were recorded as trading, directly affecting the result of the year.

d. Exchange risk management - The functional currency of the Entity is the Mexican peso, accordingly, it is exposed to currency risk Mexican peso against U.S. dollar that arises in connection with retail operations and financing, in this case, currency forwards are entered into in order to hedge such operations, when considered convenient.

The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period are as follows (figures in thousands):

	Liabilities			Assets		
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2016	December 31, 2015	December 31, 2014
US Dollar	29,772	29,157	26,590	30,818	30,591	28,404

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a decrease in the value of the Mexican peso of 10% with regard to the US dollar (figures in thousands):

	December 31, 2016	December 31, 2015	December 31, 2014
Mexican pesos	2,161	2,467	2,670

e. Credit risk management - The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset mainly in trade accounts receivable. The Entity sells its products and / or services to customers who have demonstrated their economic, and periodically evaluates the financial condition of its customers and has insurance billing for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by than 1,867,782 customers, which do not represent a concentration of risk The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 8).

f. Liquidity risk management - Corporate treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial liabilities, based on contractual repayment periods.

The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets.

Additionally, the Entity has access to credit lines with various banks and debt securities programs.

As of December 31, 2016	3 months	6 months	Total
Trade accounts payable	$ 7,059,269	$ 107,502	$ 7,166,771
Other accounts payable and accrued liabilities	3,796,816	57,820	3,854,636
Due to related parties	518,388	-	518,388
Total	$ 11,374,473	$ 165,322	$ 11,539,795

As of December 31, 2015	3 months	6 months	Total
Trade accounts payable	$ 5,986,780	$ 62,917	$ 6,049,697
Other accounts payable and accrued liabilities	3,565,519	37,471	3,602,990
Due to related parties	216,930	-	216,930
Total	$ 9,769,229	$ 100,388	$ 9,869,617

As of December 31, 2014	3 months	6 months	Total
Trade accounts payable	$ 6,042,157	$ 116,397	$ 6,158,554
Other accounts payable and accrued liabilities	3,286,137	-	3,286,137
Due to related parties	265,181	-	265,181
Total	$ 9,593,475	$ 116,397	$ 9,709,872

11. Fair value of financial instruments

The Entity does not have instruments that are measured at fair value on a recurring basis.

This note provides information about the fair value of financial assets and liabilities not carried at fair value steadily (but fair value disclosures required).

Except as detailed in the table below, management believes that the carrying amounts of assets and liabilities recognized at amortized cost in the financial statements, approximates their fair value.

The Entity calculates the fair value of accounts receivable since much of its sales are made through the revolving credit extended to customers. Fair value is calculated using the information available in the market or other valuation techniques which require judgment to develop and interpret the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts presented below for disclosure purposes only.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and equivalent cash	$ 1,714,356	$ 1,714,356	$ 3,904,546	$ 3,904,546	$ 3,572,499	$ 3,572,499
Other cash equivalents	-	-	951,027	951,027	2,539,740	2,539,740
Notes and accounts receivables:						
Accounts receivable to customers and other	13,116,889	13,119,236	11,472,026	11,644,137	11,026,902	11,121,238
Accounts and notes payable:						
Trade accounts payable	7,166,771	7,166,771	6,049,697	6,049,697	6,158,554	6,158,554
Other accounts payable and accrued liabilities	3,854,636	3,854,636	3,602,990	3,602,990	3,286,137	3,286,137
Due to related parties	518,388	518,388	216,930	216,930	265,181	265,181
Total	$ 3,291,450	$ 3,293,797	$ 6,457,982	$ 6,630,093	$ 7,429,269	$ 7,523,605

12. Property, plant and equipment

Following is a reconciliation between the carrying amount at the beginning and end of the year 2016, 2015 and 2014:

	Balances as of December 31, 2015	Additions	Retirements / disposals	Exchange differences on translation	Acquisition through business combination	Balances as of December 31, 2016
Investment:						
Buildings, leasehold improvements and constructions	$ 11,341,784	$ 997,600	$ (22,064)	$ 27,332	$ -	$ 12,344,652
Machinery and equipment	2,679,571	287,122	(7,306)	10,601	-	2,969,988
Furniture and fixtures	4,726,357	850,180	(14,372)	15,228	313	5,577,706
Vehicles	309,191	32,132	(16,537)	681	-	325,467
Computers	1,102,293	166,333	(4,060)	2,680	-	1,267,246
Total investment	20,159,196	2,333,367	(64,339)	56,522	313	22,485,059
Accumulated depreciation:						
Buildings, leasehold improvements and constructions	(5,143,929)	(405,180)	10,041	(14,249)	-	(5,553,317)
Machinery and equipment	(1,641,224)	(134,401)	5,742	(7,567)	-	(1,777,450)
Furniture and fixtures	(2,541,629)	(464,005)	8,007	(12,367)	-	(3,009,994)
Vehicles	(203,522)	(40,349)	11,396	(1,041)	-	(233,516)
Computers	(942,082)	(64,525)	5,523	(1,770)	-	(1,002,854)
Total accumulated depreciation	(10,472,386)	(1,108,460)	40,709	(36,994)	-	(11,577,131)
Subtotal	9,686,810	1,224,907	(23,630)	19,528	313	10,907,928
Land	2,448,051	268,911	(290)	-	-	2,716,672
Construction in progress	473,626	302,365	-	-	-	775,991
Net investment	$12,608,487	$ 1,796,183	$ (23,920)	$ 19,528	$ 313	$ 14,400,591

