SEARS Me entiende

iShop Mixup

Sanborns

Saks Fifth Avenue

Grupo Sanborns

2015 ANNUAL REPORT

CORPORATE PROFILE

Grupo Sanborns is a leading company in the Mexican retail market. The company has a unique portfolio of multiple formats that includes specialized department stores, electronics and entertainment stores, convenience stores, luxury stores and restaurants, with highly-recognized brands such as Sears, Sanborns, iShop-MixUp, EduMac, Dax, Sanborns Café and Saks Fifth Avenue. Grupo Sanborns has a presence in 54 cities in Mexico, 430 stores and a sales area of 1 million thirty thousand square meters, offering a wide value proposition to our clients, which include more than 3 million cardholders.

MISSION, VISION AND VALUES

MISSION:

To offer our clients the highest-quality products and services, at fair prices, in an appropriate environment, ensuring the highest satisfaction through attentive personalized service. The client is the reason for our work.

VISION:

Consolidate and maintain leadership of our Group in the market, integrating the objectives of clients, personnel, suppliers and shareholders.

VALUES

Work: It is only through work that we can meet our needs, grow as persons and serve others, which is why we should seek our work to be a means of personal and professional development as well as emotional satisfaction.

Growth: To grow is to increase and improve our personal knowledge and abilities, so that together with the Group we can increase our capacity to offer more and better products through excellent service to our clients.

Social Responsibility: This responsibility represents doing our work well, reaffirming our values, fulfilling commitments with our clients and suppliers, respecting existing legislation and protecting natural resources and the environment.

Efficiency: Efficiency means being austere, caring for and efficiently utilizing the resources we have. Spend what is necessary and avoid what is useless and excessive.

CONTENT:

FINANCIAL HIGHLIGHTS

(Thousand pesos at December 31 of each year*)

GSANBORNS	2014	2015	Var%
Retail Sales	38,371,290	**41,482,002**	8.1%
Credit Income	2,831,257	**2,931,056**	4.2%
Total Sales	41,202,547	**44,413,058**	7.8%
Gross Profit	16,262,963	**17,475,621**	7.5%
Operating Income	4,428,474	**4,907,774**	10.8%
Operating Margin	10.7%	**11.1%**	0.3 p.p
EBITDA	5,027,548	**5,707,369**	13.5%
EBITDA Margin	12.2%	**12.9%**	0.6 p.p
Controlling Participation in Net Income	2,921,988	**3,090,017**	5.8%
Net Margin	7.1%	**7.0%**	-0.1p.p
Total Assets	40,684,402	**41,364,031**	1.7%
Total Liabilities	11,741,520	**11,968,900**	1.9%
Consolidated Stockholders' Equity	28,942,882	**29,395,131**	1.6%
Capital Expenditures (CapEx)	2,546,186	**2,255,645**	-11.4%
Total Debt	0	**0**	NA
Net Debt	-6,112,239	**-4,855,573**	-20.6%
Total Area (Sq meters)	1,052,923	**1,114,916**	5.9%
Credit Portfolio	10,304,796	**10,824,130**	5.0%
% Non-Performing Loans	3.5%	**3.2%**	-0.3
Credit Cards issued	3,266,167	**3,461,926**	6.0%
Net Debt/EBITDA	-1.22	**-0.85**	-30.0%
CapEx/Sales	6.2%	**5.1%**	-1.1
Compounded Average number of outstanding Shares (thousand)	2,349,884	**2,320,677**	1.2%
Earnings per Share**	1.24	**1.33**	7.1%
Closing year stock price***	22.98	**26.36**	14.7%

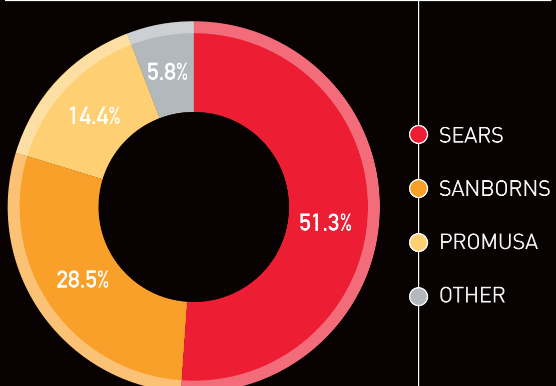
* Except outstanding shares, earnings per share and number of credit cards.
** Controlling Participation in Net Income divided by the compounded average number of outstanding shares.
***Started quoting in the MSE on February 8th, 2013.

FORMATS AND BRANDS

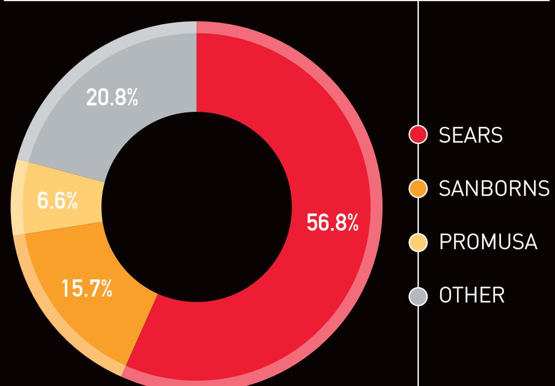
FORMAT:	NUMBER OF STORES:	SALES AREA (SQ METERS)	% OF SALES 2014	PRODUCTS
SEARS	87	744,988	51%	• Fashionware, large and small appliances, furniture, home improvement and electronics.
SANBORNS	170	258,983	29%	• Books, magazines, health and beauty, pharmacy, electronics, toys, music, videos, jewelry, photography, cellular phones, candy and gifts. • Bar and restaurant service.
ISHOP/MIXUP: EDUMAC	112	37,872	14%	• Apple products and accessories, music, videos, movies and video games. • Apple-related products and courses.
*OTHER: Dax, Sanborns Café, Saks Fifth Avenue, Boutiques, stores in Central America and 2 Shopping Centers	62	73,073	6%	• Cosmetics and perfumes. • Accessible traditional Mexican food. • High-quality clothing and accessories. • Shopping malls.
TOTAL	431	1,114,916	100%	

*Other includes 2 shopping centers totaling 71,225 sqm of leasable area.

SALES BREAKDOWN BY SUBSIDIARY
(Million Pesos)

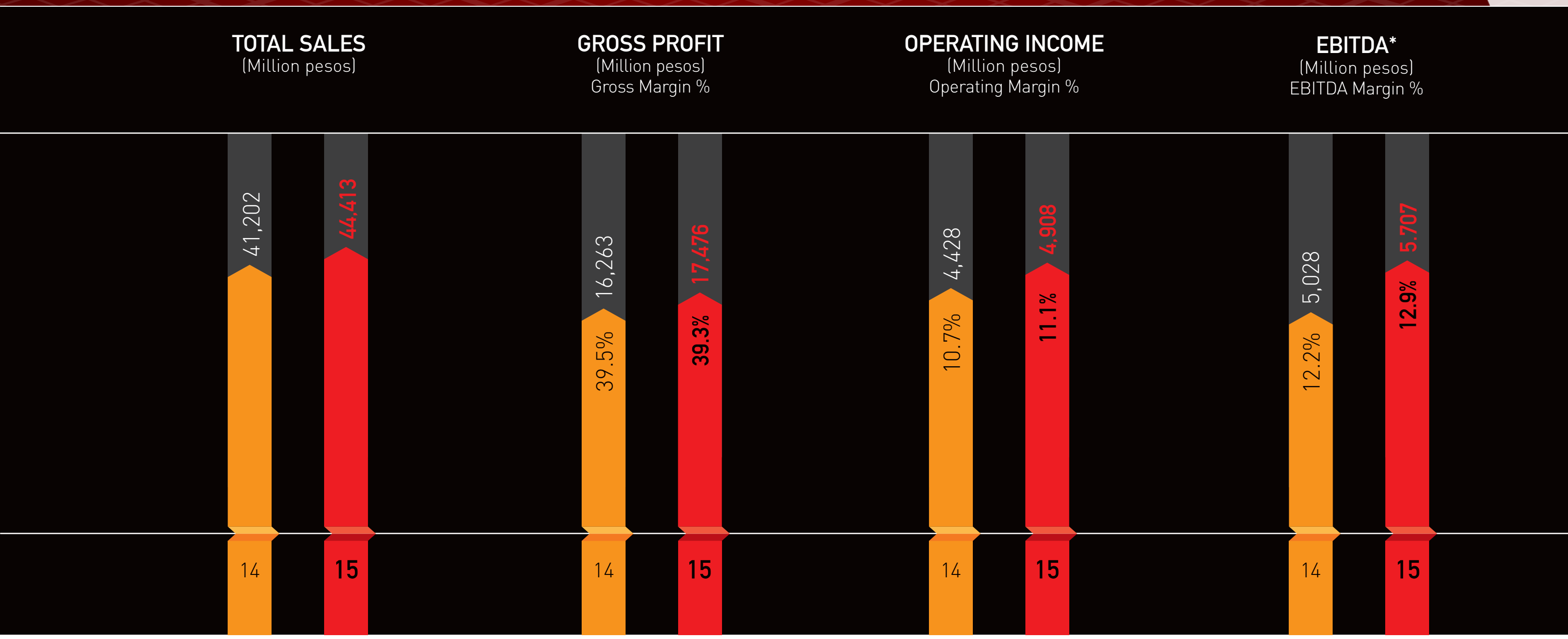


EBITDA BREAKDOWN BY SUBSIDIARY*
(Million Pesos)



*For the EBITDA calculation in 2014, we did not consider a total of $210 million pesos of extraordinary income per the valuation of investment properties. In 2015 we did not consider $237 million pesos of other income net, of which $178 million come from the appraisal of investment properties and $27 million from impairment of real estate assets.

GRUPO SANBORNS has wide geographic coverage with a focus mainly on Mexico. Through our network of stores we have a presence in 54 cities throughout the country.



SEARS
Me entiende

iShop Mixup

SOLO
Sanborns

Saks Fifth Avenue

87
STORES

170
STORES

58
STORES

2
STORES

Mixup

51
STORES

eduMac
DIGITAL ARTS SCHOOL

3
EDUCATION
CENTERS

Sanborns Café

26
CAFETERIAS

DAX

25
STORES

GRUPO SANBORNS 2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2015, Grupo Sanborns sales totaled Ps. 44,413 million, which represented Ps. 3,211 million more or a 7.8% increase against the previous year. This reflected the good performance of Sears, Sanborns and Promusa with 51.3%, 28.5% and 14.4% contribution to sales, respectively. Without considering the change in the scheme of products and services of phone business, the comparable figure of Group Sanborns sales increased by 9.0% amounting to Ps. 44,904 million.

Same-store sales grew 6.1% on a consolidated basis. In the same way, Sears reported an increase of 3.4%, or 5.2% if the effect derived from stores under remodeling is not taken into consideration for analysis.

As for credit card operation in Sears, more than 195 thousand proprietary cards were issued during the year, which represented a 6.0% growth to reach 3.46 million cards at the end of the year. As a result, the proprietary card penetration rose to 58% in the mix of total payments. Similarly, the credit portfolio grew 5.0% to reach Ps. 10,824 million, while credit revenues expanded 3.5%, totaling Ps. 2,931 million against the Ps. 2,831 million figure recorded in the previous year. Moreover, the percentage of non-performing loans over 90 days was 3.2% at the year-end, thus representing a ratio that stood below the industry and market indicators.

Grupo Sanborns operating income increased by 10.8% in 2015 to reach Ps. 4,908 million. This improvement in profitability is the result of the following:

i) A reduction of 70 basis points in operating and administrative expenses, which accounted for 28.8% of total sales against 29.5% observed in 2014. Similarly, energy and other over all expenses decreased due to stricter control, despite the openings of stores and remodeling works carried out at certain units. Consequently, depreciation increased in the year.

ii) Other net income for Ps. 237 million were recorded, which included Ps. 178 million from the valuation of investment properties and Ps. 27 million from the deterioration of real estate.

EBITDA at Grupo Sanborns increased by 13.5% to Ps. 5,707 million, regardless of the effect derived from the valuation of investment properties and the deterioration of real estate as previously mentioned. EBITDA margin improved 70 basis points to reach 12.9% in the year.

As to financial results, the comprehensive cost of financing decreased 29.2% in the year. This effect was mainly derived from a lower net interest gain because of the allocation of resources under the expansion plan (twelve new stores for the three main formats), as well as the growth observed in the credit portfolio as previously mentioned.

Net controlling income grew 5.8% to reach Ps. 3,090 million against the

During 2015 the sales of Grupo Sanborns increased 7.8% reaching $44,413 million pesos, which represented $3,211 million pesos more. This increase reflected the good performance of all the formats where Sears, Sanborns and Promusa contributed with 51.3%, 28.5% and 14.4% of sales, respectively.

Ps. 2,922 million figure recorded in the previous year; a change that reflected the improvements observed in the operating results.

The Company's expansion plan included the opening of four Sears, two Sanborns, and four iShop stores as well as two boutiques. According to scheduled, the remodeling works at 13 Sears stores were expedited, and ten were concluded in 2015. The Group's capital expenditures amounted to Ps. 2,256 million that was 11.4% lower than 2014 since a part of the investments for new stores that opened in 2015 was carried out in the previous year.

Considering all the retail brands of the Group, 431 units were already operating at the end of December 2015. During the year, the commercial area expanded by 5.9%, totaling one million 115 thousand square meters.

Grupo Sanborns reported no debt at year-end, while cash and short-term investments amounted to Ps. 4,856 million against the Ps. 6,112 million figure at the close of 2014. This decrease of Ps. 1,256 million in the cash position was due to the financing of the Company's expansion plan, as well as the growth observed in the credit portfolio, payment of dividends, and the repurchase of shares.

Sincerely,

Patrick Slim Domit
Chief Executive Officer of
Grupo Sanborns S.A.B. de C.V.

