Notes to the consolidated financial statements

For the years ended December 31, 2019, 2018 (restated), 2017 (restated) and January 1, 2017 (restated)
(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 chain of department stores, 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 event for the year

a. **New openings -**During the 2019 financial year, the Entity opened 18 stores, 1 in the Sanborns format, and 17 in the iShop format. During the 2018 financial year, the Entity opened 18 stores, 4 with Sears' format, 4 with Sanborns format, 9 with iShop format and 1 with Music Stores format. During the 2017 financial year, the Entity opened 9 stores, 2 with Sears' format, 1 with Sanborns format, 6 with iShop format.

b. **Acquisition of associate-** During July 2019, the Group acquired 33.2719% of the shares of Miniso, a chain of stores selling low-cost items that specializes in household and consumer items, including cosmetics, toys, kitchen utensils, among others, at present, Miniso has 100 stores in Mexico. In accordance with IAS 28 Investments in associates and joint ventures, the difference between the cost of the investment and the percentage of participation in the fair value of the associate's identifiable assets and liabilities, shall be recognized as goodwill and presented as part of the investment balance in shares, amortization is not allowed. As of December 31, 2019, the Entity has used provisional amounts for the determination of said goodwill, any adjustment related to their determination will be recognized during the measurement period established by the standard, which is no more than one year from of the acquisition date.

3. 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:

	2019	2018	2017	January 1, 2017
Cash	$ 1,052,262	$ 1,593,764	$ 1,155,152	$ 854,776
Cash equivalents:				
Demand deposits	78	346,450	-	-
Government paper	814	9,425	599,635	346,839
Certificates of deposit	634,645	525,622	165,250	496,089
Demand deposits in US dollars	706	706	2,951	15,289
Others	1,671	1,691	1,613	1,363
	$ 1,690,176	$ 2,477,658	$ 1,924,601	$ 1,714,356

4. Accounts and documents receivable

	2019	2018	2017	January 1, 2017
Clients	$ 11,733,866	$ 11,742,246	$ 11,463,715	$ 10,922,110
Allowance for doubtful accounts	(681,545)	(698,169)	(509,553)	(375,792)
	11,052,321	11,044,077	10,954,162	10,546,318
Sundry debtors	559,396	297,939	493,506	215,491
Due from related parties	260,394	91,848	83,911	65,136
	$ 11,872,111	$ 11,433,864	$ 11,531,579	$ 10,826,945

a. Trade accounts receivable

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 211,217, 217 and 206 days at December 31, 2019, 2018, 2017 and January 1, 2017, respectively. In the case of sales promotions whose collection terms are greater than one year, the corresponding accounts receivable have been reclassified, in all the periods presented, within the long term. In previous years, these accounts were presented within the short term, with the disclosure of the long-term amounts in notes to the consolidated financial statements.

b. Impairment of financial assets

The IFRS 9 replaces the 'incurred loss' model of IAS 39 with a model of 'expected credit loss' (PCE). The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments to VRCORI, but not to investments in equity instruments.

Under IFRS 9, provisions for losses will be measured using one of the following bases:

General Model - It is recognized in three stages that reflect the potential variation in the credit quality of the asset, taking into account the significant increase in credit risk, as well as the objective evidence of impairment.

Simplified Model - The expected loss for the whole life of the instrument is recognized if it contains a significant financial component, instead of the three stages.

The measurement of the PCE during the life time applies if the credit risk of a financial asset at the reporting date has increased significantly since the initial recognition and the measurement of the expected credit losses of 12 months applies if this risk has not increased. The entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, the measurement of expected credit losses over the life time is always applicable for trade accounts receivable and contract assets without a significant financing component. The Entity has chosen to apply this policy for trade accounts receivable and contract assets with a significant financing component.

The Entity measures the estimates of losses for commercial accounts receivable and contract assets always for an amount equal to the expected credit losses during the life time. Additionally, the Entity considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Entity's historical experience and an informed credit assessment, including that related to the future.

c. Measurement of expected credit losses

The expected credit losses are the result of multiplying an exposure amount by a probability of default and a severity of the loss.

The expected credit losses are not discounted using the effective interest rate of the financial asset, since accounts receivable are generally short-term and do not charge interest. It should be mentioned that the maximum period considered when estimating the expected credit losses is the maximum contractual period during which the Entity is exposed to credit risk.

d. Financial assets with credit deterioration

The Entity considers as evidence that a financial asset has credit deterioration when it includes the following observable data:

- Significant financial difficulties observed in the portfolio arrears groups;
- Various default periods and identifying default for more than 1 day or more than 30 days for the portfolio of all Companies.
- The restructuring of accounts or advances by the Entity in terms that it would not consider otherwise;
- It is becoming likely that a segment of the portfolio goes bankrupt or in another form of financial reorganization.

Presentation of the estimate for expected credit losses in the statement of financial position

The loss estimates for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. While, in the case of debt instruments at fair value with changes in other comprehensive income, the loss estimate is credited to income and recognized in other comprehensive income.

e. Penalties

The gross carrying amount of a financial asset is written off (partially or completely) to the extent that there is no realistic possibility of recovery. This is generally the case when the Entity determines that the debtor has no assets or sources of income that could generate sufficient cash flows to pay the amounts subject to the penalty. However, the financial assets that are punished may be subject to legal action in order to comply with the Entity's procedures for the recovery of the amounts owed.

For an explanation of the manner in which the Entity estimated the impact of the impairment under IFRS 9, where credit losses are recognized before under IAS 39, see Note 27.

f. Credit risk

Credit risk is the risk that one of the counterparties of the financial instrument causes a financial loss to the other company for breaching an obligation. The Company is subject to credit risk mainly due to financial instruments related to cash and temporary investments, loans and accounts receivable and derivative financial instruments. In order to minimize the credit risk in cash, temporary investments and derivative financial instruments, the Company only involves solvent parties with a recognized reputation and high credit quality.

In order to manage the credit risk, in the case of loans and accounts receivable with consumers, the Company considers that the risk is limited. The Company prepares an allowance for uncollectible accounts under the expected loss model in compliance with IFRS 9.

As of December 31, 2019, 2018 and January 1, 2018 the maximum exposure to credit risk for commercial debtors and other accounts receivable by concept and / or subsidiaries was as follows:

	Amount in books			Expected credit reserve		
Concept	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Null	$ 6,363,322	$ 3,200,667	$ 3,176,914	$ 92	$ 147	$ -
Low	2,584,078	3,159,668	3,218,336	16,929	7,844	12,107
Moderate 1	2,261,349	3,614,954	3,669,406	95,523	46,435	64,944
Moderate 2	896,482	1,531,401	1,462,957	90,058	50,955	56,033
High 1	484,947	811,892	737,904	87,090	58,975	50,687
High 2	134,271	200,994	180,968	40,035	32,179	23,658
Critical	497,563	800,375	749,553	351,818	501,634	413,219
Total	$ 13,222,012	$ 13,319,951	$ 13,196,038	$ 681,545	$ 698,169	$ 620,648

As of December 31, 2019, the book value of the most significant portfolio of the Entity corresponds to the Null segment 1, which was $ 6,363,322 thousand pesos, which is equivalent to 48.12% of the total portfolio, and 0.01% of the registered reserve ($ 681,545 thousand pesos in 2019). In addition, regarding the reserve, the most significant segment is the Critical, with an amount of $ 351,818 and a percentage of the total reserve of 51.62% in 2019.

The following is a summary of the Entity's exposure to credit risk of commercial debtors and assets by contract.

	2019		2018		January 1, 2018	
Concept	Without deterioration credit	With deterioration credit	Without deterioration credit	With deterioration credit	Without deterioration credit	With deterioration credit
Customers	$ 2,248,712	$ 29,753	$ 2,182,000	$ 39,063	$ 1,888,495	$ 39,329
Total amount in gross books	$ 6,363,322	$ 6,858,690	$ 3,200,667	$ 10,119,284	$ 3,176,914	$ 10,019,124
Estimate for credit losses	$ 92	$ 681,453	$ 147	$ 698,022	$ -	$ 620,648

g. Comparative information under IAS 39 Standard Financial Instruments (IAS 39)

An analysis of the credit quality of commercial debtors that were neither past due nor impaired and the age of past due commercial debtors, but not impaired as of January 1, 2018 is presented below.

Concept	January 1, 2018
Valid and not deteriorated	$ 10,929,877
Expired but not deteriorated	-
Expired between 1 to 30 days	1,199,325
Expired between 31 to 60 days	475,478
Expired between 61 to 90 days	232,849
Expired between 91 to 120 days	157,892
Expired between 121 to 150 days	100,204
Expired between 151 to 180 days	36,517
Expired between 181 and 210 days	13,602
More than 210 days	50,294
Total non-impaired commercial debtors	$ 13,196,038

Commercial debtors impaired at 1st. January 2018 had a gross carrying amount of $ 10,019,124 thousand pesos. Loss due to deterioration of value at January 1, 2018 is related to the balance of the clients that in the backlog portfolio are in a lag period greater than +90 days for the case of $620,648. In addition, under IAS 39, a model of credit losses incurred was applied, in which the Entity considered the risk of the client's financial situation, unsecured accounts and considerable delays in collection according to the conditions for the doubtful accounts. Of established credit. The Entity recognized an allowance for doubtful accounts for 100% of all accounts receivable with high possibilities of non-collection that amounted to $509,553 as of January 1, 2018.

Under the IFRS 9 standard, it is assumed that a financial asset with more than 90 days of default must be considered as past due or in default. The Entity has decided to use as EOD.

Under the general model of IFRS 9, a criterion based on a prospective analysis of macroeconomic conditions and historical PD Prospective factors are observable public economic variables that, through statistical methods, allow forecasting or ruling out an increase in the credit risk of the portfolio.

However, in several cases it has been found that the macroeconomic variables do not show significance in the behavior of the portfolios, so it is concluded that the current model is appropriate for the entity's portfolio and line of business. Nevertheless, constant reviews will be carried out in order to adapt the model to any endogenous and exogenous change that motivates a calibration.

The company uses the estimated factors previously described to perform the estimate for expected credit loss.

The model used to determine the credit risks of the customers of each of the Group's business units, identifies, individually for each account receivable, the level of indebtedness, the ability to pay, the amount of payment to the principal, the maturity and the behavior of payments, with which the level of risk that corresponds to it is established and the discount factor with which the financial assets derived from the granting of credit deteriorate.