	Balances as of December 31, 2014	Additions	Retirements / disposals	Exchange differences on translation	Acquisition through business combination	Balances as of December 31, 2015
Investment:						
Buildings, leasehold improvements and constructions	$ 10,078,041	$ 1,319,303	$ (75,200)	$ 19,640	$ -	$ 11,341,784
Machinery and equipment	2,422,092	299,832	(49,668)	7,315	-	2,679,571
Furniture and fixtures	3,763,667	999,615	(51,542)	14,617	-	4,726,357
Vehicles	322,308	45,762	(19,075)	(2,555)	-	307,359
Computers	1,023,484	61,358	(19,988)	190	-	1,104,125
Total investment	17,609,592	2,725,870	(215,473)	39,207	-	20,159,196
Accumulated depreciation:						
Buildings, leasehold improvements and constructions	(4,748,727)	(416,639)	40,574	(19,137)	-	(5,143,929)
Machinery and equipment	(1,619,718)	(96,556)	72,763	2,287	-	(1,641,224)
Furniture and fixtures	(2,238,015)	(336,983)	43,345	(9,976)	-	(2,541,629)
Vehicles	(209,171)	(37,537)	19,006	2,917	-	(198,238)
Computers	(875,044)	(62,414)	16,475	164	-	(947,366)
Total accumulated depreciation	(9,690,675)	(950,129)	192,163	(23,745)	-	(10,472,386)
Subtotal	7,918,917	1,775,741	(23,310)	15,462	-	9,686,810
Land	2,471,033	8,341	(4,509)	-	(26,814)	2,448,051
Construction in progress	968,727	(478,566)	(16,535)	-	-	473,626
Net investment	$11,358,677	$ 1,305,516	$ (44,354)	$ 15,462	$ (26,814)	$ 12,608,487

	Balances as of December 31, 2013	Additions	Retirements / disposals	Exchange differences on translation	Acquisition through business combination	Balances as of December 31, 2014
Investment:						
Buildings, leasehold improvements and constructions	$ 9,262,693	$ 950,828	$ (147,798)	$ 12,318	$ -	$ 10,078,041
Machinery and equipment	2,342,807	154,291	(80,817)	5,811	-	2,422,092
Furniture and fixtures	3,336,276	498,652	(71,736)	475	-	3,763,667
Vehicles	309,793	41,339	(37,467)	8,643	-	322,308
Computers	1,016,739	74,650	(67,330)	(575)	-	1,023,484
Total investment	16,268,308	1,719,760	(405,148)	26,672	-	17,609,592
Accumulated depreciation:						
Buildings, leasehold improvements and constructions	(4,446,714)	(393,607)	97,755	(6,161)	-	(4,748,727)
Machinery and equipment	(1,584,720)	(106,748)	77,205	(5,455)	-	(1,619,718)
Furniture and fixtures	(2,078,870)	(217,941)	58,963	(167)	-	(2,238,015)
Vehicles	(200,634)	(41,372)	37,444	(4,609)	-	(209,171)
Computers	(874,120)	(60,306)	58,219	1,163	-	(875,044)
Total accumulated depreciation	(9,185,058)	(819,974)	329,586	(15,229)	-	(9,690,675)
Subtotal	7,083,250	899,786	(75,562)	11,443	-	7,918,917
Land	1,911,357	559,676	-	-	-	2,471,033
Construction in progress	738,588	266,750	(36,611)	-	-	968,727
Net investment	$ 9,733,195	$ 1,726,212	$ (112,173)	$ 11,443	$ -	$ 11,358,677

13. Investment properties

	2016	2015	2014
Fair value for investment properties	$ 2,207,946	$ 2,086,228	$ 1,908,604

The changes in investment properties are as follows:

	2016	2015	2014
Balance at beginning of period	$ 2,086,228	$ 1,908,604	$ 1,687,705
Gain on property revaluation	121,718	177,624	220,899
Balance at end of period	$ 2,207,946	$ 2,086,228	$ 1,908,604

All investment properties of Grupo Sanborns are held under freehold.

Grupo Sanborns is based on appraisals performed by independent experts with qualifications and relevant experience in the locations and categories of investment properties it holds.

The valuation techniques considered under the following different approaches:

The income approach is widely used in real estate valuation, it applies to assets of a commercial nature. With the income approach, the appraiser based the value of the property in future income that the property might reasonably create. The appraiser extrapolates the future revenue of the property and deducts that amount to reach a present value reflecting the amount that a hypothetical buyer would pay to a hypothetical seller for the property.

In the market approach (comparable sales) the appraiser looks at recent sales with similar properties (comparable) to indicate the value of the asset. If there are no active subjects identical to comparable sales prices of comparable adjusted to match them to the characteristics of the subject asset.

In the cost approach the appraiser estimates the value of the asset compared to the cost of producing a new individual asset or a replacement property, which suggests the market as appropriate. The cost compared to the value of existing assets and is adjusted for differences in age, condition and value for the comparable asset. In its simplest form, the cost approach is represented by the net replacement value less all depreciation rates. Depreciation for valuation purposes is defined as the difference in value between real property and a new hypothetical property, taken as a basis of comparison.

The value of the asset can be estimated by expected future profits to its owner.

Key metrics for all investment properties are shown below:

	Recommended ranges for capitalization rates	
Type of property	Low	Maxim
Shops	7.1%	8.8%

The Entity has two shopping malls, Loreto and Inbursa located in Mexico City, which generate rental income that is recognized as leasing services amounting to $203,416, $210,179 and $213,204 for the years ended December 31, 2016, 2015 and 2014 respectively. At December 31, 2016, 2015 and 2014 the occupancy rate of shopping centers is 96%, 93% and 94%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income amounting, approximately 33%, 32% and 33% of rental income for years ended December 31, 2016, 2015 and 2014, respectively.

There has been no change in valuation technique during the year.

The estimated fair value of the properties considered the highest and best use of the properties is its current use.

Investment properties of the entity correspond to fair value hierarchy level 3.

The following information is relevant to investment properties classified as Level 3 hierarchy:

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Commercial units located in Mexico City	Income capitalization approach	Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 7.1%-8.8%, 6.61% - 8.86% and 6.15% - 8.86% in 2016, 2015 and 2014, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of $312, $328 and $312 Mexican pesos per square meter ("sqm") per month in 2016, 2015 and 2014, respectively.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

14. Investment in shares of associates

The principal associated entity and its priority activity is the following:

	Ownership percentage				
Associated	2016	2015	2014	Location	Activity
Inmuebles SROM, S.A. de C.V.	14.00	-	-	Mexico	Leasing

	Stockholders' equity	Net income	Investment in shares	Equity in income
Inmuebles SROM, S.A. de C.V. [1]	$ 12,727,100	$ 897,039	$ 1,912,219	$ 89,992
Others			1,317	-
			$ 1,913,536	$ 89,992

[1] Regarding Inmuebles SROM, the Entity has significant influence for having a representative on the Board of Directors, considering its 14% participation.