MESSAGE TO SHAREHOLDERS OF GRUPO SANBORNS

2015 ECONOMIC OUTLOOK

During 2015, the world economy continued showing moderate growth. Global markets were impacted by falling prices of oil and commodities, the strengthening of the U.S. dollar and nervousness about the slowdown in China's growth.

The sharp fall in the prices of oil and other commodities affected major oil exporting countries, while benefiting net importing economies, industries via lower energy costs, and consumers.

In Mexico, the growth of the Gross Domestic Product stood at 2.5%, driven by trade and the manufacturing industries, which expanded by 4.5% and 2.9%, respectively. The fall in the volume and price of oil affected negatively the evolution of the Mexican economy, which would have grown 3%. On the other hand, the increase in remittances of 5% in U.S. dollars and 25% in Mexican pesos, higher wages and low inflation translated in a rise in consumption.

Inflation in Mexico stood at 2.13% during the year. The balance of trade was affected by the decline in the oil price and presented a U.S.D 14 billion deficit. Due to the continuous volatility of the Mexican peso against the U.S. dollar, Mexico's central bank decided to intervene in the market with auctions of dollars. Year-round Foreign-exchange reserves diminished U.S.D 24 billion.

The cut on public expenditures announced for 2016, adjustments in the financial structure of PEMEX, the acquisition of financial coverages on the price of oil set at U.S.D. 49.00 per barrel, the intervention of Mexico´s Central Bank in the monetary policy and its operation surplus generated by the revaluation of reserves in pesos, which will be transferred partially in April 2016 to the Ministry of Treasury and Public Credit (SHCP), strengthen the country at international scenarios of uncertainty and volatility.

GRUPO SANBORNS

During 2015, we took advantage of the dynamism observed in consumption in Mexico where all our formats recorded positive figures. As a result, Grupo Sanborns sales increased by 7.8% amounting to Ps. 44,413 million.

During the year, Sears total sales increased by 5.5%, which represented the contribution of four new stores that were inaugurated in this same period, namely Zacatecas, Monterrey-Esfera, Tlalnepantla, and Coacalo-Cosmopol. All of them were designed with modern facades and interiors and a better display of brands at the point of sale, with special emphasis on higher value-added categories. In

During 2015, we took advantage of the dynamism observed in consumption in Mexico where all our formats recorded positive figures. Our retail and operating activities included a continuous improvement in the quality of service and providing a greater assortment of products, with their availability in the right store and for the right client.

addition, we carried out remodeling works at 13 Sears stores at main locations such as Insurgentes and Lindavista, and for the expansion of the Satélite and Angelópolis stores. At the close of the year, 31% of the Sears stores have a new image in terms of units and renovations. These actions led to an average expansion rate in sales of 13% after reopening occurred.

Our Sears credit card continued to be the preferred choice for our customers, with a participation of more than 58% in sales transactions. We continue with activities such as reactivation of customers, increase in lines of credit, and offers with different payment terms.

With regard to Sanborns, we achieved a recovery in sales, with an increase of 2.0% after overcoming various challenges in 2014. This was the result of a further developing of suppliers and maintaining a careful selection of inventory. We rationalized products, expanded service and retail areas such as chocolates, restaurant-bar and other categories of higher profitability. From consolidated procurement, we have improved our offer of fragrances, accessories, cosmetics, jewelry and novelties. As for restaurants, we launched menus representing various States in order to increase the knowledge of the Mexican culinary variety. With respect to new locations, in this period we opened Tlalnepantla and Coacalco-Cosmopol.

Promotora Musical sales expanded by 32.9% which was the result of launching of new technology models and the opening of four iShop units, as well as the change of image of five stores. Similarly, MixUp continued with the change in its product mix and closed six shops, to maintain the positive contribution to sales.

Operating income and EBITDA increased 10.8% and 13.5%, respectively, while margins increased 40 to 70 basis points, being of 11.1% and 12.9% in that order. At the same time, net income grew 5.8% and net earnings per share were Ps. 1.34 against Ps. 1.25 observed in the previous year.

The financial position of Grupo Sanborns remains healthy. In this regard, total assets were Ps. 41,364 million; total liabilities stood at Ps. 11,969 million and the Company's stockholders' equity amounted to Ps. 29,395 million at year-end.

The financial structure of Grupo Sanborns meets the Company's future growth and continually creates value for our shareholders. In the year, net cash flow from operations was Ps. 3,474 million, while net debt was negative in the order of Ps. 4,856 million with the Net

Debt to LTM EBITDA ratio stood at a negative 0.85 times. During June and December 2015, Grupo Sanborns paid an ordinary dividend of Ps. 0.84 from the balance of the net tax profit account. Regarding capital expenditures, Grupo Sanborns allocated Ps. 2,256 million for investments in fixed assets.

In addition to serve our current clients, we carried out two initiatives to attract young customers during 2015. Philosophy, our first stand-alone, proprietary brand of fast fashion boutique for women, opened in the Tlalnepantla shopping mall, thus complementing in-store boutiques operating at Sears department stores. Similarly, the site ClaroShop.com was strategically launched in the year to improve our customer's purchasing and payment experience on a unique manner and optimize the Company's technology platform. In addition, we believe the site will develop our distribution channels for delivery of products. Furthermore, we will continue improving the quality of service and providing a greater assortment of products, with their availability in the right store and for the right client.

With regard to sustainability, we expanded the "Social Welfare" program, which benefits a greater number of employees from all di-

In 2015 we carried out two initiatives to attract young customers: we opened our first stand-alone of the Philosophy brand and we launched the ClaroShop.com marketplace.

visions of the Group; and continued working on actions in favor of environmental care, as it is attested in the "Carso Environment" report where results of savings reached in energy, water, fuel, emissions of carbon dioxide and solid waste, are published. With a high sense of social responsibility, efficiency and timeliness, the Carlos Slim Foundation develops programs in the fields of education, employment, health, nutrition, social justice, culture, and human development. It also encompasses natural disasters, economic development, protection and conservation of the environment, thus improving the quality of life of people of all ages, promoting the formation of human capital and creating opportunities that foster the integral development of individuals and their communities.

We feel motivated to improve the results obtained in 2015. Again, I express my appreciation to customers and suppliers for their support, as well as to all employees, whom I also thank for their effort, commitment and dedication along the year.

Sincerely,

Carlos Slim Domit
Chairman of the
Board of Directors of
Grupo Sanborns, S.A.B. de C.V.

We will continue improving service and offering a wider assortment of products, to be available in the right place and for the right customer.

SEARS Me entiende

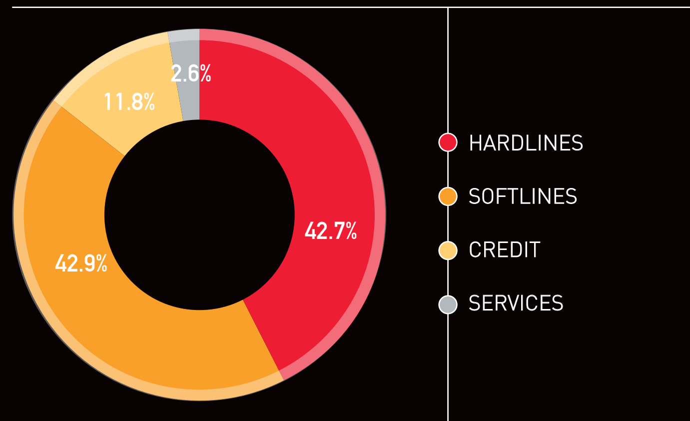
During 2015, **Sears** sales amounted to Ps. 22,804 million, which represented 51% of the total sales and 57% of the consolidated EBITDA of Grupo Sanborns in the period. Important activities included the opening of four Sears stores, namely Zacatecas, Monterrey-Esfera, Tlalnepantla and Coacalco-Cosmopol.

MORE THAN **195 THOUSAND**
NEW CARDHOLDERS REACHING 3 MILLION 462 THOUSAND CREDIT CARDS ISSUED

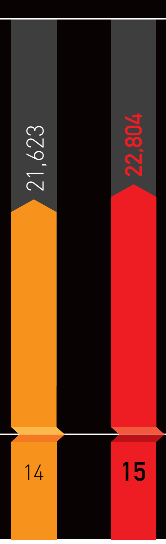
The complete remodeling of six stores and the partial renovation of seven units were carried out in the year. In addition, we continued the remodeling of three stores that started in 2015 and will be again in operation by mid-2016.

In addition to our online store, we launched www.ClaroShop.com with which the technology platform and the commercial strategy of the Group will be optimized. This way, our customers have a unique Omni-channel solution that includes different payment options. Furthermore, Sears stores are renewing in order to offer a more modern image to its customers and a greater focus on its proprietary brands, such as the recently inaugurated Philosophy boutique, as well as on other international brands and modern appliances and electronics. In the year, Sears remains as the second largest department store chain in the country and stands as one largest non-bank player in Mexico. During 2015, the format issued 195 thousand new credit card clients to reach 3,462,000 plastics.

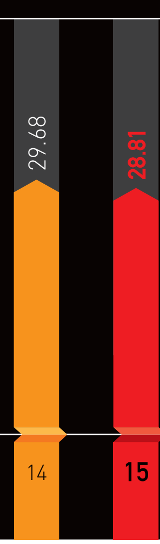
SALES BREAKDOWN BY CATEGORY



TOTAL SALES
(Million Pesos)



SALES BY SQ METER COMPOUNDED
(Million Pesos)



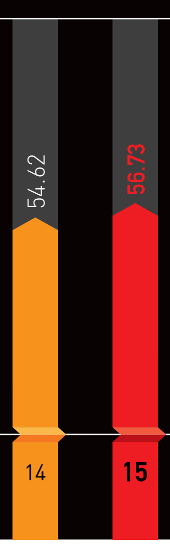
NUMBER OF PRIVATE LABEL CARDS
(Million)

Sanborns reported sales of Ps. 12,639 million in the year, that represented a 29% contribution to Grupo Sanborns' total sales and impacted 16% of its consolidated EBITDA. In the period, two new stores were opened, namely Tlalnepantla and Coacalco-Cosmopol, which are now part of the 170 units in operation. This represents a commercial area of 258,983 square meters at the end of the year.

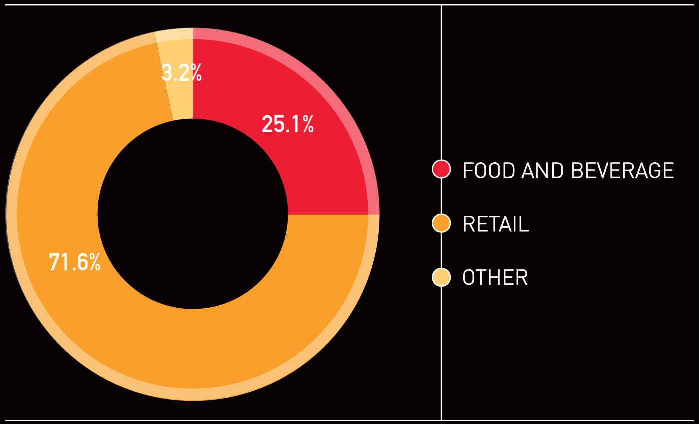

Sanborns
KING
ANTONIO BANDERAS
ANTONIO BANDERAS
POLOSUR
Scappino
EMOZIONE
Salvatore Ferragamo

TOTAL SALES
(Million Pesos)

SALES BY SQ METER
COMPOUNDED
(Thousand Pesos)



SALES BREAKDOWN BY CATEGORY



TWO NEW STORES WERE OPENED, NAMELY TLALNEPANTLA AND COACALCO-COSMOPOL, WHICH ARE NOW PART OF THE **170 UNITS IN OPERATION.**

During 2015, many activities were carried out, such as rationalization of products, focus on categories of a greater profitability, and reduction of spaces of lower value per square meter. Sanborns is recognized by its unique, highly successful concept of retail in Mexico. It is the leading seller of multiple products and services categories, including books, photography, mobile, perfumes and cosmetics. In addition, it is the second largest bar and restaurant operator in the Mexican market.

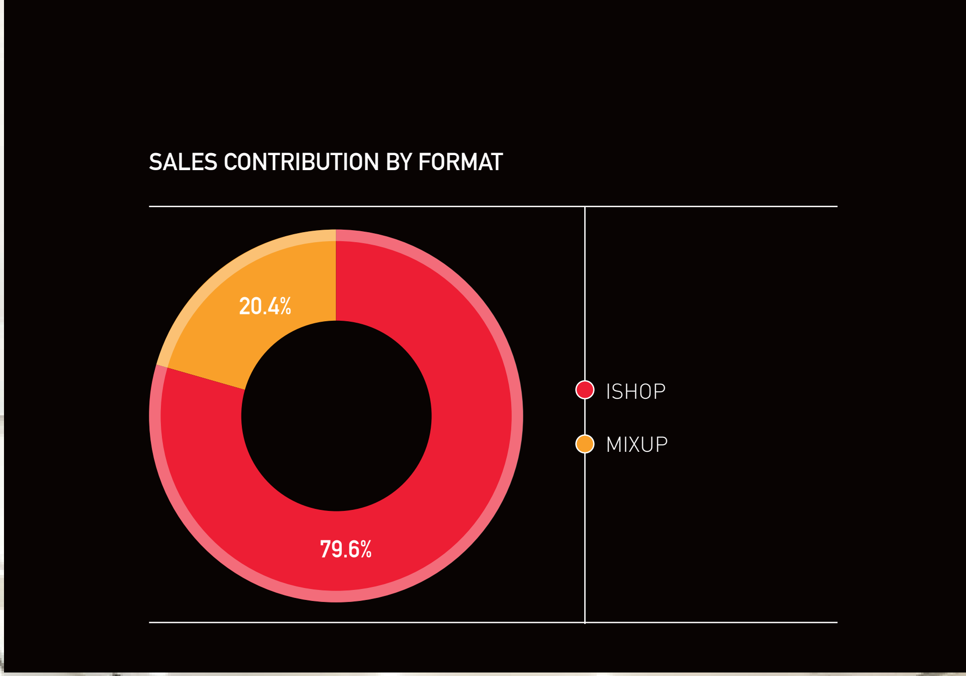

iShop
Mixup
Comienza algo nuevo.

