Annual Report

SURPASSING EXPECTATIONS

GRUPO GIGANTE

GRUPO GIGANTE, S.A.B. de C.V. is a holding company that has had presence, through its subsidiaries, for more than fifty years, not only in business, but also in its commitment to Mexico and its people. Since the beginning, it has believed in Mexico, adapting to changes and circumstances that has lived together with this country, modernizing and searching for the opportunity of constantly reinventing itself. Grupo Gigante has consolidated its presence in the 32 states of the Mexican Republic and has made an incursion in other latitudes, such as Central America, the Caribbean and South America, through an organic growth, acquisitions of commercial chains and strategic joint ventures. Today, there are three business segments strategically defined:

- **Specialized Retail Segment,** which includes **OFFICE DEPOT**, with the **CASA MARCHAND, FESA** and **RADIO SHACK**, brands, as well as **GRUPO PRISA** in Chile; **TIENDAS HOME STORE** and **PETCO** (Joint Venture).
- **Restaurants Segment,** composed of **RESTAURANTES TOKS,** with the **BEER FACTORY** and **RESTAURANTES CALIFORNIA** brands; **PANDA EXPRESS** and **CUP STOP**.
- **Real Estate Segment:** with the participation of **GIGANTE GRUPO INMOBILIARIO**
- **Social Responsibility,** which supplements the business group. It is important to mention the part of social responsibility of the company, that through the action of its own subsidiaries and of **FUNDACIÓN GIGANTE,** prove the social commitment of the Group.

Shares representing the Capital Stock of the Company are traded in the Bolsa Mexicana de Valores (Mexican Stock Exchange) since July 1991 with ticker Gigante*.

VISION

We strive constantly to be the leader in every market in which we participate; we are commited to the profitability of our businesses; and to the success and development of our customers, shareholders and collaborators.

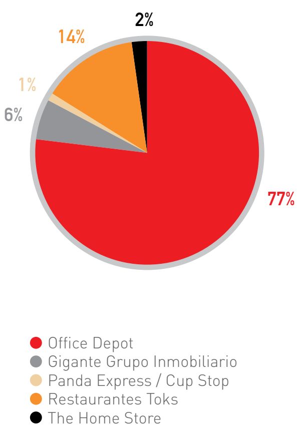
MISSION

Ensure the creation of value for our customers, shareholders and collaborators through the integration, communication and exchange of experiences, in the search for profitability and synergies in our businesses within the Commercial, Services and Real Estate service fields.

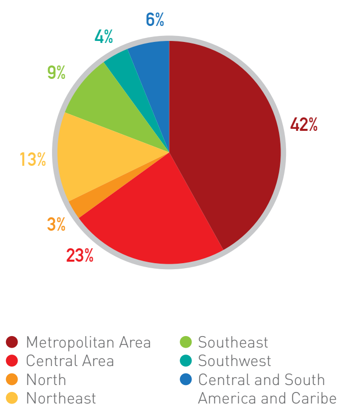
CORPORATE VALUES

- Leadership
- Teamwork
- Excellence
- Creativity and Innovation
- Productivity
- Transparency
- Recognition
- Social Responsability

SALES BREAKDOWN BY FORMAT



REGIONAL DISTRIBUTION OF UNITS



SALES FLOOR PARTICIPATION OF SUBSIDIARIES

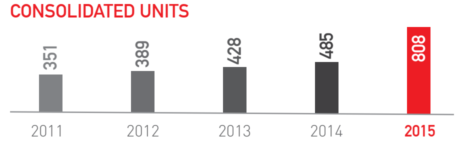
BUSINESS UNIT	UNITS	M2	SEATS
Office Depot (1)	570	458,678	
Restaurantes Toks (2)	189	-	41,675
Panda	23	-	-
Cup Stop	8	-	-
The Home Store	18	24,794	
Total	808	483,472	41,675

SALES FLOOR PARTICIPATION OF ASSOCIATED

Petco	18	11,580

(1) Units include Radio Shack, (2) Units include Beer Factory

CONSOLIDATED UNITS



CONTENT

FINANCIAL **HIGHLIGHTS**

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 per share data.

	2015	2014	2013
Total revenues	26,611,266	20,814,102	19,165,600
% variation	27.9%	8.6%	1.6%
Operation flow (Ebitda)	3,124,254	2,843,408	2,733,358
% variation	9.9%	4.0%	9.3%
Income from continuing operations	1,570,808	1,236,910	1,720,226
% variation	27.0%	-28.1%	15.5%
Income from discontinued operations	0	0	26,110
% variation	-	-	106.7%
Consolidated net income	1,570,808	1,236,910	1,746,336
% variation	27.0%	-29.2%	58.4%
Consolidated integral income	1,386,259	985,435	2,319,266
% variation	40.7%	-57.5%	95.6%
Basic earnings per common share	1.50	1.23	1.58
% variation	22.0%	-22.2%	129.0%
Price of share	38.50	41.60	32.99
Common shares outstanding	994,227,328	994,227,341	994,227,341

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2015	2014	2013
Assets	40,398,640	33,293,262	31,223,526
% variation	21.3%	6.6%	9.7%
Cash and cash equivalents	3,177,165	1,724,511	1,525,927
% variation	84.2%	13.0%	57.5%
Financial instruments	2,138,688	2,718,551	3,447,722
% variation	-21.3%	-21.1%	11.4%
Inventories-Net	5,446,714	4,188,809	3,517,368
% variation	30.0%	19.1%	-6.1%
Property and equipment-Net	9,364,371	8,855,587	8,655,800
% variation	5.7%	2.3%	2.4%
Investment properties	12,924,916	11,869,868	11,408,024
% variation	8.9%	4.0%	8.9%
Other assets	7,346,786	3,935,936	2,668,685
% variation	86.7%	47.5%	54.0%
Liabilities and Stockholder´s equity	40,398,640	33,293,262	31,223,526
% variation	21.3%	6.6%	9.7%
Suppliers	4,094,218	2,194,790	2,016,059
% variation	86.5%	8.9%	-18.0%
Bank loans	8,257,737	6,190,081	6,035,369
% variation	33.4%	2.6%	488.6%
Stock market loans	5,995,086	5,067,702	4,467,800
% variation	18.3%	13.4%	-
Other liabilities	4,368,748	3,761,481	3,609,413
% variation	16.1%	4.2%	13.9%
Stockholder's equity	17,682,851	16,079,208	15,094,885
% variation	10.0%	6.5%	-30.8%

The % of variations are with respect the previous year.

REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Mexico City, March 17, 2016

To the Board of Directors
To the Shareholders Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Shareholders, Board Members and Team Members,

Once again, I have the opportunity to address you in order to bring to your attention the annual report on the activities and the results for the year ended. I am proud to head Grupo Gigante, which is formed by persons and companies that during the year ended consolidated their commitment and leadership in the business areas in which they participate, facing challenges of different kinds throughout 2015.

Influenced by external global factors, which had a big impact to the country, such as the (Mexican Peso – US Dollar) exchange rate, oil prices, China, Europe and others, the fiscal year ended was once again a peculiar year for Mexico, with very special complexities and features. Notwithstanding, the Mexican Gross Domestic Product grew by 2.6% last year and the inflation continues to be at historically low levels, at a level of 2.13%, having generated an important recovery in the internal consumption. Within these internal and external factors, which had influence in our profits and losses, in addition to the consumption recovery, the most relevant was the exchange rate and its impairment to the Grupo Gigante's debt for the portion contracted in Dollars. Despite of the debt being within reasonable parameters, those parameters are not those which we wish to have and we will be working on this during 2016.

As customary, I would like to highlight the value and contribution of our people, our human resources, and therefore, I wish once again to express our special thanks to all of the team members of Grupo Gigante and its different companies, for their effort, commitment and dedication in implementing the strategy and actions taken throughout the year, thanks to which it was possible to achieve our results and goals, notwithstanding the challenges we already mentioned. At the end of 2015, we have been able to generate and maintain more than 25,500 direct jobs in Grupo Gigante, through our different subsidiaries and acquisitions made. Each one of our persons is part of this great team that strives every day to have a better society and a better country. To these thousands of people and families in our Mexico and beyond our borders, we hereby reiterate that we will continue working for the achievement of the satisfactors that you deserve.

Maintaining clear goals, implementing strategies and taking financial and operational actions objectively and firmly, based on our sense of service and innovation as well as the search for new opportunities has allowed us to continue to excel in the business and enterprise areas where we are engaged.

We concluded 2015 with more than 483 thousand square meters of sales floor, with a total of 808 units, a 66.6% unit increase compared to the preceding year. This includes stores and restaurants in Mexico, Central America, the Caribbean, Chile and Colombia, to which 18 units has to be added from our pet stores, that are from the joint venture with our American partner (Petco Animal Supplies Stores, Inc.), as well as more than 41,600 seats, a 43.2% growth in this branch. In terms of real-estate metrics, we have more than 124 real estate properties operated, with more than 1,500 leasable units, in more than 3.6 million square meters of construction and land with a territorial reserve and plans to remodel and develop different real estate projects, bearing in mind our customers with the strategic objectives including commercial, combined, offices and residential types.

With respect to our financial results during the fiscal year 2015, they are once more positive, with total revenue increase of 27.9% compared to the previous year, reaching an amount of $26,611.3 million Pesos, while the gross profit had a 21.2% growth to a total of $10,107.3 million. Such gross profit represented a 38.1% of gross margin, at the time that the operation profit obtained was $3,336.6 million, that is, a 14.9% increase compared to the previous year. Regarding EBITDA, it was 9.9% higher than the one recorded at the closing of the same period, totaling $3,124.3 million Pesos. Finally, our profit from continuing operations registered a total of $1,570.8 million, which meant a 27.0% increase compared to the previous fiscal year, mainly arisen from the operating results obtained by the Group.

Consistent with our corporate structure and strategy, we will continue to execute the corporate restructuring plan, implementing as of 2008 to be grouped by business specialty. We have three groups: specialized retail, our restaurants business and other services and real estate.

We maintained the growth in Office Depot de México within the country and in Latin America, continuing with our organic

We will define growth and consolidation goals, with a special care on our leverage levels, bearing in mind that we have to focus our attention in Mexico and the regions outside our borders where we operate.

growth, in addition to having acquired Radio Shack de México, with 246 units and the majority shareholding of Grupo Prisa in Chile, leader in the office supplies sale in that country, which is the ninth country in which we have presence. For The Home Store format we grew, having redesigned and launching its new image. We continue consolidating our formats and restaurant businesses, starting the successful integration and reconversion of Restaurantes California by Toks, which confirms us as one of the leaders in the restaurant sector. We continued with the consolidation of our restaurant businesses in Toks and Beer Factory, as well as with the expansion of Panda Express and Cup Stop. Regarding our real estate business, through Gigante Grupo Inmobiliario, in addition to the continuous improvement processes, in the search of a greater administration efficiency in of our leasable areas and properties, and the consolidation of their ongoing projects, we continue with the joint-venture projects of Andamar I and II in Veracruz and the Miyana project in the Federal District, one of the real estate icons of Mexico City.

True to our service and quality commitments, that we have undertaken and proved to satisfy through our subsidiaries and brands, within and without the country, we will maintain the execution of the best practices in each of our business units, developing cutting-edge processes, taking special care with the controls, products and services that we offer, reiterating our commitment to our team members, suppliers and customers.

We will continue identifying and analyzing new and different alternatives for formats or businesses, to anticipate to the demanding customer that we serve, complying with all of those who have placed their trust in us.

Upon the execution of our Social Responsibility policy, as a Group and for each subsidiary, we continue implementing proper strategies and actions to strengthen it. We keep providing our help, because we are certain of the value of providing service for those most in need. Therefore, in addition to the specific efforts made by each company within the Group in light of their own characteristics and capacities, we have continued to strengthen Fundación Gigante (Gigante´s Foundation), thereby helping children, teens and the elderly with the clear objective of supporting programs related to health, education, environment and directly assisting in emergency situations caused by natural disasters.

It is very clear that in addition to creating value and profits for our shareholders, our commitment continues to be maintaining and generating formal and permanent employment with an aim of consolidation and comprehensive growth, but within a framework of strategies and policies that encourage it, both in an organic manner as well as through our new investments and businesses, within the parameters of profitability, selectivity and caution.

I want to conclude by thanking our shareholders, board members, key executives and our more than 25,500 employees for their trust, contribution and advice, for their dedication and participation and for understanding the characteristics of our times and the challenges that we have to face.

We will define growth and consolidation goals, with a special care on our leverage levels, bearing in mind that we have to focus our attention in Mexico and the regions outside our borders where we operate, working with total conviction and acting with our prestige and experience, confirming once more our commitment to constructing a better society and where opportunities are generated for everyone.

Sincerely,

Ángel Losada Moreno
Chairman of the Board of Directors and CEO
Grupo Gigante, S.A.B. de C.V.

SPECIALIZED RETAIL SEGMENT

Office DEPOT	THE HOME STORE	petco
570 UNITS	18 UNITS	18 UNITS



In this segment many leading enterprises and brands in the market meet, such as **Office Depot,** specialized stores for office furniture and supplies **The Home Store,** that offers home style, trends and innovation options and **Petco,** with an innovative concept for pet accessories, food and supplies stores.

Office DEPOT

With presence in nine countries, we continue to reaffirm as the leader company in Mexico, Central America, South America and the Caribbean.


Office
DEPOT

MULTIPLYING OUR PRESENCE

This year Office Depot recorded high levels of organic growth and strengthening, thanks to the business strategy and the outstanding human capital that we have, therefore we continue to reaffirm as the leader company in Mexico, Central America, South America and the Caribbean.

In this period our total sales recorded a 29.5% growth and same-stores sales a 6.3% growth, an increase driven by the opening of 14 stores under the Office Depot format, 2 under the Casa Marchand format and 1 store under the RadioShack format.

On May we acquired 51% of Grupo Prisa, leading company in office supplies sales in Chile, which meant one more step on the consolidation of our expansion strategy in Latin America, being the ninth country of the region in which we have presence.

We acquired 100% of the shares in RadioShack de México, which is an operation that gives us greater growth expectations. RadioShack has 246 stores in operation in the country, which is a concept that we are strengthening to maintain it as one of the most relevant concepts in its sector and a specialized store to which more Mexicans can have access.

In addition to the foregoing, we also consolidated the companies acquired in 2014: Casa Marchand and Office Depot República Dominicana, implementing programs, systems and efficiencies that were transmitted to our customers.



Regarding e-commerce, we made important investments in infrastructure and technology, among other things, to facilitate our customers purchases on a quick and simple manner from any place. This allowed us to have a 28.2% growth on online sales, compared to the preceding year.

We closed this year with 570 business units in Mexico and Latin America; our expansion of formats has allowed us to reach to more customers each day, serving them on a more efficient manner through our more than 12,000 employees.

We are proud to inform that, once more, we obtained an award for being one of the ten "Best Companies to Work in Mexico", in addition to the award obtained as a Socially Responsible Enterprise for the seventh year running.

Our growth plan for 2016 takes into account the opening of 15 Office Depot stores in Mexico, 2 stores in the Dominican Republic, 1 store in Central America, 1 store in Colombia, 15 RadioShack stores and 5 Casa Marchand stores.

When we started operations in 1994 we knew we would go far, thanks to the support of our shareholders and the capacity and leadership of our people, the management team and the business strategy based on which we have made important achievements during more than 20 years.

Thanks to the recent RadioShack acquisition by Office Depot, there are ambitious plans for growth for this business unit in the next years, reaffirming its leadership in the market.

In Mexico, RadioShack started operations in 1992, in order to serve specific demands of the mexican market, therefore, a strategic joint venture was executed between the american partner and Grupo Gigante, with a 50% stake for each partner.

At the end of 2008, Grupo Gigante sold its stake to its foreign partner, and thus the american partner became the sole owner of the stores in Mexico.

In 2015, Grupo Gigante, through Office Depot de México reacquired 100% of Radio Shack de México.

In RadioShack we know that the use of technology is paramount for the general public; therefore we are committed to make available for it innovative and cutting-edge products, having the best quality and renowned brands of the market, in order to satisfy connectivity, communication, security, entertainment needs and more, in order to make life more fun.

This is the reason why our goal is to be our clients' favorite place. We are bound to our clients by the same feeling, because we both love technology.

THE HOME STORE

We redefined our house and continue with the remodeling strategy of our stores, strengthening our brand positioning.


KAREN
THE HOME STORE

IMPROVING HOME

At The Home Store we continue positioning as one of the best options for home style solutions and ideas, being the preferred store in the Fashion-Home sector due to the constant innovation applied to trend and season items, with a wide offer of products at reasonable prices, always supported by the excellent customer service.

Our strategy is to cling to the value of style and inpiration, ensuring an attractive selection and a great shopping experience that permits us to create innovative lifestyles.

Therefore, in 2015, we continued with the image modernization and renovation that is placing The Home Store at the cutting-edge of style and image within the sector.

As part of this plan, we made a 360º transformation in our Parque Delta store, changing it into a more nice and functional space for our customers, with designs and presentations that positively impact on the shopping experience.

Likewise, we remodeled 100% of the Lomas Verdes store, which we reopened on September. This helps us to strengthen our customers' shopping experience guaranteeing their total satisfaction. Other of our main achievements was the opening of the Forum Buenavista stores, located in the North of Mexico City, and Andamar in the State of Veracruz, which adds more than 2,600 square meters to our sales floor. Moreover, with great excitement we reopened our store in Villahermosa, Tabasco, located in the Plaza Altabrisa.

Our priority continues to be productivity and profitability for our shareholders, which is reflected in the commitment we have to the business strategy, which takes into account actions to increase profits, in addition to consider its growth with the opening of more units.

We will continue with the expansion of The Home Store in a selective manner, ensuring to be present in malls and target customers, maintaining the discipline and the order in the implementation of the criteria of the new image strategy at the stores named Generación 1.

petco

During 2015 we opened 12 more stores: 8 Petco stores and 4 Petco Express stores, having a total of 18 points of sale in six states of the Mexican Republic and Mexico City.


Wilderness
Alto en proteínas, Libre de granos
La Promesa de Blue
NATURALS
BEAST FRIEND
hound

Currently, we have more than 300 thousand members of Petco Club and more than 500 employees, willing to keep pets healthy and happy.

ADOPTING GROWTH

Since our arrival in Mexico, we have been able to position as the preferred store among pet lovers due to the wide range of products, an exclusive service, which is excellent and efficient and to the philosophy of adopting that Petco has maintained since its establishment in the United States.