15. Other accounts payable and accrued liabilities

	2016	2015	2014
Taxes payable	$ 1,765,638	$ 1,674,549	$ 1,513,167
Advertising	438,527	373,517	337,248
Maintenance contracts	184,357	188,560	201,030
Loyalty program	137,993	109,821	96,279
Unfilled orders	68,301	65,313	86,597
Leases	79,350	67,220	75,823
Electronics wallets	41,228	58,906	56,465
Electric power	57,991	56,445	64,191
Others	1,081,251	1,008,659	855,337
Total	$ 3,854,636	$ 3,602,990	$ 3,286,137

16. Provisions

The provisions presented below, represent accrued expenses during 2016, 2015 and 2014, expenses or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

	2016	2015	2014
Opening balance	$ 59,663	$ 85,744	$ 90,548
Additions	65,941	70,968	39,959
Provision applied and writeoffs	(23,312)	(97,049)	(44,763)
Closing balance	$ 102,292	$ 59,663	$ 85,744

17. Retirement employee benefits

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. The defined benefit plans are administered by a legally separate fund of the Entity. The board of the pension fund is comprised of an equal number of representatives of both employer and (former) employees. The board of the pension fund is required according to the law and the articles of association to act in the interests of the Fund and all interested parties, active and inactive employees, retirees and employer. The board of the pension fund is responsible for investment policy in relation to the assets of the fund.

The Entity manages a plan that also covers seniority premiums for all staff working in Mexico, consisting of a single payment of 12 days per year worked based on final salary, not to exceed twice the minimum wage established by law.

Under these plans, employees are entitled to retirement benefits that add to the statutory pension are similar to final salary upon reaching the retirement age of 65. Other postretirement benefits are awarded.

The plans typically expose the Entity to actuarial risks as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post- retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of October 31, 2016 by independent actuaries who are members of the Asociación Mexicana de Actuarios Consultores, A.C. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 %	2015 %	2014 %
Discount rate	7.76	7.14	7.10
Expected rate of salary increase	4.43	4.20	4.54
Expected return on plan assets	7.76	7.14	7.10
Age for current pensioners (years)			
Males	65	65	65
Females	65	65	65

Items of defined benefit costs recognized in other comprehensive income.

	2016	2015	2014
Remeasurement on the net defined benefit liability:			
Actuarial (profit)/losses on return on plan assets excluding amounts included in net interest expense	$ (155,579)	$ (259,790)	$ 94,899
Actuarial (profit)/losses arising from changes in demographic assumptions	(101,320)	(202,182)	(72,943)
Actuarial (profit)/losses arising from changes in financial assumptions	82,814	(8,574)	98,706
Actuarial (profit)/losses arising from past adjustments	-	-	3,528
Other actuarial (profit)/losses for experience	95,113	(18,818)	(24,127)
Items of defined benefit costs recognized in other comprehensive income	$ (78,972)	$ (489,364)	$ 100,063

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The amount of expenditure 2016 (current working service cost) included $31,665 and $56,463 in the income statement as selling expenses and administrative expenses, respectively, the statement of income also includes interest income of $148,741.

The remeasurement of the net defined benefit liability is included in other comprehensive income

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Present value of funded defined benefit obligation	$ (1,731,011)	$ (1,688,580)	$ (1,319,478)
Fair value of plan assets	2,093,556	2,109,558	2,191,806
Surplus	$ 362,545	$ 420,978	$ 872,328
Net assets arising from defined benefit obligation	$ 504,551	$ 582,889	$ 942,910
Net liabilities arising from defined benefit obligation.	(142,006)	(161,911)	(70,582)
	$ 362,545	$ 420,978	$ 872,328

Movements in the present value of the defined benefit obligation in the current year:

	2016	2015	2014
Opening defined benefit obligation	$ 1,688,580	$ 1,319,478	$ 1,215,532
Current service cost	84,881	91,294	62,022
Cost (income) interest	116,504	93,025	88,534
Remeasurement (gains)/losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	101,320	202,182	72,943
Actuarial (gains) and losses arising from changes in financial assumptions	(82,814)	8,574	(98,706)
Actuarial (gains) and losses arising from adjustment past	-	-	(3,528)
Other (actuarial losses o (gains) from experience)	(95,113)	18,818	24,127
Past service cost includes	906	(639)	-
Actuarial losses/(gains) on liquidations or reductions	-	-	2,341
Benefits paid	(83,253)	(44,152)	(43,787)
Closing defined benefit obligation	$ 1,731,011	$ 1,688,580	$ 1,319,478

Movements in the fair value of the plan assets in the current year were as follows:

	2016	2015	2014
Opening fair value of plan assets	$ 2,109,558	$ 2,191,806	$ 1,945,264
Interest income	146,150	156,270	143,270
Remeasurement gains/(losses):			
Return on plan assets (excluding amounts included in net interest expense)	(155,579)	(259,790)	94,899
Entity contributions	75,774	66,063	52,160
Transfers of personnel	906	(639)	-
Benefits paid	(83,253)	(44,152)	(43,787)
Closing fair value of plan assets	$ 2,093,556	$ 2,109,558	$ 2,191,806

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $248,527 (increase by $306,030).

If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $174,643 (decrease by $150,265).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $14,012 (decrease by $16,126).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Financial Highlights

Relevant aspects of the valuation as of December 31, 2016 are as follows:

During an actuarial loss related to changes in demographic assumptions and behavior of the value of shares owned by the trust it was created.

The main strategic decisions that are made in the technical document of actuarial policy of the Fund are:

Asset mix based on 55% equity instruments and 45% debt instruments.

The average duration of the benefit obligation as of December 31, 2016 is 15.01 years, 2015 is 17.52 years and 16.35 years in 2014.

The Entity expects to make a contribution of $74,714 to the defined benefit plans during the next financial year.