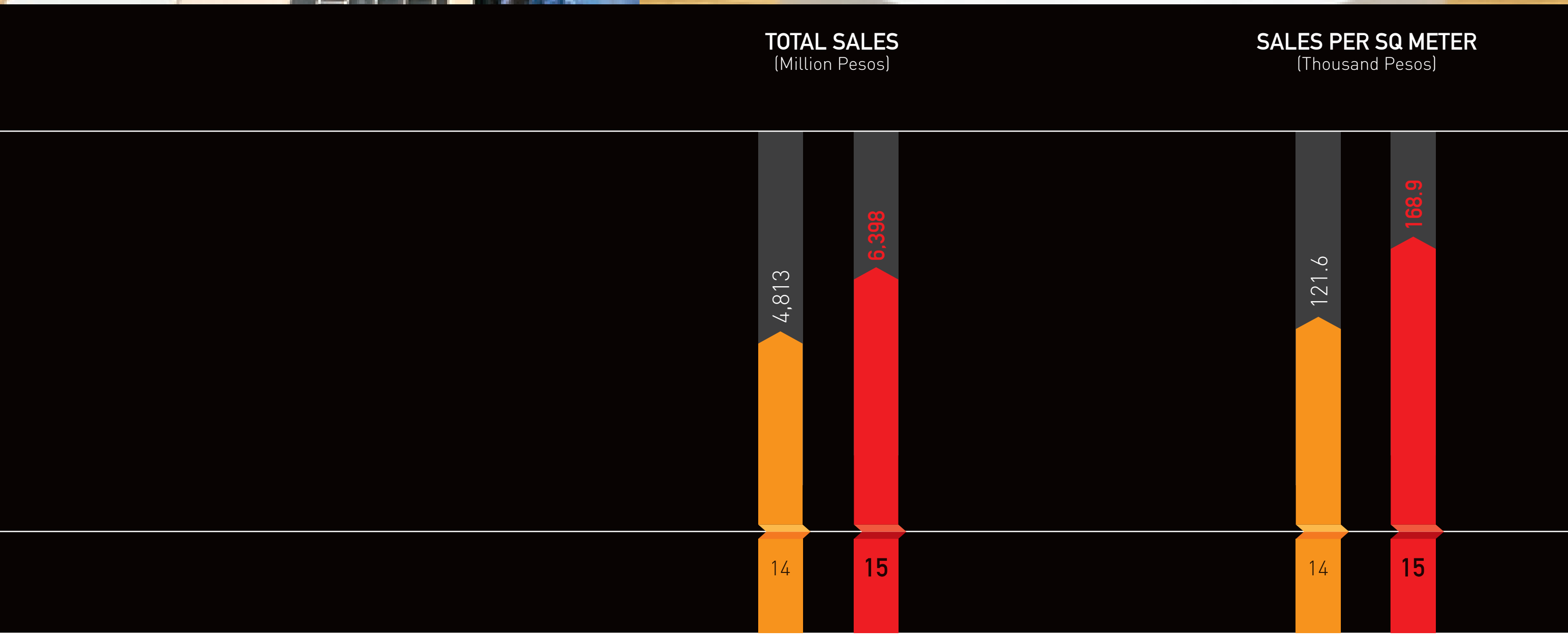
iShop Mixup | Mixup | eduMac DIGITAL ARTS SCHOOL

MixUp is the largest retailer of music and video products in Mexico. On the other hand, **iShop** is the leading chain in the sale of Apple brand products and accessories in Mexico. Similarly, it is the only authorized service center for the brand and trainer for **EduMac**. Both retail formats are operated by Promotora Musical S.A. de C.V. (Promusa).

ISHOP INAUGURATED **2 UNITS** DURING THE YEAR 2015: COACALCO-COSMPOL, TLALNEPANTLA, OASIS AND MONTERREY ESFERA.

Promotora Musical contributed 14% to total sales and 7% to the consolidated EBITDA for Grupo Sanborns. During 2015, MixUp changed the mix of sales to higher value-added products and closed six unprofitable stores. On the other hand, iShop conducted works on five stores in order to change their images and opened four new branches, namely Coacalco-Cosmopol, Tlalnepantla, Oasis and Monterrey-Esfera. At year-end, total commercial area was 37,872 square meters.

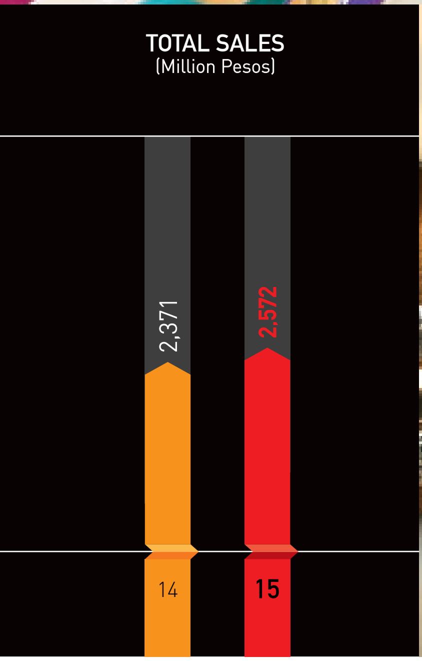

SALES CONTRIBUTION BY FORMAT
20.4%
79.6%
ISHOP
MIXUP


TOTAL SALES
(Million Pesos)
4,813
6,398
14
15
SALES PER SQ METER
(Thousand Pesos)
121.6
168.9
14
15

Saks Fifth Avenue | Sanborns Café | DAX

Two boutiques were opened in the year. A Palacio de los Perfumes Otay shop was inaugurated in the city of Tijuana in the State of Baja California, and a new Philosophy store, with a retail area of one thousand square meters, began operations in Tlalnepantla. Philosophy is a brand of fast-fashion focused on women's clothes. Considering all the above, the commercial area of these two formats totaled 73,073 square meters.


MANOLO
BLAHNIK


TOTAL SALES
(Million Pesos)
2,371
2,572
14
15


FENDI

SAKS FIFTH AVENUE HAS **2 LUXURY** DEPARTMENT STORES OFFERING INTERNATIONAL DESIGNERS FASHION.

In order to complement the formats above mentioned, Grupo Sanborns develops and operates additional formats that complement a diversified portfolio under this business category. Among them:

- Sanborns Café, operating in 27 states in Mexico City and the country
- Dax, a regional retailer chain of cosmetics and perfumes Saks Fifth Avenue, with two luxury department stores offering international designers fashion
- Plaza Loreto and Plaza Inbursa, two well-known shopping malls
- One Sears and three Sanborns stores, and five boutiques in Central America

SUSTAINABILITY

SOCIAL PERFORMANCE

We work through the Carlos Slim Foundation. With a high sense of social responsibility, efficiency and timeliness, it develops programs in the fields of education, employment, health, nutrition, social justice, culture, and human development. It also encompasses natural disasters, economic development, protection and conservation of the environment, thus improving the quality of life of people of all ages, promoting the formation of human capital and creating opportunities that foster the integral development of individuals and their communities.

For more information, please visit: www.fundacioncarlosslim.org

In addition to the activities of the Carlos Slim Foundation, there were investments in education, health, and infrastructure and community development through the following initiatives:

- Participación en campañas anuales de prevención y control de padecimientos médicos en colaboración con el Instituto Carlos Slim de la Salud.
- Participation in annual campaigns of prevention and control of medical conditions in collaboration with the Carlos Slim Institute of Health,
- Rescue program of Sanborns buildings,
- Program of hiring people with disabilities in Sanborns and Sears through the Mexican Confederation of Organizations in favor of the Person with Disabilities (CONFE), the Center of Multiple Attention (CAM), Young Men's Christian Association (YMCA) and the National System for Integral Family Development (DIF),
- Implementation of the Certificate of Quality and Social Responsibility (CRESE) at Sears, a set of processes that keep track of all the programs that are intended to improve the quality of life of staff and their families with a humanistic vision,
- Free courses on the "Training for job" platform of the Carlos Slim Foundation, with access to the job including recruitment processes at Sears,
- Sports and family events, workshops and courses of self-improvement through the Social Welfare program.

The primary commitment of the Social Welfare program is to provide continuously activities of human development that lives of employees and their family, covering three key aspects:

- Health
- Training
- Culture and recreation.

In the year, 21,026 Sears employees and their families benefited from some of the activities carried out. Another initiative implemented during the year was "Your Reading Corner", a space adapted with a collection of books for reference and loan at home, with the purpose of promoting reading habits among employees of Sears and Sanborn located at Plaza Carso.

ENVIRONMENTAL PERFORMANCE

The Carso Environment report is published annually and includes the Carso Environmental policy, general indicators by industry and/or company projects, and measurable results in volume and in economic terms on issues such as:

- Energy savings
- Water saving
- Management of urban, hazardous waste and special handling
- Reduction of carbon dioxide emissions
- Care of trees and flora
- Optimization of routes for fuel-saving

The last March, Sears participated for the second time in Ecofest, an event to promote sustainable culture in Mexico, attended by more than 150 thousand participants. Sears and Grupo Sanborns promoted the distinctive "Green Point" under six categories of Green technologies: Lighting, air conditioning, water saving,

21,029 EMPLOYEES OF SEARS AND THEIR FAMILIES WERE BENEFITED WITH THE SOCIAL WELFARE ACTIVITIES IN 2015.

water heating, energy efficiency, and water purification. These products and sustainable services are offered in partnership with other companies and available to suppliers, customers and the public to encourage savings, reduce power consumption, and help improve the environment.

For more information, please visit: http://www.carso.com.mx/ES/responsabilidad-social/Paginas/carso-medio-ambiente.aspx

WORK PERFORMANCE, HEALTH AND SAFETY

Grupo Sanborns is the source of employment for more than 48 thousand permanent and temporary workers in Mexico and some Central American countries. Members of the group have wages paid in accordance with the laws, market, performance, and the level of responsibility within the work area to which they belong. In addition, fringe benefits are provided to the compensation in accordance with the business sector and location.

Sears has two training centers in the Mexico City area, as well as one located in the city of Tijuana, Baja California, in addition to 89 spaces located within the operational units, that is 11 rooms more than in 2014. Sears maintains a program of ongoing training for administrative and operational personnel. During 2015, an average of 19.29 courses per employee took place, highlighting sales techniques, client customer service, knowledge of products and the ASUME program. Eight seminars for middle managers and 69 showrooms were carried out. The use of simulators, virtual classrooms, and asynchronous training, was promoted by making use of eTraining.

The Diploma in Leadership opened in three locations with four new groups in 2015, which was attended by 86 supervisors, store managers and sales support areas. The Business Strategy Game Simulator, which was attended by 50 participants, included the participation of top-level and deputy managers. They started and concluded six new groups of the Management training school at six different locations, which included 142 employees from the sales area with growth potential. Coaching was provided to nine store managers.

During 2015, 19 courses of the "Training for job" platform took place to strengthen the skills and knowledge of employees. Some courses are mandatory under the talent attraction and hiring at Sears stores. For other Grupo Sanborns formats, such as Dax and Saks Fifth Avenue, 1,374 training courses were taught, corresponding to induction of personnel to knowledge of the business and operating procedures and systems, product knowledge and management development programs.

Some of the fringe benefits carried out in Grupo Sanborns include:

- Digital scholarship
- Scholarships for children of employees and immediate family members
- Annual programs of preventive health
- Flexi time for mothers and fathers, financial support for funeral expenses and work absence with pay
- Personal development program through the Association for the Growth of Mexico (ASUME)
- Training programs
- Prevention campaigns on health with the collaboration of the Mexican Social Security Institute (IMSS) and the Ministry of Health (SSA).
- Two centers and 89 classroom for training (Sears employees).

For more information and details, visit: http://www.gsanborns.com.mx/responsabilidad-social.html

BOARD OF DIRECTORS

PROPRIETARY DIRECTORS	POSITION*	YEARS AS DIRECTOR**	TYPE OF MEMBER***
Carlos Slim Domit	COB - Grupo Sanborns COB - Grupo Carso Co-Chairman - América Móvil COB - Teléfonos de México COB - Promotora Musical	Three	Patrimonial Related
Carlos Slim Helú	COB - Carlos Slim Foundation COB – Telmex Foundation COB - Carso Infraestructura y Construcción	Three	Patrimonial Related
Patrick Slim Domit	CEO - Grupo Sanborns Vice-Chairman - Grupo Carso Co-Chairman - América Móvil Commercial Director of Massive Market - Teléfonos de México COB - Grupo Telvista COB - Sears Operadora México	Three	Patrimonial Related
Johanna Monique Slim Domit	Head of the Early Childhood Education Program at the Carlos Slim Foundation	Three	Patrimonial Related
Isac Mark Massry Nakash	CEO - Promotora Musical Alternate Board Member - Sears Operadora México	Three	Related
Juan Antonio Pérez Simón	COB - Sanborn Hermanos, S.A. Vice-Chairman - Teléfonos de México	Three	Independent
José Kuri Harfush	COB – Janel	Three	Independent
Antonio Cosío Pando	General Manager - Cía. Industrial de Tepeji del Río	Three	Independent
Pablo Roberto González Guajardo	CEO - Kimberly Clark de México Board Member: Acciones y Valores de México Founding Partner at Mexicanos Primero	Three	Independent
Juan Rodríguez Torres	Advisor	Three	Independent
Angel Eduardo Peralta Rosado	Board Member at Sanborn Hermanos Alternate Board Member at Sears Operadora México	Three	Independent
ALTERNATE BOARD MEMBERS	POSITION*		
José Manuel Campo y Menéndez	Chief Operations Officer - Sanborn Hermanos Alternate Board Member at Sears Operadora México	Three	Related
Edgar Smolensky Kirchner	Commercial Director and Purchasing Director Fashion Division - Sears Operadora México	Three	Related
SECRETARY			
Arturo Martínez Bengoa			

* Based on information from the board members
** Seniority as board member was considered since 2013, year when the shares of Grupo Sanborns, S.A.B de C.V. were listed in the Mexican Stock Exchange.
*** Based on information from the board members.
COB: Chairman of the Board
CEO: Chief Executive Officer
Independent directors in accordance with the definition of the Mexican Securities Market Law.