The chain has continued growing, making progress in accordance with the expansion plan: we opened 8 Petco stores and 4 stores under the Petco Express format, that were strategically selected for a total of 18 points of sale in six states of the Mexican Republic and Mexico City. In order to reach more and more places, we made an incursion on the online sales through www.petco.com.mx, strengthening our scope to take care of the needs of our customers with a click, always maintaining the quality of our products and services.

This year we reinforced our adoption philosophy through the "first adopt" program. We have been able to find, together with our adoption centers, more than 5,000 homes for these pets that are full of love. This places us as the leading company in the promotion of the best practices for animal care and welfare.

The Petco family continues to grow year by year and today we have more than 300 thousand members of Petco Club and more than 500 employees willing to give their best so that our pets are happy and healthy, and at the same time to have satisfied and committed owners.

RESTAURANTS
SEGMENTS

Toks Restaurante	Panda Express Gourmet Chinese Food	Cup Stop
189 UNITS	23 UNITS	8 UNITS




It is comprised of our well-known **Restaurantes Toks** that through the years continue pampering the taste of millions of people; **Panda Express**, a franchise of the gourmet chinese restaurant, being Mexico the only place outside the United States where it has presence, and **Cup Stop** with its specialty coffee and freshly baked bread.

189

UNITS

Through our units we served 30.8 million customers. This placed us in Mexican consumers' preference.

SERVING EACH TIME BETTER

In Toks we maintained the business strategy focused on customer satisfaction, product quality and a warmth - friendly service, which permitted us to provide unique experiences to each one of the visitors in more modern environments and new dishes, prepared at the moment, with fresh raw materials of the highest quality.

Our success strengthens each year with very profitable openings of more branches. Thanks to the foregoing we recorded a 31.7% increase of total sales. The relevant incorporation of California and Beer Factory is permitting us to serve more persons each day throughout the Mexican Republic, on a more efficient manner and even with new concepts.

During 2015 we made 15 conversions from California to Toks, which recorded sales increases by three digits. In addition to the foregoing, we opened 6 restaurants and remodeled 4 units.

Through our units we served 30.8 million customers. This placed us in Mexican consumers' preference, also due to our strong commitment to service and social responsibility, acting at all times in favor of the environment and sustainability.

Aware of our Business Plan as well as of the need of innovation to keep us on the cutting-edge, for 2016 we have considered two great purposes:





- Opening of 17 units Toks and 15 additional conversions of Restaurantes California.
- Operation start-up at locations without presence, such as the City of Tijuana, in Baja California Norte.

Finally, it is essential to point out that as part of this strategy, in terms of Social Responsibility and in addition to the need of sharing our success with the underprivileged communities of the country, the Productive Projects program will continue its expansion and will seek to support the development of 1,000 people more in extreme poverty, which will be added to the 7,000 that have already improved their life conditions thanks to this program.

We made 15 conversions from California to Toks; these units recorded sales increases by three digits.

Beer Factory started operations in September 1998. It opened its first restaurant in Cuicuilco, Mexico City. In March 2015, Restaurantes Toks acquired all of the shares in Restaurantes California and Beer Factory from Controladora Comercial Mexicana, adding 7 Beer Factory restaurants.

Beer Factory restaurants are located in three federal entities: Mexico City, Estado de Mexico and Guanajuato.

The experience of enjoying an excellent craft beer, manufactured in micro-brewery facilities, in addition to a variety of delicious dishes, some of them standing out for their preparation in wood ovens and mesquite, ingredients that result in dishes with a unique taste, are a real delight.

One of our main goals for 2016 is repositioning the Beer Factory concept to point it towards younger customers.

In 2015, Panda Express served more than one million customers, which represented a 13.5% increase compared to the previous year.


REFRÉSCATE
Coca-Cola
PANDA
MAKE
HAPPY
PANDA
Res con Brócoli
WOK SMART
Vegetales Mixtos
WOK SMART
HOUSE PORK

In Panda Express we use only the freshest and most delicious ingredients to take to your plate a unique and incomparable taste. Every day our vegetables are cut fresh to be part of a delightful combination.



ONE-OF-A-KIND AND INCOMPARABLE FUSION TASTE

2015 was a year of challenges for the franchise acquired by Restaurantes Toks since 2011; with the opening of two more restaurants in Mexico City, we continue providing an outstanding experience in Asian food to our customers. We only use the freshest and most delicious ingredients to give your dishes a one-of-a-kind and incomparable taste. Therefore, for year 2016, the expansion of Panda Express will comprise 2 more units.

Panda Express recorded a 12% growth in total sales to stores. As of the closing of 2015, it served more than 1 million customers in its 23 units; having a 13.5% increase on served customers compared to the previous year.

Panda Express, where the Asian food combines with the Mexican touch in dishes that go from breaded shrimp with jicama to marinated pork with honey, continues to place itself in the Mexican consumers' preference.

In Cup Stop we work in order for our customers to find an added value to our select gourmet grains, preparing the best coffee any time of the day, which allowed us to grow by 10.9% in total stores in 2015.


CAPUCCINO
o BEBIDA
REFRESCANTE
IBM
IBM

CUP STOP: A GREAT COFFEE WITHOUT STOPPING YOUR DAY!

Nothing better than starting the morning with a delicious coffee from Cup Stop, prepared at the moment.

This business unit of the hospitality division of Grupo Gigante is a concept one of its kind in Mexico, where specialty coffee is offered, complementing this offer with freshly baked bread, sandwiches and fresh beverages.

Cup Stop continues to position in people's taste, which is reflected by the increase of 10.9% of our total sales in year 2015 compared to the previous year.

This proposal based on an express service with the highest quality products at a low price, is planning to open 2 more units in 2016, together with a renovation of its units, which will be enhanced with a more modern and youthful touch, in order to offer the greatest experience in quality, innovation and value for its target customers.

At Cup Stop we know that it is not just coffee, it's a way of life.




A good coffee, the scent of baked bread and the best express service with a friendly service, make Cup Stop a way of life.

REAL ESTATE SEGMENT

REAL ESTATE PROPERTIES OPERATED

GIGANTE
GRUPO
INMOBILIARIO®

2015 was a year of challenges and great opportunities that allowed us to continue consolidating through our projects, investments and initiatives.

Real estate projects stand out for their innovation, functionality and sustainability. This has the purpose of being a growth and development driver for Mexico, achieving a balance between the uses of state-of-the-art technology as well as the use of natural resources, complying with the commitment of taking care of the environment.

BEYOND DEVELOPMENT

For Gigante Grupo Inmobiliario, 2015 was a year of challenges and great opportunities that allowed us to continue consolidating through our projects, investments and initiatives, which stood out for their innovation, quality and commitment principles to our customers, and at the same time it promoted Mexico's growth and development.

As a result our shareholders' trust and our efforts, we have improved our revenues and key indicators. Currently, we have presence in more than 25 states of the Mexican Republic. We manage 124 real estate properties in operation, with more than 1,500 commercial spaces and we have more than 3.6 million square meters among constructions and land, that includes a territorial reserve of 268 thousand square meters, generating thousands of direct and indirect jobs in the country.

This year we made progress on the construction of one of the most significant projects in Mexico City, Miyana, a combined joint-venture development that guarantees comfort for its residents by integrating all of the services in one same space. Furthermore, it has the highest technology in all aspects, from materials and construction systems to services such as security and amenities. Miyana is located in one of the most exclusive zones in Mexico City, standing out for its design and for being an avant-garde project. It is important to point out that as of the closing of the year, 63% of residential units of this project have been sold.

Puerta Jardín is another residential project of GGI, where the commercialization of the three residential towers was successfully finished, and 80% of the 121 residential units of the first two towers was formalized with a Notary Public during 2015. In addition, in 2015 the sale of the land adjacent to those three towers was sold, as well as part of the third tower, pursuant to that planned. GGI will use the added capital for new strategic assets that provide a stable potential income flow on the mid and long term.

In this period we also carried out the remodeling of real estate under the Servi Plazas concept, which permitted to improve their image and occupancy, generating more traffic and greater revenues to our strategic partners.

As real estate entrepreneurs we know that the challenge is to see that our work is not a purpose in itself, but the means to increase the competitiveness levels and to promote more equitable and efficient environments, that improve the quality of life and offer a better present and future to those who visit, live or work in it.

We are proud to announce that for 2016 we are planning to start the construction of:

Gran Terraza Coapa

A commercial complex designed by Architect Javier Sordo Madaleno, which will be developed on a 62 thousand 500 square meters land with a construction area of more than 270 thousand square meters, where 2 anchor stores are contemplated, a space for movie theaters, fast food area, gym and several commercial activities.

Conjunto Mixto Corporativo Interlomas

Office buildings and shopping mall designed by Architect Juan Jose Sánchez Ahedo on a land with more than 14 thousand square meters and a construction area of 103 thousand square meters, to have a spectacular design.

In Gigante Grupo Inmobiliario, in addition to making our existing projects more efficient by improving their administration, commercialization and profitability, we are committed to innovation to keep us at the forefront with projects that take into account customer satisfaction on every detail, in order to provide incomparable experiences.

It is important to point out that as a part of our social commitment to Mexico, we have an alliance with the

Gran Terraza Coapa and Corporativo Interlomas are the new projects that we are planning to start.

Asociación Construyendo y Creciendo, which we are supporting for the second year running. We help the construction workers in the Miyana development, giving them the opportunity to finish their elementary and high-school education in order to improve their quality of life.

We want to reiterate that we will continue working on the improvement of our managed projects and on the creation of real estate projects, characterized by innovation, functionality and viability, in order to be a driver for growth and development for Mexico, creating jobs, and at the same time constructing cutting-edge entities for those who live in them.

FUNDACIÓN GIGANTE

+14 MILLION PESOS

IN CASH AND NON-CASH DONATIONS

FUNDACIÓN GIGANTE

With this, we have helped more than 26 thousand 600 people with our education, health, environment and natural disasters programs.

CONSOLIDATING ITS COMMITMENT TO MEXICO

In Grupo Gigante we are certain that social commitment is essential to achieve success in our business, therefore, through Fundación Gigante and our subsidiaries, according their own characteristics and capabilities, we continue investing in Education, Health, Environment and Support in Natural Disasters programs, which has allowed us to improve the life conditions of thousands of Mexicans in a vulnerable situation. This is a great satisfaction and we keep committed to continue helping.

Regarding Education, Fundación Gigante helped children, young people and adults in the country, as well as our employees in the Group to be able to continue with their education and professional development. In the "San Juan Bosco" boarding school we helped 137 elementary school and high-school students through a cash donation, the delivery of school kits, spectacles and at the same time encouraging their values with the creation of a selection of Rugby players created thanks to the Rugby French Flair Mexico association.

We supported the Nuestro Hogar Anar I.A.P. Foundation, an institution engaged in the protection and education of children in an abandonment situation with the delivery of cash and non-cash donations, such as school supplies kits and furniture. Likewise, we helped the Private Assistance Board of the Estado de México [Junta de Asistencia Privada], through the donation of school supplies, linens and computer equipment.

We gave 50 scholarships to students of the Conservatorio Nacional de Música, the Universidad Tecnológica del Valle de Chalco and La Curtiduría in Oaxaca. Meanwhile, at our "Miyana" real estate development we helped construction workers for the second consecutive year through our alliance with "Construyendo y Creciendo", benefiting 102 workers who as a consequence






obtained a literacy certificate and nine workers their elementary and high-school certificate.

For the sixth year running, we encouraged employees who wish to commence and/or finish their college, master´s degree and/or doctorate, adding the financing of 68 students, of which 5 finished their studies.

Likewise, through a trust we continue the support of the construction of the "Ángel y Tere Losada" Auditorium in the Universidad Anáhuac Norte.

Regarding Health, in Fundación Gigante supported different programs for children and young people of Mexico to obtain an outstanding performance in their activities, in addition to helping the elderly. This year, we delivered almost 3 thousand 400 nutrition packages to boys and girls between 6 months and 12 years old through the program "Ayúdame a Crecer", so that the beneficiaries reach the weight and height according to their age. Furthermore, we gave cash donation and 656 food provisions to the families of children served at the dining rooms "Comer y Crecer" located at Santa Fe, San Mateo, Constituyentes, Zacamulpa and Palo Solo, the two latter in the Estado de México.

In order to reduce gastrointestinal diseases of children and adults we installed 35 water filters in Tezoyo and Santa Cruz, including the elementary school of each community belonging to the Estado de México, thanks to the program "Agua limpia para todos", and a Christmas sale was carried out to collect funds and be able to support the "Ayúdame a crecer" program.

We performed vision exams to children and adults and we delivered more than 11 thousand 300 spectacles, in alliance with "Ver Bien Para Aprender Mejor"; furthermore, we delivered cash donations to the Residencia Reina Sofia, I.A.P., a nursing home.

We support Fundación Emmanuel delivering food and different supplies to prisoners of the penitentiaries of the Mexican Republic and their families.

In alliance with the "Pro ayuda a la Mujer" foundation, we supported almost one thousand 300 people, giving psychological help and medical and legal assistance; likewise, we support protection to helpless pregnant women, providing them with medical assistance, housing, food, psychological help and training them on a job in order for them to be self-sufficient through a donation given each year to "Vida y Familia" (Vifac).

As part of our commitment to the respect for human rights, we continued with the update of the handbook pursuant to the MEG 2012 model of the Instituto Nacional de las Mujeres [National Institute for Women].

In Oaxaca we trained housewives to plant and prepare soy-based nutritive foods and we continued working with the residents of Huamelula, Oaxaca and their communities, developing productive projects; therefore, we currently have 17 projects that are benefiting almost 200 people

We carried out 4 rounds of cleft lip and cleft palate surgeries in alliance with "Operation Smile", helping more than 453 children in Guadalajara, San Cristóbal de las Casas, Monterrey and Puebla. In Puebla we are working with Fundación Manpower to encourage voluntary service among its employees, performing a Peso-by-Peso campaign, which helped 20 children.

We supported institutions such as Hospital Infantil Federico Gómez and the Hospital de Ciencias Médicas y Nutrición, Salvador Zubirán, through cash donations. Furthermore, we participate in the board.





With the decisive support of its Board of Directors as well as its Corporate Practices and Auditing Committees, in Grupo Gigante we have a Code of Ethics and Conduct and we participate in the proposal and development of an Anti-Corruption Policy that applies to all of our Business Units, employees and suppliers, with which we reaffirm our commitment to our Society and to the authorities in order to cause compliance with the laws governing in our country, as well as the applicable foreign laws.

We believe that the key elements of success of Grupo Gigante is its human factor, reason for which we continue supporting our employees' development, as well as different institutions with donations and through our programs, which reinforces our social commitment.

AUDIT COMMITTEE
ANNUAL REPORT
Mexico City, March 22, 2016

To the Board of Directors
To the Shareholders' Meeting of Grupo Gigante. S.A.B. de C.V.

Dear Sirs,
In our capacity as Members together with the Secretary of the Audit Committee and in compliance with Articles 42 and 43 of the Mexican Securities Law ("Ley del Mercado de Valores"), the Committee Bylaws and the Internal Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V. (Grupo Gigante), and taking into consideration the recommendations of the Code of Best Corporate Practices, we hereby submit our annual report for the fiscal year 2015, having carried out the following activities:

I. We analyzed and approved the quarterly and annual consolidated financial statements, having requested the External Auditor to provide the reports in writing for each quarter, which confirm that the financial information of Grupo Gigante was prepared according to the same financial reporting standards, criteria and practices with which annual reports are prepared. As mentioned in item III below, the latter were prepared by using the International Financial Reporting Standards (IFRS).

II. We reviewed the system for internal control and internal corporate audit of Grupo Gigante. With respect to the Internal Corporate Audit Department, the Committee reviewed and approved its budget, guidelines, the annual plan for reviews and its proper compliance. We concluded that, in general, the system for internal control and internal corporate audit is satisfactory.

III. We approved the guidelines and policies for operations and accounting records of Grupo Gigante and its subsidiaries, as provided by the IFRS.

IV. We verified that the procedures established for risk control were observed by the various business units of Grupo Gigante.

V. We evaluated the performance of the firm, Galaz, Yamazaki, Ruiz Urquiza, S.C., which carried out the audit on the consolidated financial statements for the fiscal year as well as the performance of the External Auditor, C.P.A. Erick Calvillo Rello. In our opinion, both adequately complied with their duties in adherence to the International Audit Standards and with the applicable provisions of the Mexican Securities Law. We approved its Annual External Audit Plan, its Executive Summary of Comments and Recommendations as well as its Report on the consolidated financial statements as of December 31, 2015.

VI. We analyzed the description and valuation of the supplementary services provided by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. during the fiscal year 2015.

VII. We approved of the reports by the external and internal legal counsel to ensure that Grupo Gigante and its subsidiaries properly comply with the legal provisions as well as timely disclosure of any contingency. Similarly, we held work meetings with the External Auditor, the Director of Internal Corporate Audit and with the officers who we considered appropriate of the administration of Grupo Gigante and its subsidiaries.

VIII. The administration presented the Committee with the control measures that were implemented in order to formally comply with the Federal Act on the Protection of Personal Data Held by Private Individuals as well as the Federal Act for the Prevention and Identification of Operations with Illegal Resources.

IX. We took into consideration the relevant comments and the potential complaints about certain actions considered irregular that were taken by the administration and posed by the shareholders, board members, key managers and employees with respect to the accounting, internal controls and other topics regarding the internal or external corporate audit and found that there is nothing to report.

X. We followed-up on the resolutions adopted by the Shareholders' Meetings and by the Board of Directors related to this Committee.

Based on the work carried out and on the report of the external auditors, in our opinion the accounting and information policies and criteria followed by the company are adequate and sufficient and have been consistently applied; therefore, the information submitted by the CEO reasonably reflects the financial situation and results of the Company.

Due to the foregoing, we recommend to the Board of Directors to submit the Financial Statements of Grupo Gigante for the year ended on December 31, 2015 for the approval of the Shareholders' Meeting.

Consequently, with this report we have complied with the obligation established by the aforementioned Articles of the Mexican Securities Law and the Bylaws and Regulations of the Board of Directors of Grupo Gigante.

Luis Santana Castillo
Committee Chairman

Roberto Salvo Horvilleur
Board Member

Luis Rebollar Corona
Board Member

Ernesto Valenzuela Espinoza
Committee Secretary

CORPORATE PRACTICES COMMITTEE ANNUAL REPORT

Mexico City, March 16, 2016

To the Board of Directors
To the Shareholders Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders,
In our capacity as members of the Corporate Practices Committee, in compliance with Article 43, section I and other applicable provisions of the Mexican Securities Law ("Ley del Mercado de Valores"), the bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulations of its Board of Directors, please find below the Report of this Committee for the activities carried out during the fiscal year 2015.