The following table provides information on the exposure to credit risk and the expected credit losses for commercial debtors and the assets of the individual customer contract as of December 31, 2019 of December 31, 2018 and January 1, 2018.

	Amount in books			Expected credit reserve			Discount factors		
Concept	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Null	$ 6,363,322	$ 3,200,667	$ 3,176,914	$ 92	$ 147	$ -	0.00%	0.00%	0.00%
Low	2,584,078	3,159,668	3,218,336	16,929	7,844	12,107	0.66%	0.25%	0.38%
Moderate 1	2,261,349	3,614,954	3,669,406	95,523	46,435	64,944	4.22%	1.28%	1.77%
Moderate 2	896,482	1,531,401	1,462,957	90,058	50,955	56,033	10.05%	3.33%	3.83%
High 1	484,947	811,892	737,904	87,090	58,975	50,687	17.96%	7.26%	6.87%
High 2	134,271	200,994	180,968	40,035	32,179	23,658	29.82%	16.01%	13.07%
Critical	497,563	800,375	749,553	351,818	501,634	413,219	70.71%	62.67%	55.13%
Total	$ 13,222,012	$ 13,319,951	$ 13,196,038	$ 681,545	$ 698,169	$ 620,648	5.15%	5.24%	4.70%

The probabilities of default are based on the actual credit loss experience of recent years. These rates are multiplied by scale factors to reflect the differences between the economic conditions during the period in which the historical data were collected, the current conditions and the Entity's vision of the economic conditions during the expected life of the receivable accounts.

Movements in the estimate for impairment related to the debtors by sales and assets by contract

The movement in the estimation for impairment of value related to the debtors for sale and other accounts receivable during the year was as follows. The comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

Concept		2018
Balance as of January 1, 2018 according to Standard IAS 39	$	509,553
Initial application adjustment of IFRS 9		111,095
Balance as of January 1, 2018 according to IFRS 9 Standard		620,648
Punished amounts		865,433
Net remeasurement of the estimate for losses		942,954
Balance as of December 31, 2018	$	698,169
Punished amounts		881,041
Net remeasurement of the estimate for losses		864,417
Balance as of December 31, 2019	$	681,545

The estimate for impairment losses in the comparison of IAS 39 and IFRS 9 presents an accumulated increase / decrease of $111,095 thousand pesos, for December 31, 2018, an increase / decrease of $77,521 thousand pesos, and for December 31, 2019 there is an increase /decrease of ($16,624), product of an increase / decrease in exposure amounts.

5. Recoverable taxes, mainly value added tax

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
Value added tax (VAT)	$ 1,217,036	$ 1,040,184	$ 782,865	$ 652,961
ISR to recover	113,293	199,460	223,701	23,739
Other taxes to recover	8,359	6,673	5,133	4,167
	$ 1,338,688	$ 1,246,317	$ 1,011,699	$ 680,867

6. Inventories

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
Merchandise in stores	$ 12,184,641	$ 12,016,272	$ 10,456,210	$ 10,068,647
Goods in transit	231,300	222,971	216,177	266,682
Replacement parts and other inventories	133,726	119,928	133,644	120,603
	$ 12,549,667	$ 12,359,171	$ 10,806,031	$ 10,455,932

7. Lease right-of-use assets

The Entity leases buildings. The average lease term is 15 years for 2019, 2018 and 2017, respectively.

The expired contracts were replaced by new leases with identical underlying assets. This resulted in the addition of rights-of-use assets of $1,005,872, $ 1,810,318 and $851,912 in 2019, 2018 and 2017, respectively.

The analysis of the maturities of the lease liabilities is presented in note 8.

Lease right-of use assets		Leased premises/ Buildings
Cost:		
At the beginning of 2017 – Restated	$	5,504,480
Additions		851,912
Retirements		(173,783)
As of December 31, 2017 – Restated		6,182,609
Additions		1,810,318
Retirements		(931,942)
As of December 31, 2018 – Restated		7,060,985
Additions		1,005,872
Retirements		(471,475)
As of December 31, 2019	$	7,595,382

Lease right-of-use assets		
Accumulated amortization:		
At the beginning of 2017 – Restated	$	-
Period change		(774,052)
As of December 31, 2017 – Restated		(774,052)
Period change		(802,539)
As of December 31, 2018 – Restated		(1,576,591)
Period change		(860,041)
As of December 31, 2019-Restated	$	(2,436,632)
Value in books		
As of January 1, 2017	$	5,504,480
As of December 31, 2017	$	5,408,557
As of December 31, 2018	$	5,484,394
As of December 31, 2019	$	5,158,750

Amounts recognized in the consolidated statements of income		2019		2018 (restated)		2017 (restated)
Depreciation expense of the Right of use asset	$	860,041	$	802,539	$	774,052
Finance expense caused by lease liabilities		480,828		132,952		404,762
Expense related to leasing of low-value assets		7,609		7,281		7,293
Expense related to variable lease payments, not included in the measurement of lease liabilities		70,325		81,501		132,569

Some of the leases of properties in which the Entity participates as lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The composition of the lease payments by the stores is detailed in the following table.

		2019		2018 (restated)		2017 (restated)
Fixed payments	$	1,274,817	$	1,229,603	$	1,183,990
Variable payments		70,325		81,501		132,569
Total lease payments	$	1,345,142	$	1,311,104	$	1,316,559

8. Lease liabilities

	2019	2018 (restated)	2017 (restated)	January 1, 2017
Payment due :				
Year 1	$ 1,693,452	$ 1,721,688	$ 1,643,434	$ 1,597,471
Year 2	1,227,897	1,241,843	1,226,590	1,189,987
Year 3	1,061,450	1,064,720	1,105,373	1,260,219
Year 4	977,759	1,039,995	995,662	1,166,028
Year 5	846,327	955,939	930,575	1,050,956
Subsequent years	3,064,496	3,434,028	3,330,980	3,510,636
Less: unearned interest	$ (2,663,432)	$ (2,971,698)	$ (2,527,737)	$ (2,955,731)
Analyzed as:				
Long term	$ 4,964,449	$ 5,239,466	$ 5,497,172	$ 5,645,697
Short term	1,243,500	1,247,049	1,207,705	1,173,869
	$ 6,207,949	$ 6,486,515	$ 6,704,877	$ 6,819,566

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

9. 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, 2019	December 31, 2018	December 31, 2017	January 1, 2017
Financial assets:				
Cash and cash equivalents	$ 1,690,176	$ 2,477,658	$ 1,924,601	$ 1,714,356
Accounts and documents receivable	11,611,717	11,342,016	11,447,668	10,761,809
Long-term accounts receivable	1,488,146	1,577,705	1,732,323	1,619,220
Due from related parties	260,394	91,848	83,911	65,136
Financial liabilities				
At amortized cost:				
Payables to suppliers	$ 8,684,657	$ 9,115,216	$ 7,505,683	$ 7,166,771
Sundry creditors	351,835	198,812	383,042	466,496
Due to related parties	530,398	844,199	524,591	518,388
Short-term lease liabilities	1,243,500	1,247,049	1,207,705	1,173,869
Long-term lease liabilities	4,964,449	5,239,466	5,497,172	5,645,697

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 general strategy of the Entity has not been modified compared to 2018.

   The capital structure of the Entity is composed by its net debt (mainly the related party debt detailed in Note 18) and stockholders' equity (issued capital, capital reserves, accumulated earnings and non-controlling equity detailed in Note 17). 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.

   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 has undertaken in the past 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.

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 2019, 2018, 2017 and January 1, 2017 would have increased or decreased by approximately $37,803, $28,549, $37,691 and $44,623, respectively. At December 31, 2019, 2018, 2017 and January 1, 2017 there would be no impact on other comprehensive income because there are no derivate financial instruments.

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, 2019	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
US Dollar	24,684	26,486	25,291	29,772	30,321	32,656	26,386	30,818

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, 2019	December 31, 2018	December 31, 2017	January 1, 2017
Mexican pesos	10,623	12,144	2,161	2,161

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 it is diluted among 2,086,636 customers, which do not represent a concentration of risk in the individual. 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, 2019	3 months	6 months	12 months	More than one year	Total
Trade accounts payable	$ 8,571,023	$ 113,634	$ -	$ -	$ 8,684,657
Sundry creditors	351,835	-	-	-	351,835
Due to related parties	530,398	-	-	-	530,398
Lease liability	-	-	1,693,452	7,177,929	8,871,381
Total	$ 9,453,256	$ 113,634	$ 1,693,452	$ 7,177,929	$ 18,438,271

As of December 31, 2018	3 months	6 months	12 months	More than one year	Total
Trade accounts payable	$ 9,049,470	$ 65,746	$ -	$ -	$ 9,115,216
Sundry creditors	198,812	-	-	-	198,812
Due to related parties	844,199	-	-	-	844,199
Lease liability	-	-	1,721,688	7,736,525	9,458,213
Total	$ 10,092,481	$ 65,746	$ 1,721,688	$ 7,736,525	$ 19,616,440

As of December 31, 2017	3 months	6 months	12 months	More than one year	Total
Trade accounts payable	$ 7,378,837	$ 126,846	$ -	$ -	$ 7,505,683
Sundry creditors	383,042	-	-	-	383,042
Due to related parties	524,591	-	-	-	524,591
Lease liability	-	-	1,643,434	7,589,180	9,232,614
Total	$ 8,286,470	$ 126,846	$ 1,643,434	$ 7,589,180	$ 17,645,930

As of January 1, 2017	3 months	6 months	12 months	More than one year	Total
Trade accounts payable	$ 7,059,269	$ 107,502	$ -	$ -	$ 7,166,771
Sundry creditors	466,496	-	-	-	466,496
Due to related parties	518,388	-	-	-	518,388
Lease liability	-	-	1,597,471	8,177,826	9,775,297
Total	$ 8,044,153	$ 107,502	$ 1,597,471	$ 8,177,826	$ 17,926,952