The major categories of plan assets are:

	2016 %	2015 %	2014 %	Fair value 2016	Fair value 2015	Fair value 2014
Equity instruments	55%	50%	50%	$ 1,211,333	$ 1,057,695	$ 1,098,933
Debt instruments	45%	50%	50%	$ 990,834	$ 1,051,863	$ 1,092,873

The actual return on plan assets amounted to $146 million, $156 million and $143 million in 2016, 2015 and 2014, respectively.

Employee benefits granted to key management personnel and / or directors of the Entity were as follows:

	2016	2015	2014
Short term benefits	$ 58,177	$ 55,437	$ 59,967
Defined benefit plans	62,828	117,704	111,524

18. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Sanborns as of December 31, 2016, 2015 and 2014 is as follows:

	2016 Number of shares	2016 Amount	2015 Number of shares	2015 Amount	2014 Number of shares	2014 Amount
Series B1 historical	2,382,000,000	$ 2,039,678	2,382,000,000	$ 2,039,678	2,382,000,000	$ 2,039,678
Treasury shares	(80,977,019)	(35,718)	(71,028,547)	(29,134)	(44,488,565)	(11,571)
Serie B1	2,301,022,981	$ 2,003,960	2,310,971,453	$ 2,010,544	2,337,511,435	$ 2,028,107

Common stock consists of ordinary, nominative shares with no par value. Series B1 shares represent fixed capital, while Series B2 shares represent variable capital, which is unlimited; these shares can be freely subscribed.

b. During the Stockholders' Ordinary General Meeting held on April 22, 2016 , the stockholders declared the payment of a cash dividend from the net taxable income account CUFIN (by its acronym in Spanish) as of December 31, 2013, in the amount of $ 1,982,906 at a rate of $ 0.86 per each of the 2,305,704,569 shares subscribed and paid, without considering the 76,295,431 shares in Treasury on April 21, 2016. They were paid in two payments of $ 0.43 per share, the first payment on May 30 and the second on December 19, 2016, against delivery of coupon 7 and 8, respectively.

c. During 2016, 9,948,472 shares have been repurchased for $235,891, which affects common stock by $6,584 and accumulated earnings by $229,307.

d. During a Stockholders' Ordinary General Meeting held on April 27, 2015, the stockholders declared dividends of $1,955,646, which were paid as follows: 50% on June 19, 2015 and 50% on December 18, 2015, upon delivery of coupons 5 and 6, respectively, of Temporary Certificate No. 1, which is currently deposited in Institución para el Depósito de Valores, S.A. de C.V. (SD Indeval).

   During 2015, 26,539,982 shares have been repurchased for $639,807, which affects common stock by $17,563 and accumulated earnings by $622,244.

e. During a Stockholders' Ordinary General Meeting held on April 28, 2014, the stockholders declared dividends of $1,884,000, which were paid as follows: 50% on June 20, 2014 and 50% on December 19, 2014, upon delivery of coupons 3 and 4, respectively, of Temporary Certificate No. 1, which is currently deposited in Institución para el Depósito de Valores, S.A. de C.V. (SD Indeval). Similarly, per Article 56, Section IV of the Stock Market Law, the stockholders approved $3,000,000 as the maximum amount of resources that Grupo Sanborns may use to acquire shares of its own stock.

   During 2014, 17,488,565 shares have been repurchased for $397,254, which affects common stock by $11,571 and accumulated earnings by $379,272.

f. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As December 31, 2016, 2015 and 2014, the legal reserve, in historical pesos, was $311,682, $311,682 and $256,569, respectively.

g. Stockholders' equity, except restated paid-in capital and tax accumulated earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

h. An additional 10% income tax is applied to dividends paid when they are distributed to individuals and foreign residents. Such tax is withheld and paid by the stockholder. Tax treaties may apply to foreigners. This tax is applicable to the distribution of profits generated as of 2014.

i. The balances of the stockholders' equity tax accounts as of December 31 are:

	2016	2015	2014
Contributed capital account	$ 15,561,309	$ 15,293,473	$ 15,630,686
Consolidated net tax income account	6,283,944	7,105,968	7,379,608
Total	$ 21,845,253	$ 22,399,441	$ 23,010,294

19. Transactions and balances with related parties

a. Balances receivable and payable with related parties are as follows:

	2016	2015	2014
Due from-			
Radiomóvil Dipsa, S.A. de C.V.	$ 20,814	$ 28,749	$ 14,026
Teléfonos de México, S.A.B. de C. V.	21,000	2,363	31,541
Plaza VIP Com, S.A.P.I. de C.V.	-	7,215	-
Nacional de Conductores Eléctricos, S.A. de C.V.	3,115	3,433	4,003
Grupo Técnico de Servicios Telvista, S. A. de C. V	2,873	2,344	224
Seguros Inbursa, S.A. de C. V.	2,424	2,079	3,087
I+D México, S.A. de C. V	2,168	-	-
Hipocampo, S.A. de C.V	1,097	3,009	2,496
Operadora de Sites Mexicanos, S.A. de C.V	913	739	-
Administración Especializada Integral, S.A. de C.V.	796	580	556
Servicios Corporativos Ideal, S.A de C.V.	643	247	350
Nacobre Servicios Administrativos, S.A. de C.V	555	414	526
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	443	443	443
Industrial Afiliada, S.A. de C.V.	268	278	739
Imsalmar, S.A. de C.V.	196	834	337
Promotora del Desarrollo de América Latina, S. A. de C. V.	76	128	334
Compañía de Servicios Ostar, S.A. de C. V.	72	171	316
Nacional de Cobre, S.A. de C.V.	49	13	172
Patrimonial Inbursa, S.A. de C.V.	-	781	-
Dorians Tijuana, S.A. de C. V.	-	573	-
Bienes Raíces de Acapulco, S.A. de C.V.	-	219	445
Inmuebles Srom, S.A. de C.V.	-	-	1,698
Others	7,634	3,367	874
	$ 65,136	$ 57,979	$ 62,167