During the year ended, this Committee met on 4 occasions, thereby presenting to the Board of Directors its respective reports and recommendations at the meetings of the fiscal year being reported. The following activities and matters were discussed:

I. In compliance with the **"Corporate Governance"** program and the applicable legal provisions, the Committee supervised the meetings that were held and the functioning of the corporate governance bodies as well as its operating regulations, compliance with the legal provisions on this subject matter and the bylaws of Grupo Gigante. It is informed that the latter was carried out properly and in a timely manner, having held several meetings of the Board and of its Committee, based on that set forth.

II. **"Comprehensive Compensation Plan"**. Based on the Compensation Plan for the CEO and the key managers of Grupo Gigante comprised of four elements: Base Salary Structure, Variable Annual Compensation or Performance Bonus, Long-Term Incentive and Retirement Benefit, the Committee actively participated in supervising its execution, participating in the adjustments and specifications.

III. **Review and approval of general increases.** In terms of its responsibilities and taking into account the general economic conditions, the Committee reviewed and approved the proposal by the administration in this regard.

IV. In compliance with the applicable provisions, **the performance of the CEO of the Company and its Key Managers was evaluated.** Salary adjustments as well as the performance bonuses and incentives were authorized in light of the profits and losses of the fiscal year 2014, the plans for 2015 and the established policies.

V. In compliance with and in the performance of their duties and authority, and based on that set forth in Article 28, Section III, paragraph b) of the Mexican Securities Law, the Committee reviewed and analyzed transactions between related parties, recurrent and particular, looking at all times for fair and market values, costs and parameters in this transactions, for the benefit of the company.

VI. Since the situation related to the waivers referred to in **Article 28, section III, paragraph f** of the Mexican Securities Law did not occur, these operations did not need to be presented to the Board and, consequently, there is nothing to report.

VII. **Business Continuity Program (BCP).** In coordination with the Audit Committee and in order to have a better risk management, the Committee continued participating in such Program, which includes the Management Continuity Program (MCP), Government, Risk and Compliance (GRC) and the Disaster Recovery Plan (DRP) of the subsidiaries of the Group.

VIII. **Corporate policies and proceedings.** In coordination with the Audit Committee, the Committee participated in the review and approval of the update and issue of these policies.

Consequently, with this report we hereby comply with Article 43, section I and other applicable provisions of the Securities Law as well as the bylaws and regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V.

Roberto Salvo Horvilleur
Committee Chairman

Luís Santana Castillo
Board Member

Gilberto Pérezalonso Cifuentes
Board Member

Sergio Montero Querejeta
Committee Secretary

FINANCE AND PLANNING COMMITTEE ANNUAL REPORT

Mexico City, March 16, 2016

To the Board of Directors
To the Shareholders Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Board Members and Shareholders,
In our capacity as members of the Finance and Planning Committee and in compliance with the bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulations of the Board of Directors, we hereby present the 2015 Activities Report for your consideration.

According to the aforesaid provisions, during the fiscal year ended, this Committee held 5 work sessions, having submitted its respective reports and recommendations to the Board of Directors for all of its ordinary meetings of the year in terms of the content and development of the following topics and duties:

I. In exercise of its duties, the Committee received detailed information in a timely manner on the matters related to the strategic, financial and budgetary aspects that became the subject to analysis and recommendations from this Committee to the Board of Directors. It was considered appropriate to specifically inform about the discussion and analysis of the following topics:

I.1. Budget 2015, its structure, follow-up and progress.

I.2. Cash flow of the Group and its subsidiaries.

I.3. Profits and losses for the fiscal year, annual and quarterly of the company, its subsidiaries and affiliates.

I.4. Integration and follow-up of the Capex of the Company and its controlled companies.

I.5. Surveillance and use of the credit facilities of the Company and its controlled companies.

I.6. Analysis and discussion about the different financing sources and alternatives of the Group and its subsidiaries.

I.7. Analysis and definition of the premises and principal aspects of the 2015 budget, as well as the financial ratios to be applied and performance indicators.

1.8. Follow-up and report on openings and closings of units of the Group.

1.9. Analysis, and if applicable, approval of investment projects.

II. Another relevant aspect was the supervision of the handling of the Treasury of the Group. To this end, alternatives were reviewed and investment guidelines and policies were confirmed. Performance and compliance with those guidelines and policies were ensured. In addition to the annual report, it was informed that as of the end of the fiscal year 2015, the treasury of the Company ended with the amount of $5,315.9 million Pesos after paying interests, amortization of bank loans and having covered various investments, including the revenues from financial interests.

III. The Committee received periodical reports regarding the compliance of the policy on repurchase of the Company's own shares; having carried out the acquisition of 500 shares of this kind during the year. It was informed that as a result from the update of the registry of the Company with the National Securities Registry and the resolutions by the General Shareholders Meeting held on September 8, 2015, 45,505,420 shares held on the treasury were cancelled, therefore, at the closing of the fiscal year the company only has such 500 repurchased shares of the 994,227,328 outstanding shares.

IV. From the scope of its authority and responsibilities, the Committee participated in the review and confirmation of the valuation criteria for assets and recommended to the Board the approval of said criteria, in adherence to the International Financial Reporting Standards (IFRS).

V. There was active participation by the Committee with the Management in the debt analysis of the Group and its subsidiaries, and diminishment and efficiency proposals were determined, including the capital increase and other alternatives taken into account.

VI. Considering the Strategic Planning of the fiscal year carried out for Grupo Gigante and its main subsidiaries in 2008, which produced the 2009-2013 and 2013-2015 plans, the Committee recommended and resolved to review and update such plans, which activity will be carried out at the beginning of 2016 and which shall result in the Strategic Plan 2016-2020.

VII. During the year ended, and given their budgetary and strategic importance, the Committee continued participating in the review processes on the progress of the Miyana Project (which is the Group's real estate´s icon) and other real estate projects.

VIII. Finally, during 2015, the Committee held meetings with the Management and with the key executives of the most important operating subsidiaries of the Group (Office Depot de México, Restaurantes Toks and Gigante Grupo Inmobiliario). Having analyzed the periodical reports and having proposed detailed recommendations, special emphasis was made on the care given to the optimal use of the capital and debt levels of the Group and its subsidiaries, we continued with the identification of several alternatives for its achievement, including divesting or monetization of very specific assets, to improve and/or reduce leverage.

With this report, we have complied with the provisions of the bylaws and other applicable provisions of the Regulations of the Board of Directors.

Javier Molinar Horcasitas
Committee Chairman

Manuel Somoza Alonso
Board Member

Roberto Salvo Horvilleur
Board Member

Ángel Losada Moreno
Board Member

Juan Carlos Mateos Durán de Huerta
Board Member

Sergio Montero Querejeta
Committee Secretary

BOARD OF DIRECTORS

EQUITY RELATED BOARD MEMBERS
ÁNGEL LOSADA MORENO
Chairman of the Board of Directors and
Chief Executive Officer of Grupo Gigante
BS in Business Administration, Universidad Anáhuac

EQUITY BOARD MEMBERS
BRAULIO ANTONIO ARSUAGA LOSADA
Chief Executive Officer of Grupo Presidente
BS in Business Administration, Universidad Anáhuac.
MS in Business Administration, Southern Methodist University

GONZALO BARRUTIETA LOSADA
Chairman of the board, Operadora IPC de México
BS in Economics, ITAM. MS in Business Administration,
Claremont Graduate University

RELATED BOARD MEMBERS
JOSÉ ALVERDE LOSADA
General Director of Desarrolladora A&L
BS in Business Administration, MS in Business Administration,
Texas University

INDEPENDENT BOARD MEMBERS
ROBERTO SALVO HORVILLEUR
Independent board member in several companies in Mexico and
Centroamérica
BS in Business Administration, University of Notre Dame
MS in Business Administration, INCAE Business School

LORENZO PEÓN ESCALANTE
Independent board member in several companies
BS in Business Administration, Universidad Iberoamericana

JAVIER MOLINAR HORCASITAS
Managing partner of Vector Capital Privado, S.A. de C.V.
BS in Business Administration, Universidad La Salle

GILBERTO PÉREZALONSO CIFUENTES
Independent board member in several companies
BS in Legal Studies, Universidad Iberoamericana. MS in
Business Administration, INCAE Business School

LUIS REBOLLAR CORONA
Independent board member in several companiess
BS in Chemical Engineering, UNAM

LUIS SANTANA CASTILLO
Independent board member in several companies
BS in Philosophy, Pontifical Gregorian University, Roma, Italia.
MS in Administration, IPADE, México

MANUEL SOMOZA ALONSO
Chairman of Strategies of CI BAnco by Somoza, Musi y Asociados
BS in Economics, Universidad Anáhuac. MS in Business
Administration, TEC de Monterrey México

ALFONSO SALEM SLIM
Chairman of the Board of Directors of Inmuebles Carso
Civil Engineer, Universidad Anáhuac

JUAN CARLOS MATEOS DURÁN DE HUERTA
CFO Grupo Pochteca
BS in Economics, Claremont McKenna College, MS in Business
Administration, Harvard Business School.

JAVIER MARTÍNEZ DEL CAMPO LANZ
Secretary of the Board of Grupo Gigante, S.A.B. de C.V.
BS in Legal Studies, Universidad Anáhuac del Norte
MS University of San Diego

AUDIT COMMITTEE
LUIS SANTANA CASTILLO
Committee Chairman

ROBERTO SALVO HORVILLEUR
LUIS REBOLLAR CORONA

ERNESTO VALENZUELA ESPINOZA
Committee Secretary

CORPORATE PRACTICES COMMITTEE
ROBERTO SALVO HORVILLEUR
Committee Chairman

GILBERTO PÉREZALONSO CIFUENTES
LUIS SANTANA CASTILLO

SERGIO MONTERO QUEREJETA
Committee Secretary

FINANCE AND PLANNING COMMITTEE
JAVIER MOLINAR HORCASITAS
Committee Chairman

ÁNGEL LOSADA MORENO
JUAN CARLOS MATEOS DURÁN DE HUERTA
MANUEL SOMOZA ALONSO
ROBERTO SALVO HORVILLEUR

SERGIO MONTERO QUEREJETA
Committee Secretary

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

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

We have audited the accompanying consolidated financial statements of Grupo Gigante, 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, changes in stockholders' equity and 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.

Auditor's 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 Gigante, 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.

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

C. P. C. Erick J. Calvillo Rello

March 22, 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	5	$ 3,177,165	$ 1,724,511	$ 1,525,927
Financial instruments	6	2,138,688	2,718,551	3,447,722
Accounts receivable – Net	7	2,739,024	1,379,464	1,476,943
Inventories – Net	8	5,446,714	4,188,809	3,517,368
Prepaid expenses		240,474	140,513	136,857
Total current assets		13,742,065	10,151,848	10,104,817
Property and equipment – Net	9	9,364,371	8,855,587	8,655,800
Investment property	10	12,924,916	11,869,868	11,408,024
Investments in joint ventures and associates	11	1,966,976	577,650	33,293
Goodwill	14	947,361	359,940	47,750
Intangibles and other assets – Net	15	1,452,951	1,478,369	973,842
Total non-current assets		26,656,575	23,141,414	21,118,709
Total assets		**$ 40,398,640**	**$ 33,293,262**	**$ 31,223,526**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	17	$ 606,523	$ 397,467	$ 4,748,612
Trade accounts payable		4,094,218	2,194,790	2,016,059
Accrued expenses and taxes	16	1,661,823	1,175,648	1,142,903
Total current liabilities		6,362,564	3,767,905	7,907,574
Long-term debt	17	7,651,214	5,792,614	1,286,757
Senior notes payable	18	5,995,086	5,067,702	4,467,800
Employee benefits	19	59,842	105,856	13,837
Deferred income taxes	27	2,282,241	1,987,663	1,706,498
Long-term income tax payable	27	176,011	298,962	536,256
Prepaid rents and rent holidays received		188,831	193,352	209,919
Total non-current liabilities		16,353,225	13,446,149	8,221,067
Total liabilities		22,715,789	17,214,054	16,128,641
Stockholders' equity:				
Common stock	21	1,374,928	1,374,928	1,374,928
Additional paid-in capital		4,026,542	4,026,542	4,026,542
Retained earnings		10,621,182	9,125,028	7,904,128
Other comprehensive income	22	1,235,903	1,417,985	1,669,460
Equity attributable to owners of the Entity		17,258,555	15,944,483	14,975,058
Non-controlling interest	23	424,296	134,725	119,827
Total stockholders' equity		17,682,851	16,079,208	15,094,885
Total stockholder's equity and liabilities		**$ 40,398,640**	**$ 33,293,262**	**$ 31,223,526**

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 earnings per share data)

	Note	2015	2014	2013
Sale of goods – Net		$ 25,001,900	$ 19,231,415	$ 17,960,910
Rental income		1,307,371	1,261,774	1,073,088
Other income		301,995	320,913	131,602
		26,611,266	20,814,102	19,165,600
Cost of sales	25	16,504,013	12,472,933	11,601,245
Operating expenses	25	7,822,020	6,159,016	5,360,807
Gain on revaluation of investment property	10	(1,051,330)	(721,354)	(392,017)
Interest expense		924,962	791,918	400,655
Interest income		(90,274)	(79,112)	(151,936)
Exchange loss – Net		884,986	542,480	84,295
Avaible-for-sale financial instruments		(666,659)	-	-
Gain on revaluation of financial instruments		(17,296)	(147,045)	(1,875)
Share of (profit) losses of joint ventures and associates	11	(97,301)	(14,307)	3,027
Profit for the year from continuing operations before income taxes		2,398,145	1,809,573	2,261,399
Income taxes expense	27	827,337	572,663	541,173
Profit for the year from continuing operations		1,570,808	1,236,910	1,720,226
Profit for the year from discontinued operations – Net	28	-	-	26,110
Net consolidated income		**$ 1,570,808**	**$ 1,236,910**	**$ 1,746,336**
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		$ (111,512)	$ (35,895)	$ 43,256
Net fair value loss (gain) on available-for-sale financial assets		501,718	287,370	(894,751)
Deferred tax related to gain on available-for-sale financial assets	27	(205,657)	-	278,565
Other comprehensive income for the year, net of income tax		184,549	251,475	(572,930)
Total comprehensive income for the year		**$ 1,386,259**	**$ 985,435**	**$ 2,319,266**
Profit for the year attributable to:				
Owners of the Entity		$ 1,496,175	$ 1,220,900	$ 1,575,520
Non-controlling interest	12	74,633	16,010	170,816
		$ 1,570,808	**$ 1,236,910**	**$ 1,746,336**
Other comprehensive income attributable to:				
Owners of the Entity		$ 1,314,093	$ 969,425	$ 2,171,656
Non-controlling interest		72,166	16,010	147,610
		$ 1,386,259	**$ 985,435**	**$ 2,319,266**
Earnings per share:				
Basic and diluted earnings from continued operations	**29**	**$ 1.50**	**$ 1.23**	**$ 1.55**
Basic and diluted earnings from continued and discontinued operations	**29**	**$ 1.50**	**$ 1.23**	**$ 1.58**

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)

	Stockholders' equity		Retained earnings	Other items of comprehensive income			
	Common Stock	Additional paid-in capital	Retained earnings	Net cumulative fair value gain on available- for-sale financial assets	Cumulative exchange differences on translating foreign operations	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2013	$ 1,374,928	$ 4,026,542	$ 11,939,512	$ 1,019,229	$ 54,095	$ 3,402,353	$ 21,816,659
Dividends declared	-	-	(228,571)	-	-	-	(228,571)
Acquisition of non-controlling interest	-	-	(5,382,333)	-	-	(3,430,136)	(8,812,469)
Comprehensive income	-	-	1,575,520	616,186	(20,050)	147,610	2,319,266
Balances as of December 31, 2013	1,374,928	4,026,542	7,904,128	1,635,415	34,045	119,827	15,094,885
Acquisition of non-controlling interest	-	-	-	-	-	(1,112)	(1,112)
Comprehensive income	-	-	1,220,900	(287,370)	35,895	16,010	985,435
Balances as of December 31, 2014	1,374,928	4,026,542	9,125,028	1,348,045	69,940	134,725	16,079,208
Repurchase of shares	-	-	(21)	-	-	-	(21)
Subsidiaries acquired	-	-	-	-	-	217,405	217,405
Comprehensive income	-	-	1,496,175	(296,061)	113,979	72,166	1,386,259
Balances as of December 31, 2015	**$ 1,374,928**	**$ 4,026,542**	**$ 10,621,182**	**$ 1,051,984**	**$ 183,919**	**$ 424,296**	**$ 17,682,851**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2015	2014	2013
Cash flow from operating activities:			
Profit before income taxes from continued operations	$ 2,398,145	$ 1,809,573	$ 2,261,399
Adjustments:			
Depreciation and amortization	770,210	600,632	529,810
Impartment of long-lived assets	68,811	60,623	-
Gain on revaluation of investment property	(1,051,330)	(721,354)	(392,017)
Loss on sale and disposal of property and equipment	126,832	132,298	133,352
Unrealized foreign exchange loss	911,750	584,360	149,516
Avaible-for-sale financial instruments	(666,659)	-	-
Gain on revaluation of financial instruments	(17,296)	(147,045)	(1,875)
Dividends received	(16,665)	(13,779)	(6,088)
Share of gain of joint ventures and associates	(97,301)	(14,307)	-
Interest income	(90,274)	(79,112)	(151,936)
Other non-cash	58,618	-	-
Interest expense	924,962	791,918	400,655
	3,319,803	3,003,807	2,922,816
Working capital adjustments:			
(Increase) decrease in:			
Accounts receivable – Net	(554,732)	198,448	(136,218)
Inventories – Net	(466,645)	(368,235)	228,579
Prepaid expenses	37,519	25,604	(17,502)
Increase (decrease) in:			
Trade accounts payable	586,674	(101,404)	(441,373)
Accrued expenses and taxes	370,046	90,366	273,734
Income taxes paid	(695,606)	(792,866)	(373,922)
Discontinued operations	-	-	26,110
Net cash generated by operating activities	2,597,059	2,055,720	2,482,224
Cash flow from investing activities:			
Acquisition of property and equipment	(784,058)	(865,219)	(817,392)
Acquisition of investment property	(3,718)	(45,213)	(542,373)
Proceeds on sale of property and equipment	114,254	2,570	-
Acquisition of intangible assets	(52,730)	(11,600)	(189,156)
Prepaid expenses	-	(153,888)	(99,797)
Acquisiton of Subsidiaries – net of cash received	(2,017,628)	7,854	(493,832)
Advanced payments to acquire associate	-	(678,000)	(57,000)
Dividends received in cash from available-for-sale equity instruments	16,665	13,779	6,088
Disposals of financial instruments held for trading	683,999	481,540	265,792
Investments in joint ventures and associates	(571,948)	(212,256)	(33,293)
Disposal of interest in joint operations	-	-	40,662
Interest received	90,274	79,112	151,936
Net cash used in investing activities	(2,524,890)	(1,381,321)	(1,768,365)
Cash flow from financing activities:			
Proceeds from borrowings	2,248,709	4,730,953	9,370,532
Re-payments of borrowings	(250,275)	(4,560,698)	(4,381,102)
Proceeds from trading debt issuance	-	-	4,338,931
Interest paid	(801,435)	(686,903)	(400,655)
Repurchase of shares	(21)	-	-
Dividends paid	-	-	(228,571)
Acquisition of non-controlling interest	123,676	(1,112)	(8,812,469)
Net cash generated by (used in) financing activities	1,320,654	(517,760)	(113,334)
Net increase in cash and cash equivalents	1,392,823	156,639	600,525
Cash and cash equivalents at the beginning of year	1,724,511	1,525,927	968,659
Effects of exchange rates changes on cash	59,831	41,945	(43,257)
Cash and cash equivalents at the end of year	**$ 3,177,165**	**$ 1,724,511**	**$ 1,525,927**

See accompanying notes to consolidated financial statements.

