laComer

2017 Annual Report

Offering the **best** shopping **experience**

Content

2017 Overview

« We offer THE BEST SHOPPING EXPERIENCE based on quality, care and service. »

Since it first began operations, La Comer has devoted itself to offering its customers a great shopping experience. All our stores have a superior image and ambience, offering basic and premium products, personalized service, specialized departments and a series of innovations in which every detail has been thought of, to make shopping a pleasant experience.

Each department offers an ample selection of the highest quality products, many of them imported, to meet our clients needs and wishes. This is complemented by personalized service in which our employees provide meticulous, cordial customer care.

We pay special attention to our perishables to maintain their freshness and quality, ensuring they are handled with strict care. Through regulated temperatures and strict controls throughout the cold chain, we guarantee the quality of the product before we receive it until it is used. We are continually reviewing and upgrading technology to make sure perishable goods maintain their properties. We have extensive experience in handling this type of product, which together with internal controls and standards enables us to offer shoppers a wide variety of products with impeccable presentation.

Our stores also offer an extensive selection of prepared food, to eat in the store or to take home. We have rest spots in various parts of the store where customers can take a break from shopping and refresh themselves in a friendly and fun environment. We have coffee shops and, in our City Market formats, we offer tapas bars (Isla de Pintxos) and Seafood bars (Bar do Mar), where shoppers can enjoy a pleasant, sophisticated and different experience.

« We stand clearly apart from the rest, committed to achieving a pleasant shopping experience.»

laComer

STORES	SALES FLOOR AREA	PRODUCTS
29	187,627 m²	35,000 skus

This is our largest-format supermarket, with product departments organized into perishables, dry goods and general merchandise. They also have specialty sections like coffee shops and fresh juice departments.

fresko LA COMER

STORES	SALES FLOOR AREA	PRODUCTS
10	27,044 m²	25,000 skus

Fresko supermarkets focus on selling high-quality perishables, dry goods and a housewares section. It has special coffee shops and fresh juice departments as well.

OUR STORES

Each of our store formats is designed to meet different needs and requirements, and fill up high standards and expectations; all of them also offer a range of basic staple products at very competitive prices.

city market
LA COMER

STORES	SALES FLOOR AREA	PRODUCTS
9	25,579 m²	25,000 skus

This is a gourmet supermarket with specialized areas for in-store consumption -a tapas and sea food bar- in a unique ambience, with also wine tastings and seasonal products. City Market offers premium, gourmet and organic products in all its departments.

sumesa

STORES	SALES FLOOR AREA	PRODUCTS
13	10,009 m²	15,000 skus

A small-format supermarket ideal for quick shopping trips to stock up on perishables and dry goods.

All our stores also have specialized pharmacy, tortilla and bakery departments. Some of our stores are located within shopping centers.

« Every format is designed to offer the best shopping experience. »

Basic principles

Every day, in everything we do, our philosophy is grounded in a series of principles that guide our actions toward our various stakeholders.

MEXICO

To contribute to its progress. We are continuously seeking out ways to contribute to society, the environment and the economy, and to the development of our country.

OUR SHOPPERS

To provide the best service and good-quality merchandise at the best price. Our reason for being is serving our customers by maintaining an optimum ratio between price, quality, care and stocking. We know we play a role in society, which is to represent our shoppers in the market. Because we understand their needs, we are uniquely able to bring them the right products and services at the right time and place and in the best way possible.

OUR ASSOCIATES

To offer them the compensation and benefits they expect, in an environment of cordiality, harmony and development. To give our people the opportunity to advance themselves, meaning not just improving their technical training but supporting everything that contributes to their development.

OUR SUPPLIERS

To offer, and to demand, a relationship based on reciprocity, respect and honesty, so that our shoppers can receive the best benefits. We strive to be an honest and respectful client to our suppliers.

OUR SHAREHOLDERS

To provide them with a satisfactory return, growth and security in their investment. To generate real profits in keeping with the policies, goals and strategies developed by the Board of Directors.