10. 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, 2019		December 31, 2018		December 31, 2017		January 1, 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:								
Cash and cash equivalent	$ 1,690,176	$ 1,690,176	$ 2,477,658	$ 2,477,658	$ 1,924,601	$ 1,924,601	$ 1,714,356	$ 1,714,356
Notes and accounts receivables:								
Accounts receivable to customers and other	11,872,111	12,691,207	11,433,864	11,248,104	11,531,579	12,564,401	10,826,945	12,737,354
Long-term accounts receivable	1,488,146	1,488,146	1,577,705	1,577,705	1,732,323	1,732,323	1,619,220	1,619,220
Accounts and notes payable:								
Trade accounts payable	8,684,657	8,684,657	9,115,216	9,115,216	7,505,683	7,505,683	7,166,771	7,166,771
Sundry creditors	351,835	351,835	198,812	198,812	383,042	383,042	466,496	466,496
Due to related parties	530,398	530,398	844,199	844,199	524,591	524,591	518,388	518,388
Lease liability	6,207,949	6,207,949	6,486,515	6,486,515	6,704,877	6,704,877	6,819,566	6,819,566
Total	$ (724,406)	$ 94,690	$ (1,155,515)	$ (1,341,275)	$ 70,310	$ 1,103,132	$ (810,700)	$ 1,099,709

11. Property, plant and equipment

The reconciliation of the book values at the beginning and end of the year 2019, 2018, 2017 and January 1, 2017 is as follows:

	Balances as of December 31, 2018	Additions	Retirements / disposals	Exchange differences on translation	Impairment	Transfers	Balances as of December 31, 2019
Investment:							
Buildings, leasehold improvements and constructions	$ 13,579,265	$ 284,824	$ (76,246)	$ (6,734)	$ (48,407)	$ -	$ 13,732,702
Machinery and equipment	3,349,859	207,037	(37,952)	(302)	(16,202)	-	3,502,440
Furniture and fixtures	6,362,976	311,927	(24,127)	28,892	(23,455)	-	6,656,213
Vehicles	345,223	27,013	(18,408)	(164)	-	-	353,664
Computers	1,479,665	27,826	(6,683)	(35,863)	(4,055)	-	1,460,890
Total investment	25,116,988	858,627	(163,416)	(14,171)	(92,119)	-	25,705,909
Accumulated depreciation:							
Buildings, leasehold improvements and constructions	(6,286,109)	(472,153)	46,742	15,624	28,063	-	(6,667,833)
Machinery and equipment	(2,020,128)	(204,605)	31,668	(5,682)	17,484	-	(2,181,263)
Furniture and fixtures	(3,898,654)	(458,984)	20,394	(27,011)	23,449	-	(4,340,806)
Vehicles	(265,727)	(34,815)	16,159	167	-	-	(284,216)
Computers	(1,194,195)	(106,976)	6,093	27,739	4,207	-	(1,263,132)
Total accumulated depreciation	(13,664,813)	(1,277,533)	121,056	10,837	73,203	-	(14,737,250)
Subtotal	11,452,175	(418,906)	(42,360)	(3,334)	(18,916)	-	10,968,659
Land	2,710,031	1,276	(235)	-	-	-	2,711,072
Construction in progress	387,288	35,280	-	-	-	-	422,568
Net investment	$ 14,549,494	$ (382,350)	$ (42,595)	$ (3,334)	$ (18,916)	$ -	$ 14,102,299

	Balances as of December 31, 2017	Additions	Retirements / disposals	Exchange differences on translation	Impairment	Transfers	Balances as of December 31, 2018
Investment:							
Buildings, leasehold improvements and constructions	$ 12,582,952	$ 338,427	$ (194,604)	$ (389)	$ -	$ 852,879	$ 13,579,265
Machinery and equipment	3,139,152	10,211	(50,586)	(25,840)	-	276,922	3,349,859
Furniture and fixtures	5,843,939	198,529	(100,064)	2,771	-	417,801	6,362,976
Vehicles	340,313	37,706	(33,740)	944	-	-	345,223
Computers	1,389,753	62,526	(14,187)	21,327	-	20,246	1,479,665
Total investment	23,296,109	647,399	(393,181)	(1,187)	-	1,567,848	25,116,988
Accumulated depreciation:							
Buildings, leasehold improvements and constructions	(5,951,063)	(444,835)	89,755	4,198	15,836	-	(6,286,109)
Machinery and equipment	(1,894,482)	(187,606)	40,422	19,552	1,986	-	(2,020,128)
Furniture and fixtures	(3,481,388)	(497,863)	79,693	(4,871)	5,775	-	(3,898,654)
Vehicles	(258,740)	(37,673)	31,560	(874)	-	-	(265,727)
Computers	(1,086,805)	(101,614)	12,099	(17,453)	(422)	-	(1,194,195)
Total accumulated depreciation	(12,672,478)	(1,269,591)	253,529	552	23,175	-	(13,664,813)
Subtotal	10,623,631	(622,192)	(139,652)	(635)	23,175	1,567,848	11,452,175
Land	2,706,763	3,268	-	-	-	-	2,710,031
Construction in progress	1,187,453	767,683	-	-	-	(1,567,848)	387,288
Net investment	$ 14,517,847	$ 148,759	$ (139,652)	$ (635)	$ 23,175	$ -	$ 14,549,494

	January 1, 2017	Direct additions	Disposals for sale to thirds	Exchange differences on translation	Impairment	Balances as of December 31, 2017
Investment:						
Buildings, leasehold improvements and constructions	$ 12,344,652	$ 324,778	$ (78,461)	$ (8,017)	$ -	$ 12,582,952
Machinery and equipment	2,969,988	233,837	(62,013)	(2,660)	-	3,139,152
Furniture and fixtures	5,577,706	310,367	(37,330)	(6,804)	-	5,843,939
Vehicles	325,467	31,425	(15,780)	(799)	-	340,313
Computers	1,267,246	126,598	(7,263)	3,172	-	1,389,753
Total investment	22,485,059	1,027,005	(200,847)	(15,108)	-	23,296,109
Accumulated depreciation:						
Buildings, leasehold improvements and constructions	(5,553,317)	(433,957)	57,983	(209)	(21,563)	(5,951,063)
Machinery and equipment	(1,777,450)	(162,257)	49,214	(75)	(3,914)	(1,894,482)
Furniture and fixtures	(3,009,994)	(511,965)	37,240	9,203	(5,872)	(3,481,388)
Vehicles	(233,516)	(40,114)	13,288	1,602	-	(258,740)
Computers	(1,002,854)	(90,788)	7,000	(163)	-	(1,086,805)
Total accumulated depreciation	(11,577,131)	(1,239,081)	164,725	10,358	(31,349)	(12,672,478)
Subtotal	10,907,928	(212,076)	(36,122)	(4,750)	(31,349)	10,623,631
Land	2,716,672	68,954	(78,863)	-	-	2,706,763
Construction in progress	775,991	487,738	(76,276)	-	-	1,187,453
Net investment	$ 14,400,591	$ 344,616	$ (191,261)	$ (4,750)	$ (31,349)	$ 14,517,847

	Balances as of December 31, 2015	Direct additions	Disposals for sale to thirds	Exchange differences on translation	Business acquisition	Balances as of January 1, 2017
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	307,359	32,132	(16,537)	681	-	323,635
Computers	1,104,125	166,333	(4,060)	2,680	-	1,269,078
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	(198,238)	(40,349)	11,396	(1,041)	-	(228,232)
Computers	(947,366)	(64,525)	5,523	(1,770)	-	(1,008,138)
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

12. Investment properties

	2019	2018	2017	January 1, 2017
Investment properties	$ 2,507,271	$ 2,415,553	$ 2,323,901	$ 2,207,946

The changes in investment properties are as follows:

	2019	2018	2017
Balance at beginning of period	$ 2,415,553	$ 2,323,901	$ 2,207,946
Adjustments to fair value of investment properties	91,718	91,652	115,955
Balance at end of period	$ 2,507,271	$ 2,415,553	$ 2,323,901

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	7.5%	9.1%

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 $231,852, $231,370 and $218,734 for the years ended December 31, 2019, 2018 and 2017 respectively. At December 31, 2019, 2018 and 2017 the occupancy rate of shopping centers is 85%, 92% and 95%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income amounting, approximately 40%, 37% and 34% of rental income for years ended December 31, 2019, 2018 and 2017, 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.

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

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
		Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 7.5% - 9.1%, of 7.4% - 8.9%,and of 7.0% - 8.9% in 2019, 2018 and 2017, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in its fair value, and vice versa. A variation of minus 50 basis points would result in an increase in its fair value of $167,151 and an increase of 50 points would result in a decrease in its fair value of $147,487.
Commercial units located in Mexico City	Income capitalization approach	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 $368, $346 and $330 Mexican pesos per square meter ("sqm") per month in 2019, 2018 and 2017, respectively.	A significant increase in the market rent used would result in a significant increase in fair value, and back.

13. Investment in shares of associates and others

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

Associated	Ownership percentage 2019	2018	2017	January 1, 2017	Location	Activity
Inmuebles SROM, S.A. de C.V.	14.00	14.00	14.00	14.00	México	Property leasing
Miniso BF Holding S.R.L. de C.V.	33.27	-	-	-	México	Operation of multi-category stores of low-cost products, under the model of specialized franchises

	Investment in shares				Participation in profit or loss		
		2018	2017	January 1, 2017	2019	2018	2017
Inmuebles SROM, S.A. de C.V.[1]	$ 2,441,613	$ 2,272,600	$ 2,085,512	$ 1,912,219	$ 169,012	$ 187,088	$ 173,293
Miniso BF Holding, S.R.L. de C.V.	1,081,485	-	-	-	(52,187)	-	-
Others	1,317	1,317	1,317	1,317	-	-	-
Total	$ 3,524,415	$ 2,273,917	$2,086,829	$ 1,913,536	$ 116,825	$ 187,088	$ 173,293

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

14. Other accounts payable and accrued liabilities

	2019	2018	2017	January 1, 2017
Taxes payable	$ 2,282,802	$ 2,111,969	$ 2,159,011	$ 1,765,638
Maintenance contracts	171,691	168,888	169,373	438,527
Advertising	153,200	181,796	488,313	184,357
Loyalty program	151,842	148,920	150,325	137,993
Leases	121,155	102,712	98,200	68,301
Electric power	83,956	108,348	74,742	79,350
Building and equipment maintenance	73,843	74,522	78,272	41,228
Expansion and computing	73,618	54,376	41,643	57,991
Electronics wallets	70,568	62,887	52,373	41,228
Water	59,799	55,643	47,617	44,924
Unfilled orders	56,714	52,041	65,315	68,301
Expenses to pay systems	54,205	49,065	69,611	80,753
Bank income to apply	48,682	14,772	13,555	12,644
Sundry creditors	351,835	198,812	383,042	466,496
Others	512,077	458,688	438,795	366,905
	$ 4,265,987	$ 3,843,439	$ 4,330,187	$ 3,854,636

15. Provisions

The provisions presented below, represent accrued expenses during 2019, 2018, 2017 and January 1, 2017, 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.