NOTES TO **CONSOLIDATED FINANCIAL STATEMENTS**

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

(In thousands of Mexican pesos, except earnings per share data)

1. Activities

Grupo Gigante, S. A. B. de C. V. ("Grupo Gigante") is a corporation incorporated under the laws of Mexico. The address of its corporate offices is Ejercito Nacional 350, Chapultepec Morales, 11570, in Mexico City, Mexico.

Grupo Gigante, S. A. B. de C. V. and subsidiaries (collectively, the "Entity") is engaged in the operation of restaurants, management and development of investment property and the operation of self-service stores that sell office supplies, electronic goods as well as housewares.

On April 29, 2015, the Entity, through its subsidiary Office Depot de Mexico S. A. de C. V. ("ODM"), closed the acquisition of 51% of the shares of each of the five companies comprising Grupo Prisa S. A. ("Grupo Prisa"), thereby initiating operations in the chilean market.

On March 27, 2015, the Entity through its subsidiary ODM, entered into a purchase agreement to acquire 100% of the shares representing the equity of RadioShack Mexico, S. A. de C. V., Retail Answers, S. A. de C. V. Logistic and Answers, S. A. de C. V. ("RadioShack") as well as all trademarks, trade names, domain names and other industrial property related to the operation of RadioShack in Mexico. The transaction included a total of 247 stores. This acquisition closed and the Entity began consolidating it on June 18, 2015, once all the conditions of the operation and the approval of the Federal Competition Commission ("COFECE") was obtained.

In August 2014, the Entity entered into an agreement with Controladora Comercial Mexicana, S. A. B. de C. V. ("CCM"), to acquire all of the shares of Restaurantes California, S. A. de C. V., which owns the brands "Restaurantes California" and "Beer Factory " and it operates a total of 53 restaurants; 7 under the Beer Factory brand and 46 under the Restaurantes California brand. This transaction was approved by the COFECE on February 6, 2015.

As part of its strategy to expand operations, on December 20, 2013, the Entity entered into a purchase agreement with the shareholders of Casa Marchand, S. A de C. V. a retail Entity, engaged in the sale of scholar and office supplies in México, to acquire 100% of the shares representative of its share capital. The acquisition took place in 2013 but remained subject to the authorization from the COFECE which was obtained on March 27, 2014. The accompanying consolidated financial statements include the results of operations of Casa Marchand, S. A. de C. V. beginning on April 1, 2014.

On July 9, 2013, the Entity purchased the remaining 50% of the shares of Office Depot de México, S. A. de C. V., which it did not previously own, having complied with all conditions to which it was subject; i.e. approval from the Entity's Shareholders' Meeting and authorization from the Federal Competition Commission.

On January 24, 2013, the Entity announced its joint venture investment with Petco Animal Supplies Stores, Inc., in which each Entity owns 50% interest of an entity which operates retail stores selling food and other products for pets. Petco Animal Supplies Stores, Inc. is headquartered in San Diego, California USA and is one of the leading chains of stores specializing in food, supplies and other related services for pets.

2. Application of new and revised International Financial Reporting Standards

Explanation for translation into English **-** The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

In the current year, the Entity has applied a number of amendments to 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.

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

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 Entity has aggregated several operating segments into a single operating segment and made the required disclosures in accordance with the amendments. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

b. 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]
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 Amortisation[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 IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 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 2013 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 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).

- 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 does not 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.

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 analysis.

IFRS 16, Leases

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

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

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

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

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

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although by the nature of its operations it is expected to have significant impacts.

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 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 to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

The Entity's management does not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Entity's consolidated financial statements.

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 January 1, 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.

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.

3. Summary of significant accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS released by the IASB.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for, investment property and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

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

ii. Fair value

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

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

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- 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.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Entity and its subsidiaries controlled by it. Control is achieved when the Entity:

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

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

When the Entity 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. The Entity 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 the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, 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 the Entity 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 the Entity's accounting policies.

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

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity 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 the Entity.

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 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.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share Based Payments*, at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

e. Investments in joint ventures and associates

An associate is a company over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, *Impairment of Assets,* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

f. Cash equivalents

Cash equivalents consist mainly in short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash equivalents are measured at fair value; any fluctuations in fair value are recognized in profit for the year.

g. Restricted cash

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the guarantee agreements and other contracts entered into by the Entity (as discussed in Note 5). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled and the Entity may use these amounts, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash, was classified within intangibles and prepaid expenses.

h. Financial assets

Financial assets are recognized when the Entity or any of its subsidiaries becomes a party to the contract governing such financial instruments.

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

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 receivable". 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. At the reporting date of the consolidated financial statements the Entity had only financial instruments classified as financial assets held for trading, available- for- sale financial assets and loans and receivables:

i. 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.

ii. **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. See Note 6.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss in the Net gain on fair value of available- for-sale financial assets line item within the consolidated statements of profit and loss and other comprehensive income.

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

The Entity maintains investments in equity instruments of other entities that have been designated as available-for-sale. These investments are measured at fair value at the report date and changes in fair value are recognized in other comprehensive income, net of tax. See Note 6.

Dividends on AFS equity instruments are recognized in profit or loss, in the other income line item, when the right of the Entity to receive dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

iv. **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed payments or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable when the effect of discounting is immaterial. Accounts receivable are mainly comprised of trade receivables.

v. **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 AFS equity instruments, a significant or prolonged decline in the fair value of the equity instrument 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 60 days, as well as observable changes in national economic conditions that correlate with default on receivables.

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 recorded at cost, the amount for the impairment loss is calculated as the difference between the book value of the asset and the current value of the estimated future cash flows, deducted from the current rate of the exchange market for a similar financial asset. Such impairment loss will not be reverted to subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trading receivables, where the carrying amount is reduced through the use of an allowance account. When a trading 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.

For financial assets measured at amortized cost, 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. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

vi. 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.

i. Inventories

Inventories are stated at the lower of cost or realizable value. The costs, including a portion of fixed and variable overhead costs are allocated to inventories using the most appropriate method for the particular kind of inventory and they are mainly measured using the average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j. Housing inventories

Housing inventories consist of houses and apartments, land in process of being developed for its sale, costs and expenses incurred during the construction process of such inventories. They are stated at its construction cost, including all directly attributable costs such as the cost of the land used, construction in process and borrowing costs, without exceeding its realizable value.

k. Prepaid expenses

Prepaid expenses are measured at the amount of cash or cash equivalents paid and recognized as assets from the date in which the payment is made. They are recognized in profit or loss during the period in which the related services are received or the goods are used. They are classified as short-term or long-term depending on whether the period of use of the services or goods goes beyond 12 months.

l. Property and equipment

Property and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in such estimates accounted for on a prospective basis. Land is not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, as follows:

	Average years
Buildings	40
Leasehold improvements	9-25
Furniture and equipment	4-10
Vehicles	4
Computers	4

Leasehold improvements are amortized over the shorter of their useful life or the term of the lease.

m. Investment property

Investment property are properties held to earn rentals and/or for capital appreciation, mainly buildings and land destined for use by the Entity's customers as supermarkets, retail stores and offices. It includes investment property under construction for such purposes.

Property occupied by the Entity is segregated from the Entity's investment property and classified as property and equipment, such segregation is made based on relative square meters.

Investment property is measured initially at cost, including transaction costs. Subsequent investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Fair values are based on market values, which are estimated to be the amount of money for which an investment property could be sold at the measurement date. Fair value for investment property and land occupied or ready to be occupied for the Entity's tenants is determined internally using valuation techniques such as the discounted cash flows approach which uses the capitalization of rental income minus property operating expenses, such as maintenance, insurance and other direct costs. The valuations take into account the ability of market participants to generate economic benefits by selling the asset or by using it in its "highest and best use" which includes the consideration of the highest and best use that physically possible, legally permissible and financially feasible. Valuations are periodically made by a specialized department of the Entity that has experience in location and category of valued investment properties. This valuation is performed for the investment properties currently in conditions to be rented; for land reserves, an appraisal is made by independent external experts that use the market approach to determine their fair value.

After initial recognition of the investment property, all repairs and maintenance expenses are recognized within profit or loss of the period in which they are incurred.

Investment property under construction are measured at is fair value only to the extent that such fair value can be reliably determined. In such determination, management considers, among other factors, the general conditions of the construction contract, the stage of completion of such construction, the existence of similar construction projects in the market, the reliability of the expected future cash inflows, the specific risk of the related property and past experiences.

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

The Entity transfers from other categories of property to investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sell, the Entity vacates an existing owner-occupied property with a view to begin redevelopment as investment property or the beginning of an operating lease with a third party.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 14) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or the Entity's of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

p. Deferred charges

Costs incurred in the development phase that meet certain requirements and that the Entity has determined will have future economic benefits are capitalized and amortized using the straight-line-method over their estimated useful lives. Disbursements that do not meet such requirements, as well as research cost, are recorded in profit or loss of the period in which they are incurred.

q. Intangible assets

1. **Intangible assets acquired separately**

   Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. **Internally-generated intangible assets - research and development expenditure**

   Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to their initial measurement, an internally-generated intangible asset is recognized at their cost less accumulated amortization and cumulative impairment losses, if any.

3. **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. **Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

r. Customer lists

Customer lists represent the fair value of the intangible assets related to client lists identified as an asset at the acquisition date. Its expected economic life is estimated to be four years and is subject to impairment tests on an annual basis.

s. Leasing

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

i. **The Entity as a lessor**

The Entity, as a lessor, retains substantially all of the benefits and risks of ownership of the property; therefore, it accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement. Contingent rents are recognized as rental income in the consolidated statements of profit or loss and other comprehensive income in the period in which the contingency occurs.

ii. **The Entity as a lessee**

Leases have been classified as operating leases. 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. Rent holidays are amortized over the lease term. Contingent rents arising under operating leases are recognized as an expense in the consolidated statement of profit or loss in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

t. Impairment in value of tangible and intangible assets other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets 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 Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

u. Financial liabilities and equity instruments

Financial assets and financial liabilities are recognized when an 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. Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

ii. Financial liabilities

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

iii. Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

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

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.

v. Offset

Financial assets and liabilities are subject to offset and the net amount is shown in the financial status statement only when the Entity has a legal right to offset the amounts and its purpose is to carry out liquidation on a net basis or to simultaneously realize the asset and liquidate the liability.

vi. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

v. Derivative financial instruments

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 20.

Derivative financial instruments presented as of the date of the report, even though they have been entered into with hedging purposes from an economic perspective, they have been classified as trading from an accounting perspective. 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.

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.

Embedded derivatives

Derivatives embedded in non-derivative 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.

w. Provisions

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

i. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii. Restructurings

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Entity.

x. Employee benefits, benefits from termination, retirement and statutory employee profit sharing (PTU)

Employee benefits from termination and retirement

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing (PTU)
PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost of sales line item in the consolidated statement of profit or loss and other comprehensive income/ consolidated statement of income. PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law.

y. Income taxes

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

i. Current tax

Current income tax ("ISR") is recognized in the results of the year in which they are incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax ("IETU").

ii. Deferred income tax

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.

As a consequence of the 2014 Tax Reform, as of December 31, 2013, deferred IETU is no longer recognized; as such, those effects were cancelled affecting the 2013 results.

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.

iii. **Currents and deferred taxes**

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.

z. Repurchase of treasury shares

In accordance with Mexico's Securities Market Law, the Entity has appropriated retained earnings for a reserve for the repurchase of the Entity's shares in order to strengthen the offer and demand of its shares in the stock market. Shares temporarily acquired by the Entity that are withdrawn from the market are considered treasury shares. Repurchase of the Entity's own shares is recognized directly in equity, no gain or loss is recognized on repurchase, sell, issuance or amortization of the Entity's own equity instruments.

aa. 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 (see 3.v related for hedging accounting policies).

- 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.

The individual financial statements of each of the Entity's subsidiary are prepared in the currency of the primary economic environment in which the Entity operates (its functional currency). For purposes of these financial statements, the results and financial position of each Entity are expressed in Mexican pesos, which is the functional currency of the Entity and the presentation currency for the consolidated financial statements.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units 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 (attributed to non-controlling interests as appropriate).

On the disposal (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled Entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

bb. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Entity recognizes revenue related to the different activities it is engaged on as follows:

i. ***Sale of goods:*** Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- In sell of real estate, risks and rewards of ownership of the goods soled are transferred when the buyer obtains legal ownership of the inventory.
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

ii. ***Rental income:*** Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized within non-current assets and recognized on a straight-line basis over the lease term. Income from maintenance services related to property for rent granted are recognized in the period in which they accrue. Leasing incentives are recognized on a straight-line basis over the life of the lease. Rental income includes income from parking lots operated by the Entity.

iii. ***Dividend and interest income:*** Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably). Diviend income is included in other income in the consolidated statements of profit or loss and other comprehensive income.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iv. ***Rendering of services:*** Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period.
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold.
- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

Serivices revenue is included in other income in the consolidated statements of profit or loss and other comprehensive income

cc. Statement of Cash Flows

The Entity reports cash flows for investment transactions using the indirect method whereby the profit or loss is adjusted for the effects of transactions of a nature different than cash, any deferral of inflow or outflow of cash for past or future accumulation or entries of income or expenses associated with cash flows from investment or financing activities.

Since the Entity presented discontinued operations for the year ended at December 31, 2013, the starting point for the consolidated statements of cash flows is profit from continuing operations before income taxes.

Interests paid and interests and dividends received are classified as financing and investment activities, respectively.

dd. Earnings per share

Basic earnings per common share are calculated by dividing net income of the equity attributable to owners of the Entity by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated profit attributable to the owners of the Entity for the year and common shares on the assumption that the Entity's commitments to issue or exchange its own shares would be fulfilled. During 2015, 2014 and 2013, the Entity did not have any dilutive instruments; therefore, basic and diluted per share are the same.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, 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.

a. Critical accounting judgments when applying accounting policies

i. ***Leases classification –*** Leases are classified based on the extent that the risks and benefits inherent to the property of the leased asset are transferred or maintained, depending more on the substance of the transaction than in the legal form. The Entity set forth internal criteria to determine if the term of the leases is for most of the economic life of the leased property, as well as the criteria for the separation of the value allocated to the land and the construction by the participants on the lease of a real estate.

ii. ***Discount rate used to determine the carrying amount of the Entity's defined benefit obligation –*** The Entity's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on government bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the government bonds, quality of the bonds and the identification of outliers which are excluded.

b. Key sources of estimation uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. *Investment property*

The Entity carries out internal valuations of its investment property which are occupied or ready to be occupied by leasees (investment properties in operation).

The valuation methodology includes assumptions that are not directly observable in the market to determine the fair value. The method used was the income capitalization method - income approach, which consists of techniques and mathematic model to analyze the capacity for the future generation of economic benefits by the property discounted at present value. The main assumptions used in such calculation are discount rates, the Entity's future net operating income per property and inflation rates.

Significant changes in occupancy levels and/or in the rental income or significant increases or changes in the discount rate may result in a fair value for the investment properties significantly different and a related impact in profit or loss.

The valuation techniques used during the reported periods have been consistent. Management believes that the valuation methodologies and assumptions used are appropriate for the determination of the Entity's investment property fair values.

For investment property that is not in condition for being occupied (land or land reserves maintained for future development or to obtain capital appreciation) external appraisals are performed periodically by an independent appraiser.

ii. *Property and equipment*

The Entity determines the useful lives and residual values of its property and equipment based on its experience using the advice of internal specialists.

iii. *Impairment testing*

The Entity is required to test its definite useful live long-lived assets for impairment when there are indicators that an impairment loss has occurred and to test its indefinite useful live assets, including goodwill and other intangible assets, at least on an annual basis. To calculate impairment losses of long-lived assets in use, it is necessary to determine the asset's recoverable amount. Recoverable amount is defined as the higher of the asset's fair value les cost to sell or its value in use, which is the present value of the future cash flows expected to be derived from the asset. Determining whether goodwill is impaired requires an estimation of the value-in use of the cash-generating units to which goodwill has been allocated. The value-in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, determined using a suitable discount.

The determination of the underlying assumptions related to the recoverability of long-lived assets, including the allocation of goodwill to cash-generating units for impairment testing, is subjective and requires the exercise of considerable judgment. Any changes in key assumptions about the Entity's business and prospects, or changes in market conditions, could result in an impairment loss.

iv. *Deferred taxes*

Under IFRS, the Entity is required to recognize income tax effects for temporary differences between the carrying amount of the Entity's assets and liabilities in the statement of financial position and their related tax basis. A deferred income tax asset is recognized in the consolidated financial statements to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilize and therefore future economic benefits will ultimately flow to the Entity. Such estimates are based on management's knowledge of the business as well as projections of future profits, including tax strategies entered into by the Entity.

v. ***Fair value measurements and valuation processes***

Some of the Entity's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Entity uses observable market data as they become available. Management informs the Board of Directors of any variations in fair value of financial instruments on a quarterly basis.

5. Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and short-term investments highly liquid which are measured at nominal value. 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 statements of financial position as follows:

	2015	2014	2013
Cash on hand	$ 20,741	$ 15,403	$ 13,516
Bank deposits and cash equivalents	3,091,578	1,672,315	1,475,618
Restricted cash and cash equivalents [i]	64,846	36,793	36,793
	$ 3,177,165	$ 1,724,511	$ 1,525,927

(i) Some of the Entity's subsidiaries have borrowings from financial institutions whose contracts require certain amount of cash to be deposited as collateral. Such amounts are deposited in trusts that have been created and where the collection of rental income of some of the Entity's investment properties is deposited. Such funds service the borrowings and a reserve equivalent to five monthly payments of capital and interest is required to exist at any point in time. The deposited amounts are invested in debt instruments which are highly liquid such as government bonds. At the end of the reporting period, the balance maintained for the service of the debt in accordance with the borrowing agreements and since the time restriction for the use of these resources is less than 12 months; such amounts are presented as restricted cash within current assets.

6. Financial instruments

	2015	2014	2013
Available-for-sale financial assets [i]	$ 1,675,663	$ 2,241,077	$ 2,516,928
Held for trading financial assets [ii]	463,025	477,474	930,794
	$ 2,138,688	$ 2,718,551	$ 3,447,722

(i) Investments in equity instruments of Pricesmart Inc. listed on the Nasdaq Stock Market and they are measured at fair value.

(ii) Investments in financial instruments, including both equity and debt some of which trade in stock exchanges in Mexico and other countries, acquired with the intention of being sold in a short period of time. They are measured at fair value through profit or loss.

7. Accounts receivable

a. Accounts receivable are as follows:

	2015	2014	2013
Trade accounts receivable	$ 1,276,001	$ 648,962	$ 706,655
Allowance for doubtful accounts	(34,616)	(23,465)	(26,748)
	1,241,385	625,497	679,907
Recoverable Value Added Tax	468,906	337,511	367,865
Recoverable income tax	352,491	246,475	237,336
Accounts receivable in joint venture and associates (i)	454,965	-	-
Other accounts receivable	221,277	169,981	191,835
Total	**$ 2,739,024**	**$ 1,379,464**	**$ 1,476,943**

(i) As of December 31, 2015, there is an account receivable with Conjunto Polanco, S. A. de C. V., an associate, for $ 330,000 which accrues interest at the Interbank Interest Rate (TIIE) plus 2.05%. In addition, there is an account receivable with the associate Trust CI Bank, S.A. IBM CIB / 535 for $50,000 which accrues interest at a fixed rate of 8% annually.

b. Movements in the allowance for doubtful accounts receivable is as follows:

	2015	2014	2013
Balance at beginning of the year	$ 23,465	$ 26,748	$ 19,315
Increases	14,356	5,943	9,344
Amounts written-off as uncollectible	(3,205)	(9,226)	(1,911)
Balance at end of the year	**$ 34,616**	**$ 23,465**	**$ 26,748**

Normal credit terms for most of the customers of the Entity are 30 to 90 days; thereafter the payment is considered past due. As of December 31, 2015, 2014 and 2013, 96%, 95% and 92%, respectively, of all accounts receivable are current.

Balances past due but not impaired: The main accounts receivable that are past due but not impaired relate to receivables owed by one of the Entity's clients, which even though are past due, management considers they have a high probability of being collected and therefore, an allowance for recoverability has not been created. As of December 31, 2015, 2014 and 2013, the amount of past due but not impaired receivables is $48,148, $11,769 and $26,814, respectively.

The allowance for doubtful accounts receivable covers receivables past due for more than 90 days with low recovery possibilities.

8. Inventories

	2015	2014	2013
Office supplies inventories	$ 4,900,632	$ 3,509,775	$ 3,032,645
Housewares supplies inventories	129,686	111,507	101,599
Food inventories	81,499	58,572	50,761
Allowance for obsolete inventories	(29,282)	(17,824)	(15,880)
	5,082,535	3,662,030	3,169,125
Housing inventories	364,179	526,779	348,243
	$ 5,446,714	**$ 4,188,809**	**$ 3,517,368**

9. Property and equipment

	2015	2014	2013
Gross investment at cost:			
Land	$ 2,051,885	$ 2,084,048	$ 2,042,627
Buildings and leasehold improvements	7,922,336	7,226,708	6,914,700
Furniture and equipment	2,868,016	2,181,583	1,966,223
Computers	795,300	582,341	521,728
Vehicles	291,249	262,617	246,443
Construction in-progress	137,108	149,966	133,044
Gross investment	**$ 14,065,894**	**$ 12,487,263**	**$ 11,824,765**
Accumulated depreciation:			
Buildings and leasehold improvements	$ (2,291,826)	$ (1,883,501)	$ (1,650,681)
Furniture and equipment	(1,625,302)	(1,151,208)	(992,030)
Computers	(589,463)	(431,643)	(373,685)
Vehicles	(194,932)	(165,324)	(152,569)
Accumulated depreciation	**$ (4,701,523)**	**$ (3,631,676)**	**$ (3,168,965)**
Net investment:			
Land	$ 2,051,885	$ 2,084,048	$ 2,042,627
Buildings and leasehold improvements	5,630,510	5,343,207	5,264,019
Furniture and equipment	1,242,714	1,030,375	974,193
Computers	205,837	150,698	148,043
Vehicles	96,317	97,293	93,874
Construction in-progress	137,108	149,966	133,044
Total property and equipment – Net	**$ 9,364,371**	**$ 8,855,587**	**$ 8,655,800**

a. The roll forward of the net book value of property and equipment is as follows:

	Land	Buildings and leasehold improvements	Furniture and equipment	Computers
Balance as of January 1, 2013	$ 1,969,375	$ 5,201,439	$ 806,400	$ 147,867
Additions	73,252	302,823	293,366	51,118
Depreciation	-	(222,152)	(119,975)	(50,094)
Disposals related to sale	-	(18,091)	(5,598)	(848)
Balance as of December 31, 2013	2,042,627	5,264,019	974,193	148,043
Additions	41,421	390,970	216,178	64,251
Additions through business combinations	-	9,960	-	-
Depreciation	-	(238,843)	(137,396)	(59,692)
Disposals related to sale	-	(82,899)	(22,600)	(1,904)
Balance as of December 31, 2014	2,084,048	5,343,207	1,030,375	150,698
Additions	19,831	367,810	188,574	102,490
Additions through business combinations	-	271,662	226,120	34,423
Effect of foreign currency exchange differences	14,119	39,880	1,675	360
Depreciation	-	(263,591)	(164,510)	(79,415)
Disposals related to sale	(66,113)	(128,458)	(39,520)	(2,719)
Balance as of December 31, 2015	**$ 2,051,885**	**$ 5,630,510**	**$ 1,242,714**	**$ 205,837**

	Vehicles	Construction in-progress	Net investment
Balance as of January 1, 2013	$ 127,536	$ 198,598	$ 8,451,215
Additions	62,540	34,293	817,392
Depreciation	(87,234)	-	(479,455)
Disposals related to sale	(8,968)	(99,847)	(133,352)
Balance as of December 31, 2013	93,874	133,044	8,655,800
Additions	118,815	33,584	865,219
Additions through business combinations	-	-	9,960
Depreciation expense	(94,044)	(10,549)	(540,524)
Disposals related to sale	(21,352)	(6,113)	(134,868)
Balance as of December 31, 2014	97,293	149,966	8,855,587
Additions	120,164	(14,811)	784,058
Additions through business combinations	136	2,034	534,375
Effect of foreign currency exchange differences	3,537	2,564	62,135
Depreciation expense	(115,315)	-	(622,831)
Disposals related to sale	(9,498)	(2,645)	(248,953)
Balance as of December 31, 2015	**$ 96,317**	**$ 137,108**	**$ 9,364,371**

b. Depreciation expense is presented in the cost of sales and operating expenses line items in the consolidated statements of profit and loss and other comprehensive income. During the years ended December 31, 2015 and 2014, impairment losses related to property and equipment for $940 and $10,623, respectively, were recognized. As of December 31, 2013, there are not any impairment losses.

10. Investment property

The Entity uses different valuation approaches such as the income approach, the replacement cost approach and the market approach to determine the fair value of its investment property. The techniques used include assumptions, the majority of which are not directly observable in the market such as discount rates, long-term future net operating income (NOI), inflation rates and the market value of its land reserves per square meter. The Entity internally calculates the fair value of its land and buildings that are leased, both vacant and occupied by tenants, using the income approach and it uses external independent appraisers to determine the fair value of its land reserves. The fair value determination considered the highest and best use of the investment properties. There have been no changes in the valuation approaches used.

Gains or losses arising from changes in the fair values are included in the consolidated statements of profit and loss and other comprehensive income in the period in which they arise.

The direct operating expenses, including maintenance, arising from investment property that generated rental income during the years ended December 31, 2015, 2014 and 2013, were $234,612, $233,430 and $215,076, respectively. The direct operating expenses, for properties that did not generate rental income for the years ended December 31, 2015, 2014 and 2013 were $4,495, $3,464 and $4,026, respectively.

As of December 31, 2015, 2014 and 2013, the Entity's investment properties have a gross leasable area (unaudited) of 979,931, 981,660 and 973,664 square meters, respectively, and they were 96%, 98% and 96% occupied (unaudited) by tenants, respectively.

The Entity's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	10.87%	The higher the discount rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rate	Mexico: 3.40%	The higher the inflation rate, the higher the fair value.
Land reserves	Level 3	Market value	Price per quare meter	Depending on the location	The higher the price, the higher the fair value

a. The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	2015	2014	2013
Buildings and land	$ 11,659,625	$ 10,569,689	$ 9,825,999
Land reserves	1,265,291	1,300,179	1,596,595
Less: Cost to complete construction-in-progress	-	-	(14,570)
Balance at end of year	**$ 12,924,916**	**$ 11,869,868**	**$ 11,408,024**

b. The reconciliation of investment property is as follows:

	2015	2014	2013
Balance at beginning of year	$ 11,869,868	$ 11,408,024	$ 10,473,634
Additions	3,718	45,213	542,373
Transfer of assets [i]	-	(304,723)	-
Gain on revaluation of investment property	1,051,330	721,354	392,017
Balance at end of year	**$ 12,924,916**	**$ 11,869,868**	**$ 11,408,024**

The gain on revaluation of the property is driven by changes in: 1) discount rates used to calculate the fair value, 2) higher occupancy rates and NOI and 3) new operating leases entered into by the Entity as well as changes in the market-related assumptions used to determine the fair value of land reserves.

The Entity's investment properties total twenty four as of December 31, 2015 and five as of December 31, 2014 and 2013 and are pledged as collateral for the long-term debt as discussed in Note 17. The fair value of such investment properties as of December 31, 2015, 2014 and 2013 is $6,836,326, $3,342,408 and $3,042,237, respectively.

The operating lease contracts entered into by the Entity with its customers, include rental incentives such as rent holidays, other incentives as well as one time signing payments charged (known as key money). Income from operating leases is recognized on a straight-line basis over the lease term, including the income related to these lease incentives.

(i) Transfers of investment properties are related to land that was transferred to housing inventories and land that was contributed to some of the Entity's associates as part of the Entity's investment.

11. Investments in joint venture and associates

Details of each of the Entity's joint ventures and associates are as follows:

Entity	Investment type	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Entity		
				2015	2014	2013
Mascotas y Compañía, S. A. P. I. de C. V.	Joint venture	Retail specialized selling pet products	México City, México	50.0%	50.0%	50.0%
Banorte Trust F/743955	Associate	Holding of an entity that operates a shopping center	Veracruz, México	50.0%	50.0%	-
Trust CIB/535	Associate		Veracruz, México	50.0%	50.0%	-
Inmobiliaria Conjunto Polanco, S.A.P.I. de C.V. - Note 15[i]	Associate	Developing of investment properties	México City, México	41.6%	-	-

The details of the amounts recognized in the consolidated statement of financial position and in the consolidated statements of profit or loss and other comprehensive income as of and for the years ended December 31, 2015, 2014 and 2013 are as follows:

Entity	Investment in shares		
	2015	2014	2013
Mascotas y Compañía, S. A. P. I. de C. V.	$ 184,743	$ 64,117	$ 33,293
Banorte Trust F/743955	259,214	198,421	-
Trust CIB/535	337,601	314,849	-
Other	263	263	-
Advanced payment to investment - Note 15 [i]	1,185,155	-	-
	$ 1,966,976	**$ 577,650**	**$ 33,293**

Entity	Entity's share of profit or loss		
	2015	2014	2013
Mascotas y Compañía, S. A. P. I. de C. V.	$ (19,063)	$ (4,627)	$ 3,027
Banorte Trust F/743955	(20,793)	6,523	-
Trust CIB/535	27,248	(29,290)	-
Other	(1,454)	-	-
Advanced payment to investment - Note 15[i]	(83,239)	13,087	-
	$ (97,301)	**$ (14,307)**	**$ 3,027**

Mascotas y Compañía, S. A. P.I. de C. V. was classified as a joint venture because the contractual agreement gives the Entity the right to 50% of the net assets of this joint agreement. The investment in the joint venture is accounted for using the equity method.

The Banorte Trust F/743955 and the Trust CIB/535 were classified as associate entities because the Entity does not have control or joint control over them and they are measured them using the equity method.

A summary of the information on the joint venture and of the Entity's associates is detailed below. The condensed financial information presented below represents the amounts which are presented in the financial statements of the joint venture and in associates' and they are prepared in conformity with the IFRS.

Condensed information related to the statement of financial position as of December 31, for Mascotas y Compañía S. A. P. I. de C. V. and subsidiaries, is as follows:

	2015	2014	2013
Current assets	$ 243,821	$ 98,337	$ 51,774
Property and equipment	200,048	65,953	16,289
Other assets	21,774	9,621	7,363
Total assets	465,643	173,911	75,426
Current liabilities	96,156	43,056	8,600
Other long-term liabilities	-	2,622	240
Total liabilities	96,156	45,678	8,840
Net assets	**$ 369,487**	**$ 128,233**	**$ 66,586**

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2015	2014	2013
Total revenues	$ 485,263	$ 152,640	$ 8,670
Cost of sales	284,104	86,271	4,570
Operating expenses	154,055	53,987	15,916
Interest income	10,412	696	2,266
Income taxes	19,391	3,824	(3,496)
Profit (loss) for the year	**$ 38,125**	**$ 9,254**	**$ (6,054)**

Condensed information related to the statement of financial position as of December 31, 2015 and 2014, for the associates is as follows:

	2015		2014	
	Banorte Trust F/743955		Banorte Trust F/743955	
Current assets	$	40,045	$	229,489
Investment properties		-		1,106,422
Other assets		421,211		19,939
Total assets		**461,256**		**1,355,850**
Current liabilities	$	40,000	$	173,495
Long–term debt		-		688,663
Other long-term liabilities		-		57,635
Total liabilities		40,000		919,793
Stockholders' equity		421,256		436,057
Shareholders' pending equity contributions		97,172		(39,215)
Total	**$**	**518,428**	**$**	**396,842**

	2015		2014	
	Trust CIB/535		Trust CIB/535	
Current assets	$	63,592	$	35,139
Investment properties		764,330		661,597
Other assets		16,803		39,123
Total assets		844,725		735,859
Current liabilities		185,380		111,278
Other long term liabilities		28,163		-
Total liabilities		213,543		111,278
Stockholders 'equity		631,182		624,581
Shareholders' pending equity contributions		44,020		5,117
Total	**$**	**675,202**	**$**	**629,698**

	2015	
	Inmobiliaria Conjunto Polanco, S.A.P.I. de C.V.	
Current assets	$	2,083,725
Investment properties		2,441,793
Total assets		4,525,518
Current liabilities		520,947
Other long term liabilities		1,516,198
Total liabilities		2,037,145
Stockholders 'equity	**$**	**2,488,373**

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, 2015 and 2014 for the associates is as follows:

	2015	2014
	Banorte Trust F/743955	Banorte Trust F/743955
Rental income	$ 28,278	$ 9,472
Operating expenses	94	23,718
Interest income	4	1,696
Profit (loss) for the year	**$ 28,188**	**$ (12,550)**

	2015	2014
	Trust CIB/535	Trust CIB/535
Rental income	$ 19,041	$ -
Operating expenses	19,261	1,294
Financing expense (income)	4,336	(437)
Gain on revaluation of investment properties	4,200	59,802
Profit (loss) for the year	**$ (356)**	**$ 58,945**

	2015
	Inmobiliaria Conjunto Polanco, S.A.P.I. de C.V.
Revenues	$ 9,690
Operating expenses	59,468
Ingresos financieros	3,088
Income taxes expense	86,618
Gain on revaluation of investment properties	290,638
Profit for the year	**$ 157,330**

12. Investment in subsidiaries

The subsidiaries listed below are companies incorporated in Mexico with operations throughout the country, except for some direct subsidiaries of Office Depot de Mexico, S.A. de C.V., which have operations in Central America, the Caribeean, Colombia and Chile.

The ownership interest and voting power held by the Entity in its direct subsidiaries is as follows:

	Ownership			
Entity	2015	2014	2013	Activity
Gigante Retail, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in specialized retail.

Entity	Ownership 2015	2014	2013	Activity
Hospitalidad y Servicios Especializados Gigante, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in managing restaurants and selling prepared food.
Gigante Grupo Inmobiliario, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	56 companies that own and manage properties where offices, stores and shopping centers are located which are leased to third parties and where some of the Entity's restaurants and stores are located.
Gigante Fleming, S. A. de C. V.	100.00%	100.00%	100.00%	Real estate entity that owns investment property where 2 stores that are leased to third parties are located.
Controladora y Operadora de Inmuebles, S. A. de C. V.	100.00%	100.00%	100.00%	Real estate entity
Servicios Gigante, S. A. de C. V.	99.99%	99.99%	99.99%	Provides administrative services to the Entity.
Servicios Toks, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Operadora Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Gastronómicos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Operativos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Técnicos y Administrativos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Unidad de Servicios Compartidos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Gigante IT, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in providing information technology consulting services and technical support to the Entity and to third parties.