	2016	2015	2014
Due to-			
Radiomóvil Dipsa, S.A. de C.V.	$ 310,871	$ 70,090	$ 125,341
Sears Brands Management Corporation	97,416	76,449	79,220
Inmose, S.A. de C.V.	31,233	18,977	-
Anuncios en Directorio, S.A. de C.V.	14,595	-	-
Teléfonos de México, S.A.B. de C.V.	11,162	19,687	4,041
Inmuebles Srom, S. A. de C.V.	7,214	8,012	2,636
Plaza Carso II, S. A. de C. V.	6,048	-	-
Bicicletas de México, , S.A. de C. V.	5,807	-	-
Dorians Tijuana, S.A. de C. V.	-	6,209	5,020
Consorcio Red Uno, S. A. de C. V.	5,530	3,981	4,870
Bienes Raíces de Acapulco, S.A. de C.V.	4,110	-	-
Inversora Bursátil, S.A. de C.V.	-	1,991	22,478
Servicios Condumex, S.A. de C.V.	-	1,968	-
Desarrollos Sagesco, S.A. de C.V.	4,017	1,205	1,572
Selmec Equipos Industriales, S.A. de C.V.	3,509	1,877	2,432
América Móvil, S.A.B. de C.V.	2,407	246	4,578
Claro Video, Inc.	1,752	-	-
Telecomunicaciones Controladora de Servicios, S.A. de C.V.	1,050	1,055	1,667
Bajasur, S.A. de C.V.	798	491	339
Carso Global Telecom, S.A. de C.V.	-	282	749
Banco Inbursa, S.A. de C.V.	958	-	-
Distribuidora Telcel, S.A. de C.V.	-	70	2,337
Constructora de Inmuebles PLCO, S.A. de C.V.	-	-	3,913
Others	9,911	4,340	3,988
	$ 518,388	$ 216,930	$ 265,181

Outstanding amounts are not guaranteed and will be settled in cash. No guarantees have been granted or received. No expenses have been recognized in the current or prior periods for bad debts or doubtful accounts regarding amounts owed by related parties.

b. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2016	2015	2014
Sales-			
Seguros Inbursa, S.A.	$ 44,433	$ 40,997	$ 44,695
Grupo Telvista, S.A. de C. V.	24,771	23,770	21,076
Nacional de Conductores Eléctricos, S.A. de C.V.	20,111	19,307	20,792
Radiomóvil Dipsa, S.A. de C.V. (1)	7,087	(2,091)	90,365
Teléfonos de México, S.A.B. de C.V.	5,516	44,968	64,553
Plaza VIP Com, S.A.P.I. de C.V.	-	9,468	-
Nacobre Servicios Administrativos, S.A. de C.V.	7,128	7,282	5,760
Hipocampo, S.A. de C.V.	3,059	2,941	6,497
Banco Inbursa, S.A.	74	567	21,646
Others	29,175	35,325	42,554
Total	$ 141,354	$ 182,534	$ 317,938

(1) Beginning 2015, the Entity ceased to recognize as revenue the total sale of cell phones, which were placed through the form of the rate plan and its respective cost of sales which represented the inventory's cost. Currently, the Entity only recognizes a commission equal to the profit from the sale of cell phones in previous years, due to the changes made to contracts with the supplier.

	2016	2015	2014
Interest income	$ 14,885	$ 748	$ 36,028

Rentals-			
Teléfonos de México, S.A.B. de C.V.	$ 8,941	$ 8,660	$ 8,821
Radiomóvil Dipsa, S.A. de C.V.	8,662	8,880	12,866
I+D México, S.A. de C. V.	4,941	-	-
Banco Inbursa, S.A.	4,766	5,083	4,835
Servicios Swecomex, S.A. de C.V.	3,249	6,508	-
Operadora de Sites Mexicanos, S.A. de C.V.	2,660	2,377	-
Laboratorio Médico Polanco, S.A. de C.V.	-	932	-
Others	2,082	685	965
Total	$ 35,301	$ 33,125	$ 27,487

	2016	2015	2014
Services rendered-			
Radiomóvil Dipsa, S.A. de C.V.	$ 232,951	$ 115,684	$ 79,756
Clarovideo Inc. (formerly DLA, Inc.)	43,361	-	-
Banco Inbursa, S.A.	34,621	35,022	10,469
Teléfonos de México, S.A.B. de C.V.	19,745	21,675	7,107
Patrimonial Inbursa, S.A.	13,416	12,147	11,987
Seguros Inbursa, S.A.	12,180	11,460	5,435
Hipocampo, S.A. de C. V.	4,216	3,842	-
Outsourcing Inburnet, S.A. de C. V.	5,563	3,437	-
Grupo Telvista, S.A. de C. V.	5,080	3,184	-
Plaza VIP Com. S.A.P.I. de C.V.	-	2,769	-
I+D México, S.A. de C. V.	3,078	2,723	-
Insalmar, S.A. de C. V.	-	2,290	-
Sociedad Financiera Inbursa, S.A. de C.V.	7,590	1,737	5,546
Fundación Telmex, A. C.	-	1,594	-
América Móvil, S.A.B. de C.V.	-	-	7,578
Others	8,877	6,710	1,288
Total	$ 390,678	$ 224,274	$ 129,166
Sales of fixed assets	$ 272	$ 4,674	$ 207

	2016	2015	2014
Purchases-			
Sears Brands Management Corporation	$ (268,823)	$ (241,905)	$ (215,088)
Radiomóvil Dipsa, S.A. de C.V.	(148,127)	(1,280,572)	(1,269,514)
América Móvil, S.A.B. de C.V.	(133,754)	(202,671)	(241,027)
Teléfonos de México, S.A.B. de C.V.	(40,899)	-	-
Bicicletas de México, S.A. de C.V.	(8,438)	-	-
Others	(22,393)	(25,660)	(21,314)
Total	$ (622,434)	$ (1,750,808)	$ (1,746,943)
Insurance expenses by Seguros Inbursa, S.A.	$ (124,641)	$ (108,299)	$ (97,235)