« Our stores present an attractive, innovative image, offering shoppers a pleasant in-store experience. »

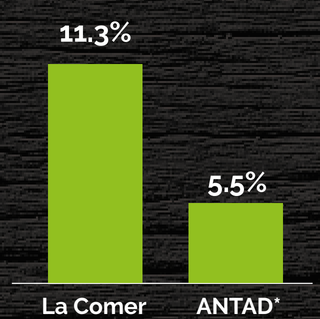
KEY FINANCIAL DATA 2017

	2017	2016	
Net revenues	16,635	14,757	12.7%
Gross income	4,213	3,610	16.7%
Gross margin	25.3%	24.5%	
Operating income	771	416	85.6%
Operating margin	4.6%	2.8%	
EBITDA	1,374	938	46.5%
EBITDA margin	8.3%	6.4%	
Net income	782	518	51.1%
Net margin	4.7%	3.5%	

2017 2016

(In millions of Mexican pesos)

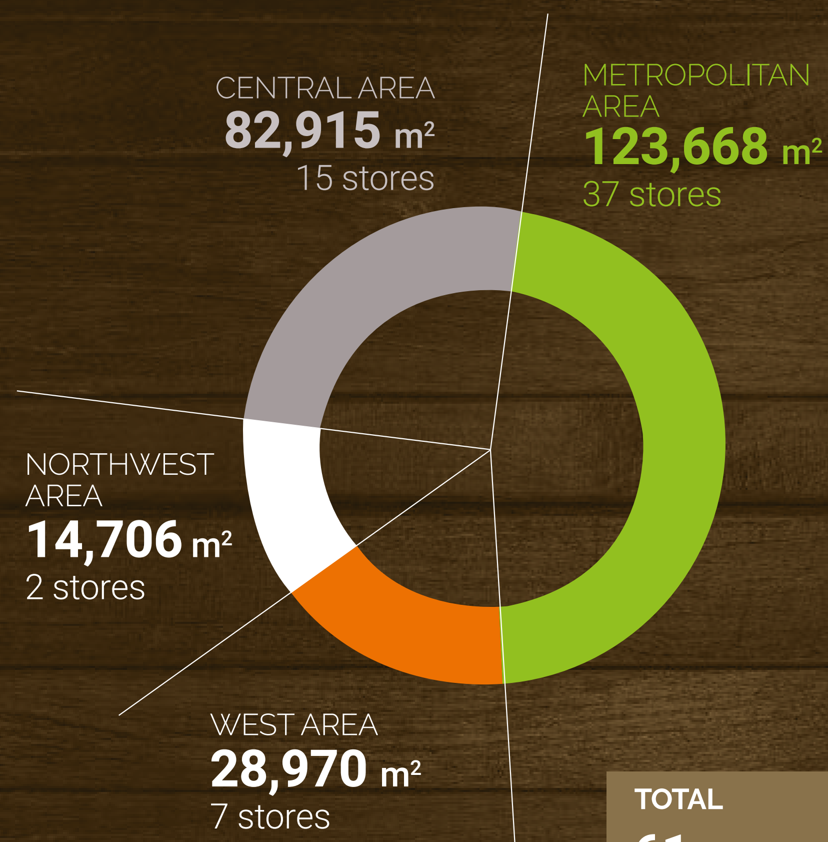
SAME-STORE SALES GROWTH



The Mexican National Association of Supermarkets and Department Stores

GEOGRAPHIC FOOTPRINT

The company operates a total of 61 supermarkets in four different formats, with a total sales floor area of approximately 250,000 square meters. The Mexico City metropolitan area is home to 61% of our stores.



TOTAL

61 stores

250,259 m²

CORPORATE GOVERNANCE

« Ensures fair and equal treatment of all shareholders and recognizes the rights of investors. Mandates appropriate disclosure of all material information on the company, including financial position, performance, stock structure and management. Also ensures that shareholders and the market have access to public information on the company. Establishes internal control mechanisms and ensures that the company has procedures in place to demonstrate compliance with the legal provisions applicable to it. »

INTERNAL CONTROL COMMITTEES

To discharge its responsibilities appropriately, the Board of Directors relies on the support of the Audit Committee and Corporate Practices Committee, in accordance with articles 25 and 42 of the Mexican Securities Market Act. These Committees are made up of three independent board members each, appointed by the Board of Directors and ratified by shareholders in their Annual Meeting.

Among the duties of the Audit Committee are providing an opinion to the Board of Directors on the policies and criteria used in preparing and publishing the financial information; checking that there are mechanisms in place that offer reasonable assurance that the company is in compliance with the various legal provisions governing it; reviewing, analyzing and evaluating transactions with related parties and verifying the extent of adherence to our Code of Ethics, which is a manual of conduct whose purpose is to set the main rules that every related party must abide by, in keeping with La Comer's philosophy and culture.