Proportion of ownership interest and voting power held by the Entity in its direct subsidiaries is as follows:

	Ownership			
Entity	**2015**	**2014**	**2013**	**Activity**
Office Depot de México, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	It operates 269 office supply stores in Mexico (including two Distribution Centers that also sell merchandise), 7 in Costa Rica, 9 in Guatemala, 5 in El Salvador, 2 in Honduras, 5 in Panama (including one distribution center that also sells merchandise), 15 in in Colombia, 3 in the Dominican Republic (including one distribution center that also sells merchandise), 9 in Chile and 1 distribution center in Mexico. And also it incluides 246 electronics and technology stores RadioShack.
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 18 self-service stores hat sell houseware.
Restaurantes Toks, S. A. de C. V.	100.00%	100.00%	100.00%	It is a chain of 189 restaurants; as of December 31, 2015, 151 of them operated under the Restaurantes Toks name, 31 operated under the Restaurantes California name and 7 Beer Factory locations.
Operadora de Fast Food Chino, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 23 Chinese fast food restaurants
Operadora de Café y Chocolate de Especialidad, S. A. de C. V.	100.00%	100.00%	100.00%	Operates 8 specialty coffee stores

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

The table below shows details of non-wholly owned subsidiaries of the Entity that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
		2015	2014	2013	2015	2014	2013	2015	2014	2013
Office Depot de México, S. A. de C. V.	México	-	-	-	$ -	$ -	$ 171,912	$ -	$ -	$ -
Benmore International Corp.	República Dominicana	10.0%	10.0%	-	(999)	6,367	-	5,193	5,257	-
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	México	49.9%	49.9%	49.9%	8,271	9,643	(1,096)	137,739	129,468	119,827
OD Chile, S.P.A.	Chile	49.0%	-	-	67,361	-	-	281,364	-	-
					$ 74,633	$ 16,010	$ 170,816	$ 424,296	$ 134,725	$ 119,827

OD Chile, S.P.A., an indirect subsidiary of the Entity, acquired 51% of the total shares of Grupo Prisa in Chile.

Benmore International Corp. – In December 2014 the Entity acquired 90% of the shares of this entity, which operates under the name Office Depot in the Dominican Republic. As of the date of the financial statements goodwill for $51mdp has been recognized; however, as detailed in Note 14, the Entity is in the 12-month measurement period to identify the assets and liabilities acquired in the business combination.

Inmobiliaria Lomo Lomas Verdes, S.A. de C.V. – it operates a shopping center in Mexico City's metropolitan area.

Condensed financial information in respect of each of the Entity's subsidiaries that has material non-controlling interests is set out below. The condensed financial information below represents amounts before intragroup eliminations.

Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.:
Condensed information related to the statements of financial position as of December 31:

	2015	2014	2013
Current assets	$ 94,750	$ 102,135	$ 94,050
Investment property	629,507	645,967	661,227
Other assets	25,873	31,955	25,952
Total assets	$ 750,130	$ 780,057	$ 781,229
Current liabilities	$ 295,734	$ 296,845	$ 276,430
Long-term debt	178,918	224,275	265,147
Total liabilities	474,652	521,120	541,577
Stockholders' equity	**$ 275,478**	**$ 258,937**	**$ 239,652**
Non-controlling interest	**$ 137,739**	**$ 129,468**	**$ 119,827**

Condensed information related to the statements of profit or loss and other comprehensive income for the years ended December 31 is as follows:

	2015	2014	2013
Rental income	$ 98,342	$ 119,232	$ 93,772
Profit (loss) for the year	16,542	19,285	(2,193)
Non-controlling interest	8,271	9,643	(1,096)

Grupo Prisa:
Condensed information related to the statements of financial position as of December 31:

	2015
Current assets	$ 1,485,196
Property and equipment	40,841
Other assets	11,374
Total assets	**$ 1,537,411**
Current liabilities	$ 931,528
Long-term debt	31,671
Total liabilities	963,199
Stockholders' equity	**$ 574,212**
Non-controlling interest	**$ 281,364**

Condensend information related to the statements of profit or loss and other comprehensive income for the year ended December 31 is as follows:

	2015
Rental income	$ 2,271,771
Profit for the year	137,472
Non controlling interests	67,362

Change in the Entity's ownership interest in a subsidiary

During 1994, the Entity and Office Depot, Inc., headquartered in the United States of America, entered into an agreement to develop and operate a chain of retail stores that sell office supplies and electronics.

During July 2013, the Entity acquired the 50% of the shares of Office Depot de México, S.A. de C.V., which it did not previously own, increasing its ownership share to 100%. The consideration paid for the acquisition, including direct acquisition costs, was $8,812,469, and it was paid in cash using the proceeds of the issuance of the loans for $2,244,194 and $2,245,497 as discussed in Note 17. The carrying amount of the non-controlling interest at the date of acquisition was $3,430,136. The difference between carrying amount of such non-controlling interest and the consideration paid, $5,382,333, was recognized in retained earnings.

13. Business combinations

1. Subsidiaries acquired

Name of subsidiary	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred
Radio Shack de México, S.A. de C.V.	Sells electronic supplies	June 18, 2015	100%	$ 482,608
Grupo Prisa	Wholesaler of stationery and school supplies	April 29, 2015	51%	737,239
Restaurantes California, S.A. de C.V.	Restaurant chain	March 12, 2015	100%	1,103,000
Benmore International Corp.	It operates specialized retail stores that sell office supplies in the Dominican Republic	December 1, 2014	90%	85,604
Casa Marchand, S. A. de C. V.	Wholesaler of stationery and school supplies	April 1, 2014	100%	487,646

On June 18, 2015, the Entity acquired 100% of the shares of Radio Shack de México, S.A. de C.V., Retail Answers, S.A. de C.V. Logistic and Answers, S.A. de CV, once all conditions of operation, relating to corporate approvals and other due diligence matters and the approvals of the Bankruptcy Court of the United States, District of Delaware were obtained (United States Bankruptcy District Court of Delaware) and the COFECE in Mexico were obtained.

On February 19, 2015, the Entity entered into a purchase agreement with the Shareholders of Grupo Prisa (which comprises six legal entities engaged in the wholesale of stationary and office supplies); this acquisition closed on April 29, 2015.

During 2014, the Entity entered into an agreement with Controladora Comercial Mexicana, S. A. B. de C. V., to acquire all of the shares of Restaurantes California, S. A. de C. V., which owns the brands "Restaurantes California" and "Beer Factory " and it operates a total of 53 restaurants; 7 under the Beer Factory brand and 46 under the Restaurantes California brand. This transaction was approved by the COFECE on February 6, 2015. Total consideration agreed for the acquisition was $1,103,000, which was paid on March 12, 2015. The Entity began consolidating the financial statements of this entity on April 1, 2015.

In December 2014, the Entity entered into an agreement, thru its subsidiary OD Panama, to acquire 90% of the shares of Benmore International Corp., which is an entity engaged in the operation of retail stores that sell office supplies and from that date began operating under the name Office Depot in the Dominican Republic. The Entity began consolidating the financial statements of this entity on December 1, 2014.

In July 2014, the Entity entered into an agreement to acquire 41.6% of the common stock of an entity denominated Inmobiliaria Conjunto Polanco, S.A.P.I. de C.V. for a total consideration of $1,128,000. As of December 31, 2014, the Entity had advanced payments for this acquisition in cash for $735,000 and during the year ended December 31, 2014, the Entity recognized a loss of $13,087 as its share of this entity's loss for that year.

On March 24, 2015, the Entity received the approval from the COFECE for this acquisition; therefore, the amounts advanced were reclassified to investment in associates.

The acquisitions made during the year are part of the Entity's strategy to expand its presence in Mexico and Latin America.

Costs related to the acquisition are exluded from the consideration transferred and recognized as an expense in profit or loss in the period in which they are incurred.

For tax purposes, the tax basis of the assets and liabilities acquired are adjusted to their related market values on the acquisition date. None of the goodwill arising on these acquisitions will be deductible for tax purposes.

2. Assets and liabilities recognized at the date of acquisition

Net assets acquired after allocation of the purchase price is equal to the total consideration paid in cash and are as follows:

	2015			2014	
	Restaurantes California, S.A. de C.V.	Grupo Prisa	Radio Shack de México, S.A. de C.V.	Casa Marchand, S.A. de C.V.	Benmore International Corp.
Current assets:					
Cash	$ 77,439	$ 129,217	$ 103,916	$ 4,860	$ 2,994
Accounts receivable	26,202	341,175	123,702	78,194	20,433
Inventories	8,677	268,878	255,371	277,852	23,919
Non-current assets:					
Property and equipment	415,897	20,206	78,860	18,568	9,396
Intangibles assets	170,848	459,536	131,799	192,362	-
Other assets	5,397	-	21,480	2,609	4,988
Current liabilities:					
Accounts and notes payable to suppliers and other payables	84,294	532,704	296,020	291,533	26,989
Deferred income taxes	105,472	-	108,979	56,593	-

	2015			2014	
	Restaurantes California, S.A. de C.V.	Grupo Prisa	Radio Shack de México, S.A. de C.V.	Casa Marchand, S.A. de C.V.	Benmore International Corp.
Net assets acquired	514,694	686,308	528,087	226,319	31,747
Consideration paid in cash	1,103,000	737,239	482,608	487,646	85,604
Goodwill (bargain purchase gain)	**$ 588,306**	**$ 50,931**	**$ (45,479)**	**$ 261,327**	**$ 50,863**

The preliminary identification of the assets and liabilities acquired was determined only provisionally at the acquisition date, using management's best estimate. The fair value calculations for the Casa Marchand, S.A. de C.V. acquisition were concluded as of December 31, 2014. The identification of assets and liabilities as well as the calculation of the fair value of such assets and liabilities for the Benmore International Corp., Restaurantes California, S.A. de C.V., and Grupo Prisa were concluded as of December 31, 2015.

The fair values of intangible assets acquired as of December 31, 2015 and the related deferred taxes are as follows:

	Restaurantes California, S.A. de C.V.	Grupo Prisa	Radio Shack de México, S.A. de C.V.	Casa Marchand, S.A. de C.V.
Customer lists	$ -	$ 113,242	$ -	$ 141,388
Non-compete agreements	30,000	-	-	4,225
Trademarks	72,290	376,869	123,675	46,749
Deferred income taxes	(22,749)	(30,575)	(44,649)	-
Leasehold rigths	68,558	-	8,127	-
Goodwill	588,306	49,895	-	261,327

The acquisition of Radio Shack de México, S.A. de C.V. generated a bargain purchase gain for $45,479; this gain is presented in the "Other income" line in the consolidated statement of profit or loss and other comprehensive income. Goodwill from the acquisitions of the year are:

Company	Goodwill
Restaurantes California, S.A. de C.V.	$ 588,306
Grupo Prisa	50,931

3. Net cash outflow on business combinations:

	2015			2014	
	Restaurantes California, S.A. de C.V.	Grupo Prisa	Radio Shack de México, S.A. de C.V.	Casa Marchand, S.A. de C.V.	Benmore International Corp.
Consideration paid in cash	$ 1,103,000	$ 737,239	$ 482,608	$ 487,646	$ 85,604
Less: cash and cash equivalents acquired	(77,439)	(129,217)	(103,916)	(4,860)	(2,994)
	$ 1,025,561	**$ 608,022**	**$ 378,692**	**$ 482,786**	**$ 82,610**

4. Impact of acquisitions in profit or loss of the Entity:

Sale of goods revenue and net income as of December 31, 2015, included in the consolidated financial statements, generated by the acquisitions made are as follows:

	Sale of goods	Net profit
Restaurantes California, S.A. de C.V.	$ 569,700	$ 26,740
Grupo Prisa	2,257,670	137,473
Radio Shack de México, S.A. de C.V.	909,786	52,924
Casa Marchand, S.A. de C.V.	1,443,161	72,399
Benmore International Corp.	101,689	(7,280)

Income from sales of goods and net income as of December 31, 2014, included in the consolidated financial statements, generated by acquisitions are:

	Sale of goods	Net profit
Casa Marchand, S.A. de C.V.	$ 1,006,766	$ 30,736
Benmore International Corp.	86,327	77,118

14. Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired at acquisition date. Goodwill is subject to impairment tests annually taking into consideration the value in use of the cash generating unit to which goodwill has been allocated.

The reconciliation of goodwill is as follows:

	2015	2014	2013
Balance at beginning of year	$ 359,940	$ 47,750	$ 47,750
Additional amounts recognized from business combinations that occurred during the year	649,177	261,327	-
Effect of foreign currency translation	(10,893)	-	-
Writte-off [i]	(50,863)	50,863	-
Total	**$ 947,361**	**$ 359,940**	**$ 47,750**

(i) Goodwill generated as of December 31, 2014 for the acquisition of Benmore International Corp. was written-off against the profit or loss during the year ended December 31, 2015 when the measurement period was concluded.

The detail of goodwill generated by business combination is as follows:

	2015	2014	2013
Casa la Daga, S.A. de C.V.	$ 47,750	$ 47,750	$ 47,750
Casa Marchand, S.A. de C.V.	261,327	261,327	-
Benmore International Corp.	-	50,863	-
Grupo Prisa	60,871	-	-
Restaurantes California, S.A. de C.V.	588,306	-	-
Effect of foreign currency translation	(10,893)	-	-
Total	**$ 947,361**	**$ 359,940**	**$ 47,750**

15. Intangibles and other assets

		2015		2014		2013
Deferred charges	$	71,742	$	70,479	$	68,137
Accumulated amortization		(47,183)		(40,699)		(30,319)
		24,559		29,780		37,818
Treademark		644,201		79,397		12,241
Custormer list		331,254		229,845		97,388
Non-compete agreement		64,147		29,651		22,545
Accumulated amortization		(158,460)		(113,524)		(81,338)
		881,142		225,369		50,836
Software licenses		242,285		189,187		189,156
Accumulated amortization		(67,294)		(41,038)		(17,391)
Accumulated impartment losses		(117,844)		(50,000)		-
		57,147		98,149		171,765
Restricted cash		7,043		7,043		17,796
Technical assistance paid in advance		14,357		17,349		17,152
Rent holidays and key money paid		128,252		63,611		58,313
Advanced payments to acquire subsidiaries and associate (i)		-		721,913		493,832
Deferred tax assets		17,796		-		-
Derivative financial instruments (ii)		182,362		104,332		-
Other long-term advance payments		140,293		210,823		126,330
Total	**$**	**1,452,951**	**$**	**1,478,369**	**$**	**973,842**

(i) In July 2014, the Entity entered into an agreement to acquire 41.6% of the common stock of an entity denominated Inmobiliaria Conjunto Polanco, S. A. de C. V. for a total consideration of $1,128,000. As of December 31, 2014, the Entity has advanced payments for this acquisition in cash for $735,000 and during the year ended December 31, 2014, the Entity recognized a loss of $13,087 as its share of this entity's loss for the year. As of December 31, 2014, the Entity was waiting to receive approval from COFECE for this acquisition; therefore, the amounts advanced are presented as advance payments and not as investment in associates; this approval was received on March 24, 2015, therefore the advance payments made during 2014 were reclassified to investment in associates on this date.

As of December 31, 2013, the Entity had advanced a total of $493,832 as consideration transferred for the acquisition of Casa Marchand, S. A. de C. V. as described in Note 14. During April 2014, the Entity received approval from the COFECE; therefore, this date is considered the acquisition date and on this date the fair value of the acquired assets and liabilities was calculated.

(ii) During 2014, the Entity entered into a Cross Currency Swap contract to manage its exchange rate and interest rate risks in relation to future interest on the senior notes payable as described in Note 18.

Amortization expense is presented in the operating expenses line item in the consolidated statements of profit and loss and other comprehensive income. The following total useful lives are used in the calculation of amortization expense:

	Average years
Deferred charges	4
Trademarks with definite useful life	from 3 to 7
Non-compete agreements	from 3 to 7
Software licenses	from 3 to 10
Customer lists	10

16. Accrued expenses and taxes

	2015	2014	2013
Taxes payable – mainly ISR	$ 208,410	$ 202,073	$ 268,745
Derivative financial instruments	-	-	22,645
Direct employee benefits	317,717	171,842	144,974
Accrued operating expenses	327,264	209,828	137,397
Accrued interest	123,496	105,018	94,896
Advances received from customers	168,895	102,472	84,136
Other accounts payable	516,041	384,415	390,110
	$ 1,661,823	$ 1,175,648	$ 1,142,903

17. Long-term debt

	2015	2014	2013
Secured-Amortized Cost:			
On June 25, 2010, a simple mortgage loan was obtained, it is payable in 108 monthly installments. Interest is payable on a monthly basis at the interbank equilibrium interest rate (TIIE) plus 3 percent [i].	$ 138,166	$ 162,803	$ 183,093
On June 25, 2010, the Entity contracted a simple mortgage loan, it is payable in 96 monthly installments. Interest will be paid on a monthly basis at the TIIE rate plus 3 percent [i]	220,304	261,411	294,006
On October 26, 2012, the Entity contracted a simple mortgage loan for $400,000, payable on October 25, 2019. Interest is paid monthly at a fixed rate of 6.97%. On August 2, 2013, this loan was increased by $200,000, payable on August 1, 2020. Interest is paid monthly at a fixed rate of 7.19% [i]	598,514	598,160	597,805
On October 31, 2012, the Entity contracted a simple mortgage loan for $130,000, with a seven-year term and monthly interest and principal payments. Interest is calculated at a fixed annual rate of 7.50%. On May 19, 2014, this loan was increased by $31,000, under the same terms as the original loan, except for the interest rate, which was set at 7.55% per annum .[i]	128,984	142,058	122,759
On October 31, 2012, a simple mortgage loan contract was entered into for $250,000, with a seven-year term and monthly interest and principal payments. Interest is calculated at a fixed annual rate of 7.50%. On May 19, 2014, this loan was increased by $124,000, under the same terms as the original loan, except for the interest rate, which was set at 7.55% per annum. On August 13, 2014, this loan was again increased by $95,000, with an annual interest rate of 7.06% [i]	403,437	431,777	236,074

	2015	2014	2013
On March 27, 2013, a simple credit line was obtained, payable in 14 quarterly installments, with a 21-month grace period in respect to principal. Interest will be paid monthly at the TIIE rate plus 2 percent.	79,913	106,519	112,031
On July 9, 2013, a simple one year loan was entered into, with interest payable monthly at the London Interbank Offered Rate (LIBOR) plus 1.60 percent. The proceeds of this loan were 342,887,601 US dollars, equivalent to $4,438,680. In September 2013, approximately 50% of this loan was prepaid and in July 2014, this loan was settled, using the proceeds of the syndicated loan described below [ii]	-	-	2,244,194
On July 9, 2013 a simple one year loan was entered into, with interest payable monthly at the TIIE rate plus 0.5 percent. The proceeds of this loan were $4,438,680. In September 2013, approximately 50% of this loan was prepaid and in July 2014, this loan was settled, using the proceeds of the syndicated loan described below [ii]	-	-	2,245,407
On July 4, 2014, one syndicated loans were issued. Principal is paid over six years; interest is paid on a monthly basis and calculated at the TIIE rate, plus an applicable margin which is determined in relation to the leverage ratio of the Entity [iii]	4,440,855	4,487,353	-
On February 4, 2015, a simple mortgage loan contract was entered into for $560,000, with a seven-year term paying monthly interest and principal repayments. Interest is calculated at a fixed annual rate of 7.36%. On April 29, 2015, this loan was increased by $225,000, under the same terms as the original loan, except for the interest rate, which was set at 7.80%. On April 29, 2015, this loan was increased by $150,000, under the same terms as the original loan, except for the interest rate, which was set at 7.74%. On July 10, 2015, this loan was increased by $98,220, under the same terms as the original loan, except for the interest rate, which was set at 7.96%. On July 10, 2015, this loan was increased by $65,480, under the same terms as the original loan, except for the interest rate, which was set at 7.90%. [i]	1,074,997	-	-
On Febraury 27, 2015, a simple credit line was obtained, payable in 16 quarterly installments, with a 15-month grace period in respect to principal. Interest will be paid monthly at the TIIE rate plus an applicable margin	1,140,896	-	-
Debt acquired through the acquisition of Grupo Prisa, this loan was granted on June 11, 2009 with an eight years term for 325,754,000 Chilean pesos at an annual rate of 4.70%	5,931	-	-

	2015	2014	2013
Debt acquired through the acquisition of Grupo Prisa, this loan was granted on December 22, 2014 with a one-year term for 700,000,000 Chilean pesos at an annual rate of 5.52%	17,160	-	-
Debt acquired the acquisition of Grupo Prisa, this loan was granted on 24 November 2014 with an one year term for 350,000,000 Chilean pesos at an annual rate of 5.27%	8,580	-	-
Total debt	**$ 8,257,737**	**$ 6,190,081**	**$ 6,035,369**
Current portion	$ 606,523	$ 397,467	$ 4,748,612
Long–term debt	7,651,214	5,792,614	1,286,757
	$ 8,257,737	**$ 6,190,081**	**$ 6,035,369**

As of December 31, 2015, 2014 and 2013, TIIE was 3.55%, 3.31%, and 3.79%, respectively.