	2019	2018	2017	January 1, 2017
Opening balance	$ 129,265	$ 125,708	$ 102,292	$ 59,663
Additions	40,828	72,579	56,935	65,941
Provision applied and write-offs	(40,362)	(69,022)	(33,519)	(23,312)
Closing balance	$ 129,731	$ 129,265	$ 125,708	$ 102,292

16. 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 managed 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 not awarded.

The plans typically expose the Entity to actuarial risks such 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.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were made as of December 31, 2019 with information referring to October 31, 2019, 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:

	2019 %	2018 %	2017 %	January 1, 2017 %
Discount rate	7.35	9.64	7.95	7.76
Expected rate of salary increase	5.58	6.87	4.68	4.43
Expected return on plan assets	7.35	9.64	7.95	7.76
Age for current pensioners (years):				
Males	65	65	65	65
Females	65	65	65	65

Items of defined benefit costs recognized in other comprehensive income.

	2019	2018	2017	January 1, 2017
Remeasurement on the net defined benefit liability:				
Actuarial (profit)/losses on return on plan assets excluding amounts included in net interest expense	$ (90,807)	$ (177,403)	$ 166,035	$ (155,579)
Actuarial (profit)/losses arising from changes in demographic assumptions	(756)	(108,407)	(15,765)	(101,320)
Actuarial (profit)/losses arising from changes in financial assumptions	(873,024)	240,935	(79,574)	82,814
Other actuarial (profit)/losses for experience	12,324	119,668	(60,405)	95,113
Items of defined benefit costs recognized in other comprehensive income	$ (952,263)	$ 74,793	$ 10,291	$ (78,972)

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 2019 (current working service cost) included $31,044 and $98,966 in the income statement as selling expenses and administrative expenses, respectively, the statement of income also includes interest income of $227,953.

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:

	2019	2018	2017	January 1, 2017
Present value of funded defined benefit obligation	$ (3,047,887)	$ (1,958,895)	$ (2,055,562)	$ (1,731,011)
Fair value of plan assets	2,556,670	2,439,747	2,438,438	2,093,556
Surplus	$ (491,217)	$ 480,852	$ 382,876	$ 362,545
Net assets arising from defined benefit obligation	$ 226,361	$ 537,346	$ 628,112	$ 504,551
Net liabilities arising from defined benefit obligation.	(717,578)	(56,494)	(245,236)	(142,006)
	$ (491,217)	$ 480,852	$ 382,876	$ 362,545

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

	2019	2018	2017	January 1, 2017
Opening defined benefit obligation	$ 1,958,895	$ 2,055,562	$ 1,731,011	$ 1,688,580
Current service cost	111,385	101,394	87,162	84,881
Cost (income) interest	187,418	148,169	131,634	116,504
Remeasurement (gains)/losses:				
Actuarial (gains) and losses arising from changes in demographic assumptions	765	111,716	16,562	101,320
Actuarial (gains) and losses arising from changes in financial assumptions	882,986	(248,290)	85,570	(82,814)
Other (actuarial losses o (gains) from experience)	(12,464)	(123,321)	60,584	(95,113)
Past service cost	27,355	8,767	4,539	906
Actuarial losses/(gains) on liquidations or reductions	-	-	84	-
Settled obligation	(8,707)	-	-	-
Benefits paid	(99,746)	(95,102)	(61,584)	(83,253)
Closing defined benefit obligation	$ 3,047,887	$ 1,958,895	$ 2,055,562	$ 1,731,011

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

	2019	2018	2017	January 1, 2017
Opening fair value of plan assets	$ 2,439,747	$ 2,438,438	$ 2,093,556	$ 2,109,558
Interest income	227,953	190,246	159,884	146,150
Remeasurement gains / (losses):				
Return on plan assets (excluding amounts included in net interest expense)	(91,842)	(182,817)	171,312	(155,579)
Entity contributions	80,000	88,552	74,714	75,774
Past service cost	-	-	-	906
Benefits paid	(99,188)	(94,672)	(61,028)	(83,253)
Closing fair value of plan assets	$ 2,556,670	$ 2,439,747	$ 2,438,438	$ 2,093,556

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 were 100 basis points higher (lower), the defined benefit obligation would decrease by $547,910 (increase by $430,177).

If the expected salary growth would increase (decreases) by 1%, the defined benefit obligation would increase by $249,654 (decrease by $218,889).

If the life expectancy would increase (decreases) by one year for both men and women, the defined benefit obligation would increase by $36,634 (decrease by $36,623).

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, 2019 are as follows:

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

Asset mix based on 47% equity instruments and 53% debt instruments.

The average duration of the benefit obligation as of December 31, 2019 is 15.02 years, 2018 is 12.90 years and 14.77 years in 2017.

The Entity expects to make a contribution of $335,953 to the defined benefit plans during the next financial year.

The major categories of plan assets are:

					Fair value of plan assets			
	2019 %	2018 %	2017 %	January 1, 2017 %	2019	2018	2017	January 1, 2017
Equity instruments	47%	47%	47%	55%	$ 1,244,592	$ 1,136,448	$ 1,149,174	$ 1,211,333
Debt instruments	53%	53%	53%	45%	$ 1,375,740	$ 1,276,449	$ 1,278,628	$ 990,834

The actual return on plan assets amounted to $228 million, $190 million and $160 million and $146 million in 2019, 2018, 2017 and January 1, 2017, respectively.

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

	2019	2018	2017	January 1, 2017
Short term benefits	$ 69,268	$ 62,392	$ 54,969	$ 58,177
Defined benefit plans	111,399	87,403	76,795	62,828

17. Stockholders' equity

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

	2019		2018		2017		January 1, 2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	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	2,382,000,000	$ 2,039,678
Treasury shares	(120,931,946)	(62,158)	(117,109,137)	(59,628)	(101,793,895)	(49,493)	(80,977,019)	(35,718)
Series B1	2,261,068,054	$ 1,977,520	2,264,890,863	$ 1,980,050	2,280,206,105	$ 1,990,185	2,301,022,981	$ 2,003,960

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 29, 2019, 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 $2,083,000 at a rate of $ 0.92 per each of the 2,264,082,145 shares subscribed and paid, without considering the 117,917,855 shares in Treasury on April 26, 2019. They were paid in two payments of $ 0.46 per share, the first payment on June 20 and the second on December 20, 2019, against delivery of coupon 13 and 14, respectively.

c. During 2019, 3,822,809 shares have been repurchased for $81,815, which affects common stock by $2,530 and accumulated earnings by $79,285.

d. During the Stockholders' Ordinary General Meeting held on April 26, 2018, 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 $2,042,833 at a rate of $ 0.90 per each of the 2,269,814,940 shares subscribed and paid, without considering the 112,185,060 shares in Treasury on April 25, 2018. They were paid in two payments of $ 0.45 per share, the first payment on June 20 and the second on December 20, 2018, against delivery of coupon 11 and 12, respectively.

e. During 2018, 15,315,242 shares have been repurchased for $300,967, which affects common stock by $10,135 and accumulated earnings by $290,832.

f. During the Stockholders' Ordinary General Meeting held on April 26, 2017, 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 $2,022,278 at a rate of $ 0.88 per each of the 2,298,043,075 shares subscribed and paid, without considering the 83,956,925 shares in Treasury on April 25, 2018. They were paid in two payments of $ 0.44 per share, the first payment on June 20 and the second on December 20, 2018, against delivery of coupon 9 and 10, respectively.

g. During 2017, 20,816,876 shares have been repurchased for $424,063, which affects common stock by $13,775 and accumulated earnings by $410,287.

h. 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, 2019, 2018 and 2017, the legal reserve, in historical pesos, was $311,682, 311,682 and $311,682, respectively.

i. 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.

j. 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.

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

	2019	2018	2017	January 1, 2017
Contributed capital account	$ 17,192,639	$ 16,646,126	$ 16,182,112	$ 15,561,309
Consolidated net tax income account	6,021,958	5,836,691	6,231,645	6,283,944
Total	$ 23,214,597	$ 22,482,817	$ 22,413,757	$ 21,845,253

18. Transactions and balances with related parties

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

	2019	2018	2017	January 1, 2017
Receivable -				
Radiomóvil Dipsa, S.A. de C.V.	$ 37,049	$ 41,268	$ 25,953	$ 20,814
Teléfonos de México, S.A.B. de C. V.	43,543	26,795	18,873	21,000
Grupo Técnico de Servicios Telvista, S. A. de C. V	-	4,843	3,811	2,873
Nacional de Conductores Eléctricos, S.A. de C.V.	3,670	3,696	3,367	3,115
Pase, Servicios Electrónicos, S.A. de C.V.	1,371	2,432	-	-
Impulsora Turística de Tabasco, S.A. de C.V.	-	1,624	-	-
Seguros Inbursa, S.A. de C. V.	4,436	1,386	5,528	2,424
Operadora de Sites Mexicanos, S.A. de C.V	1,180	1,271	1,585	913
Inmuebles Srom, S.A. de C.V.	14	766	-	-
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	443	443	443	443
Imsalmar, S.A. de C.V.	183	422	327	196
Nacobre Servicios Administrativos, S.A. de C.V	1,531	412	457	555
Industrial Afiliada, S.A. de C.V.	127	278	363	268
Servicios Corporativos Ideal, S.A de C.V.	558	224	293	643
Banco Inbursa, S.A. de C.V.	966	205	6,802	-
Nacional de Cobre, S.A. de C.V.	146	47	38	49
Promotora del Desarrollo de América Latina, S.A. de C.V.	2	32	11	76
I+D México, S.A. de C. V	-	-	3,109	2,168
Hipocampo, S.A. de C.V	23	27	1,368	1,097
Patrimonial Inbursa, S.A. de C.V.	-	23	-	-
Entidad de Servicios Ostar, S.A. de C.V.	13	11	3	72
Administración Especializada Integral, S.A. de C.V.	541	-	-	796
Bienes Raíces de Acapulco, S.A. de C.V.	2	-	954	-
Miniso BF Holding S. de R.L. de C.V.	153,793	-	-	-
Grupo Telvista, S.A. de C.V.	4,346	4,843	3,811	-
Others	6,457	800	6,815	7,634
	$ 260,394	$ 91,848	$ 83,911	$ 65,136