	2016	2015	2014
Lease expenses-			
Inmuebles Srom, S.A. de C.V.	$ (183,115)	$ (174,475)	$ (181,524)
Inmose, S.A. de C.V.	(134,166)	(82,288)	(79,590)
Inmuebles General, S.A. de C.V.	(83,713)	(63,084)	(52,665)
Bienes Raíces de Acapulco, S.A. de C.V.	(46,768)	(46,309)	(43,233)
Bajasur, S.A. de C.V.	(32,761)	(29,057)	(27,304)
Desarrollos Sagesco, S.A. de C.V.	(30,594)	(30,498)	(27,857)
Plaza CARSO II, S.A. de C.V.	(14,039)	(21,983)	-
Cigarros La Tabacalera Mexicana, S. de R.L. de C.V.	(6,025)	-	-
Lease expenses (others)	(100,122)	(97,059)	(97,775)
Total	$ (631,303)	$ (544,753)	$ (509,948)
Interest expenses	$ (2,339)	$ (4,130)	$ (1,669)

	2016	2015	2014
Services received-			
Teléfonos de México, S.A.B. de C.V.	$ (353,639)	$ (410,593)	$ (454,725)
Sears Brands Management Corporation	(245,005)	(240,624)	(230,488)
Emprendedora Administrativa, S.A. de C.V.	(24,652)	-	-
Banco Inbursa, S.A.	(6,796)	(6,829)	(6,324)
Promotora Inbursa, S.A. de C.V	(5,829)	(6,011)	-
Radiomóvil Dipsa, S.A. de C.V.	(5,405)	(6,457)	-
Selmec Equipos Industriales, S.A. de C.V.	-	(5,816)	-
Grupo Telvista, S.A. de C.V.	-	(2,117)	(13,702)
Editorial Contenido, S.A. de C.V.	-	-	(14,434)
Inversora Bursátil, S.A. de C.V.	-	-	(1,980)
Others	(38,804)	(33,844)	(19,391)
Total	$ (680,130)	$ (712,291)	$ (741,044)
Other expenses, net	$ (132,987)	$ (84,345)	$ (168,018)

	2016	2015	2014
Purchase of property to Inmobiliaria Diana Victoria, S.A. de C.V.	$ -	$ -	$ (310,386)
Purchases of fixed assets	(71,112)	(125,217)	(211,424)
Total	$ (71,112)	$ (125,217)	$ (521,810)

20. Revenue

	2016	2015	2014
Sale of goods	$ 43,166,293	$ 40,660,218	$ 37,612,740
Interests	3,182,572	2,931,056	2,831,257
Services	956,869	575,757	503,464
Leases	221,363	219,583	228,551
Other	66,750	26,444	26,535
Total income	$ 47,593,847	$ 44,413,058	$ 41,202,547

21. Cost and expenses by nature

Concept			2016	
	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 28,480,102	$ -	$ -	$ 28,480,102
Wages and salaries	10,492	3,423,046	624,941	4,058,479
Employee benefits	-	1,755,962	310,693	2,066,655
Lease	-	1,203,007	85,039	1,288,046
Electricity	4,283	507,279	4,645	516,207
Maintenance	32,902	348,501	49,061	430,464
Advertising	2,468	416,390	-	418,858
Royalties	-	247,033	3,410	250,443
Security services	16,084	70,030	2,777	88,891
Water	7,703	109,023	872	117,598
Expansion costs	-	299	171,449	171,748
Provision for impairment of loan portfolio	-	-	493,134	493,134
Employee benefits	-	31,665	56,463	88,128
Other	73,228	2,265,537	444,794	2,783,559
	28,627,262	10,377,772	2,247,278	41,252,312
Depreciation and amortization	44,125	967,631	96,704	1,116,873
	$ 28,671,387	$ 11,353,816	$ 2,343,982	$ 42,369,185

Concept			2015	
	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 26,786,939	$ -	$ -	$ 26,786,939
Wages and salaries	10,190	3,369,471	577,392	3,957,053
Employee benefits	-	1,612,197	299,226	1,911,423
Lease	-	1,154,484	75,342	1,229,826
Electricity	4,388	516,002	5,786	526,176
Maintenance	19,131	422,836	54,775	496,742
Advertising	2,360	374,817	-	377,177
Royalties	-	240,539	3,278	243,817
Security services	15,460	60,031	4,566	80,057
Water	3,976	113,905	782	118,663
Expansion costs	-	-	139,344	139,344
Provision for impairment of loan portfolio	-	-	468,448	468,448
Employee benefits	-	23,288	68,006	91,294
Other	61,314	1,799,859	504,404	2,365,577
	26,903,758	9,687,429	2,201,349	38,792,536
Depreciation	33,679	895,505	20,945	950,129
	$ 26,937,437	$ 10,582,934	$ 2,222,294	$ 39,742,665

Concept	2014			
	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 24,796,846	$ -	$ -	$ 24,796,846
Wages and salaries	12,345	3,194,988	582,943	3,790,276
Employee benefits	-	1,518,173	287,762	1,805,935
Lease	-	1,131,572	62,228	1,193,800
Electricity	4,835	635,025	7,079	646,939
Maintenance	13,479	405,607	44,554	463,640
Advertising	2,030	376,835	-	378,865
Royalties	-	229,920	3,240	233,160
Security services	14,891	71,607	4,507	91,005
Water	7,339	107,023	876	115,238
Expansion costs	-	-	86,635	86,635
Provision for impairment of loan portfolio	-	-	409,489	409,489
Employee benefits	-	21,616	43,350	64,966
Other	61,527	1,563,544	570,493	2,195,564
	24,913,292	9,255,910	2,103,156	36,272,358
Depreciation	26,292	768,306	25,375	819,973
	$ 24,939,584	$ 10,024,216	$ 2,128,531	$ 37,092,331

22. Other income

	2016	2015	2014
Gain on stock purchase	$ (1,141,267)	$ -	$ -
Cancellation of liabilities and provisions	(183,018)	(152,319)	(167,696)
Gain arising on changes in fair value of investment properties	(121,718)	(177,624)	(220,899)
Gain on sale of property, machinery and equipment	(16,597)	(2,577)	(788)
Others	(18,458)	-	(29,000)
	$ (1,481,058)	$ (332,520)	$ (418,383)

23. Other expenses

	2016	2015	2014
Labor contingencies	$ 40,434	$ 36,350	$ 14,584
Loss on sale of property, machinery and equipment	14,229	19,183	67,843
Allowance of acquired portfolio	7,404	-	-
Sub-leases	6,837	4,393	5,521
Impairment of property	-	26,814	-
Others	16,563	8,399	12,177
	$ 85,467	$ 95,139	$ 100,125

24. Income taxes

The Entity is subject to ISR and through December 31, 2013, to IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR -The rate was 30% in 2016, 2015 and 2014 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with Grupo Carso, S.A.B. de C.V. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated.