AUDIT AND CORPORATE PRACTICES COMMITTEE GRUPO SANBORNS, S.A.B. DE C.V.

Jose Kuri Harfush
Chairman
Juan Antonio Pérez Simón
Antonio Cosío Pando

Annual Report

To the Board of Directors:
I, the undersigned, in my capacity as Chairman of the Audit and Corporate Practices Committee of Grupo Sanborns, S.A.B. de C.V., (the "Committee"), hereby submit the following annual activity report for the fiscal year 2015.

Functions of Corporate Practices, Evaluation and Compensation
The Chief Executive Officer of Grupo Sanborns, S.A.B. de C.V., (the "Company") and the relevant executives of the entities the Company controls, complied satisfactorily with their objectives and responsibilities.

On April 27, 2015 Grupo Sanborns, S.A.B. de C.V. decreed dividends in the amount of Ps. 1,955,646,102.48, of which 50% were paid on June 19, 2015 and the remainder on December 18, 2015.

The subsidiaries Sanborns Hermanos, S.A. and Sears Operadora México, S.A. de C.V., also decreed dividends in the amount of Ps. 300 million and Ps. 500 million, respectively.

After consideration by the Committee, purchase and sale transactions with related parties were authorized in the amount of Ps. 445.4 million for sales, Ps. 1,750.8 million for purchases and Ps. 1,579.0 million for others and for general expenses.

The main operations were conducted with Radiomóvil Dipsa, S.A. de C.V. and America Móvil, S.A.B. de C.V., for the purchase of mobile equipment, rate plans and memory cards for phones, and other items from the Company and its subsidiaries; Teléfonos de Mexico, S.A.B. de C.V., for call center services, telephone installation and the sale of telephony items, and dining room services. Seguros Inbursa, S.A., for insurance on the Company's vehicles and insurance on its own and on its subsidiaries' real estate; commissions, and dining room services; to the subsidiaries of Inmuebles Borgru, S.A. de C.V. and Inmuebles SROM, S.A. de C.V., for the lease of real estate; Banco Inbursa, S.A. for leases, commissions, food and beverage sale, as well as dining room services provided to other companies.

All transactions with related parties were reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., and a summary thereof has been recorded in a note included in the audited financial statements of Grupo Sanborns, S.A.B. de C.V. and subsidiaries as of December 31, 2015.

The Chief Executive Officer of Grupo Sanborns, S.A.B. de C.V. receives no remuneration for the performance of its activities. The Company has no employees, and concerning the total compensation received by the executive officers of the companies controlled by the Company, we make sure that the policies adopted in this respect by the Board of Directors have been complied with.

Audit Functions
The internal control and internal audit system of Grupo Sanborns, S.A.B. de C.V., and of the entities it controls is satisfactory and meet with the guidelines approved by the Board of Directors, according to the information provided to the Committee by the Management of the Company and the independent auditor's report.

We had no knowledge of any non-compliance with any guidelines or policies concerning the operation or accounting rules of the Company, or concerning the entities it controls, and consequently, no preventive or corrective action was implemented.

The performance of the accounting firm Galaz, Yamazaki, Ruiz Urquiza, S.C. the entity that conducted the audit of the financial statements of Grupo Sanborns, S.A.B. de C.V. and subsidiaries as of December 31, 2015, and the performance of the independent auditor in charge of the said audit, were satisfactory and the objectives set at the time of contracting the said entities were achieved. Also, according to the information provided by the said firm to the Management of the Company, its fees for the independent audit represented a percentage of less than 10% of their total revenue.

As a result of the review of the financial statements of Grupo Sanborns, S.A.B. de C.V. and its subsidiaries as of December 31, 2015 it was determined that there are no significant errors caused by fraud, and the major adjustments proposed originated from excess funds in reserves for doubtful accounts, excess funds in reserves for provisions, and insufficient funds in deferred taxes.

In accordance with information we received from the Company's Board of Directors and during the meetings which we had with the independent and internal auditors and which were carried out without the presence of officers of the Company; as far as we know, there were no relevant comments from shareholders, directors, relevant officers and employees and, in general, from any third party, regarding accounting, internal controls or other issues related to internal or external audits, or complaints made by those persons on irregularities in the administration of the Company.

During the reporting period, we verified that resolutions adopted by the Shareholders' Meeting and the Board of Directors of the Company were complied with. In addition, according to the information provided to us by the Company's Board of Directors, we verified the existence of controls designed to determine compliance with the provisions applicable in terms of financial markets and that the legal department reviews such compliance at least once a year. There were no comments concerning this point or any adverse change in the Company's legal status.

Regarding the financial information that the Company prepares and submits to the Mexican Stock Exchange and the National Securities and Exchange Commission, we have verified that this information was prepared under the same principles, criteria and practices with which the annual information was prepared.

Finance and Planning Functions

During fiscal year 2015, the Company and some of the entities it controls made significant investments. In this regard, we made sure that any financing that was undertaken was made in a manner consistent with the strategic medium- and long-term plan of the Company. In addition, we ensured that the strategic position of the Company was in alignment with the plan. We also reviewed and evaluated the budget for the fiscal year 2015 together with the financial projections that were considered for its construction, including major investments and financing transactions of the Company, which we considered feasible and consistent with investment and financing policies and the Company's strategic vision.

The contingencies of labor, civil, commercial and administrative nature up to December 31, 2015, showed a behavioral trend similar to previous years, so that the resolution of these claims will not affect the financial position and economic stability of the companies involved.

During 2015, the Company carried out the repurchase of Company shares in the amount of Ps. 647,315 thousand.

Income from the revaluation of investment property (Malls) in the amount of Ps. 177,624 thousand was recorded in 2015.

The provisions entered in the books as accrued expenses must meet the criteria of a liability under International Financial Reporting Standards, so that only provisions on commitments or expenses that have already been accrued can be recorded.

Concerning matters related to fraud, breach of laws, regulations and undue influence over the manner on which the audit was conducted, the pertinent investigations were made with management, and various procedures were applied, without discovering any irregularity.

In preparing this report, the Corporate Practices and Audit Committee relied on information that was provided by the Chief Executive Officer of the Company, the relevant officers of the entities it controls, and by the independent auditor.

Chairman
Mr. José Kuri Harfush

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2015, 2014 AND 2013

GRUPO SANBORNS, S.A.B. DE C.V. AND SUBSIDIARIES (SUBSIDIARY OF GRUPO CARSO, S.A.B. DE C.V.)

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO SANBORNS, S.A.B. DE C.V.

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

OTHER MATTER

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C. P. C. Luis Javier Fernández Barragán

March 15, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015, 2014 and 2013. (In thousands of Mexican pesos)

	Note	2015	2014	2013
ASSETS				
Current assets:				
Cash and cash equivalents	7	$ 3,904,546	$ 3,572,499	$ 5,092,804
Other cash equivalents		951,027	2,539,740	2,622,189
Accounts receivable, Net	8	11,472,026	11,026,902	10,131,258
Inventories, Net	9	9,204,568	8,966,031	9,070,572
Prepaid expenses		126,857	88,710	61,060
Total current assets		25,659,024	26,193,882	26,977,883
Non-current assets:				
Long-term accounts receivable		27,479	46,000	57,500
Property, machinery and equipment, Net	12	12,608,487	11,358,677	9,733,195
Investment property	13	2,086,228	1,908,604	1,687,705
Investment in shares		1,317	1,351	1,351
Employee retirement benefits	17	582,889	942,910	821,022
Deferred income taxes	23b	362,882	200,369	173,605
Other assets, Net		35,725	32,609	29,548
Total non-current assets		15,705,007	14,490,520	12,503,926
Total assets		**$ 41,364,031**	**$ 40,684,402**	**$ 39,481,809**
LIABILITIES				
Current liabilities:				
Trade accounts payable		$ 6,049,697	$ 6,158,554	$ 6,321,806
Other accounts payable and accrued liabilities	15	3,602,990	3,286,137	2,834,785
Due to related parties	19	216,930	265,181	207,315
Provisions	16	59,663	85,744	90,548
Direct employee benefits		431,067	414,933	390,713
Income tax payable		391,380	229,483	84,691
Total current liabilities		10,751,727	10,440,032	9,929,858
Non-current liabilities:				
Income tax payable long-term	23f	245,884	313,539	-
Employee retirement benefits	17	161,911	70,582	91,290
Deferred income taxes	23b	809,378	917,367	1,449,246
Total non-current liabilities		1,217,173	1,301,488	1,540,536
Total liabilities		11,968,900	11,741,520	11,470,394
Stockholders' equity				
Stockholders' equity:				
Capital stock	18	2,010,544	2,028,107	2,039,678
Additional paid – in capital		10,896,604	10,896,604	10,896,604
Accumulated earnings		14,797,155	14,285,028	13,626,312
Other comprehensive loss items		(352,409)	(66,078)	(169,026)
Controlling interest		27,351,894	27,143,661	26,393,568
Non-controlling interest		2,043,237	1,799,221	1,617,847
Total stockholders' equity		29,395,131	28,942,882	28,011,415
Total liabilities and stockholders' equity		**$ 41,364,031**	**$ 40,684,402**	**$ 39,481,809**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2015, 2014 and 2013. (In thousands of Mexican pesos, except for basic earnings per commons share data)

	Note	2015	2014	2013
Income	20	$ 44,413,058	$ 41,202,547	$ 40,514,434
Costs of sales and services	21	26,937,437	24,939,584	24,426,130
Gross profit		17,475,621	16,262,963	16,088,304
Selling and distribution expenses	21	9,687,429	9,255,910	8,920,272
Administrative expenses	21	2,201,349	2,103,156	1,932,187
Depreciation	21	916,450	793,681	677,362
Other income, Net	22	(237,381)	(318,258)	(447,743)
Interest expense		101,411	103,470	121,746
Interest income		(289,026)	(345,128)	(369,538)
Exchange gain		(69,125)	(45,566)	(106,795)
Exchange loss		109,351	78,964	103,326
Income before income taxes		5,055,163	4,636,734	5,257,487
Income taxes	23	1,596,746	1,432,036	1,709,964
Consolidated net income for the year		3,458,417	3,204,698	3,547,523
Other comprehensive income, net of income tax:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		45,136	32,566	(1,688)
Item that will not be reclassified subsequently to profit or loss:				
Actuarial gain (losses)		(489,364)	100,063	18,866
Deferred income taxes		157,897	(29,681)	(5,660)
Consolidated comprehensive income of the year		**$ 3,172,086**	**$ 3,307,646**	**$ 3,559,041**
Consolidated net income attributable to:				
Controlling interest		$ 3,090,017	$ 2,921,988	$ 3,232,549
Non-controlling interest		368,400	282,710	314,974
		$ 3,458,417	**$ 3,204,698**	**$ 3,547,523**
Consolidate comprehensive income attributable to:				
Controlling interest		$ 2,803,686	$ 3,024,936	$ 3,244,067
Non-controlling interest		368,400	282,710	314,974
		$ 3,172,086	**$ 3,307,646**	**$ 3,559,041**
Basic earnings per common share attributable to controlling interest		**$ 1.33**	**$ 1.24**	**$ 1.47**
Weighted average number of shares		**2,320,676,543**	**2,349,883,558**	**2,202,405,000**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Capital stock	Additional paid –in capital	Accumulated earnings
Balances as of January 1, 2013	$ 1,634,370	$ 140,043	$ 12,183,563
Issuance of common stock	405,308	-	-
Net stock issuance premium	-	10,756,561	-
Dividends paid to controlling interest and non-controlling interest	-	-	(1,789,800)
Consolidated comprehensive income of the year	-	-	3,232,549
Balances as of December 31, 2013	2,039,678	10,896,604	13,626,312
Dividends paid to controlling interest and non-controlling interest	-	-	(1,884,000)
Repurchase of shares, net of dividends	(11,571)	-	(379,272)
Consolidated comprehensive income of the year	-	-	2,921,988
Balances as of December 31, 2014	2,028,107	10,896,604	14,285,028
Dividends paid to controlling interest and non-controlling interest	-	-	(1,955,646)
Repurchase of shares, net of dividends	(17,563)	-	(622,244)
Consolidated comprehensive income of the year	-	-	3,090,017
Balances as of December 31, 2015	**$ 2,010,544**	**$ 10,896,604**	**$ 14,797,155**

See accompanying notes to consolidated financial statements.