	2019	2018	2017	January 1, 2017
Payable -				
Radiomóvil Dipsa, S.A. de C.V.	$ 237,912	$ 480,318	$ 264,059	$ 310,871
Sears Brands Management Corporation	82,437	83,476	79,936	97,416
AMX Contenido, S.A. de C.V.	2,097	61,125	-	-
Inmose, S.A. de C.V.	42,364	47,659	31,368	31,233
Inmuebles Srom, S.A. de C.V.	17,022	42,139	14,301	7,214
Plaza Carso II, S.A. de C.V.	9,505	9,638	7,398	6,048
Teléfonos de México, S.A.B. de C.V.	17,223	8,927	4,821	11,162
Bajasur, S.A. de C.V.	7,546	7,667	1,307	798
Desarrollos Sagesco, S.A. de C.V.	8,919	7,627	6,223	4,017
Consorcio Red Uno, S.A. de C.V.	17,423	7,325	5,138	5,530
Claro Video, Inc.	8,083	7,230	2,182	1,752
Concesionaria Etram Cuatro Caminos, S.A. de C.V.	7,595	5,545	3,115	-
Inmuebles Corporativos e Industriales, S.A. de C.V.	890	4,093	-	-
Selmec Equipos Industriales, S.A. de C.V.	1,971	3,976	4,478	3,509
Bienes Raíces de Acapulco, S.A. de C.V.	2,765	3,735	2,214	4,110
Bicicletas de México, S. A. de C.V.	3,063	3,107	2,806	5,807
Escaleras, S. de R.L. de C.V.	1,008	2,699	-	-
América Móvil, S.A.B. de C.V.	1,633	2,291	3,211	2,407
Inversora Bursátil, S.A. de C.V.	10	1,604	18,869	-
Grupo Telvista, S.A. de C.V.	3,036	1,148	2,601	-
Anuncios en Directorio, S. A. de C.V.	4,452	1,061	11,701	14,595
Inmuebles General, S.A. de C.V.	776	804	1,107	-
Banco Inbursa, S.A. de C.V.	800	758	1,407	958
Carso Global Telecom, S. A. de C.V.	497	497	497	-
Servicios Condumex, S.A. de C.V.	23	40	100	-
Conglomerado de Medios Interna, S.A. de C.V.	-	-	11,065	-
Emprendedora Administrativa, S.A. de C.V.	13,460	-	5,674	-
JM Distribuidores, S.A.	22,226	40,817	26,300	-
Seguros Inbursa, S.A. de C.V.	250	475	291	-
Cigarros La Tabacalera, S. de R.L. de C.V.	6,580	649	-	-
Others	8,832	7,769	12,422	10,961
	$ 530,398	$ 844,199	$ 524,591	$ 518,388

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.

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

		2019		2018		2017		January 1, 2017
Sales-								
Seguros Inbursa, S.A.	$	41,457	$	59,649	$	49,300	$	44,433
Radiomóvil Dipsa, S.A. de C.V.		7,813		416		(13,457)		7,087
Grupo Telvista, S.A. de C.V.		30,646		27,802		26,540		24,771
Nacional de Conductores Eléctricos, S.A. de C.V.		23,593		22,348		21,057		20,111
Outsourcing Inburnet, S.A. de C.V.		21,392		20,362		-		-
Teléfonos de México, S.A.B. de C.V.		7,186		12,296		5,577		5,516
Sociedad Financiera Inbursa, SOFOM E.R.		-		8,745		-		-
Nacobre Servicios Administrativos, S.A. de C.V.		8,838		8,243		8,203		7,128
Hipocampo, S.A. de C.V.		9,039		6,569		3,870		3,059
Afore Inbursa, S.A. de C.V.		3,250		5,266		-		-
Constructora Terminal Valle de México, S.A. de C.V.		1,451		4,400		-		-
América Móvil, S.A.B. de C.V.		4,197		3,548		-		-
Latam Servicios Integrales, S.A. de C.V.		2,993		3,087		-		-
Arneses Eléctricos Automotrices, S.A. de C.V.		2,706		2,983		-		-
Administradora de Personal de Centros Comerciales, S.A. de C.V.		2,328		2,565		-		-
Banco Inbursa, S.A.		25,410		32		253		74
Sales (others)		29,627		31,052		28,550		29,175
Total	$	221,926	$	219,363	$	129,893	$	141,354
Interests received	$	44,523	$	14,157	$	8,575	$	14,885
Lease income -								
Radiomóvil Dipsa, S.A. de C.V.	$	12,031	$	12,882	$	9,298	$	8,662
Teléfonos de México, S.A.B. de C.V.		9,007		9,934		9,336		8,941
Banco Inbursa, S.A.		32,499		30,426		4,751		4,766
I+D México, S.A. de C.V.		-		5,205		5,152		4,941
Operadora de Sites Mexicanos, S.A. de C.V.		4,487		2,819		2,529		2,660
Laboratorio Médico Polanco, S.A. de C.V.		-		1,085		1,010		-
Pase Servicios Electrónicos, S.A. de C.V.		4,996		-		-		3,249
Lease income (others)		892		2,845		3,431		2,082
Total	$	63,912	$	65,196	$	35,507	$	35,301
Service revenues -								
Clarovideo Inc. (Antes DLA, Inc.)	$	136,814	$	133,314	$	109,573	$	43,361
Radiomóvil Dipsa, S.A. de C.V.		241,896		230,534		164,282		232,951
Banco Inbursa, S.A.		4,199		7,999		36,985		34,621
Sociedad Financiera Inbursa, S.A. de C.V.		12,834		7,335		5,098		7,590
Seguros Inbursa, S.A.		4,075		4,546		12,098		12,180
Patrimonial Inbursa, S.A.		2,683		4,488		12,372		13,416
Teléfonos de México, S.A.B. de C.V.		9,662		1,073		10,307		19,745
América Móvil, S.A.B. de C.V.		-		847		326		-
Inmuebles SROM, S.A. de C.V.		3,958		4,396		-		5,563
Outsourcing Inburnet, S.A. de C.V.		-		-		12,946		5,080
Grupo Telvista, S.A. de C.V.		-		-		5,625		4,216
Hipocampo, S.A. de C.V.		-		-		4,594		3,078
I+D México, S.A. de C.V.		-		-		2,866		-
Fundación Telmex, A.C.		-		-		1,873		-
Insalmar, S.A. de C.V.		-		-		639		-
Service revenues (others)		5,651		3,474		7,506		8,877
Total	$	421,772	$	398,006	$	387,090	$	390,678
Income from sale of fixed assets	$	619	$	2,965	$	459	$	272

		2019		2018		2017		January 1, 2017
Inventory purchases-								
Radiomóvil Dipsa, S.A. de C.V.	$	(77,551)	$	(98,261)	$	42,257	$	(148,127)
América Móvil, S.A.B. de C.V.		(86,457)		(96,968)		(113,360)		(133,754)
Acer Computer México, S.A. de C.V.		-		(7,266)		-		-
Escaleras, S. de R.L. de C.V.		(6,351)		(6,955)		-		-
Bicicletas de México, S.A. de C.V.		(4,741)		(6,051)		(5,771)		(8,438)
Grupo Telvista, S.A. de C.V.		-		(3,085)		(7,763)		-
Sears Brands Management Corporation		(544)		(1,084)		(140,375)		(268,823)
Teléfonos de México, S.A.B. de C.V.		(74)		(204)		(2,209)		(40,899)
JM Distribuidores, S.A. de C.V.		(183,552)		(180,702)		(156,312)		-
Inventory purchases (others)		(7,106)		(7,463)		(15,807)		(22,393)
Total	$	(366,376)	$	(408,039)	$	(399,340)	$	(622,434)
Insurance expenses with Seguros Inbursa, S.A.	$	(137,019)	$	(124,480)	$	(105,879)	$	(124,641)
Lease expenses-								
Inmuebles Srom, S.A. de C.V.	$	(181,327)	$	(160,910)	$	(169,133)	$	(183,115)
Inmuebles General, S.A. de C.V.		(92,980)		(94,731)		(93,373)		(83,713)
Inmose, S.A. de C.V.		(82,263)		(84,159)		(89,679)		(134,166)
Bienes Raíces de Acapulco, S.A. de C.V.		(46,475)		(47,093)		(49,150)		(46,768)
Bajasur, S.A. de C.V.		(37,883)		(34,236)		(37,682)		(32,761)
Desarrollos Sagesco, S.A. de C.V.		(31,414)		(33,070)		(31,189)		(30,594)
Inmuebles Corporativos e Industriales CDMX, S.A.		(8,645)		(11,155)		-		-
Fideicomiso Plaza Universidad		(10,722)		(10,396)		(9,777)		-
Acolman, S.A.		(12,515)		(9,217)		(8,825)		(5,984)
Plaza CARSO II, S.A. de C.V.		(15,726)		(15,663)		(13,733)		(14,039)
Inmobiliaria Santa Cruz, S.A. de C.V.		(8,611)		(8,846)		(8,651)		(8,356)
Cigarros La Tabacalera Mexicana, S. de R.L. de C.V.		(6,478)		(7,272)		(6,468)		(6,025)
Fideicomiso Desarrollo Tlalnepantla		(2,985)		(2,025)		(4,088)		-
Autoensambles y Logística, S.A. de C.V.		(14,932)		-		-		-
Lease expenses (others)		(103,375)		(94,016)		(76,641)		(85,782)
Total	$	(656,331)	$	(612,789)	$	(598,389)	$	(631,303)
Interest expenses	$	(16,008)	$	(3,672)	$	(1,172)	$	(2,339)
Service expenses -								
Sears Brands Management Corporation	$	(262,955)	$	(258,087)	$	(260,818)	$	(245,005)
Teléfonos de México, S.A.B. de C.V.		(243,835)		(242,686)		(274,848)		(353,639)
AMX Contenido, S.A. de C.V.		(190,995)		(202,048)		-		-
Promotora Inbursa, S.A. de C.V.		(131)		(116)		(4,575)		(5,829)
Emprendedora Administrativa, S.A. de C.V.		(41,475)		(34,964)		(31,013)		(24,652)
Hitss Consulting, S.A. de C.V.		(31,332)		(28,253)		-		-
Conglomerado de Medios Internacionales, S.A. de C.V.		-		(17,993)		(251,341)		-
Grupo Telvista, S.A. de C.V.		(14,396)		(7,292)		-		-
Teléfonos del Noroeste, S.A. de C.V.		(1,082)		(6,238)		-		-
Seguros Inbursa, S.A.		(6,110)		(4,327)		-		-
Anuncios en Directorio, S.A. de C.V.		(3,367)		(513)		(5,239)		-
Banco Inbursa, S.A.		(6,047)		(492)		(115)		(6,796)
Prodigy MSN Film, S. A. de C. V.		-		-		(914)		-
Radiomóvil Dipsa, S.A. de C.V.		(3,031)		-		-		(5,405)
Service expenses (others)		(12,810)		(3,250)		(3,396)		(38,804)
Total	$	(817,566)	$	(806,259)	$	(832,259)	$	(680,130)
Other expenses, net	$	(264,032)	$	(199,367)	$	(242,538)	$	(132,987)
Purchases of property, plant and equipment	$	(99,450)	$	(121,001)	$	(84,505)	$	(71,112)