The duties of the Corporate Practices Committee include reviewing and approving compensation plans for senior management, evaluating the performance of key executives, and reviewing the Group's organizational structure.

The Company has adopted the Best Corporate Practices; particularly important among these is the separation of the roles of Chief Executive Officer and Chairman of the Board, and giving the Board the ability to provide an independent opinion on various corporate matters.

BOARD OF DIRECTORS

POSITION	PROPRIETARY MEMBERS	
Honorary Chairman	Guillermo González Nova	
Chairman	Carlos González Zabalegui	1
Member	Alejandro González Zabalegui	1
Member	Luís Felipe González Zabalegui	1
Member	Pablo José González Guerra	1
Member	Antonino Benito González Guerra	1
Member	Santiago García García	2
Independent Member	Joaquin Solís Rivera	3
Independent Member	José Calvillo Golzarri	3
Independent Member	José Ignacio Llano Gutiérrez	3
Independent Member	Alberto G. Saavedra Olavarrieta	3

	ALTERNATES	
	Gustavo González Fernández	1
	Rodrigo Alvarez González	1
	Sebastián González Oertel	1
	Jose Antonio Alverde González	1
	Nicolas González Oertel	1
	Alfonso Castro Díaz	3

	AUDIT COMMITTEE	
Chairman	José Calvillo Golzarri	3
Member	Alberto G. Saavedra Olavarrieta	3
Member	José Ignacio Llano Gutiérrez	3

	CORPORATE PRACTICES COMMITTEE	
Chairman	Alberto G. Saavedra Olavarrieta	3
Member	José Calvillo Golzarri	3
Member	José Ignacio Llano Gutiérrez	3

PLANNING COMMITTEE
Guillermo González Nova
Carlos González Zabalegui
Alejandro González Zabalegui
Luís Felipe González Zabalegui
Pablo José González Guerra
Antonino Benito González Guerra

COMPANY SECRETARY
Rodolfo García Gómez de Parada

1 Proprietary Member / **2** Related Board Member / **3** Independent Board Member

REPORT OF THE CHAIRMAN OF THE BOARD

REPORT ON TRANSACTIONS AND ACTIVITIES INVOLVING THE BOARD OF DIRECTORS DURING FISCAL YEAR 2017

Mexico City, March 15, 2018

To the General Shareholders' Meeting of La Comer, S.A.B. de C.V.
Present.

Pursuant to article 28, section IV point e) of the Securities Market Act, you are hereby informed that during the period from January 1 to December 31, 2017, the Board of Directors met in a number of plenary sessions in which it exercised the authority vested in it by Clause Twenty-Two of the corporate bylaws of La Comer, S.A.B. de C.V., in addition to the activities of the various Committees that it incorporates. The matters addressed in these meetings are recorded in minutes that have been drafted and approved by board members, regarding meetings held on the following dates:

February 21, 2017
April 25, 2017
July 25, 2017
October 24, 2017

I am pleased to present to you the annual report of the company's situation, and to review the most important events of the past year.

2017 was a year of consolidation for the new company. On the operating side, we were able to maintain sales levels above those reported by the National Association of Supermarkets and Department Stores (ANTAD), supported by the successful operation of each of our formats. We consolidated our image and in all of our stores we put forth an image consistent with our intention of offering the best shopping experience.

During the year, we closed one of our stores in Mexico City in order to begin a full remodeling, because its excellent location gives us reason to believe it is a perfect candidate for a complete overhaul. We also partially remodeled two La Comer format stores in the state of Morelos and Mexico State, in order to offer a pleasant, up-to-date experience for our shoppers and also align their image with the company's new profile. I am especially pleased to announce that one of our stores in the city of Querétaro--the City Market Antea--was rated the best store in Latin America by the International Council of Shopping Centers (ICSC), which awarded it with the Gold Prize for retail store design in Latin America.

To continue our organic growth, during the year we opened three new stores, two of them in cities where we had not been present before: Puebla and Nuevo Vallarta. Starting up operations in these cities is important to the company's effort to gradually build a presence in those markets. We also continued growing our City Market format outside of Mexico City, venturing into major cities like Guadalajara and Puebla. Although we opened fewer of these stores than originally planed, we also developed a solid portfolio of projects in process during the year, which should support our growth in coming years.