Translation effects of foreign operations	Actuarial (loss) gain	Total controlling interest	Non- controlling interest	Total Stockholder's Equity
$ (7,964)	$ (172,580)	$ 13,777,432	$ 1,451,358	$ 15,228,790
-	-	405,308	-	405,308
-	-	10,756,561	-	10,756,561
-	-	(1,789,800)	(148,485)	(1,938,285)
(1,688)	13,206	3,244,067	314,974	3,559,041
(9,652)	(159,374)	26,393,568	1,617,847	28,011,415
-	-	(1,884,000)	(101,336)	(1,985,336)
-	-	(390,843)	-	(390,843)
32,566	70,382	3,024,936	282,710	3,307,646
22,914	(88,992)	27,143,661	1,799,221	28,942,882
-	-	(1,955,646)	(124,384)	(2,080,030)
-	-	(639,807)	-	(639,807)
45,136	(331,467)	2,803,686	368,400	3,172,086
$ 68,050	**$ (420,459)**	**$ 27,351,894**	**$ 2,043,237**	**$ 29,395,131**

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	2015	2014	2013
Cash flows from operating activities:				
Consolidated net income for the year		$ 3,458,417	$ 3,204,698	$ 3,547,523
Adjustments not requiring (providing) cash:				
Income tax recognized in net income		1,596,746	1,432,036	1,709,964
Depreciation		950,129	819,973	704,052
Impairment of property		26,814	-	-
Loss on sale of property, machinery and equipment		16,606	64,318	24,412
Gain arising on changes in fair value of investment properties		(177,624)	(220,899)	(210,077)
Interest expense		101,411	103,470	121,746
Interest income		(3,220,082)	(3,176,385)	(3,064,614)
		2,752,417	2,227,211	2,833,006
Items related to operating activities:				
(Increase) decrease in:				
Accounts receivable		(434,523)	(451,251)	(817,829)
Interest received from operating activities		2,920,455	2,829,244	2,692,086
Inventories		(238,537)	104,541	(230,409)
Prepaid expenses		(38,147)	(27,650)	(10,577)
Other assets		(3,116)	(3,061)	4,121
Long-term accounts receivable		18,521	11,500	11,500
Net assets projected for future employee retirement benefits		(38,014)	(72,214)	20,005
(Decrease) increase in:				
Trade accounts payable		(108,857)	(163,252)	357,799
Other accounts payable and accrued liabilitiess		316,853	140,821	(251,268)
Due to related parties		(48,251)	57,866	(43,545)
Provisions		(26,081)	(4,804)	4,097
Direct employee benefits		16,134	24,220	5,096
Income taxes paid		(1,615,075)	(1,657,086)	(1,730,212)
Derivative financial instruments		-	-	(10)
Net cash flows generated by operating activities		3,473,779	3,016,085	2,843,860
Cash flows from investing activities:				
Purchase of property, machinery and equipment		(2,255,645)	(2,546,186)	(1,675,212)
Sales of property, machinery and equipment		12,286	36,413	21,841
Interest received		289,026	345,128	369,538
Net cash flows used in investing activities		(1,954,333)	(2,164,645)	(1,283,833)
Cash flows from financing activities:				
Issuance of common stock		-	-	11,161,869
Payment of debt securities		-	-	(2,498,970)
Payment of borrowings		-	-	(2,774,069)
Repurchase of shares		(650,548)	(397,954)	-
Interest paid		(101,411)	(103,470)	(121,746)
Dividends paid to controlling interest and non-controlling interest		(2,069,289)	(1,985,336)	(1,938,285)
Net cash flows (used in) provided by financing activities		(2,821,248)	(2,486,760)	3,828,799
Effects of exchange rate changes on cash and cash equivalents		45,136	32,566	(1,688)
Net (decrease) increase in cash and cash equivalents		(1,256,666)	(1,602,754)	5,387,138
Cash and cash equivalents at beginning of the year		6,112,239	7,714,993	2,327,855
Cash and cash equivalents at end of the year		**$ 4,855,573**	**$ 6,112,239**	**$ 7,714,993**

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015, 2014 and 2013

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

2. SIGNIFICANT EVENTS FOR THE YEAR

a. During 2015 the Entity opened 12 stores, 4 Sears' stores, 2 Sanborns' stores, 4 iShop's stores, 1 Boutique Perfumery and 1 Philosophy boutique. During 2014 the Entity opened 21 stores, 3 Sears' stores, 5 Sanborns' stores, 12 iShop stores and 1 Sanborns Cafe store. During 2013 the Entity opened 15 stores, 4 Sears' stores, 4 Sanborns' stores, 5 iShop's stores and 2 Dax's stores.

b. On February 8, 2013, Grupo Sanborns made a public offering of its common shares for $11,348,631 in Mexico and other international markets. Of this amount, 40.5% was placed on foreign markets, with the remaining 59.5% placed in Mexico. Considering over-allotment, this placement involved 17.2% of Grupo Sanborns' common stock. The proceeds received by this offering has been primarily used to fund the expansion plan and renovate existing stores and restaurants of Grupo Sanborns (Sears, Sanborns and iShop), and for other corporate purposes such as the repayment of financing and working capital. This transaction increased the net stock premium for the amount of $10,756,561.

3. BASIS OF PRESENTATION

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

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Entity's consolidated financial statements.

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

The Entity has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010-2012 Cycle and 2011 – 2013 Cycle for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments.

The application of the other amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICES

a. Statement of compliance

The consolidated financial statements of the Entity have been prepared in conformity with IFRS and related amendments and interpretations issued by the IASB.

b. Basis of measurement

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

i. Historical cost

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

ii. Fair value

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

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

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

c. Reclassifications

According to the International Accounting Standard (IAS) 1: Presentation of Financial Statements, the financial statements for the year ended December 31, 2014 were reclassified under the headings: Account receivable, Deferred income taxes, Other accounts payables and accrued liabilities, Income tax payable, Income tax payable long-term and Deferred income taxes to show taxes recoverable or payable that should not be compensated.

	Balances originally presented December 31, 2014	Reclassifications	Reclassified balances December 31, 2014
Accounts receivable, Net	$ 10,593,654	$ 433,248	$ 11,026,902
Deferred income taxes	195,569	4,800	200,369
Other accounts payable and accrued liabilities	(2,975,606)	(310,531)	(3,286,137)
IIncome tax payable	(106,766)	(122,717)	(229,483)
Income tax payable long-term	(313,153)	(386)	(313,539)
Deferred income taxes	(912,953)	(4,414)	(917,367)

d. Basis of consolidation of the financial statements

The consolidated financial statements incorporate the financial statements of Grupo Sanborns, S.A.B. de C.V. and its subsidiaries controlled by it. 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 ownership percentages over the capital stock of its subsidiaries as of December 31 are show below:

		% de Ownership		
Subsidiary	Activity	2015	2014	2013
Sanborn Hermanos, S.A. and Subsidiaries ("Sanborns")[1]	Operation of department, gift, and record stores and restaurants under the Sanborns brand	**99.23**	99.23	99.94
Sears Operadora México, S.A. de C.V. and Subsidiaries ("Sears")	Operation of department stores under the Sears band	**84.94**	84.94	84.94
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiaries	Operation of computer and record stores, restaurants and coffee shops under the Ishop, Mix-up and Sanborns Café brands	**99.96**	99.96	99.96
Operadora de Tiendas Internacionales, S.A. de C.V. and Subsidiaries	Operation of department stores under the Saks Fifth Avenue brand	**100.00**	100.00	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V. and Subsidiaries	Boutiques operator and subholding	**100.00**	100.00	100.00
Grupo Sanborns Internacional, S.A. and Subsidiary [1]	Sanborns store in Panama	-	-	100.00
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti")	Sanborns and Sears stores in El Salvador	**100.00**	100.00	100.00
Comercializadora Dax, S.A. de C.V. and Subsidiary	Operation of department stores under Dax brand	**100.00**	100.00	100.00
Prestadora de Servicios Loreto y Cuicuilco, S.A. de C.V.[1]	Personnel services provided to shopping mall	**-**	-	100.00
Grupo Inmobiliario Sanborns, S.A de C.V.	Sale, lease or sublease of fixed assets.	**100.00**	100.00	100.00
C.E.G. Sanborns , S.A de C.V.	Generation and supply of electricity.	**100.00**	100.00	100.00
C.E.G. Sanborns Satélite, S.A de C.V.	Generation and supply of electricity.	**100.00**	100.00	100.00

Subsidiary	Activity	% de Ownership 2015	2014	2013
C.E.G. Sanborns Tezontle, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Monterrey, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns Perisur, S.A de C.V.	Generation and supply of electricity.	100.00	100.00	100.00
C.E.G. Sanborns 2, S.A de C.V.	Generation and supply of electricity.	66.20	.54	.54

(1) During 2015, Servicios Globales en Comercio, S.A. de C.V. (a subsidiary of Promotora Comercial Sanborns) merged with Sanborn Hermanos, S.A., Prestadora de Servicios Loreto y Cuicuilco, S.A. de C.V. merged with Sanborns Hermanos Productora de Alimentos, S.A. de C.V., and Grupo Sanborns Internacional, S.A. merged with Promotora Comercial Sanborns, S.A. de C.V. (a subsidiary of Grupo Sanborns, S.A.B. de C.V.)

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 they promote products such as toys or winter clothes, and school utensils and articles during the back-to-school period. By contrast, they suffer from 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.

e. Cash and cash equivalents

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

f. Other cash equivalents

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

g. Investment in shares

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

h. Revenue recognition

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

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

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

iii. **Services** – Provided are recognized when the service is rendered.

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

i. Loyalty programs for customers

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

j. Leasing

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

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

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

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

k. Foreign currencies

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

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

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

The entities listed above are considered foreign operations under IFRS.

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

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

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

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

Statutory employee profit sharing

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

As result of the 2014 Income Tax Law, as of December 31, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law. As of December 31, 2013 PTU is determined in accordance with Article 16 of the LISR

m. 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. Until December 31, 2013 the tax was calculated as the higher of ISR and business flat tax (IETU).

ii. Deferred income taxes

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

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

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

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

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

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

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

iii. **Current and deferred tax**

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

n. Inventories and cost of sales

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

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

o. Property, plant and equipment

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.

p. 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.

q. Other assets

Include mainly guarantee deposits 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 costs incurred for the installation of a new system, with regard to a recognized intangible asset, are recorded in the financial statements. However, if the system is engaged in a testing stage, such costs are amortized once the implementation is concluded.

r. Impairment of tangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in income.

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

s. Provisions

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

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

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

t. Financial instruments

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

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

i. Financial assets

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

– Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

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

– **Loans and receivables**

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

– **Effective interest method**

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

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

– **Impairment of financial assets**

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

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

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

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

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

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

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

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

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

Except for equity instruments available for sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

– **Derecognition of financial assets**

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

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

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

ii. **Financial liabilities and equity instruments**

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

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

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

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

iii. **Other financial liabilities**

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

iv. **Derecognition of financial liabilities**

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

u. Derivative financial instruments

In 2011 the Entity contracted financial derivatives for trading and hedging purposes which mature in 2012, with the aim of managing its exposure to risks derived from: a) interest rates and b) exchange rates on debts. During 2015 and 2014 the Entity did not contract this type of instrument.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Entity designates certain derivatives either as fair value hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or foreign currency risk hedges of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a long-term asset or liability if the maturity date of the instrument is 12 months or more, and it is not expected to be realized or canceled within those 12 months. Other derivatives are presented as short-term assets and liabilities.

v. Hedge accounting

The Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

i. Cash flow hedges

At the start of each hedge, the Entity documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Entity will measure the effectiveness of the hedge with regards to offsetting changes to the fair value of the hedged item or the cash flow attributable to the hedged risk.

The Entity recognizes all assets and liabilities resulting from transactions involving derivative financial instruments at fair value in the statement of changes in financial position, regardless of its reason for holding these instruments. Fair value is determined based on the prices reported on recognized markets; however, when they are not quoted on a market, the Entity utilizes valuation techniques accepted by the financial sector. The decision to enter into an economic or accounting hedge is based on an analysis of market conditions and expectations concerning domestic and international economic scenarios.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "valuation effects of derivative instruments" category. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

ii. **Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

iii. **Hedges of net investments in foreign operations**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and in included in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

iv. **Embedded derivatives**

The Entity reviews its executed contracts to identify any embedded derivatives which must be separated from the host contract for valuation and accounting purposes. When an embedded derivative is identified in other financial instruments or other contracts (host contracts) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

An embedded derivative is presented as a long-term asset or liability when the respective hybrid instrument will mature in 12 months or more and when is not expected to be realized or canceled during that 12-month period. Other embedded derivatives are presented as short-term assets or liabilities.