19. Revenue

	2019	2018	2017
Sale of goods	$ 47,880,717	$ 46,560,437	$ 44,803,041
Interests by credit card	3,974,592	3,793,981	3,609,459
Services	1,041,234	1,017,942	985,971
Leases	258,469	238,346	224,472
Other	133,467	144,716	145,484
Total income	$ 53,288,479	$ 51,755,422	$ 49,768,427

20. Cost and expenses by nature

	2019			
Concept	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 32,724,772	$ -	$ -	$ 32,724,772
Wages and salaries	11,749	4,076,041	736,647	4,824,437
Employee benefits	-	2,084,248	333,305	2,417,553
Electricity	8,168	693,058	7,509	708,735
Maintenance	45,944	770,629	37,597	854,170
Advertising	-	516,747	-	516,747
Royalties	-	257,234	3,001	260,235
Security services	17,565	87,593	3,783	108,941
Water	6,756	124,581	1,649	132,986
Expansion costs	-	-	115,632	115,632
Provision for impairment of loan portfolio	-	-	849,482	849,482
Employee benefits	-	31,044	98,966	130,010
Others	99,206	2,042,019	807,459	2,948,684
	32,914,160	10,683,194	2,995,030	46,592,384
Lease depreciation	-	860,041	-	860,041
Depreciation and amortization	39,923	1,164,859	98,258	1,303,040
	39,923	2,024,900	98,258	2,163,081
	$ 32,954,083	$ 12,708,094	$ 3,093,288	$ 48,755,465

	2018			
Concept	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 31,396,929	$ -	$ -	$ 31,396,929
Wages and salaries	11,296	3,923,211	673,964	4,608,471
Employee benefits	-	1,921,363	336,008	2,257,371
Electricity	7,566	639,509	6,845	653,920
Maintenance	41,258	725,202	51,957	818,417
Advertising	3,363	458,467	-	461,830
Royalties	-	257,104	3,000	260,104
Security services	16,917	72,704	3,620	93,241
Water	7,191	121,649	943	129,783
Expansion costs	-	-	154,421	154,421
Provision for impairment of loan portfolio	-	-	926,474	926,474
Employee benefits	-	33,945	76,216	110,161
Others	102,824	1,981,990	773,310	2,858,124
	31,587,344	10,135,144	3,006,758	44,729,246
Lease depreciation	-	802,539	-	802,539
Depreciation and amortization	43,184	1,193,565	52,976	1,289,725
	43,184	1,996,104	52,976	2,092,264
	$ 31,630,528	$ 12,131,248	$ 3,059,734	$ 46,821,510

	2017			
Concept	**Cost of sales**	**Selling and distribution expenses**	**Administrative expenses**	**Total cost and expenses**
Merchandise	$ 29,837,009	$ -	$ -	$ 29,837,009
Wages and salaries	11,175	3,786,072	641,605	4,438,852
Employee benefits	-	,860,299	329,778	2,190,077
Electricity	6,023	607,766	7,481	621,270
Maintenance	34,019	652,190	50,727	736,936
Advertising	3,050	440,100	-	443,150
Royalties	-	254,525	3,123	257,648
Security services	16,792	74,163	4,051	95,006
Water	7,503	117,021	1,173	125,697
Expansion costs	-	-	135,143	135,143
Provision for impairment of loan portfolio	-	-	762,168	762,168
Employee benefits	-	35,510	56,190	91,700
Others	85,900	2,007,081	656,492	2,749,473
	30,001,471	9,834,727	2,647,931	42,484,129
Lease depreciation	-	774,052	-	774,052
Depreciation and amortization	43,395	1,106,413	108,553	1,258,361
	43,395	1,880,465	108,553	2,032,413
	$ 30,044,866	$ 11,715,192	$ 2,756,484	$ 44,516,542

21. Other income

	2019	2018	2017
Cancellation of liabilities and provisions	$ (246,305)	$ (337,801)	$ (265,289)
Gain arising on changes in fair value of investment properties	(91,718)	(91,652)	(115,955)
Application of deterioration	(6,725)	(31,349)	-
Cancelation Judgment	-	(28,000)	-
Income Escrow Cabi Culiacán	-	(20,576)	-
Recovery by sequential loss	(7,248)	(7,143)	(54,489)
Parking recovery	(2,886)	(6,090)	-
Royalties sales of brand	(10,916)	(5,402)	-
Gain on sale of property, machinery and equipment	(3,378)	(3,218)	(3,409)
Others	(25,574)	(20,930)	(17,124)
	$ (394,750)	$ (552,161)	$ (456,266)

22. Other expenses

	2019	2018	2017
Loss on sale of property, machinery and equipment	$ 27,960	$ 115,369	$ 20,840
Labor contingencies	22,772	43,550	37,338
Tax Update	27,203	32,468	-
Expenses for closing units	17,825	20,442	7,502
Contingency technical assistance	6,895	15,913	-
Impairment of property	25,641	8,174	31,349
Sub-leases	5,467	5,341	5,239
Doubtful accounts	-	-	11,823
Exercise participation previous	35,749	-	-
VAT 69B non-deductible	18,742	-	-
Judgment	8,052	-	-
Non- deductible	7,208	-	-
Others	25,059	21,641	25,712
	$ 228,573	$ 262,898	$ 139,803

23. Income taxes

The Entity is subject to ISR. Under the ISR Law, the rate for 2019, 2018 and 2017 was 30% and will continue to 30% and thereafter. The Entity incurred ISR on a consolidated basis until 2014 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 2019, 2018 and 2017 as previously described.

a. Income taxes consist of the following:

	2019	2018	2017
ISR:			
Current	$ 1,522,307	$ 1,545,900	$ 1,582,362
Deferred	(172,801)	(100,840)	(347,730)
	$ 1,349,506	$ 1,445,060	$ 1,234,632

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

	2019	2018	2017	January 1, 2017
ISR deferred (asset) liability:				
Property, machinery and equipment and investment properties	$ 628,508	$ 720,382	$ 876,830	$ 1,139,653
Allowance for doubtful receivable	(140,435)	(131,432)	(152,866)	(112,738)
Allowance for obsolescence and shrinkage inventories	(181,414)	(160,994)	(136,044)	(125,235)
Allowances for assets and reserves for liabilities and provisions	(907,554)	(659,819)	(606,940)	(528,430)
Employee benefits	(103,459)	167,141	126,257	109,469
Others	144,023	(136,930)	(236,411)	(267,333)
Deferred ISR on temporary differences	(560,331)	(201,652)	(129,174)	215,386
Effect of tax loss carry- forwards	(159,526)	(57,692)	(25,283)	(25,572)
Deferred income tax liability	$ (719,857)	$ (259,344)	$ (154,457)	$ 189,814

The net deferred income tax liability is as follows:

	2019	2018	2017	January 1, 2017
Net assets	$ (1,922,791)	$ (1,501,957)	$ (1,381,609)	$ (975,072)
Net liabilities	1,202,934	1,242,613	1,227,152	1,164,886
Total	$ (719,857)	$ (259,344)	$ (154,457)	$ 189,814

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

	2019	2018	2017	January 1, 2017
Beginning balance	$ (259,344)	$ 154,457	$ 564,303	$ 72,007
Income tax applied to period results	(172,801)	(100,840)	(347,730)	171,732
Income tax recognized in other comprehensive income	(287,712)	(312,961)	(371,030)	(23,411)
Income tax from acquisition of subsidiary	-	-	-	(30,514)
Ending balance	$ (719,857)	$ (259,344)	$ (154,457)	$ 189,814

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

	2019 %	2018 %	2017 %
Statutory rate	30	30	30
Plus (less) permanent differences-			
Nondeductible expenses	3	1	1
Inflation effects	(5)	(5)	(8)
Effective rate	28	26	23

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, 2019 are as follows:

Year of Expiration	Tax loss carryforwards
2019	$ -
2020	14,010
2021 and thereafter	517,745
	$ 531,755

f. Income tax payable long-term:

It is composed by the tax integration regime that is paid in the next 3 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 defer the income tax was eliminated.

	2019	2018	2017	January 1, 2017
ISR incurred by tax integration regime	$ 733,469	$ 665,105	$ 497,385	$ 444,188
	$ 733,469	$ 665,105	$ 497,385	$ 444,188

24. Commitments

a. As of December 31, 2019, 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 $1,144,852.

b. In December, 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) (Sears) and Sears Roebuck and Co. (Sears EUA) 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 Sears of 1% to Sears EUA on merchandise sales revenue, 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, 2017, 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. On September 30, 2017, none of the parties notified the other of the decision to terminate the agreement, so it was automatically extended for an additional 7 years, respecting the initial terms of the agreement.

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 years' 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.

25. 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, 2019 amounts to $428,485, for which the Entity has recognized provisions $129,731, which is included in other liabilities in the consolidated statements of financial position. During 2019, the Entity made payments related to these matters of approximately $40,835. 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.