« We have strengthened our image and now all our stores present an image consistent with offering the best shopping experience. »

We launched a number of advertising campaigns to support the new store openings, because it is important that we introduce ourselves in zones where our brand is not as well known. We also continued our "*Temporada Naranja*" (Orange Season) promotional campaign to offer our shoppers special offers in the summer months, and this year it once again received a warm response.

As regards our business focus, we continue to pay special attention to maintaining the company's vision of positioning ourselves as a different kind of company, offering the best shopping experience in the market based on quality in the broadest sense, customer care and service.

In Mexico, 2017 was a difficult year for some stores and cities because of the earthquakes that struck the country in September, and which in one way or another affected all of us. Some of our stores suffered minor damages and loss of merchandise, but we are fortunate to have lost no lives. In solidarity with Mexican society, the company launched a campaign to donate, together with its customers, packets of basic goods -food and cleaning supplies- for the regions hardest affected by the quakes. More than 60,000 packages were delivered at an approximate cost of $20 million pesos.

In January, a brief and contained wave of unrest resulted in looting in some parts of the country, but only one of our stores was affected.

Among our corporate governance practices are active committees and processes whose purpose is to pursue mutual benefit for all parties, respecting the rights and interests of our stakeholders.

Our Social Responsibility and Sustainability practices are an integral part of who we are as a company. they are reflected in our principles and established in our internal policies.

This past year we extended our support to several nonprofit foundations to distribute their products, made donations to charitable institutions, supported foundations for rural development and participated through our "*Tienda Rosa*" (Pink Store) campaign to raise funds for the battle against breast cancer, among other social responsibility activities. We also focused on making more efficient use of natural, economic and social resources, in keeping with our commitment to sustainability.

« In 2017, we donated 60 million basic supply packages at an approximate cost of $20 million pesos. »

I would like to especially thank our customers, who favor us with their preference, our employees, who every day make it possible for us to fulfill our mission as a company, our suppliers who work as commercial and strategic allies, and our shareholders. Finally, I'd like to reiterate our commitment to our various stakeholders, to whom we are in debt as a company, because as we have established in our basic principles, our day-to-day work is grounded in promoting their progress.

CARLOS GONZÁLEZ ZABALEGUI
Chairman of the Board of Directors
of La Comer, S.A.B. de C.V.

OFFERING THE BEST
SHOPPING EXPERIENCE

OUR FORMATS

Each of our store formats is designed to meet different needs and requirements, and meet high standards and expectations; all of them also offer a range of basic staple products at very competitive prices.

« In all our formats, we offer the products our customers like at very competitive prices. »


panadería

laComer

This is our hypermarket format, with a newly revamped image that retains the common elements of the brand for all formats. Over a larger sales floor area, this format offers a unique experience, with not only the high-quality perishables and dry goods we are known for but also general merchandise, technology and housewares to complement family's shopping needs.

city market
LA COMER

City Market offers shoppers a varied selection of gourmet products like wines, aged cheese, exotic meats, imported dry goods, olive oil, truffles, foie gras, caviar and a robust selection of organic products, as well as deli areas like chocolates, ice cream, café and fine patisserie. It also has specialized areas for in-store consumption like a seafood bar serving more than 20 seafood dishes in various styles, ceviche, carpaccio and cocktails; Pintxos, serving Spanish-style dishes like tapas and montados with squid, asparagus, quail eggs, Spanish omelets, cured hams and croquettes with tartar sauce, among others; and an extensive wine collection, humidor and a sampling of the world's best liqueurs. There is a spa area as well, where clients can acquire an assortment of 100% natural products from around the world.

sumesa

Our Sumesa format is steeped in tradition and history, because it is one of our first store brands. These stores are strategically located and the store layout and product selection enable shoppers to make their purchases quickly and easily. All of this has made Sumesa and its people tremendously important to our company.

fresko
LA COMER

Fresko stocks more than 25,000 high-quality products, the freshest seasonal produce, a wide variety of domestic and imported cured meats and cheeses, deli selections ready to take home.

It also has a space where visitors will find gourmet items: wines and cheese from various countries, gluten-free products and an extensive array of extra virgin olive oils. The store also has gastronomic areas for pastries, chocolate and deli, staffed by expert chefs.