While the 2014 Tax Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for the year 2016, 2015 and 2014 as previously described.

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

a. Income taxes consist of the following:

	2016	2015	2014
ISR:			
Current	$ 1,862,935	$ 1,716,279	$ 2,020,086
Deferred	171,732	(119,533)	(588,050)
	$ 2,034,667	$ 1,596,746	$ 1,432,036

b. Hereunder is an analysis of the deferred tax (assets) liabilities presented in the consolidated statement of financial position:

	2016	2015	2014
ISR deferred (asset) liability:			
Property, machinery and equipment and investment properties	$ 1,139,653	$ 1,241,696	$ 1,348,967
Allowance for doubtful receivable	(112,738)	(107,852)	(105,561)
Allowance for obsolescence and shrinkage inventories	(125,235)	(114,211)	(107,161)
Allowances for assets and reserves for liabilities and provisions	(528,430)	(447,809)	(392,459)
Employee benefits	109,469	130,061	224,827
Others	107,156	(240,596)	(237,467)
Deferred ISR on temporary differences	589,875	461,289	731,146
Effect of tax loss carry- forwards	(25,572)	(14,793)	(14,148)
Deferred income tax liability	$ 564,303	$ 446,496	$ 716,998

The net deferred income tax liability is as follows:

	2016	2015	2014
Net assets	$ 600,583	$ 362,882	$ 200,369
Net liabilities	(1,164,886)	(809,378)	(917,367)
Total	$ 564,303	$ 446,496	$ 716,998

c. Following is a reconciliation of the income tax liability:

	2016	2015	2014
Beginning balance	$ 446,496	$ 716,998	$ 1,275,641
Income tax applied to period results	171,732	(119,533)	(588,050)
Income tax recognized in other comprehensive income	(23,411)	(150,969)	29,407
Income tax from acquisition of subsidiary	(30,514)	-	-
Ending balance	$ 564,303	$ 446,496	$ 716,998

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

	2016 %	2015 %	2014 %
Statutory rate	30	30	30
Plus (less) permanent differences -			
Nondeductible expenses	1	3	3
Inflation effects	(1)	(1)	(2)
Effective rate	30	32	31

e. Benefits from restated tax loss carry forwards for which a deferred ISR asset has been recognized can be recovered by fulfilling certain requirements. The amount of tax loss carryforwards for all of the subsidiaries and their related expiration dates as of December 31, 2016 are as follows:

Year of Expiration	Tax loss carryforwards
2018	$ 744
2019	8,079
2020 and thereafter	76,417
	$ 85,240

f. Income tax payable long-term:

Is composed by the tax integration regime that is paid in the next 4 years and the corresponding installment sales that could be paid over three years at a rate of 33.3% per year, since the tax benefit to deferred the income tax was eliminated.

	2016	2015	2014
ISR incurred by tax integration regime	$ 444,188	$ 118,857	$ 59,486
ISR incurred by installment sales	-	127,027	254,053
	$ 444,188	$ 245,884	$ 313,539

25. Commitments

a. As of December 31, 2016, contracts have been executed with suppliers for the remodeling and construction of some of its stores. The amount of the commitments contracted in this regard is approximately $1,493,778.

b. Furthermore, as of December 31, 2016, the Entity and its subsidiaries have entered into lease agreements in 339 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, i Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods and range between one and twenty years. The rental expense during 2016, 2015 and 2014 was $1,288,046, $1,229,826 and $1,193,800, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from one to fifteen years and the amount of rental income in 2016, 2015 and 2014 was $221,363, $219,583 and $228,551, respectively.

- The amount of rentals payable according to its due date amount to:

Maturity	December 31, 2016
1 year	$ 577,119
1 to 5 years	2,731,903
More than 5 years	3,154,870
	$ 6,463,892

- The amount of rentals receivable according to their due date amount to:

Maturity	December 31, 2016
1 year	$ 28,780
1 to 5 years	134,058
More than 5 years	190,715
	$ 353,553

c. In December, 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) and Sears Roebuck and Co., signed an agreement whereby they have decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, which establishes the payment of 1% of the revenues from merchandise sales, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement will be in effect up to September 30, 2019, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance.

d. Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 year renewal option, establishing the minimum annual payment of US $500,000 and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

26. Contingencies

As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and of labor matters.

The estimated amount of these judgments to December 31, 2016 amounts to $835,865, for which the Entity has recognized provisions $102,292 which is included in other liabilities in the consolidated statements of financial position. During 2016 he Entity made payments related to these matters of approximately $38,869. While the results of these legal proceedings cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's financial position or operating results.