26. 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:

	2019				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 25,853,795	$ 12,569,843	$ 11,258,712	$ 3,606,129	$ 53,288,479
EBITDA [1]	4,049,127	1,017,443	515,854	1,207,046	6,789,470
Consolidated comprehensive income	1,352,232	52,092	203,640	1,340,540	2,948,504
Interest income	115,666	161,585	57,539	105,772	440,562
Interest expense	861,831	465,800	48,794	(558,952)	817,473
Depreciation and amortization	1,332,678	507,870	218,138	104,395	2,163,081
Income taxes	602,949	143,512	101,827	501,218	1,349,506
Total assets	29,449,366	11,038,522	4,840,235	11,363,952	56,692,075
Current liabilities	12,392,763	5,639,206	3,209,669	(5,324,269)	15,917,369
Long-term liabilities	3,303,614	2,174,372	328,048	1,812,396	7,618,430
Total liabilities	15,696,377	7,813,578	3,537,717	(3,511,873)	23,535,799
Capital expenditures	439,295	210,660	77,073	168,155	895,183

	2018 (restated)				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 25,815,304	$ 12,607,916	$ 9,798,470	$ 3,533,732	$ 51,755,422
EBITDA [1]	4,066,743	1,036,702	666,288	1,430,879	7,200,612
Consolidated comprehensive income	1,595,838	234,775	345,686	1,553,555	3,729,854
Interest income	363,051	300,068	69,248	109,155	841,522
Interest expense	923,132	435,429	44,910	(530,149)	873,322
Depreciation and amortization	1,310,123	497,312	179,506	105,323	2,092,264
Income taxes	584,692	191,542	163,257	505,569	1,445,060
Total assets	29,822,960	10,891,498	4,583,765	10,824,689	56,122,912
Current liabilities	13,240,637	5,411,449	2,938,081	(5,718,191)	15,871,976
Long-term liabilities	3,370,181	1,699,878	287,566	1,846,053	7,203,678
Total liabilities	16,610,818	7,111,327	3,225,647	(3,872,138)	23,075,654
Capital expenditures	922,079	336,130	73,494	86,647	1,418,350

	2017 (restated)				
	Sears and Boutiques	Sanborns	Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	$ 25,416,317	$ 12,599,598	$ 8,408,732	$ 3,343,780	$ 49,768,427
EBITDA [1]	4,297,416	1,197,084	623,690	1,397,965	7,516,155
Consolidated comprehensive income	1,797,141	252,379	323,767	1,582,384	3,955,671
Interest income	232,202	187,985	51,936	94,599	566,722
Interest expense	916,095	427,285	51,061	(480,506)	913,935
Depreciation and amortization	1,251,521	519,356	153,001	108,535	2,032,413
Income taxes	552,810	153,171	141,972	386,679	1,234,632
Total assets	29,456,836	10,910,813	3,652,508	9,631,161	53,651,318
Current liabilities	13,760,915	5,205,916	2,097,728	(6,458,463)	14,606,096
Long-term liabilities	3,573,329	1,810,480	365,437	1,717,699	7,466,945
Total liabilities	17,334,244	7,016,396	2,463,165	(4,740,764)	22,073,041
Capital expenditures	1,072,590	181,269	65,702	264,136	1,583,697

[1] EBITDA reconciliation.

	December 31, 2019	December 31, 2018	December 31, 2017
Income before income taxes	$ 4,439,105	$ 5,378,463	$ 5,394,428
Depreciation and amortization	2,163,081	2,092,264	2,032,413
Interest income	(440,562)	(841,522)	(566,722)
Interest expense	817,473	873,322	913,935
Gain on investment property revaluation	(91,718)	(91,652)	(115,955)
Gain on stock purchase	-	-	-
Equity in income of associates entities	(116,825)	(187,088)	(173,293)
Impairment property	18,916	(23,175)	31,349
EBITDA	$ 6,789,470	$ 7,200,612	$ 7,516,155

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, 2019	%	December 31, 2018	%	December 31, 2017	%
Mexico	$ 52,642,879	98.78	$ 51,082,553	98.70	$ 49,107,135	98.67
El Salvador	567,580	1.07	580,972	1.12	552,195	1.10
Panama	78,020	0.15	91,897	0.18	109,097	0.23
	$ 53,288,479	100.00	$ 51,755,422	100.00	$ 49,768,427	100.00

27. Application of new and revised International Financial Reporting Standards

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

In the current year, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS leases

The Entity has applied IFRS 16 (as issued by the IASB in January 1, 2017). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right- of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contracts to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Entity's consolidated financial statement is describe below.

The date of initial application of IRFS 16 for the Entity is 1 January 2019.

The Entity has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information:

(a) Impact of the new definition of a lease

The Entity has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contain a lease. According, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the costumer has the right to control the use of an identified asset for a period on time in exchange for consideration. This is a contrast to the focus on risk and rewards in IAS 17 and IFRIC4.

The Entity applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts the meet the definition of a lease for the Entity.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Entity:

(a) Recognizes depreciation of right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments:

(b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financial activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line-basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in profit or loss.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor account for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risk arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and no by reference to the underlying asset, as was the case under IAS 17).

Because of this change, the Entity has reclassified certain of its sub-lease agreements as financial leases. As required by IFRS 9, and allowance for expected credit losses has been recognized on the finance lease receivables.

(d) Financial impact on the initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

Impact in consolidated income statement	**2018**	**2017**
Impact on profit/(loss) for the year		
Increase in depreciation of the Right of use asset	$ (802,539)	$ (774,052)
Decrease in general expenses	1,229,603	1,183,990
Increase in financial expenses	(472,010)	(460,877)
Increase in financial income	1,548	1,328
Increase in foreign exchange gain	462,367	241,532
Decrease in exchange loss	(124,857)	(186,745)
Increase in deferred income tax	(98,764)	(7,361)
Increase (decrease) in profit for the year	$ 195,348	$ (2,185)

Impact on Assets, liabilities and capital as of January 1, 2017	Previously reported	Adjust by IFRS 16	Restated
Right of use asset	$ -	$ 5,504,480	$ 5,504,480
Deferred income tax	600,583	374,489	975,072
Other assets-net	44,584,460	-	44,584,460
Net impact on total assets	45,185,043	5,878,969	51,064,012
Lease liabilities	-	6,819,566	6,819,566
Net impact on total liabilities	14,233,518	6,819,566	21,053,084
Total stockholders' equity	$ 30,951,525	$ (940,597)	$ 30,010,928

Impact on Assets, liabilities and capital as of January 1, 2017	Previously reported	Adjust by IFRS 16	Restated
Right of use asset	$ -	$ 5,408,557	$ 5,408,557
Deferred income tax asset	1,014,482	367,127	1,381,609
Other assets-net	46,873,432	(12,280)	46,861,152
Net impact on total assets	47,887,914	5,763,404	53,651,318
Lease liabilities	-	6,704,877	6,704,877
Net impact on total liabilities	15,368,164	6,704,877	22,073,041
Total stockholders' equity	$ 32,519,750	$ (941,473)	$ 31,578,277

Impact on Assets, liabilities and capital as of January 1, 2018	Previously reported	Adjust by IFRS 16	Restated
Right of use asset	$ -	$ 5,484,394	$ 5,484,394
Deferred income tax asset	1,233,593	268,364	1,501,957
Other assets-net	49,148,840	(12,279)	49,136,561
Net impact on total assets	50,382,433	5,740,479	56,122,912
Lease liabilities	-	6,486,515	6,486,515
Net impact on total liabilities	16,589,139	6,486,515	23,075,654
Total stockholders' equity	$ 33,793,294	$ (746,036)	$ 33,047,258

The application on IFRS 16 has an impact on the consolidated statement of cash flows of the Entity.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities of financing activities, as permitted by IAS 7 (the Entity has opted to include interest paid as part of financing activities); and
- Cash payment for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $782,154 and $759,141 in 2019 and 2018, respectively, being the lease payments, and the net cash used in financing activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

The impact on the application of IFRS 16 on basic and diluted earnings per share was by $0.09 as December 31, 2018.

Impact of applying other modification to IFRS standards and interpretation

In the current year, the Entity has applied number of amendment to IFRS Standards and interpretation issued by the IASB that are effective for an annual period that begins on or after a January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9
Prepayment Features with Negative Compensation

The Entity has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The Entity has adopted the amendments to IAS 28 for the first time in the current period. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applicable.

Amendment to IAS 28
Long term interest in Associates and joint ventures

These include long-term interests that, in substance, form part of the net investments in an associate or joint venture. The Entity applies IFRS 9 to such long-term interest before it applies IAS 28. In applying IFRS 9, the Entity does not take into account any adjustments to the carrying amount of long-term interests required by IAS 28 (for example, adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual improvements to I
FRS Standards 2015-2017

The Entity has adopted the amendments included in the *Annual Improvements* to IFRS Standards 2015-2017 Cycle for the first time in the current year. The Annual improvements include amendments four Standards:

IAS 12 *Income Taxes*

Cycle Amendments to
IAS 12 Income Tax, IAS 23 Borrowing Cost, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 *Business Combinations*

The amendments to IFRS 3 clarify that when an Entity obtains control of a business that is a joint operation, the Entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11 *Joint Arrangements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Entity does not remeasure its PHI in the joint operation.

Amendments to IAS 19
Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An Entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: Determine whether uncertain tax positions are assessed separately or as an Entity; and Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the Entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the Entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

28. Significant accounting polices

a. Statement of compliance

The consolidated financial statements of the Entity have been prepared in accordance with IFRS and its adjustments and interpretation issued by the International Accounting Standards Board (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 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 Group 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 IFRS 16, 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 Entity and entities controlled by the Entity and its subsidiaries. Control is achieved when Grupo Sanborns:

- 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 direct shareholding of Grupo Sanborns in the share capital of the subsidiaries as of December 31, 2019, 2018, 2017 and January 1, 2017, is shown below:

		% de Ownership			
Subsidiary	Activity	2018	2017	2016	January 1, 2017
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	99.23
Sears Operadora México, S.A. de C.V. and Subsidiaries ("Sears")	Operation of department stores unde the Sears brand	98.94	98.94	98.94	98.94
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiaries	Operation of record stores, restaurants and coffee shops under the iShop, Mix-up, Sanborns Café brands and Sanborns store in Panama	99.96	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	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V. and Subsidiaries	Boutiques operator and sub holding	100.00	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	100.00
Comercializadora Dax, S.A. de C.V. and Subsidiary	Operation of department stores under Dax brand	100.00	100.00	100.00	100.00
Grupo Inmobiliario Sanborns, S.A de C.V.	Sale, lease or sublease of fixed assets.	100.00	100.00	100.00	100.00
Claroshop.Com Holding, S.A. de C.V.	E-commerce	56.67	56.54	56.54	56.54
Gentics & ME, S.A. de C.V.	Retail trade of natural products and food supplements	100.00	100.00	-	-

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. Financial instruments

Financial assets and financial liabilities are recognized in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

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.

e. Financial assets

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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

- *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or fair value criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at fair value through other comprehensive income. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income".