During the reporting period, the Entity did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

w. Statements of cash flows

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

x. Earnings per share

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

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

   The valuation techniques used by the Entity were not modified in 2015, 2014 and 2013. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

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

e. Valuation of financial instruments - The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Note 10 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

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

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

6. NO-CASH TRANSACTIONS

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

7. CASH AND CASH EQUIVALENTS

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

	2015	2014	2013
Cash	$ 498,642	$ 487,657	$ 542,466
Cash equivalents:			
Other cash equivalents	2,979,246	2,021,178	2,237,811
Government paper	84,047	209,506	1,542,478
Certificates of deposit	339,691	852,853	738,238
Demand deposits in US dollars	1,318	88	30,550
Others	1,602	1,217	1,261
	$ 3,904,546	$ 3,572,499	$ 5,092,804

8. ACCOUNTS RECEIVABLE

	2015	2014	2013
Clients	$ 10,992,863	$ 10,482,673	$ 9,791,604
Allowance for doubtful accounts	(359,507)	(351,871)	(328,687)
	10,633,356	10,130,802	9,462,917
Sundry debtors	176,706	127,763	99,506
Due from related parties	57,979	62,167	14,667
Recoverable taxes mainly value added tax and wage tax credit	603,985	706,170	554,168
	$ 11,472,026	$ 11,026,902	$ 10,131,258

a. Trade accounts receivable

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 203, 201 and 203 days at December 31, 2015, 2014 and 2013, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $1,281,389, $1,273,053 and $1,117,653 as of December 31, 2015, 2014 and 2013, respectively.

b. Past due but not impaired

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

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

	2015	2014	2013
1-30 days	$ 903,543	$ 847,067	$ 807,110
31-60 days	255,416	275,960	240,175
61-90 days	152,060	149,587	126,222
More than 90 days	213,077	215,018	155,315
Total	**$ 1,524,096**	**$ 1,487,632**	**$ 1,328,822**

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

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

	December 31, 2015	December 31, 2014	December 31, 2013
Beginning balance	$ 351,871	$ 328,687	$ 328,045
Period accrual	468,448	409,489	275,895
Write offs and cancelations	(460,812)	(386,305)	(275,253)
Ending balance	**$ 359,507**	**$ 351,871**	**$ 328,687**

9. INVENTORIES

	December 31, 2015	December 31, 2014	December 31, 2013
Merchandise in stores	$ 9,229,930	$ 8,952,341	$ 8,970,969
Allowance for obsolescence and shrinkage inventories	(380,702)	(357,205)	(311,842)
	8,849,228	8,595,136	8,659,127
Goods in transit	242,949	260,617	301,587
Replacement parts and other inventories	112,391	110,278	109,858
	$ 9,204,568	**$ 8,966,031**	**$ 9,070,572**

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

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

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

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

	December 31, 2015	December 31, 2014	December 31, 2013
Beginning balance	$ 357,205	$ 311,842	$ 286,953
Period accrual	149,178	144,090	135,032
Write offs and cancelations	(125,681)	(98,727)	(110,143)
Ending balance	$ 380,702	$ 357,205	$ 311,842

10. FINANCIAL RISK MANAGEMENT

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

The different financial instrument categories and amounts are detailed below:

	December 31, 2015	December 31, 2014	December 31, 2013
Financial assets			
Cash and cash equivalents	$ 3,904,546	$ 3,572,499	$ 5,092,804
Other cash equivalents			
Loans and receivables:	951,027	2,539,740	2,622,189
Accounts receivable	11,414,047	10,964,735	10,116,591
Long-term accounts receivable	27,479	46,000	57,500
Due from related parties	57,979	62,167	14,667
Financial liabilities			
At amortized cost:			
Payables to suppliers	6,049,697	6,158,554	6,321,806
Due to related parties	216,930	265,181	207,315
Other payables and accrued liabilities	3,602,990	3,286,137	2,834,785

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

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

The capital structure of the Entity is composed by its net debt (mainly the bank loans, in and debt securities and intragroup detailed in Notes14 and 19) and stockholders' equity (issued capital, capital reserves, accumulated earnings and non-controlling equity detailed in Note 18). The Entity is not subject to any kind of capital requirement.

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

The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months. See Note 26.

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

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

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

If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2015, 2014 and 2013 would have increased or decreased by approximately $65,422, $82,272 and $84,432, respectively. At December 31, 2015, 2014 and 2013 there would be no impact on other comprehensive income because no derivative financial instruments outstanding at that date were recorded as trading, directly affecting the result of the year.

c. Exchange risk management -The Company's functional currency is the Mexican peso. Its acquisition of goods through foreign currency transactions represents less than 12% of its total purchases; however, when deemed appropriate, it contracts exchange rate hedges to manage the exchange rate risk.

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, 2015	December 31, 2014	December 31, 2013	December 31, 2015	December 31, 2014	December 31, 2013
US Dollar	29,157	26,590	29,733	30,591	28,404	33,405

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, 2015	December 31, 2014	December 31, 2013
Mexican pesos	2,467	2,670	4,802

d. Credit risk management - The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset mainly in trade accounts receivable. The Entity sells its products and / or services to customers who have demonstrated their economic, and periodically evaluates the financial condition of its customers and has insurance billing for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by than 1,828,347 customers, which do not represent a concentration of risk The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 8).

e. 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, 2015	3 months	6 months	More than 6 months and less than 1 year	Total
Trade accounts payable	$ 5,986,780	$ 62,917	$ -	$ 6,049,697
Other accounts payable and accrued liabilities	3,565,519	37,471	-	3,602,990
Due to related parties	216,930	-	-	216,930
Total	**$ 9,769,229**	**$ 100,388**	**$**	**$ 9,869,617**

As of December 31, 2014	3 months	6 months	More than 6 months and less than 1 year	Total
Trade accounts payable	$ 6,042,157	$ 116,397	$ -	$ 6,158,554
Other accounts payable and accrued liabilities	3,286,137	-	-	3,286,137
Due to related parties	265,181	-	-	265,181
Total	**$ 9,593,475**	**$ 116,397**	**$ -**	**$ 9,709,872**

As of December 31, 2013	3 months	6 months	More than 6 months and less than 1 year	Total
Trade accounts payable	$ 6,214,967	$ 106,839	$ -	$ 6,321,806
Other accounts payable and accrued liabilities	2,834,785	-	-	2,834,785
Due to related parties	207,315	-	-	207,315
Total	**$ 9,257,067**	**$ 106,839**	**$ -**	**$ 9,363,906**

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

- Swaps interest rate swaps to mitigate the risk of rising financing cost.

- Forward foreign exchange contracts to hedge the exchange rate risk arising on translation of investment in a foreign operation with functional currency different from the Mexican peso.

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.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	December 31, 2015	
	Carrying amounts	Fair value
Financial assets:		
Cash and equivalent cash	$ 3,904,546	$ 3,904,546
Other cash equivalents	951,027	951,027
Notes and accounts receivables:		
Accounts receivable to customers and other	11,472,026	11,644,137
Accounts and notes payable:		
Trade accounts payable	6,049,697	6,049,697
Due to related parties	216,930	216,930
Other accounts payable and accrued liabilities	3,602,990	3,602,990
Total	$ 6,457,982	$ 6,630,093

12. PROPERTY, PLANT AND EQUIPMENT

Following is a reconciliation between the carrying amount at the beginning and end of the year 2015, 2014 and 2013:

	Balances as of December 31, 2014
Investment:	
Buildings, leasehold improvements and constructions	$ 10,078,041
Machinery and equipment	2,422,092
Furniture and fixtures	3,763,667
Vehicles	283,227
Computers	1,062,565
Total investment	17,609,592
Accumulated depreciation:	
Buildings, leasehold improvements and constructions	(4,748,727)
Machinery and equipment	(1,619,718)
Furniture and fixtures	(2,238,015)
Vehicles	(182,624)
Computers	(901,591)
Total accumulated depreciation	(9,690,675)
Subtotal	7,918,917
Land	2,471,033
Construction in progress	968,727
Net investment	**$ 11,358,677**

December 31, 2014		December 31, 2013	
Carrying amounts	Fair value	Carrying amounts	Fair value
$ 3,572,499	$ 3,572,499	$ 5,092,804	$ 5,092,804
2,539,740	2,539,740	2,622,189	2,622,189
11,026,902	11,121,238	10,131,258	10,355,594
6,158,554	6,158,554	6,321,806	6,321,806
265,181	265,181	207,315	207,315
3,286,137	3,286,137	2,834,785	2,834,785
$ 7,429,269	**$ 7,523,605**	**$ 8,482,345**	**$ 8,706,681**

Additions	Retirements / disposals	Impairment	Balances as of December 31, 2015
$ 1,319,303	$ (55,560)	$ -	**$ 11,341,784**
299,832	(42,353)	-	**2,679,571**
999,615	(36,925)	-	**4,726,357**
45,762	(19,798)	-	**309,191**
61,358	(21,630)	-	**1,102,293**
2,725,870	(176,266)	-	**20,159,196**
(416,639)	21,437	-	**(5,143,929)**
(96,556)	75,050	-	**(1,641,224)**
(336,983)	33,369	-	**(2,541,629)**
(37,537)	16,639	-	**(203,522)**
(62,414)	21,923	-	**(942,082)**
(950,129)	168,418	-	**(10,472,386)**
1,775,741	(7,848)	-	**9,686,810**
8,341	(4,509)	(26,814)	**2,448,051**
(478,566)	(16,535)	-	**473,626**
$ 1,305,516	**$ (28,892)**	**$ (26,814)**	**$ 12,608,487**

	Balances as of December 31, 2013	Additions	Retirements / disposals	Balances as of December 31, 2014
Investment:				
Buildings, leasehold improvements				
and constructions	$ 9,262,693	$ 950,828	$ (135,480)	$ 10,078,041
Machinery and equipment	2,342,807	154,291	(75,006)	2,422,092
Furniture and fixtures	3,336,276	498,652	(71,261)	3,763,667
Vehicles	309,793	41,339	(67,905)	283,227
Computers	1,016,739	74,650	(28,824)	1,062,565
Total investment	16,268,308	1,719,760	(378,476)	17,609,592
Accumulated depreciation:				
Buildings, leasehold improvements				
and constructions	(4,446,714)	(393,607)	91,594	(4,748,727)
Machinery and equipment	(1,584,720)	(106,748)	71,750	(1,619,718)
Furniture and fixtures	(2,078,870)	(217,941)	58,796	(2,238,015)
Vehicles	(200,634)	(41,372)	59,382	(182,624)
Computers	(874,120)	(60,306)	32,835	(901,591)
Total accumulated depreciation	(9,185,058)	(819,974)	314,357	(9,690,675)
Subtotal	7,083,250	899,786	(64,119)	7,918,917
Land	1,911,357	559,676	-	2,471,033
Construction in progress	738,588	266,750	(36,611)	968,727
Net investment	**$ 9,733,195**	**$ 1,726,212**	**$ (100,730)**	**$ 11,358,677**

	Balances as of December 31, 2012	Additions	Retirements / disposals	Balances as of December 31, 2013
Investment:				
Buildings, leasehold improvements				
and constructions	$ 9,089,000	$ 257,924	$ (84,232)	$ 9,262,692
Machinery and equipment	2,038,816	330,059	(26,068)	2,342,807
Furniture and fixtures	3,062,884	304,328	(30,936)	3,336,276
Vehicles	278,155	61,502	(29,863)	309,794
Computers	971,334	63,044	(17,639)	1,016,739
Total de la inversión	15,440,189	1,016,857	(188,738)	16,268,308
Depreciación acumulada:				
Edificio, adaptaciones a locales				
and constructions	(4,138,149)	(364,206)	55,641	4,446,714)
Machinery and equipment	(1,507,007)	(84,843)	7,130	(1,584,720)
Furniture and fixtures	(1,949,580)	(164,689)	35,399	(2,078,870)
Vehicles	(196,892)	(31,777	28,034	(200,635)
Computers	(831,863)	(58,537)	16,281	(874,119)
Total investment	(8,623,491)	(704,052)	142,485	(9,185,058)
Subtotal	6,816,698	312,805	(46,253)	7,083,250
Land	1,791,817	119,540	-	1,911,357
Construction in progress	199,773	538,815	-	738,588
Net investment	**$ 8,808,288**	**$ 971,160**	**$ (46,253)**	**$ 9,733,195**

13. INVESTMENT PROPERTIES

	2015	2014	2013
Investment properties	**$ 2,086,228**	**$ 1,908,604**	**$ 1,687,705**

The changes in investment properties are as follows:

	2015	2014	2013
Balance at beginning of period	**$ 1,908,604**	$ 1,687,705	$ 1,477,629
Gain on property revaluation	**177,624**	220,899	210,076
Balance at end of period	**$ 2,086,228**	**$ 1,908,604**	**$ 1,687,705**

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	6.61%	8.86%

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 $221,714, $222,978 and $220,448 for the years ended 31 December 2015, 2014 and 2013 respectively. At December 31, 2015, 2014 and 2013 the occupancy rate of shopping centers is 93%, 94% and 98%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income amounting, approximately 32%, 33% and 37% of rental income for years ended December 31, 2015, 2014 and 2013, respectively.

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

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

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

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

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Commercial units located in Mexico City	Income capitalization approach	Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 6.61% - 8.86%, 6.15% - 8.86% and 6.57% - 8.86% 8.86% , 6.15% al 8.86% y 6.57% in 2015, 2014 and 2013, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of $328, $312 and $282 Mexican pesos per square meter ("sqm") per month in 2015, 2014 and 2013, respectively	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

14. DEBT SECURITIES

Through its subsidiary Sears Operadora de México, S.A. de C.V., the Entity was authorized by the CNBV on June 17, 2013 to issue securitized certificates in Mexican pesos under a two-year program. The authorized amount of the program was up to $2,500,000, on a revolving basis, and the combined amount of the current issues cannot exceed the authorized amount on any date. The maturity of each issue of securitized certificates was between one day and 365 days; the amount, rate and maturity of each issue were freely determined by the Entity on December 3, 2013, the program with CNBV was cancelled by the Entity.

15. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014	2013
Taxes payable	$ 1,674,549	$ 1,513,167	$ 1,172,759
Advertising	373,517	337,248	361,105
Maintenance contracts	188,560	201,030	203,056
Loyalty program	109,821	96,279	83,207
Unfilled orders	65,313	86,597	75,481
Leases	67,220	75,823	53,781
Electronics wallets	58,906	56,465	56,064
Electric power	56,445	64,191	69,005
Others	1,008,659	855,337	760,327
Total	**$ 3,602,990**	**$ 3,286,137**	**$ 2,834,785**

16. PROVISIONS

The provisions presented below, represent charges incurred during 2015, 2014 and 2013, expenses or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

	2015	2014	2013
Opening balance	$ 85,744	$ 90,548	$ 86,451
Additions	70,968	39,959	96,174
Provision applied and writeoffs	(97,049)	(44,763)	(92,077)
Closing balance	**$ 59,663**	**$ 85,744**	**$ 90,548**

17. RETIREMENT EMPLOYEE BENEFITS

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

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

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

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

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 the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of October 31, 2015 by independent actuaries who are members of the Asociacion 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:

	2015	2014	2013
	%	%	%
Discount rate	**7.14**	7.10	7.50
Expected rate of salary increase	**4.20**	4.54	4.00
Expected return on plan assets	**7.14**	7.10	7.50
Average longevity at retirement age for current pensioners (years)			
Males	**65**	65	65
Females	**65**	65	65

Items of defined benefit costs recognized in other comprehensive income.