CITY MARKET ANTEA: GOLD DESIGN AWARD

Another achievement in our cap

In October 2017, City Market Antea won the Gold Prize for Retail Store Design in Latin America from the International Council of Shopping Centers (ICSC), in the marketing category.

The distinction is something we can all be proud of, because not only do we have the best shopping experience, but we have the most attractive store in Latin America.

« Clearly, our design and sophistication put us above the competition. »

FOCUS ON OUR CLIENT

OUR ESSENCE IS THE SAME: WE HAVE NOT LOST OUR SIMPLICITY, AND WE WILL ALWAYS STRIVE TO GIVE OUR CLIENTS MORE THAN WHAT THEY ARE LOOKING FOR.

Besides offering unparalleled service and top-quality products at the best prices, we have taken on the task of focusing on our customers, to make sure their shopping experience is full of pleasant moments, and that at the end of their visit they are eager to return.

In every one of our stores we have a sales floor layout that enables our clients to quickly and easily access all our products and services. We offer products tailored to demanding tastes and high expectations. We have a wide selection and assortment of products so that our clients have many choices, and we offer, premium, organic, and other types of products.

We work on building our capacity to offer personalized attention, to anticipate and fill customers' needs in order to build loyalty. Our employees are highly trained to guide our clients toward the right purchase. Any customer can ask for advice from our expert chefs, baristas, sommeliers and managers of all the different store departments.

« In our stores, we offer quality in the broadest sense, so that our customers can enjoy the best shopping experience. »

25

DIFFERENTIATION

"*TEMPORADA NARANJA*" AND "*MÍERCOLES DE PLAZA*" CAMPAIGNS GIVE US A CHANCE TO WELCOME NEW SHOPPERS AND MAKE US THEIR FAVORITE STORE.

Since our company began operating, we have linked efforts and skills to overcome all the challenges we have faced. We have always been able to make the best of circumstances, and through our effort, talent, skills and attitude, we have been able to consolidate each and every one of our stores. We have formed a unique company, and one that is clearly different from the rest of the industry where we operate.

"*Temporada Naranja*" (Orange Season), is our largest and most important promotional campaign, and through it we reinforce our commitment to and positioning with our clients. Every one of our departments and areas give their absolute best to make the campaign a huge success.

Since we're always thinking of our customers, this year we took all the actions necessary to be able to offer seasonal specials but without sacrificing the comfort and atmosphere of the stores, the quality of our fresh foods, reliable supply of basic products, variety of products and, of course, the warmth and service we've always been known for.

Our weekly **"*Miércoles de plaza*"** (Wednesday weekly campaign) also continued to considerable success during the year. This event focuses on offering the best quality fresh produce, and encourages a mid-week shopping experience in which our customers can find more and varied selections of fresh fruits and vegetables.

"Technologies for maximum value added"

To steadily improve the shopping experience in our stores, we are constantly changing and Improving our services. We have a home delivery service called **"*La Comer en tu Casa*"**, where we offer another improvement to the shopping experience by extending our well-known service to home delivery. In 2017 we improved our e-commerce shopping platform to make it more user friendly and guarantee a more complete, precise and prompt delivery.

Also during the past year, we launched a new **La Comer credit card** together with Grupo Financiero Banorte in alliance with Visa cards. This new credit card lets us bring customers the best services, and also serves as a payment method that gives them unique benefits when paying in our stores. Customers can apply for their cards at in-store modules, for their convenience. The cards give them a 10% discount on their first purchase and a reimbursement of up to 3% on subsequent store purchases. Customers also enjoy benefits like price protection, travel assistance, insurance against illegal charges due to cart theft or loss, and others.

To continue providing the best services, we also have innovative point-of-sale technology. Today, customers can even pay with their cell phones, increasing the range of comfortable and safe payment options.

SUSTAINABLE COMPANY

STAKEHOLDERS

Customers | Employees | Suppliers

CUSTOMERS

La Comer has made points of contact with the customer a fundamental part of its vision, creating and maintaining them to offer superior customer care and service, and the broadest sense of the word and with our own distinct touch. At the same time, the proliferation and availability of personal data in today's word makes confidentiality an absolute priority.

« In 2017, all our points of contact were reinforce based on our policies and objectives with our customers.»