(i) These loans are secured with twentyfour of the Entity's investment properties, the fair value of these investment properties as of December 31, 2015 is $6,836,326.

In connection with two of these loans, the Entity entered into two contracts for options to limit the amount of TIIE for the calculation of the interest on the borrowings in order to manage the interest rate risk in these borrowings. Under these options TIIE is limited to 8%; both options expire on the 60th monthly payment. As of December 31, 2015, the Entity has not exercised any of these options. These derivative financial instruments are measured at their fair value and the changes on their fair value are recognized in profit or loss of the period in which arise, these instruments are presented as financial instruments assets or liabilities in the consolidated statement of financial position, as the result of the valuation at the reporting date.

(ii) These loans (together the bridge loan) were guaranteed with the cash flows generated by certain subsidiaries of the Entity. The Entity entered into a hedging instrument (Cross-Currency Swap) to manage its interest rate and exchange rate risks. The bridge loan contains certain limitations preventing the Entity from incurring in additional liabilities, limitations on the payment of dividends under certain circumstances, limitations on capital investments and on the use of funds derived from sales of assets, as well as various financial ratios and restrictions. In July 2014, these loans were settled using the proceeds of the syndicated loan and on this date the hedging instrument was also settled.

(iii) This loan is guaranteed with the cash flows generated by certain subsidiaries of the Entity. This loan contains certain limitations preventing the Entity from incurring in additional liabilities, limitations on the payment of dividends under certain circumstances, limitations on capital investments and on the use of funds derived from sales of certain assets, as well as various financial ratios and restrictions. The Entity was in compliance with these covenants as of December 31, 2015.

The restrictive clauses of the bank loan agreements set forth the obligation to maintain certain financial ratios; such clauses have been complied with as of December 31, 2015 for all these loans except for two loans. Due to the lack of compliance with such financial ratios, the outstanding balance on these two loans as of December 31, 2015 for $138,166 and $79,913, are presented as part of the current portion of the long-term debt, since the banks have the contractual right to demand repayment of such amounts as of the date of the consolidated financial statements.

The Entity has additional lines of credit with certain financial institutions. The available amounts under these lines of credit as of December 31, 2015, 2014 and 2013 were, in thousands of US dollars, 12,197, 10,899 and 8,330, respectively. As of December 31, 2015, the Company has a credit line available not used in pesos for $201,300.

18. Senior notes payable

On September 20, 2013, the Entity through its subsidiary Office Depot de México, S.A. de C.V. issued 6.875% Senior Notes, through the rule 144A in domestic and international markets, for a total of 350 million U.S. dollars and, payable in seven years, without capital amortization and fixed annual interest rate of 6.875%. Interest will be paid every six months. The Entity has an option to prepay the Senior Notes beginning on the fifth year from issuance.

During 2014, the Entity entered into a Cross Currency Swap contract to manage its exchange rate and interest rate risks in relation to future interest on the Senior Notes payable. The fair value of this derivative financial instrument as of December 31, 2015 represents an asset for $182,362 and is presented within intangible and prepaid expenses in the consolidated statements of financial position.

The Senior Notes, are guaranteed by the following indirect subsidiaries: Formas Eficientes, S. A. de C. V., Papelera General, S. A. de C. V., Servicios Administrativos Office Depot, S. A. de C. V., Centro de Apoyo Caribe, S. A. de C. V., Centro de Apoyo, S. A. de C. V., O.D.G. Caribe S. A. de C. V., OD Colombia, S. A. S. and Ofixpres, S. A. S. The Senior Notes establish certain restrictions such as: the inability to incur additional debt, restrictions on the sale of assets or sale of subsidiaries, limitations on declaring additional dividends from the date on which the Senior Notes were issued, limitations on liens or foreclosure of properties and limitations to the consolidation, merger or transfer of assets, among others.

19. Employee benefits

a. **Defined contribution plans –** Under Mexican law, the Entity is required to make payments equivalent to 2% of its workers' daily integrated salary to a defined contribution plan that is part of the retirement savings system. The related expense during 2015, 2014 and 2013 was $44,425, $33,597 and $30,234, respectively.

b. **Defined benefit plans –** The Entity has defined benefits pension plans which include a voluntary retirement plan and a lump-sum payment plan required by the Mexican Labor law (seniority premiums). In the voluntary retirement plan eligible employees who retire voluntarily are entitled to receive a lump-sum payment determined based on their years of service and salary. Seniority premium, according to article 162 of the Mexican Labor law, consists of a lump-sum payment equivalent to12 days per each year of worked based on the worker's last wage and it is limited to two times the minimum wage set forth by Mexican law.

c. **Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:**

	2015	2014	2013
Service cost:			
Current service cost	$ 23,822	$ 18,368	$ 15,844
Past service cost and curtailment gains	(611)	-	(6,727)
Net interest expense	3,077	5,189	4,912
	26,288	23,557	14,029
Components of defined benefit costs recognized in other comprehensive income - Net actuarial (gains) losses	(1,806)	5,862	(853)
Total	**$ 24,482**	**$ 29,419**	**$ 13,176**

d. **The amounts included in the consolidated statements of financial position arising from the Entity's obligation in respect of its defined benefit plans are as follows:**

	2015	2014	2013
Present value of defined benefit obligation	$ 139,672	$ 211,037	$ 190,268
Fair value of plan assets	(85,275)	(164,109)	(176,431)
Net liability arising from defined benefit obligation	54,397	46,928	13,837
Other long term benefits – Note 19 e)	5,445	58,928	-
Total liability arising from defined benefit obligation	**$ 59,842**	**$ 105,856**	**$ 13,837**

Other disclosures required by IFRS have not been included since they are considered immaterial.

e. **Other long-term benefits –** The Entity has a long-term incentive plan for some of its employees. Under this plan, eligible employees receive a tri annual payment calculated using certain criteria in accordance with the plan, including the increase in the Entity's net equity. As of December 31, 2015, the related liability for $119,995, of which $113,532 has been presented in accrued expenses and taxes within current liabilities because it will be settled during 2016.

20. Financial instruments

a. Capital management:

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Entity's overall strategy remains unchanged.

The capital structure of the Entity consists of net debt (long-term debt and the Senior Notes payable as detailed in Note 17 and 18 offset by cash and cash equivalents and financial assets) and equity of the Entity (comprising common stock, additional paid-in capital, retained earnings and other comprehensive income).

The Entity is not subject to any externally imposed capital requirements.

b. Leverage ratio:

The Entity's finance committee reviews its capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each type of funding.

The leverage ratio at the end of the reporting period was as follows:

	2015	2014	2013
Cash and cash equivalents – Note 5	$ (3,177,165)	$ (1,724,511)	$(1,525,927)
Financial assets – Note 6	(2,138,688)	(2,718,551)	(3,447,722)
Long term restricted cash – Note 15	(7,043)	(7,043)	(17,796)
Long-term debt – Note 17	8,257,737	6,190,081	6,035,369
Senior Notes payable – Note 18	5,995,086	5,067,702	4,467,800
Net debt	8,929,927	6,807,678	5,511,724
Stockholders' equity	17,682,851	16,079,208	15,094,885
Net debt to equity ratio	**51%**	**42%**	**37%**

c. Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial.

The main financial instruments of the Entity as presented in the consolidated financial statements are as follows:

		2015	2014	2013
i.	Cash and cash equivalents	$ 3,177,165	$ 1,724,511	$ 1,525,927
ii.	Held for trading financial instruments	463,025	477,474	930,794
iii.	Available-for-sale financial instruments	1,675,663	2,241,077	2,516,928
iv.	Accounts receivable	2,739,024	1,379,464	1,476,943
v.	Trade accounts payable	4,094,218	2,194,790	2,016,059
vi.	Long-term debt at amortized cost	8,257,737	6,190,081	6,035,369
vii.	Senior Notes payable at amortized cost	5,995,086	5,067,702	4,467,800
viii.	Assets (liability) related to derivative financial instruments through profit and losses	182,362	104,332	(22,645)

During the year there were no reclassifications of financial instruments between categories.

d. Financial risk management objectives

The Entity's Board of Directors through its finance committee supervises and manages the financial risks relating to the Entity's exposure as a result of its operations. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Entity seeks to minimize the effects of these risks by using different instruments including derivative financial instruments to hedge its exposures. The use of financial derivatives is governed by the Entity's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Entity does not enter into derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the Finance Committee, which is an independent body that monitors risks and policies implemented to mitigate risk exposures.

e. 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 seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Entity uses derivative and non-derivative financial instruments to hedge some of its exposures to financial risks as described in Note 17 y 18. The Entity identifies, assesses and hedges financial risks in collaboration with its subsidiaries. There have been no changes in the Entity exposure to market risks in the way these risks are managed and measured.

f. Foreign currency risk management:

The Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise, primarily with respect to US dollar denominated financial instruments, trade accounts payables as well as the principal and accrued interest on the senior notes payable. As described in Note 18, the Entity enters into derivative financial instruments to manage its exposure to foreign currency risk. In addition approximately 29%, 17% and 19% of total purchases of the Entity's inventories were imported by approximately 302,305, 160,276 and 181,122 (thousands of US dollars) for the years ended December 31, 2015, 2014 and 2013, respectively.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	2015	2014	2013
Thousands of U.S. dollars:			
Monetary assets	158,770	187,700	245,368
Monetary liabilities	380,093	396,395	572,609
Net liability position	**(221,323)**	**(208,695)**	**(327,241)**
Equivalent in thousands of Mexican pesos	**$ (3,837,697)**	**$ (3,075,079)**	**$ (4,275,469)**

The exchange rates as of December 31, 2015, 2014, 2013 and as of the date of issuance of these consolidated financial statements were as follows:

	2015	2014	2013	March 22, 2016
U.S. dollar	**$ 17.3398**	**$ 14.7348**	**$ 13.0652**	**$ 17.2995**

g. Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 5% appreciation or depreciation in Mexican peso against the U.S. dollar. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency exchange rates.

	2015	2014	2013
Net position in thousands of U.S. dollar	(221,323)	(208,695)	(327,241)
	18.2068	15.4715	13.7185
Estimated exchanges rates:	16.4728	13.9981	12.4119
Sensitivity + / -	5%	5%	5%
Change in total comprehensive income for the year + / -	**$ 191,885**	**$ 153,754**	**$ 213,774**

h. Interest rate risk management:

The Entity obtains financing under different conditions; when such financing is subject to variable interest rates, the Entity enters into derivative financial instruments (interest rate CAPS) in order to reduce its exposure to risks of volatility in interest rates. Such CAPS limit the Entity's exposure to changes in variable interest rates. Negotiating with derivative instruments is done only with credit-worthy institutions and limits have been established for each institution. The Entity's policy is to not perform transactions with derivative financial instruments for speculation purposes. The Entity has also entered into a Cross Currency Swap as discussed in Note 18.

Interest rate swap contracts

Under interest rate swap contracts, the Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Entity's:

Net income for the year ended December 31, 2015, 2014 and 2013 would decrease/increase by $10,678, $7,605 and $8,720, respectively. This is mainly attributable to the Entity's exposure to interest rates on its variable rate borrowings.

i. Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. Due to the nature of the Entity's operations, its exposure to credit risk is low, since its trade accounts receivable mainly relate to credit sales to wholesalers that operate in the retail industry.

The maximum credit exposure is represented by the balance of trade accounts receivable as presented in the consolidated statement of financial position. As of December 31 2015, 2014 and 2013, the allowance for doubtful accounts receivable includes accounts that have been identified as potentially not recoverable.

No one single client outstanding balance represented an amount higher than 10% of the total trade accounts receivable.

j. Other price risks

The Entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Entity does not actively trade these investments.

Equity price sensitivity analysis

The Sensitivity analysis has been determined based on the exposure to equity price risk at the end of reporting period.

If equity prices had been 5% higher/lower and all other market conditions remained the same:

- Other comprehensive income for the year ended December 31, 2015 would increase/decrease by $83,783 as a result of the changes in fair value of available-for-sale shares.

- Net consolidated profit for the year ended December 31, 2015 would increase/decrease by $1,303 as a result of the Entity's exposure to share prices on its held for trading financial assets.

The Entity's sensitivity to equity prices has not changed significantly from the prior year.

k. Liquidity risk management:

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The following tables detail the Entity's remaining contractual maturity for its derivative and non-derivative financial liabilities is as follows:

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable	$ 4,094,218	$ -	$ -
Advances received from customers	168,895	-	-
Other accounts payable	516,041	-	-
Long-term debt	606,532	6,750,399	900,806
Senior Notes payable	-	-	5,995,086
Interest to accrue	937,347	3,082,254	56,373

The weighted average interest rate on the long-term debt as of December 31, 2015 was 6.58%

l. Fair value measurements recognized in the consolidated statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, arranged into levels from 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1. Fair value of the Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Entity's financial assets and financial liabilities are measured at their fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Assets/ liabilities	Fair value as of			Fair value hierarchy	Valuation techniques and key inputs
	2015	2014	2013		
Financial instrument available-for-sale financial assets	$ 1,675,663	$ 2,241,077	$ 2,516,928	Level 1	Quoted bid prices in an active market
Held for trading financial assets	463,025	477,474	930,794	Level 2	Quoted bid prices in the market
Derivative financial instruments	182,362	104,332	-	Level 2	Discounted cash flow
Investment property	12,924,916	11,869,868	11,408,024	Level 3	Discounted cash flow [i]

(i) The significant non-observable input data and their relationship with fair value are described in Note 10.

There were no transfers among the levels during the period.

2. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the Entity's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	2015		2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities held at amortized cost						
Long-term debt	$ 8,257,737	$ 8,309,127	$ 6,190,081	$ 6,181,323	$ 6,035,369	$ 6,162,893
Senior notes payable	5,995,086	6,140,307	5,067,702	5,381,682	4,467,800	4,335,973
Total	**$ 14,252,823**	**$ 14,449,434**	**$ 11,257,783**	**$ 11,563,005**	**$ 10,503,169**	**$ 10,498,866**

Financial liabilities held at amortized cost:	Level 1	Level 2	Total	Valuation techniques and significant inputs
Long-term debt	$ -	$ 8,309,127	$ 8,309,127	Discounted cash flows using market rates
Senior Notes payable	6,140,307	-	6,140,307	Quoted bid prices in an active market
	$ 6,140,307	**$ 8,309,127**	**$ 14,449,434**	

21. Stockholders' equity

a. Common stock as of December 31, 2015, 2014 and 2013 consists of the following:

	Outstanding number of shares	Nominal value
Fixed capital	176,734,102	$ 18,922
Variable capital	817,493,226	87,525
	994,227,328	**$ 106,447**

Common stock is comprised of common nominative shares. Fixed capital stock may not be withdrawn. Variable capital shares may be freely subscribed. Variable capital may not be greater than ten times fixed capital.

b. The Entity canceled 1,928,392 shares held in treasury at the end of 2015. This cancellation was authorized at the Shareholders' Meeting on September 8, 2015 and by the National Banking and Securities Commission, on December 4, 2015 and on 31 December 2015 the Entity has 500 repurchased shares with debit to stockholders' equity. As of December 31, 2014 and 2013 it had 1,928,392 shares repurchased in treasury. The market price of such shares as of December 31, 2015, 2014 and 2013 was 38.50, 41.60 and 32.99, pesos per share, respectively.

c. During a Stockholders' Meeting held on December 23, 2013, the stockholders agreed to pay cash dividends to Entity stockholders at $0.1257 per share as of the dividend payment date. The payment was applied against the Entity's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount declared and paid in 2013 was $124,973.

d. During a Stockholders' Meeting held on April 26, 2013, the stockholders agreed to pay cash dividends to the Entity's stockholders at $0.1042 per share as of the dividend payment date. The payment was applied against the Entity's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount declared and paid in 2013 was $103,598.

e. Retained earnings include a statutory legal reserve. Mexican 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 capital stock at par value (historical pesos). The legal reserve may not be distributed, except in the form of a stock dividend, unless the Entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2015, 2014 and 2013, the legal reserve, in historical pesos, was $21,290.