	2015	2014	2013
Remeasurement on the net defined benefit liability:			
Actuarial (profit)/losses on return on plan assets excluding amounts included in net interest expense	$ (259,790)	$ 94,899	$ -
Actuarial (profit)/losses arising from changes in demographic assumptions	(202,182)	(72,943)	-
Actuarial (profit)/losses arising from changes in financial assumptions	(8,574)	98,706	-
Actuarial (profit)/losses arising from past adjustments	-	3,528	-
Other actuarial (profit)/losses for experience	(18,818)	(24,127)	18,866
Items of defined benefit costs recognized in other comprehensive income	**$ (489,364)**	**$ 100,063**	**$ 18,866**

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 2015 (current working service cost) included $23,288 and $68,006 in the income statement as selling expenses and administrative expenses, respectively, the statement of income also includes interest income of $156,268.

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:

	2015	2014	2013
Present value of funded defined benefit obligation	$ (1,688,580)	$ (1,319,478)	$ (1,215,532)
Fair value of plan assets	2,109,558	2,191,806	1,945,264
Surplus	**$ 420,978**	**$ 872,328**	**$ 729,732**
Net assets arising from defined benefit obligation	$ 582,889	$ 942,910	$ 821,022
Net liabilities arising from defined benefit obligation.	(161,911)	(70,582)	(91,290)
	$ 420,978	**$ 872,328**	**$ 729,732**

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

	2015	2014	2013
Opening defined benefit obligation	$ 1,319,478	$ 1,215,532	$ 1,186,149
Current service cost	91,294	62,022	61,153
Cost (income) interest	93,025	88,534	(51,694)
Remeasurement (gains)/losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	202,182	72,943	-
Actuarial (gains) and losses arising from changes in financial assumptions	8,574	(98,706)	-
Actuarial (gains) and losses arising from adjustment past	-	(3,528)	-
Other (actuarial losses o (gains) from experience)	18,818	24,127	(18,866)
Past service cost includes	-	-	63,603
Transfer of personnel	(639)	-	307
Actuarial losses/(gains) on liquidations or reductions	-	2,341	-
Benefits paid	(44,152)	(43,787)	(24,303)
Effects of reduction and liquidation other than restructuring	-	-	(817)
Closing defined benefit obligation	**$ 1,688,580**	**$ 1,319,478**	**$ 1,215,532**

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

	2015	2014	2013
Opening fair value of plan assets	$ 2,191,806	$ 1,945,264	$ 1,922,680
Interest income	156,270	143,270	117,779
Remeasurement gains/(losses):			
Return on plan assets (excluding amounts included in net interest expense)	(259,790)	94,899	(106,116)
Entity contributions	66,063	52,160	34,817
Transfers of personnel	(639)	-	307
Benefits paid	(44,152)	(43,787)	(24,203)
Closing fair value of plan assets	**$ 2,109,558**	**$ 2,191,806**	**$ 1,945,264**

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

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $148,384 (increase by $232,720).

If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $212,090 (decrease by $161,041).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $183,786 (decrease by $185,399).

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, 2015 are as follows:

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

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

Asset mix based on 50% equity instruments and 50% debt instruments.

The average duration of the benefit obligation as of December 31, 2015 is 17.52 years, 2014 is 16.35 years and 16.66 years in 2013.

The Entity expects to make a contribution of $75,774 to the defined benefit plans during the next financial year.

The major categories of plan assets are:

					Fair value	
	2015	2014	2013	2015	2014	2013
	%	%	%			
Equity instruments	50%	50%	50%	$ 1,057,695	$ 1,098,933	$ 969,181
Debt instruments	50%	50%	50%	$ 1,051,863	$ 1,092,873	$ 976,083

The actual return on plan assets amounted to $156 million, $143 million and $118 million in 2015, 2014 y 2013, respectively.

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

	2015	2014	2013
Short term benefits	$ 55,437	$ 59,967	$ 57,029
Defined benefit plans	117,704	111,524	118,672

18. STOCKHOLDERS' EQUITY

a. The historical amount of issued and paid-in common stock of Grupo Sanborns as of December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013			
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Series B1 historical	2,355,000,000	$ 2,039,678	2,355,000,000	$ 2,039,678	2,355,000,000	$ 2,039,678
Treasury shares	(44,028,547)	(29,134)	(17,488,565)	(11,571)	-	-
Serie B1	**2,310,971,453**	**$ 2,010,544**	**2,337,511,435**	**$ 2,028,107**	**2,355,000,000**	**$ 2,039,678**

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

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

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

During 2014, 17,488,565 shares have been repurchased for $390,843, which affects common stock by $11,571 and accumulated earnings by $379,272.

d. On January 29, 2013, pursuant to a resolution of the Ordinary and Extraordinary General Stockholders' meeting:

Minimum nonwithdrawable fixed capital was increase for an amount of $432,308 through the issuance of 432,308,236 ordinary, nominative Series "B-1" shares, so the Entity's authorized nonwithdrawable minimum fixed capital is $1,585,410, represented by a total of up to 2,382,000,000 ordinary, nominative Series "B-1" shares, after taking into account the effect of the split of the common stock shares. The total amount of shares subject to the increase was offered for placement in the Offering and the placement price was $28 pesos per share. Only 405,308,236 shares were placed in the market, for $405,038, with a net premium in capital by $10,756,501.

e. Pursuant to a general ordinary stockholders' meeting on April 29, 2013, the payment of a dividend was approved by the shareholders for the total amount of $1,789,800, payable in two exhibitions of 50%, on June 20 and December 20, 2013.

f. Acummulated 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, 2015, 2014 and 2013, the legal reserve, in historical pesos, was $311,682, $311,682 and $256,569, respectively.

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

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

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

	2015	2014	2013
Contributed capital account	$ 15,293,473	$ 15,630,686	$ 15,408,461
Consolidated net tax income account	7,105,968	7,379,608	8,029,209
Total	$ 22,399,441	$ 23,010,294	$ 23,437,670

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2015	2014	2013
Due from-			
Radiomóvil Dipsa, S.A. de C.V.	$ 28,749	$ 14,026	$ -
Plaza VIP Com, S.A.P.I. de C.V.	7,215	-	-
Nacional de Conductores Eléctricos, S.A. de C.V.	3,433	4,003	2,808
Hipocampo, S.A. de C.V	3,009	2,496	1,117
Teléfonos de México, S.A.B. de C. V.	2,363	31,541	-
Grupo Técnico de Servicios Telvista, S. A. de C. V	2,344	224	3,070
Seguros Inbursa, S.A. de C. V.	2,079	3,087	1,417
Imsalmar, S.A. de C.V.	834	337	157
Patrimonial Inbursa, S.A. de C.V.	781	-	-
Operadora de Sites Mexicanos, S.A. de C.V	739	-	-
Administración Especializada Integral, S.A. de C.V.	580	556	-
Dorians Tijuana, S.A. de C. V.	573	-	-
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	443	443	443

	2015	2014	2013
Due to-			
Nacobre Servicios Administrativos, S.A. de C.V	414	526	295
Industrial Afiliada, S.A. de C.V.	278	739	435
Servicios Corporativos Ideal, S.A de C.V.	247	350	437
Bienes Raíces de Acapulco, S.A. de C.V.	219	445	394
Compañía de Servicios Ostar, S.A. de C. V.	171	316	422
Promotora del Desarrollo de América Latina, S.A. de C.V.	128	334	532
Nacional de Cobre, S.A. de C.V.	13	172	307
Inmuebles Srom, S.A. de C.V.	-	1,698	-
Others	3,367	874	2,833
	$ 57,979	$ 62,167	$ 14,667
Due to-			
Sears Brands Management Corporation	$ 76,449	$ 79,220	$ 73,440
Radiomóvil Dipsa, S.A. de C.V.	70,090	125,341	70,368
Teléfonos de México, S.A.B. de C.V.	19,687	4,041	5,989
Inmose, S.A. de C.V.	18,977	-	-
Inmuebles Srom, S. A. de C. V.	8,012	2,636	7,421
Dorians Tijuana, S.A. de C. V.	6,209	5,020	4,622
Consorcio Red Uno, S. A. de C. V.	3,981	4,870	6,455
Inversora Bursátil, S.A. de C.V.	1,991	22,478	-
Servicios Condumex, S.A. de C.V.	1,968	-	-
Selmec Equipos Industriales, S.A. de C.V.	1,877	2,432	1,541
Desarrollos Sagesco, S.A. de C.V.	1,205	1,572	1,162
Telecomunicaciones Controladora de Servicios, S.A. de C.V.	1,055	1,667	-
Bajasur, S.A. de C.V.	491	339	3,023
Carso Global Telecom, S.A. de C.V.	282	749	-
América Móvil, S.A.B. de C.V.	246	4,578	13,056
Distribuidora Telcel, S.A. de C.V.	70	2,337	3,662
Constructora de Inmuebles PLCO, S.A. de C.V.	-	3,913	-
Operadora Mercantil, S.A. de C.V.	-	-	1,572
Others	4,340	3,988	15,004
	$ 216,930	$ 265,181	$ 207,315

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

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

	2015	2014	2013
Sales-			
Radiomóvil Dipsa, S.A. de C.V. (1)	$ (2,091)	$ 90,365	$ 48,055
Teléfonos de México, S.A.B. de C.V.	44,968	64,553	24,529
Seguros Inbursa, S.A.	40,997	44,695	38,546
Grupo Telvista, S.A. de C. V.	23,770	21,076	23,379

	2015	2014	2013
Sales-			
Nacional de Conductores Eléctricos, S.A. de C.V.	19,307	20,792	14,008
Plaza VIP Com, S.A.P.I. de C.V.	9,468	-	-
Nacobre Servicios Administrativos, S.A. de C.V.	7,282	5,760	5,489
Hipocampo, S.A. de C.V.	2,941	6,497	7,186
Banco Inbursa, S.A.	567	21,646	18,792
Sales (others)	35,325	42,554	42,547
Total	$ 182,534	$ 317,938	$ 222,531

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

	2015	2014	2013
Interest income	$ 748	$ 36,028	$ 45,987
Rentals-			
Radiomóvil Dipsa, S.A. de C.V.	$ 8,880	$ 12,866	$ 11,074
Teléfonos de México, S.A.B. de C.V.	8,660	8,821	9,356
Microm, S.A. de C.V.		-	5,899
Banco Inbursa, S.A.	5,083	4,835	4,507
Servicios Swecomex, S.A. de C.V.	6,508	-	-
Operadora de Sites Mexicanos, S.A. de C.V.	2,377	-	-
Laboratorio Médico Polanco, S.A. de C.V.	932	-	-
Lease income (others)	685	965	727
Total	$ 33,125	$ 27,487	$ 31,563
Services rendered-			
Radiomóvil Dipsa, S.A. de C.V.	$ 115,684	$ 79,756	$ 75,826
Banco Inbursa, S.A.	35,022	10,469	6,725
Teléfonos de México, S.A.B. de C.V.	21,675	7,107	7,714
Patrimonial Inbursa, S.A.	12,147	11,987	9,604
Seguros Inbursa, S.A.	11,460	5,435	4,223
Hipocampo, S.A. de C. V.	3,842	-	-
Outsourcing Inburnet, S.A. de C. V.	3,437	-	-
Grupo Telvista, S.A. de C. V.	3,184	-	-
Plaza VIP Com. S.A.P.I. de C.V.	2,769	-	-
I+D México, S.A. de C. V.	2,723	-	-
Insalmar, S.A. de C. V.	2,290	-	-
Sociedad Financiera Inbursa, S.A. de C.V.	1,737	5,546	2,849
Fundación Telmex, A. C.	1,594	-	-
América Móvil, S.A.B. de C.V.	-	7,578	8,673
Others	6,710	1,288	1,415
Total	$ 224,274	$ 129,166	$ 117,029
Sales of fixed assets	$ 4,674	$ 207	$ 2,390

	2015	2014	2013
Purchases-			
Radiomóvil Dipsa, S.A. de C.V.	**$ (1,280,572)**	$ (1,269,514)	$ (1,554,111)
Sears Brands Management Corporation	**(241,905)**	(215,088)	(181,172)
América Móvil, S.A.B. de C.V.	**(202,671)**	(241,027)	(268,389)
Inventory purchases (others)	**(25,660)**	(21,314)	(146,356)
Total	**$ (1,750,808)**	**$ (1,746,943)**	**$ (2,150,028)**
Insurance expenses	**$ (108,299)**	**$ (97,235)**	**$ (93,608)**
Lease expenses-			
Inmuebles Srom, S.A. de C.V.	**$ (174,475)**	$ (181,524)	$ (199,364)
Inmose, S.A. de C.V.	**(82,288)**	(79,590)	(87,904)
Inmuebles General, S.A. de C.V.	**(63,084)**	(52,665)	(59,275)
Bienes Raíces de Acapulco, S.A. de C.V.	**(46,309)**	(43,233)	(41,348)
Desarrollos Sagesco, S.A. de C.V.	**(30,498)**	(27,857)	(24,454)
Plaza CARSO II, S.A. de C.V.	**(21,983)**	-	-
Bajasur, S.A. de C.V.	**(29,057)**	(27,304)	(33,051)
Gastos por arrendamientos (otros)	**(97,059)**	(97,775)	(94,737)
Total	**$ (544,753)**	**$ (509,948)**	**$ (540,133)**
Interest expenses	**$ (4,130)**	**$ (1,669)**	**$ -**
Services received-			
Teléfonos de México, S.A.B. de C.V.	**$ (410,593)**	$ (454,725)	$ (285,510)
Sears Brands Management Corporation	**(240,624)**	(230,488)	(226,458)
Banco Inbursa, S.A.	**(6,829)**	(6,324)	(6,675)
Radiomóvil Dipsa, S.A. de C.V.	**(6,457)**	-	-
Promotora Inbursa, S.A. de C.V.	**(6,011)**	-	-
Selmec Equipos Industriales, S.A. de C.V.	**(5,816)**	-	-
Grupo Telvista, S.A. de C.V.	**(2,117)**	(13,702)	(12,038)
Editorial Contenido, S.A. de C.V.	**-**	(14,434)	(19,723)
Inversora Bursátil, S.A. de C.V.	**-**	(1,980)	(62,838)
Service expenses (others)	**(33,844)**	(19,391)	(11,987)
Total	**$ (712,291)**	**$ (741,044)**	**$ (625,229)**
Other expenses, net	**$ (84,345)**	**$ (168,018)**	**$ (143,126)**
Compra de inmueble a Inmobiliaria Diana Victoria, S.A. de C.V.	**$ -**	$ (310,386)	$ -
Purchases of fixed assets	**(125,217)**	(211,424)	(50,402)
Total	**$ (125,217)**	**$ (521,810)**	**$ (50,402)**