27.Segment Information

The information by operating segments is presented based on management's approach; general and geographical information is also presented. Balances with subsidiaries are presented in the "other and eliminations" column.

a. Information by operating segment is as follows:

	2016				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 24,561,071	$ 12,714,496	$ 7,233,565	$ 3,084,715	$ 47,593,847
EBITDA [1]	3,707,863	1,011,802	416,733	1,337,743	6,474,141
Consolidated comprehensive income	1,831,839	370,354	262,498	2,001,614	4,466,305
Interest income	119,968	123,314	28,240	137,862	409,384
Interest expense	434,325	193,539	9,221	(286,110)	350,975
Depreciation and amortization	720,849	287,574	43,223	65,227	1,116,873
Income taxes	827,121	279,601	124,687	803,258	2,034,667
Total assets	24,394,551	9,127,038	2,613,293	9,050,161	45,185,043
Current liabilities	12,836,031	4,680,004	1,397,934	(6,431,531)	12,482,438
Long-term liabilities	96,448	239,733	30,202	1,384,697	1,751,080
Total liabilities	12,932,479	4,919,737	1,428,136	(5,046,834)	14,233,518
Capital expenditures	1,623,037	596,634	28,815	656,157	2,904,643

	2015				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 22,803,935	$ 12,639,236	$ 6,398,311	$ 2,571,576	$ 44,413,058
EBITDA [1]	3,229,276	894,028	377,198	1,206,867	5,707,369
Consolidated comprehensive income	1,654,657	318,853	232,027	884,480	3,090,017
Interest income	69,968	118,029	14,524	155,630	358,151
Interest expense	287,136	146,377	2,693	(225,444)	210,762
Depreciation and amortization	547,084	304,371	42,087	56,863	950,405
Income taxes	798,255	239,001	109,392	450,098	1,596,746
Total assets	20,951,665	8,496,001	2,065,410	9,850,955	41,364,031
Current liabilities	10,561,622	4,207,462	1,015,100	(5,032,457)	10,751,727
Long-term liabilities	244,573	118,591	29,061	824,948	1,217,173
Total liabilities	10,806,195	4,326,053	1,044,161	(4,207,509)	11,968,900
Capital expenditures	1,772,386	313,144	21,623	148,492	2,255,645

	2014				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 21,622,786	$ 12,395,945	$ 4,813,241	$ 2,370,575	$ 41,202,547
EBITDA (1)	2,916,909	824,986	212,519	1,073,134	5,027,548
Consolidated comprehensive income	1,483,433	286,448	115,998	1,036,109	2,921,988
Interest income	48,639	109,449	14,331	218,275	390,694
Interest expense	238,429	154,979	4,646	(215,620)	182,434
Depreciation and amortization	406,653	307,748	48,597	56,975	819,973
Income taxes	824,227	181,766	55,025	371,018	1,432,036
Total assets	19,068,549	8,818,345	2,235,721	10,561,787	40,684,402
Current liabilities	9,656,799	4,196,268	1,324,848	(4,737,883)	10,440,032
Long-term liabilities	349,996	218,877	24,104	708,511	1,301,488
Total liabilities	10,006,795	4,415,145	1,348,952	(4,029,372)	11,741,520
Capital expenditures	1,411,702	378,707	41,880	713,897	2,546,186

(1) EBITDA reconciliation

	December 31, 2016	December 31, 2015	December 31, 2014
Income before income taxes	$ 6,768,654	$ 5,055,163	$ 4,636,734
Depreciation and amortization	1,116,873	950,405	819,973
Interest income	(409,384)	(358,151)	(390,694)
Interest expense	350,975	210,762	182,434
Gain on investment property revaluation	(121,718)	(177,624)	(220,899)
Gain or stock purchase	(1,141,267)	-	-
Equity in income of associates entities	(89,992)	-	-
Impairment property	-	26,814	-
EBITDA	$ 6,474,141	$ 5,707,369	$ 5,027,548

b. General segment information by geographical area:

The Entity operates in different locations and has distribution channels in Mexico and Central America through its commercial offices or representatives.

The distribution of such sales is as follows:

	December 31, 2016	%	December 31, 2015	%	December 31, 2014	%
Mexico	$ 46,962,963	98.67	$ 43,898,285	98.84	$ 40,758,994	98.90
El Salvador	523,714	1.10	418,344	0.94	348,171	0.85
Panama	107,170	0.23	96,429	0.22	95,382	0.25
	$ 47,593,847	100.00	$ 44,413,058	100.00	$ 41,202,547	100.00

28. New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments [2]
IFRS 15	Revenue from Contracts with Customers [2]
IFRS 16	Leases [3]
Amendments to IAS 12	Income taxes [1]
Amendments to IAS 7	Statements of Cash Flows [1]
Amendments to IFRS 2	Classification and measurement of share-based payments [2]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

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

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

The Entity's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

IFRS 16, *Leases*

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

Amendments to IAS 12 Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

Entities are obliged to apply the amendments for annual periods beginning on or after 1 January 2017. Early application is permitted

The management of the Entity does not expect significant impacts a result of these amendments.

Amendments to IAS 7 Statements of Cash Flows: Provide disclosures

The amendments in disclosure initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Entities are obliged to apply the amendments for annual periods beginning on or after 1 January 2017. Early application is permitted

The management of the Entity expects that there may be some impacts a result of these amendments.

Amendments to IFRS 2 Share-based Payments

The amendments to IFRS 2 Share-based Payments, clarify the classification and measurement of share-based payment transactions. The amendments contains clarifications and amendments address to the accounting for cash-settled share-based payment transactions; classification of share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments apply prospectively.

Management expects that there may be some impacts as a result of these amendments.

29. Authorization to issue the financial statements

The consolidated financial statements were authorized for issue on March 31, 2017, by Lic. Mario Bermúdez Dávila, CFO; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's ordinary shareholders' meeting, where they may be modified, in accordance with the provisions of the General Law of Commercial Companies. The consolidated financial statements for the year ended December 31, 2015 and 2014, were approved at the ordinary shareholders' meeting that took place on April 20, 2016 and April 28, 2015, respectively.

Information for investors

Mexican Stock Exchange

The series B of Grupo Sanborns S.A.B. de C.V. is listed in the Mexican Stock Exchange under the ticker symbol “GSANBOR”.

American Depositary Receipts (ADR’S)

Starting on January 27, 2014 Grupo Sanborns S.A.B. de C.V. established an ADR program level 1 with Bank of New York Mellon, through which American investors can trade securities in the Over the Counter Market (OTC) under the ticker symbol GSAOY at a rate of 5 ordinary shares to 1 ADR.
Cusip Number: 40053M103

Depositary bank

BNY Mellon
Shareowner Services
P.O. Box 358516
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Tel. 1-888-BNY-ADRS(269-2377)
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To obtain more information about Grupo Sanborns and its sustainability activities please visit our corporate webpage at:
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