Among the main points of contact is our call center (01-800-377-7333), where we receive and address the most frequent comments and/or complaints. We have a protocol in place for dealing with critical situations, either because of their complexity or urgency. This call center also offers the "*La Comer en Tu Casa*" service for home delivery of merchandise. During the year 2017, we received more than 131,500 calls and/or e-mails to our call center, 35% of them for complaints or comments and the remaining 65% to request home delivery.

We upgraded our digital platform as well, to strengthen the home delivery service without losing our in-store points of contact and information. As a result, customers can now access our home delivery service on a much more user-friendly e-commerce platform, supported by pickup and delivery programs that conform to shoppers' highest expectations.

Our social network presence was also stronger last year, with a substantial growth in the number of followers on Facebook, Twitter, Instagram and YouTube. On all these platforms, we publish important information about our retail programs and attract feedback from customers on various topics relating to the services and products we offer. In 2017, our website received a total of 4,072,338 visits, while the "*La Comer en tu Casa*" website had 2,287,755, making a grand total of 6,360,093 visitors. This figure, almost double last year's, proves that we have the right approach to e-commerce and are strengthening our digital communication strategy, which is very important for this company's target market.

« At the close of 2017, more than 1.7 million "*Monedero Naranja*" cards had been distributed, close to 50% of them to regular shoppers in our stores and 36% considered "loyal customers". »

In keeping with this strategy, in early 2017 we decided to create a digital platform for our brochures. The strategy resulted in 3,915,105 clients reading our brochures. Other digital platform indicators are: 350,998 Facebook followers, 23,117 Twitter followers and 5,382 Instagram followers (recently created and devoted to the City Market format).

« Our "*Monedero Naranja*" card remains the cornerstone of our relationship with customers. »

We know that shoppers with a "*Monedero Naranja*" customer loyalty card are the most faithful to our stores and formats. With them we remain in constant e-mail contact, sending them promotions and personalized information based on their shopping habits. The loyalty card gives us demographic data on our customers, strengthening our relationship to them. "Stamp" programs to acquire high-value products at reduced prices and "point" programs where customers can redeem them or products and services in our stores or in other establishments in the Payback alliance, all grew stronger in 2017.

For these customers, we maintained a promotional offer of highly valuable merchandise at prices well below the real cost, as a thank-you for their loyalty. During the past year we offered Zwilling knives, Möve towels and Titán suitcases, giving Mexican families access to merchandise of superior quality and value.

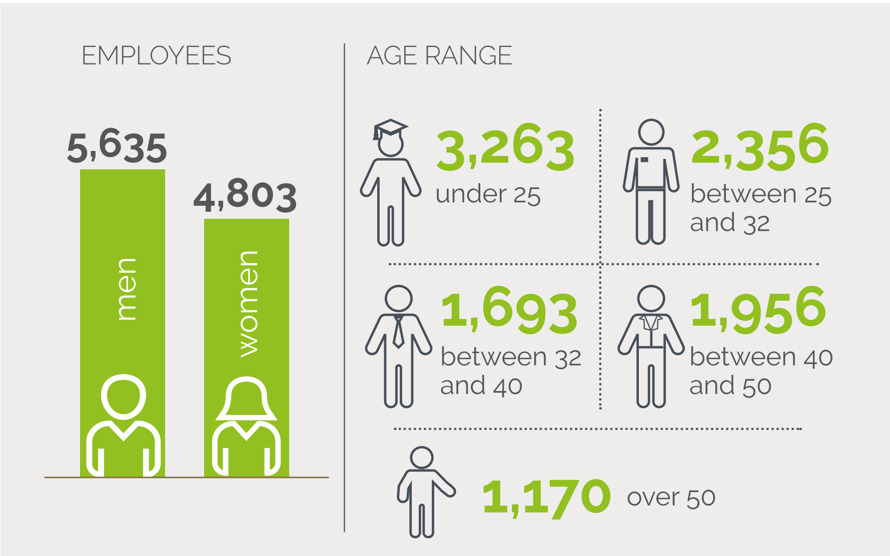
As regards protection of our customers' data, in 2017 we fortified the platforms, procedures and measures that had been created earlier to guarantee protection and confidentiality of this data, particularly in connection with our "*Monedero Naranja* Payback" loyalty program. As always, we complied with the provisions of the Federal law on Protection of Personal Data Held by Private Parties. Our privacy notice can be found at:
vasalsuperoalacomer.com/comer/aviso-de-privacidad

EMPLOYEES

« La Comer is aware that its value is the sum of all of its employees, and each of them contributes with his or her talents, goals and dedication. As of December 31, 2017, the company had 10,438 employees.»