20. INCOME

	2015	2014	2013
Sale of goods	$ 40,660,218	$ 37,612,740	$ 37,097,074
Interests	2,931,056	2,831,257	2,695,076
Services	575,757	503,464	466,547
Rentals	219,583	228,551	231,502
Other	26,444	26,535	24,235
Total income	$ 44,413,058	$ 41,202,547	$ 40,514,434

21. COST AND EXPENSES BY NATURE

2015

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

2014

Concept	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 24,796,846	$ -	$ -	$ 24,796,846
Wages and salaries	12,345	3,194,988	582,943	3,790,276
Employee benefits	-	1,518,173	287,762	1,805,935
Lease	-	1,131,572	62,228	1,193,800
Electricity	4,835	635,025	7,079	646,939
Maintenance	13,479	405,607	44,554	463,640
Advertising	2,030	376,835	-	378,865
Royalties	-	229,920	3,240	233,160
Security services	14,891	71,607	4,507	91,005

Concept	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
			2014	
Water	7,339	107,023	876	115,238
Expansion costs	-	-	86,635	86,635
Provision for impairment of loan	-	-	409,489	409,489
Employee benefits	-	21,616	43,350	64,966
Other	61,527	1,563,544	570,493	2,195,564
	24,913,292	9,255,910	2,103,156	36,272,358
Depreciation	26,292	768,306	25,375	819,973
	$ 24,939,584	**$ 10,024,216**	**$ 2,128,531**	**$ 37,092,331**

2013

Concept	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	$ 24,291,175	$ -	$ -	$ 24,291,175
Wages and salaries	6,687	3,090,892	545,351	3,642,930
Employee benefits	-	1,433,083	281,323	1,714,406
Lease	-	1,083,388	59,834	1,143,222
Electricity	4,599	623,514	6,999	635,112
Maintenance	11,170	395,584	37,647	444,401
Advertising	2,282	351,871	-	354,153
Royalties	-	228,704	3,254	231,958
Security services	14,314	81,850	4,072	100,236
Water	10,554	105,024	796	116,374
Expansion costs	-	-	130,582	130,582
Provision for impairment of loan	-	-	275,895	275,895
Employee benefits		20,208	40,945	61,153
Other	58,659	1,506,154	545,489	2,110,302
	24,399,440	8,920,272	1,932,187	35,251,899
Depreciation	26,690	647,291	30,071	704,052
	$ 24,426,130	**$ 9,567,563**	**$ 1,962,258**	**$ 35,955,951**

22. OTHER (INCOME) EXPENSES, NET

	2015	2014	2013
Cancellation on liabilities and provisions	**$ (154,863)**	$ (130,149)	$ (224,567)
Gain on investment property revaluation	**(177,624)**	(220,899)	(210,077)
Impairment property	**26,814**	-	-
Loss on sale of fixed asset, net	**16,606**	64,318	24,412
Others, net	**51,686**	(31,528)	(37,511)
	$ (237,381)	**$ (318,258)**	**$ (447,743)**

23. INCOME TAXES

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

ISR -The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with Grupo Carso, S.A.B. de C.V. As a result of the 2014 Tax, 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 return 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; therefore, it determined income tax for the years 2015 and 2014, as previously described.

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

a. Income taxes consist of the following:

	2015	2014	2013
ISR:			
Current	$ 1,716,279	$ 2,020,086	$ 1,550,412
Deferred	(119,533)	(588,050)	159,552
	$ 1,596,746	$ 1,432,036	$ 1,709,964

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

	2015	2014	2013
ISR deferred (asset) liability:			
Property, machinery and equipment and investment properties	$ 1,241,696	$ 1,348,967	$ 1,481,879
Inventories	(118,804)	(111,804)	11,990
Accounts receivable from installment sales	-	-	546,039
Allowances for assets and reserves for liabilities and provisions	(551,068)	(493,377)	(702,567)
Employee benefits	130,061	224,827	218,920
Other	(240,596)	(237,467)	(253,753)
Deferred ISR on temporary differences	461,289	731,146	1,302,508
Effect of tax loss carry- forwards	(14,793)	(14,148)	(26,867)
Deferred income tax liability	$ 446,496	$ 716,998	$ 1,275,641

The net deferred income tax liability is as follows:

	2015	2014	2013
Net assets	$ 362,882	$ 200,369	$ 173,605
Net liabilities	(809,378)	(917,367)	(1,449,246)
Total	$ 446,496	$ 716,998	$ 1,275,641

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

	2015	2014	2013
Beginning balance	$ 716,998	$ 1,275,641	$ 1,161,193
Income tax applied to period results	(119,533)	(588,050)	159,552
Income tax recognized in other comprehensive income	(150,969)	29,407	(45,104)
Ending balance	$ 446,496	$ 716,998	$ 1,275,641

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

	2015	2014	2013
	%	%	%
Statutory rate	30	30	30
Plus (less) permanent differences -			
Nondeductible expenses	3	3	1
Inflation effects	(1)	(2)	2
Effective rate	32	31	33

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, 2015 are as follows:

Year of Expiration	Tax loss carryforwards
2018	$ 253
2019	493
2020 and thereafter	48,565
	$ 49,311

f. The Entity has recorded a long-term ISR payable derived from a Decree dated December 26, 2013 which establishes that the ISR generated by installment sales can be settled over three years by paying 33.3% of the outstanding amount each year, since the tax benefit of deferring ISR on installment sales was eliminated. ISR amounts to $127,027 and $254,053 in 2015 and 2014, respectively. Which they are recorded in income tax payable long-term.

24. COMMITMENTS

a. As of December 31, 2015, 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 $1,464,795.

b. Furthermore, as of December 31, 2015, the Entity and its subsidiaries have entered into lease agreements in 323 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, i Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods and range between one and twenty years. The rental expense during 2015, 2014 and 2013 was $1,300,320, $1,193,800 and $1,143,222, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from one to fifteen years and the amount of rental income in 2015, 2014 and 2013 was $219,583 $228,551 y $231,502, respectively.

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

Maturity	December 31, 2015
1 year	$ 523,557
1 to 5 years	2,582,720
More than 5 years	3,258,594
	$ 6,364,871

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

Maturity	December 31, 2015
1 year	$ 13,717
1 a 5 años	136,245
More than 5 years	182,963
	$ 332,925

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

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

25. CONTINGENCY

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, 2015 amounts to $613,519, for which the Entity has recognized provisions $59,663 which is included in other liabilities in the consolidated statements of financial position. During 2015 he Entity made payments related to these matters of approximately $67,197. 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. INFORMATION BY SEGMENT

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:

	Sears and Boutiques	
Total revenue	$	22,803,935
EBITDA [1]		3,229,276
Consolidated comprehensive income		1,601,353
Interest income		29,561
Interest expense		207,314
Depreciation		547,084
Income taxes		798,255
Total assets		20,951,665
Current liabilities		10,561,622
Long-term liabilities		244,573
Total liabilities		10,806,195
Capital expenditures		1,772,386

	Sears and Boutiques	
Total revenue	$	21,622,786
EBITDA (1)		2,916,909
Consolidated comprehensive income		1,492,981
Interest income		27,161
Interest expense		184,690
Depreciation		406,653
Income taxes		824,227
Total assets		19,068,549
Current liabilities		9,656,799
Long-term liabilities		349,996
Total liabilities		10,006,795
Capital expenditures		1,411,702

	Sears and Boutiques	
Total revenue	$	21,073,836
EBITDA (1)		3,029,652
Consolidated comprehensive income		1,626,948
Interest income		24,007
Interest expense		185,253
Depreciation		306,564
Income taxes		974,867
Total assets		17,435,954
Current liabilities		8,700,949
Long-term liabilities		649,012
Total liabilities		9,349,961
Capital expenditures		993,107

(1) EBITDA reconciliation

2015

Sanborns	Mixup and Ishop	Other and eliminations	Total consolidated
$ 12,639,236	$ 6,398,311	$ 2,571,576	$ 44,413,058
894,028	377,198	1,206,867	5,707,369
72,537	216,610	1,281,586	3,172,086
111,324	12,359	135,782	289,026
136,845	2,466	(245,214)	101,411
304,371	41,811	56,863	950,129
239,001	109,392	450,098	1,596,746
8,496,001	2,065,410	9,850,955	41,364,031
4,207,462	1,015,100	(5,032,457)	10,751,727
118,591	29,061	824,948	1,217,173
4,326,053	1,044,161	(4,207,509)	11,968,900
313,144	21,623	148,492	2,255,645

2014

Sanborns	Mixup and Ishop	Other and eliminations	Total consolidated
$ 12,395,945	$ 4,813,241	$ 2,370,575	$ 41,202,547
824,986	212,519	1,073,134	5,027,548
360,198	118,596	1,335,871	3,307,646
102,513	11,323	204,131	345,128
146,260	3,140	(230,620)	103,470
307,748	48,597	56,975	819,973
181,766	55,025	371,018	1,432,036
8,818,345	2,235,721	10,561,787	40,684,402
4,196,268	1,324,848	(4,737,883)	10,440,032
218,877	24,104	708,511	1,301,488
4,415,145	1,348,952	(4,029,372)	11,741,520
378,707	41,880	713,896	2,546,185

2013

Sanborns	Mixup and Ishop	Other and eliminations	Total consolidated
$ 12,646,630	$ 4,494,172	$ 2,299,796	$ 40,514,434
1,071,774	267,021	1,131,754	5,500,201
617,499	158,540	1,156,054	3,559,041
99,211	9,913	236,407	369,538
145,032	3,100	(211,639)	121,746
290,371	55,536	51,581	704,052
242,575	60,417	432,105	1,709,964
9,034,041	2,035,795	10,976,019	39,481,809
4,459,166	1,194,453	(4,424,710)	9,929,858
256,962	20,304	614,258	1,540,536
4,716,128	1,214,757	(3,810,452)	11,470,394
342,354	42,997	296,754	1,675,212

	December 31, 2015	December 31, 2014	December 31, 2013
Income before income taxes	$ 5,055,163	$ 4,636,734	$ 5,257,487
Depreciation	950,405	819,973	704,052
Interest income	(289,026)	(345,128)	(369,538)
Interest expense	101,411	103,470	121,746
Exchange gain, net	40,226	33,398	(3,469)
Gain on investment property revaluation	(177,624)	(220,899)	(210,077)
Impairment property	26,814	-	-
EBITDA	**$ 5,707,369**	**$ 5,027,548**	**$ 5,500,201**

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, 2015	%	December 31, 2014	%	December 31, 2013	%
Mexico	$ 43,898,285	98.84	$ 40,758,994	98.92	$ 40,068,165	98.90
El Salvador	418,344	0.94	348,171	0.85	343,374	0.85
Panama	96,429	0.22	95,382	0.23	102,895	0.25
	$ 44,413,058	**100.00**	**$ 41,202,547**	**100.00**	**$ 40,514,434**	**100.00**

27. NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 16, Leases

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

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

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

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

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

At the date of issuance of these financial statements, the Entity is in the process of determining the impact of these new standards on their financial information.

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

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

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

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Entity anticipate that the application of these amendments to IFRS 11 may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Disclosure Initiative

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

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

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

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

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

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

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

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

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

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Entity anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

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

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

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

28. SUBSEQUENT EVENTS

On February 5, 2016, Grupo Sanborns, announces that it has entered into a strategic alliance with América Móvil S.A.B. de C.V. (AMX) and Promotora Inbursa, S.A. de C.V. (Inbursa) consisting of a equity investment in Claroshop.com, S.A. de C.V. ("ClaroShop"), which owns the e-commerce platform www.claroshop.com.

As a result of this alliance, and in order to strengthen and promote their sales activities via internet, Grupo Sanborns will have an ownership interest in ClaroShop of 56%, AMX 25.5%, Inbursa 15.5% and 3% other investors. ClaroShop capital amounts to $970,000 at that date.

29. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue on March 15, 2016, 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, based on provisions set forth in the Mexican General Corporate Law. The consolidated financial statements for the year ended December 31, 2014 and 2013, were approved at the ordinary shareholders' meeting that took place on April 20, 2015 and April 28, 2014, respectively.

INFORMATION FOR INVESTORS

MEXICAN STOCK EXCHANGE

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

AMERICAN DEPOSITARY RECEIPTS (ADR'S)

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

DEPOSITARY BANK:

BNY Mellon
Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
Tel. 1-888-BNY-ADRS(269-2377)
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To obtain more information about Grupo Sanborns and its sustainability activities please visit our corporate webpage at: www.gsanborns.com

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This report contains forward-looking statements. By their nature, projections and general statements are specific, and risks may cause predictions, forecasts, projections and other forward-looking statements to differ materially from current expectations. Although we believe the plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, the Company cannot ensure that these plans, intentions or expectations will be achieved. Additionally, the reader must not interpret statements regarding past trends or activities as assurance that such trends or activities will continue in the future.

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