(ii) Equity instruments designated as at fair value through other comprehensive income

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income on initial application of IFRS 9.

(iii) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (see (i) to (iii) above) are measured at fair value through profit or loss. Specifically:

- Investments in equity instruments are classified as at fair value through profit or loss, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see (i) and (ii) above) are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortized cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item;
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

(iv) Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit losses for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(v) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(vi) Definition of default

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(vii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;

(b) A breach of contract, such as a default or past due event (see (ii) above);

(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) The disappearance of an active market for that financial asset because of financial difficulties.

(viii) Write-off policy

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(ix) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit losses are no longer met, the Entity measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(x) Derecognition of financial assets

The Entity derecognizes a financial asset only 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 entity. 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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Entity has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

f. Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

i. *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of an Entity 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 IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' in profit or loss.

However, for financial liabilities that are designated as at fair value through profit or loss, 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 recognized 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. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at fair value through profit or loss are recognized in profit or loss.

Fair value is determined in the manner described in note 10.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, are measured subsequently at amortized cost using the effective interest method.

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

ii. Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 60) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at fair value through profit or loss, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

iii. Derecognition of financial liabilities

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

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

g. 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 method, 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.

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 results once the award is redeemed or expires.

i. 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 the other comprehensive income and are reclassified from the stockholders' equity to profits or losses when selling, totally or partially, the net investment.

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 of 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.

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

The costs of 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)

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

As result of the 2014 Income Tax Law, as of December 31, 2019, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

j. 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.

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. The Administration estimates to recover the total fair value through the 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.

k. Provisions

Provisions are recognized when Grupo Sanborns has a present obligation (legal or constructive) as a result of a past event, it is probable that Grupo Sanborns 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.

l. Revenue recognition

The revenue is calculated at the fair value of the consideration received or receivable, taking into account the estimated amount of customer returns, rebates and other similar discounts. The recognition of income is made according to the following criteria:

i. Revenue recognition

The Entity recognizes income from the following sources at a point in time, which occurs when the control of the products is transferred to the customer:

Revenue from retail sales of department stores, specialty stores, luxury stores and restaurant stores, with highly recognized brands such as: Sears, Sanborns, iShop-Mixup, eduMac, Saks Fifth Avenue, DAX and Sanborns Café.

Income from the operation of an electronic commerce platform under the Claroshop.com brand. Claro operates its transactions from its internet portal www.claroshop.com.

The Entity sells goods directly with the customer through its points of sale and the income is recognized when the control of the goods has been transmitted, being the point at which the buyer acquires the goods in the retail store. The payment of the transaction price is immediate at the point at which the buyer acquires the goods.

Under the standard contractual terms of the Entity, the buyer has the right to return the goods within 30 days after the sale. This represents a variable consideration that is recognized as a liability for the amount estimated to be reimbursed for refunds and an adjustment to the corresponding income. At the same time, the entity has the right to recover the product when the buyer exercises his right to return it, consequently he recognizes an asset for the right to the goods returned by the customer and an adjustment corresponding to the cost of sales.

The Entity uses its historical experience to estimate the number of products returned at the portfolio level using an expected method. It is considered highly probable that there will not be a significant revision in the accumulated income recognized, given the constant level of performance of previous years.

ii. Interest on credit sales - Interest income from credit sales is recognized when they accrue and is generated by the operation of credit cards and other credits (Sanborns, Sears, Saks, Mixup, Corpti and Claroshop).

iii. Administrative services and banking intermediation - They are recognized over time, as the service is provided.

iv. Leasing - They are recognized on the basis of a straight line as the leasing services are provided and the maintenance fees are recognized in the period of the duration of the lease from which they come.

m. Property, plant and equipment

As of January 1, 2011, date of transition to IFRS, 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.

n. Leases

- The Entity as lessor

The Entity enters into lease agreements as a lessor with respect to some of its investment properties. The Entity also rents equipment to retailers necessary for the presentation and costumer fitting and testing of footwear and equipment manufactured by the Entity.

Leases for which the Entity acts as lessor are classified as financial leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other contracts are classified as operating leases.

When the Entity is an intermediate lessor, it accounts for the main lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the asset for rights-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognized under a straight-line basis over the lease term.

Amounts due from leases under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

When a contract includes both leases and non-lease components, the Entity applies IFRS 15 allocate the consideration under the contract to each component.

- The Entity as lessee

The Entity assesses whether a contract contains a lease at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets, personal computers, small items of office furniture and telephones). For these leases, the Entity recognizes the leases payments as an operating expense under the straight-line method basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the rent payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily, the Entity uses incremental its incremental borrowing rate.

Lease payment included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the leases under residual value guarantees;
- The exercise price of purchases options, if the lease term reflects the exercise of an option to terminate the lease.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has charged or there is a significant event or charge in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payment using a revised discount rate.
- The lease payment chance due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured based on the lease term of the modified lease by discount the revised lease payment using a revised discount rate at the effective date of the modification.
- A lease contract is modified and the lease modification is not accounted as a separated lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised leases payments using a revised discount rate at the effective date of the modification.

The Entity did not make any such adjustment during the periods present.

The right-of-use asset comprised the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs and obligation for cost to dismantle and remove a lease asset, restore the site on which it is located or restored the underlying asset to the condition required by the term and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the cost are included in the related right- of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expect to exercise a purchase option, the related right-of-use is depreciated over the useful life over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset are presented as a separated line in the consolidate statement on financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the Property, Plant and Equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period which the event or condition that triggers those occurs and are included in the line “Other expenses” in profit or loss.

As practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Entity has not used this practical expedient. For a contract that contain a lease component and one or more addition lease or non-lease components, the Entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

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 value of money over time 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 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. Investments in associates and others

Those permanent investments made by the Entity in companies in which there is no control, joint control, or significant influence are initially recorded at acquisition cost and dividends received are recognized in the results of the period unless they come from profits from periods prior to the acquisition, in which case the permanent investment is reduced. In case of evidence of impairment, investments are subject to impairment tests.

s. Leasing

Leases are classified as financial when the terms of the lease transfer substantially all the risks and benefits inherent to the property to the lessees. All other leases are classified as operating.

– The Entity as a tenant

  Lease payments are distributed between financial expenses and the reduction of lease obligations in order to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are charged directly to income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy for borrowing costs.

  Lease payments for operating leases are charged to income using the straight-line method, during the lease term, unless another systematic basis of distribution is more representative because it reflects more adequately the pattern of lease benefits for the user. Contingent rents are recognized as expenses in the periods in which they are incurred.

t. Statements of cash flows

The indirect method is used for presenting cash flows from operating activities, such that the net consolidated profit 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.

29. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 28, 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.

Key sources of uncertainty in the estimates

a. Calculation of loss allowance

When measuring ECL the Entity uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the expected credit losses rates on trade receivables between 61 and 90 days past due had been 50% higher (lower) as of December 2019, the loss allowance on trade receivables would have been $ 98,630 and ($98,630) million higher (lower).

b. Inventory estimates 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.

c. 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.

d. Investment property - The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation technique is based on different methods including cost, market and income approaches; the Entity has utilized the income approach. 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 have not been modified in 2019, 2018, 2017 and January 1, 2017. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

e. 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.

f. 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.

g. 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.

h. 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.

30. Non-cash transactions

During 2019, 2018 and 2017, 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 $1,450, $2,616 and $7,120, respectively.

Furthermore, when adopting IFRS 16, the Entity recognized $ 1,005,872 of assets for right of use in 2019, $1,810,318 in 2018 and $ 851,912 in 2017.

31. Adoption of new and revised International Financial Reporting Standards

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

IFRS 17	Insurance contracts
IFRS 10 e IAS 28 (Ammendments)	Sale or Contribution of Asset between and investor and its Associate or Joint Venture
Amendment to IFRS 3	Definition of a business
Amendment to IAS 1 and IAS 18	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of these Standards listed above will have a material impact on the financial statement of the Entity in future periods, except as noted below:

IFRS 17, *Insurance contracts*

IFRS 17 established the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Contracts.

IFRSS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standards is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the Entity first applied the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between and Investor and its Associate or Join 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 effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References* to the *Conceptual Framework* in IFRS *Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

32. Subsequent events the reporting period

During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared, which was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020, its recent global expansion has motivated a series of containment measures in the different geographies where the Entity operates and certain sanitary measures have been taken by the Mexican authorities to stop the spread of this virus. In response to the agreement that establishes extraordinary actions to attend to the sanitary emergency generated by the virus COVID-19, Grupo Sanborns, S. A. B. de C.V., implemented prevention and mitigation measures in place to preserve the health of its clients, collaborators, suppliers and population.

Due to the above, the Entity has taken the following actions:

The Sears and Saks stores will be temporarily closed to the public from March 31 to April 30, 2020.

Sanborns stores will continue to be open, complying with sanitary measures and in accordance with official regulations, as well as with the demand of their customers, providing products and services in the pharmacy and telecommunications departments. They will continue to provide the service of selling prepared food and drinks to take away.

Sanborns Café have closed to the public, offering the service of selling prepared food and drinks to take away.

The majority of iShop stores remains open, complying with sanitary measures and in accordance with official regulations, as well as the demand of their customers.

The Loreto and Plaza Inbursa shopping centers are temporarily closed, maintaining only the restaurant service in their option of selling prepared food and take-away beverages.

Stores operating under the Dax format will continue to operate, as they are self-service stores.

The Entity will continue to serve its customers in its digital Stores www.sears.com.mx, www.sanborns.com.mx, www.ishopmixup.com, www.claroshop.com.mx, www.dax.com and its distribution centers. They will continue to operate with the protocols established by the health authority.

The extent to which the coronavirus COVID-19 pandemic will affect financial results, liquidity and cash flows will depend on future events that are highly uncertain and cannot be predicted at the date of issuance of these consolidated financial statements

33. Authorization to issue the financial statements

The consolidated financial statements were authorized for issue on April 13, 2020, 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, 2018 and 2017, were approved at the ordinary shareholders' meeting that took place on April 9, 2019 and April 26, 2018, respectively.