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

g. Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

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

	2015	2014	2013
Contributed capital account	$ 11,642,767	$ 11,399,948	$ 10,960,706
Net consolidated tax income account (CUFIN) after 2014	(63,444)	(53,740)	-
Net consolidated tax income account (CUFIN) before 2014	8,937,788	8,549,923	7,564,284
Total	**$ 20,517,111**	**$ 19,896,131**	**$ 18,524,990**

22. Other comprehensive income

	2015	2014	2013
Cumulative fair value gain on available-for-sale financial assets net of income tax	$ 1,051,984	$ 1,348,045	$ 1,635,415
Cumulative exchange differences on translating foreign operations	183,919	69,940	34,045
	$ 1,235,903	**$ 1,417,985**	**$ 1,669,460**

a. Cumulative fair value gain on available-for-sale financial assets – net

	2015	2014	2013
Balance at beginning of year	$ 1,348,045	$ 1,635,415	$ 1,019,229
Gain (loss) arising on changes in fair value	164,941	(275,852)	954,515
Reclassified to profit or loss	(666,659)	-	(59,764)
Related income taxes	205,657	(11,518)	(278,565)
Balance at end of year	**$ 1,051,984**	**$ 1,348,045**	**$ 1,635,415**

b. Exchange differences on translating foreign operations

	2015	2014	2013
Balance at beginning of year	$ 69,940	$ 34,045	$ 54,095
Exchange differences for the year	113,979	35,895	(20,050)
Balance at end of year	**$ 183,919**	**$ 69,940**	**$ 34,045**

23. Non-controlling interests

	2015	2014	2013
Balance at beginning of year	$ 134,725	$ 119,827	$ 3,402,353
Profit allocated to non-controlling interest	74,633	16,010	170,816
Acquisition of non-controlling interest	217,405	(1,112)	-
Decrease due to the acquisition of the remaining 50% shares of Office Depot de México, S.A. de C.V.	-	-	(3,430,136)
Exchange differences arising on translating the foreign operations	(2,467)	-	(23,206)
Balance at end of year	**$ 424,296**	**$ 134,725**	**$ 119,827**

24. Transactions with related parties

Balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Entity and other related parties are disclosed below.

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

	2015	2014	2013
Purchases of fixed assets – other related parties	$ 12,842	$ 22,914	$ 20,645
Rental expense – shareholders	22,951	17,575	14,880
Rental income – other related parties	14,560	3,213	393
Purchase of inventory – non-controlling interest until June 2013	-	-	196,739
Purchase of inventory – other related parties	3,287	2,164	2,032
Consulting services received – other related parties	49,676	22,126	13,531
Consulting services provided – other related parties	71,334	70,445	12,048
Charitable contributions – other related parties	22,052	8,341	3,244
Loans issued	386,240	11,259	2,001
Advanced payments to acquire associate – other related parties	-	678,000	57,000
Other income	1,336	-	-
Other expenses	715	-	-

The above transactions with related parties were performed with the usual list of prices of the Entity.

b. As of December 31, 2015 and 2014, the Entity has accounts payable due to related parties for $455,000 and $938. As of December 31, 2013, there are no accounts payable due to related parties.

c. Employee benefits granted to key management were as follows:

	2015	2014	2013
Short-term benefits	$ 203,563	$ 140,402	$ 195,962
Termination benefits	-	-	3,670
Other long term benefits	59,637	27,468	32,890
Post employee benefits	7,656	12,643	7,342

25. Cost of sales and operating expenses

a. Cost of sales is as follow:

	2015	2014	2013
Cost of merchandise sold	$ 15,697,068	$11,807,300	$10,996,022
Employee benefits	345,787	320,120	301,103
Rental expense	142,642	95,531	83,327
Electricity, water, gas and other utilities	148,322	114,708	99,527
Depreciation and amortization	170,194	135,274	121,266
Total cost of sales	**$ 16,504,013**	**$ 12,472,933**	**$ 11,601,245**

b. Operating expenses are as follows:

	2015	2014	2013
Employee benefits	$ 3,383,597	$ 2,621,597	$ 2,311,582
Rental expense	778,348	561,534	471,287
Insurance	53,001	48,362	47,649
Electricity, water, gas and other utilities	366,299	349,165	321,930
Maintenance	427,656	277,045	266,143
Marketing	265,803	219,379	245,844
Depreciation and amortization	600,016	465,358	408,544
Impairment of property and equipment and intangibles	68,811	60,623	-
Other operating expenses	1,878,489	1,555,953	1,287,828
Total operating expenses	**$ 7,822,020**	**$ 6,159,016**	**$ 5,360,807**

26. Operating leases

a. **The Entity as lessor –** Operating leases relate to the investment property intended for use by clients of the Entity, that operates into the retail industry and restaurant. Most operating lease contracts contain a minimum rental payment and contingent rents, which are based on a percentage of sales of the tenant and they are all subject to annual inflation increases. Lease terms ranging from 5 to 25 years. As described below, certain contracts include mayor maintenance for the Entity.

Such operating leases grant the Entity's tenants lease incentives such as rent holidays and improvements as required by such tenants. The Entity, occasionally, also receives up front consideration as incentive to enter into the lease agreements (referred to as "key money"). Lease payments received from tenants, including incentives given or received, are recognized as rental income on a straight-line basis over the lease term.

The future minimum lease receivables related to non-cancelable operating leases are as follows:

	2015
Not more than 1 year	$ 1,102,004
More than 1 year and not more than 5 years	3,695,791
More than 5 years	2,635,274
Total	**$ 7,433,069**

b. **The Entity as lessee –** Operating leases relate to leases of land and buildings in which the Entity has some of its stores, the lease terms range from 1 to 25 years. All operating lease agreements, greater than 1 year, include inflation escalation clauses. Key money paid as well as rent holidays received are recognized initially as a prepaid rent and subsequently as rent expense on a straight-line basis over the lease terms unless another systematic basis is more representative of Entity's consumption of the benefits.

The future minimum lease payments related to non-cancelable operating leases are as follows:

	2015
Not more than 1 year	$ 983,136
More than 1 year and not more than 5 years	4,506,009
More than 5 years	2,953,881
Total	**$ 8,443,026**

27. Income taxes

The Entity is subject to ISR. The rate of current income is 30%. The Entity incurred ISR on a consolidated basis until 2014 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a five-year period beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Entity was considered to be a holding Entity and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

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 the deferred IETU previously recorded.

Income taxes in other countries, for Office Depot de Mexico, S.A. de C.V., its foreign subsidiaries calculate their individual income taxes, according to the regulations of each country.

a. Income taxes recognize in profit for the year are as follow:

	2015	2014	2013
ISR expense (benefit):			
Current	$ 334,854	$ 360,819	$ 711,025
Deferred	492,483	211,844	(111,677)
	827,337	572,663	599,348
IETU expense (benefit):			
Current	$ -	$ -	$ 1,894
Deferred	-	-	(60,069)
	-	-	(58,175)
Total income taxes	**$ 827,337**	**$ 572,663**	**$ 541,173**

b. The effective ISR rate for fiscal 2015, 2014 and 2013 differ from the statutory rate as follow:

	2015	2014	2013
	%	%	%
Statutory rate	30	30	30
Permanent differences	2	5	1
Effects of inflation	(1)	(1)	(4)
Effect of future tax loss carry forwards partially recognized and changes in income tax rates	4	(2)	(3)
Effective rate	**35**	**32**	**24**

c. Income taxes recognized in other comprehensive income are as follows:

	2015	2014	2013
Deferred ISR expense (benefit):	**$ 205,657**	**$ 11,518**	**$ (278,565)**

During the year ended December 31, 2014, a deferred tax asset of $86,211 related to the deductible temporary difference related to the financial assets available-for-sale was not recognized because it is not probable that the economic benefits will be realized.

d. The main items originating deferred taxes are:

	2015	2014	2013
Deferred ISR assets (liabilities):			
Property and equipment and investment property	$ (2,292,489)	$ (1,868,088)	$ (1,712,179)
Inventories	2,955	(3,022)	(7,677)
Accrued expenses and provisions	145,646	155,663	102,861
Prepaid expenses and advances from customers	(77,687)	(23,718)	55,311
Intangible assets and others	(234,795)	(379,308)	(238,659)
	(2,456,370)	(2,118,473)	(1,800,343)
Effect of tax loss carry forwards	191,925	130,810	93,845
Total deferred tax liability	**$ (2,264,445)**	**$ (1,987,663)**	**$ (1,706,498)**

e. The balances as presented in the consolidated statements of financial position are as follows:

	2015	2014	2013
Deferred tax asset	$ 17,796	$ -	$ -
Deferred tax liability	(2,282,241)	(1,987,663)	(1,706,498)
Total deferred tax liability - Net	**$ (2,264,445)**	**$ (1,987,663)**	**$ (1,706,498)**

In the determination of the deferred ISR liability as of December, 31, 2015, 2014 and 2013, a total of $641,443, $217,498 and $406,491, respectively, related tax losses carry forwards were excluded since the management believes that it is not probable the related future economic benefits will be realized.

As of December 31, 2015, the Entity's has tax losses carryforwards related to its operations in Colombia for $483,191 which can be recovered without limitation on the value or period; however, the related deferred income tax asset has not been recognized as management does not believe that it is probable that sufficient future taxable income will be generated in order to benefit from such tax loss carryforwards. Accordingly, unrecognized tax loss carryforwards in Colombia as of December 31, 2015, 2014 and 2013, are $164,285, $132,246 and $131,048, respectively.

f. Tax consolidation

ISR liability as of December 31, 2014 related to the tax deconsolidation which will be paid in the following years is as follows:

Year	2015
2016 [i]	$ 122,951
2017	95,385
2018	80,626
	$ 298,962

(i) The current portion of the income tax payable is included within accrued expenses and taxes in the consolidated statements of financial position.

28. Discontinued operations

As part of the Entity's strategic restructure process, the Entity entered into an agreement with "Tiendas Neto", whereby the Entity sold its "Tiendas Super Precio" business, which included the transfer of all of the Entity's personnel working in this operation and all of the operation's assets (which included inventories, lease agreements, furniture and equipment, trademarks, etc.). This operation was carried out through the sale of all of the Entity's shares it held until then of its subsidiary Tiendas Super Precio, S.A. de C.V. as well as other assets. This sale was effective in the last quarter of 2012. According to IFRS this disposal constitutes a discontinued operation since it represented a significant line of business; therefore, the Entity has presented the income, costs and expenses related to such discontinued operation within the line item "discontinued operations" in the consolidated statements of profit and loss and other comprehensive income.

The breakdown of the main items included in the discontinued operations gain is as follows:

	2013
Reversal of allowance for doubtful recoverable taxes	$ (111,538)
Cost of sales and operating expenses	92,275
Income tax benefit	(6,847)
Gain from discontinued operations (attributable to owners of the Entity)	**$ (26,110)**

29. Earnings per share

The amounts used to determing earnings per share from continuing operations, discontinued operations and diluted earnings per share were as follows:

	2015	2014	2013
	Mexican pesos per share	Mexican pesos per share	Mexican pesos per share
Basic and diluted earnings per share:			
From continued operations	1.50	1.23	1.55
From discontinued operations	-	-	0.03
Total basic and diluted earnings per share	**1.50**	**1.23**	**1.58**

a. Basic and diluted earnings per share

For the years ended December 31, 2015, 2014 and 2013, the Entity does have any commitments to issue or exchange its own shares; therefore there are no potentially dilutive instruments hence basic and diluted earnings per share are the same. The earnings amounts and the weighted average number of shares used for the calculation of the basic and diluted earnings per share are the following:

For the years ended December 31,:

	2015	2014	2013
Profit for the year attributable to owners of the Entity	$ 1,496,175	$ 1,220,900	$ 1,575,520
Earnings used in the calculation of the basic and diluted earnings per share	1,496,175	1,220,900	1,575,520
Minus:			
Gain for the year from discontinued operations used in the calculation of basic and diluted earnings per share	-	-	(26,110)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**$ 1,496,175**	**$ 1,220,900**	**$ 1,549,410**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**994,227,328**	**994,227,341**	**994,227,341**

b. Weighted average number of ordinary shares

For the years ended December 31, 2015, 2014 and 2013, there were no movements in the number of outstanding shares, therefore, the weighted average of ordinary shares is equal to the number of outstanding shares at the end of each one of these periods.

c. Determination of basic and diluted earnings per share

	As of December 31, 2015		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	$ 1,496,175	994,227,328	1.50

	As of December 31, 2014		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	$ 1,220,900	994,227,341	1.23

	As of December 31, 2013		
	Profit	Weighted average number of shares	Mexican pesos per share
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	$ 1,549,410	994,227,341	1.55
Gain for the year from discontinued operations used in the calculation of basic and diluted earnings per share	26,110	994,227,341	0.03
Basic and diluted earnings per share	1,575,520	994,227,341	1.58

30. Commitments and contingencies

Commitments

The Entity has entered into operating leases for land and buildings ranging from 1 to 25 years in which some of its stores and restaurants are located. Rental payments are calculated as a percentage of sales ranging from 1% to 6%, subject to minimum amounts which are adjusted annually for increases in inflation.

Also, certain operating lease agreements entered into by the Entity as lessor gives tenants renewal options to extend the lease terms for up to 10 years.

The Entity has no commitments for the acquisition of property and equipment or investment property. As of December 31, 2015, the Entity had signed a contract for the sale of a property that is subject to certain conditions precedent, including the approval of the COFECE.

Contingencies

In the ordinary course of business, the Entity is party to various legal proceedings which have resulted in immaterial contingencies for which the Entity has created reserves.

Except for the aforementioned paragraph, neither the Entity nor its assets are subject to any legal contingency that does not derive from the Entity's normal and routine activities.

31. Reportable segments

The information provided to the Chief Operating Decision Maker of the Entity ("CODM") for purposes of allocating resources and assessing segment performance focuses on types of goods and services sold or rendered to customers, the type of customers of each of the operating segments of the Entity and also in the way in which the Entity delivers such goods or provides the related services to its customers. The Entity, using this approach, has identified the following reportable segments:

i. **Retail –** Specialized stores which sell:

   a. Office supplies and furniture as well as office electronics

   b. Housewares

ii. **Restaurants –** family restaurant chain, which stands out for its innovative dishes, excellent service in a young and casual environment.

iii. **Real Estate –** Development of investment property, retail stores, shopping malls and corporate office buildings, which are leased to tenants as well as development of housing for sell to customers.

iv. **Corporate –** Entity management and corporate administration

Reportable segments information is as follows:

a. Segment revenues and results

The following is an analysis of the Entity's revenues and results from continuing operations by reportable segment:

	Revenues by segment			Profit by segment		
	2015	2014	2013	2015	2014	2013
Retail	$ 20,992,192	$ 16,351,370	$ 15,181,598	$ 1,389,875	$ 1,260,717	$ 1,265,117
Restaurants	3,947,554	3,030,051	2,740,848	293,768	319,121	352,502
Real Estate	1,610,040	1,385,703	1,276,703	1,972,348	1,623,603	1,202,835
Corporate	1,079	26,358	6,735	(288,914)	(268,250)	(233,578)
Other	60,401	20,620	(40,284)	(30,514)	(31,684)	8,689
Total continuing operations	**$ 26,611,266**	**$ 20,814,102**	**$ 19,165,600**	$ 3,336,563	$ 2,903,507	$ 2,595,565
Interest expense				924,932	791,918	400,655
Interest income				(756,903)	(79,112)	(151,936)
Exchange loss – Net				884,986	542,480	84,295
Gain on revaluation of financial instruments – Net				(17,296)	(147,045)	(1,875)
Share of (profit) loss of joint venture and associates				(97,301)	(14,307)	3,027
Profit for the year from continuing operations before income taxes				**$ 2,398,145**	**$ 1,809,573**	**$ 2,261,399**

Segment revenues reported above represent revenues generated from external customers. Inter-segment revenues are as follows:

	Inter-segment revenues		
	2015	2014	2013
Retail	$ 118,366	$ 248,710	$ 99,113
Restaurants	13,562	23,056	10,891
Real Estate	191,665	158,252	294,220
Corporate	563,114	694,015	424,585

The accounting policies of the reportable segments are the same as the Entity's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each reportable segment without allocation of corporate administration costs and the equity share in the profits or losses of joint ventures and associates.

b. Segment assets, long-term debt and Senior Notes payable

	Total segment assets		
	2015	2014	2013
Retail	$ 13,976,151	$ 10,705,999	$ 9,997,934
Restaurants	3,654,181	2,315,607	2,452,835
Real Estate	17,202,909	15,254,163	13,454,258
Corporate	2,002,392	1,441,059	1,459,516
Other	3,563,007	3,576,434	3,858,983
Total assets	**$ 40,398,640**	**$ 33,293,262**	**$ 31,223,526**

Intercompany balances are not included.

	Long-term debt and Senior Notes payable		
	2015	2014	2013
Retail	$ 6,026,756	$ 5,067,702	$ 4,467,800
Restaurants	1,140,896	-	-
Real Estate	2,564,402	1,596,210	1,433,737
Corporate	4,440,855	4,487,352	4,489,601
Other	79,914	106,519	112,031
Total long-term debt and Senior Notes payable	**$ 14,252,823**	**$ 11,257,783**	**$ 10,503,169**

c. Other segment information

	Depreciation and amortization			Additions to long-term assets		
	2015	2014	2013	2015	2014	2013
Retail	$ 506,497	$ 394,179	$ 352,495	$ 520,074	$ 943,041	$ 387,270
Restaurants	176,235	133,130	116,602	794,892	312,980	406,979
Real Estate	16,400	8,678	6,614	5,698	45,213	542,373
Corporate	2,944	129	-	-	7,350	-
Other	68,134	64,516	54,099	1,489	107,448	212,299
Total	**$ 770,210**	**$ 600,632**	**$ 529,810**	**$ 1,322,153**	**$ 1,416,032**	**$ 1,548,921**

d. Geographical information

The Entity operates in four principal geographical areas, Mexico, Central America, Colombia, the Caribbean and Chile. The Entity's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below

	Revenue from external customers			Non-current assets		
	2015	2014	2013	2015	2014	2013
Mexico	$ 21,856,379	$ 18,506,955	$ 16,903,139	$ 25,247,367	$ 22,283,248	$ 20,305,348
Central America	1,633,440	1,339,082	1,338,760	594,971	573,020	483,985
Colombia	747,988	881,739	923,701	228,982	268,798	329,376
Caribbean	101,689	86,326	-	22,796	16,348	-
Chile	2,271,770	-	-	562,459	-	-
Total	**$ 26,611,266**	**$ 20,814,102**	**$ 19,165,600**	**$ 26,656,575**	**$ 23,141,414**	**$ 21,118,709**

32. Financial statements issuance authorization

On March 22, 2016, the issuance of the consolidated financial statements was authorized by the Entity's Board of Directors. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting, which may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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