EQUAL OPPORTUNITIES

One of the company's goals is to hire, train and retain the most competent people based on their talent. We are committed to offering equal employment opportunities consistent with each person's capacities, in accordance with labor laws and regulations and fair labor practices. Our equal opportunity policy is determined by the Board of Directors and is a part of our Code of Ethics. We do not discriminate on the basis of sex, age nationality or any other factor that might be considered discriminatory at the time of hiring and establishing salaries. Oversight of our equal opportunity policy is the responsibility of the Corporate Audit area.



TRAINING AND DEVELOPMENT

We at this company are convinced that training is a well-compensated investment in our employees. In 2017 we made the following efforts to ensure proper employee training:

- 4,731 newly hired employees received training designed to ensure compliance with policies regarding customer service, accident prevention and operating procedures, investing a total of 256 hours of training.
- 4,305 department heads took specialization courses in administrative processes, display practices and professional skills, investing a total of 479 hours of training.
- 107 managers and 15 sub-managers attended the management competencies development program at ICAMI Center for Management Training, investing 276 hours of training and ensuring that our managers and sub-managers:

    - Develop their management skills
    - Gain a global view of the company and the processes and activities that contribute significantly to value generation.
    - Acquire the capacity to analyze problems and opportunities in order to make effective, timely decisions.
    - Achieve a harmonious balance and synergy between work and family.

All company employees receive continuous on-the-job training, which ensures and excellent shopping experience in our stores. Furthermore, employees in City Market stores receive specialized training in the product knowledge, so they can offer service excellence in each of their departments.

The training system is based on four fundamental axes:

1. **Retailing:** Dominion over the characteristics of the products and their relationship with customer care and service quality.
2. **Operating:** Identifying the processes for products to enter, be stored and sold in each store.
3. **Administrative:** Proper handling of the tools that enable planning organization and control of merchandise.
4. **Human:** Development of attitudes and stills that enable employees to develop appropriate relationships with their subordinates, colleagues, superiors and the company itself.

« Grupo La Comer is committed to excelling: it has created a strategy that enables our employees to continuously grow in the knowledge, skills and attitudes needed to achieve the established goals. »

HEALTH, SAFETY AND HYGIENE

Our internal work regulations are based on the regulations of the Ministry of Labor and Social Planning and comply with the Civil Protection Law. In accordance with the Program Development Guidelines, in 2017 we developed internal Civil Protection Program for each store, in order to take the necessary preventive actions to mitigate risk and assist in emergencies, so that all of our establishments can safeguard the physical integrity of their employees, visitors, suppliers and others who might be present on the premises. The guidelines are established by the Under Department of Safety and with the active participation of every participant.

This is done through risk prevention: making sure that the facilities in all our stores are well maintained, to minimize labor risks through a system of regular inspections or audits; verifying methods and procedures to reduce the rate of work-related accidents and step up safety measures in the working environments of all our stores, making sure all of them comply with civil protection requirements.

During the year we held training programs to give each area the necessary information about risk management, maintenance and civil protection.

JOBS AND QUALITY OF LIFE

We have a policy of respecting our employees' right to vacations and holidays, and workdays and schedules that ensure appropriate working conditions for all of them. We also try to minimize employee turnover and create an appropriate working environment, improve quality of life, combat absenteeism and promote a sense of belonging, while preserving physical and mental health through preventive measures.

EMPLOYEE INVOLVEMENT

We respect our employees' freedom of association, and we have also set ourselves the goal of developing internal means of communication that facilitate the exchange of information at every level. We have an internal newsletter called *Esencia*, created with employees' contributions and led by an internal editorial board. We practice an open-doors style of management, in which employees can freely express themselves to their immediate superiors and directors through open communication. Our internal webpage, "Intracomer" is a platform for employees to access general information about the company: manuals, newsletters, discussion forums, applications, services, etc. Furthermore, every year the company conducts a survey of employees to learn their perception of the workplace environment.

At present, the company has nine unions. As of the close of 2017, approximately 19% of our employees were union members.

Grupo La Comer is committed to the advancement of its people; we have created a strategy by which our employees can gradually gain the knowledge, skills and attitudes they need to achieve the established goals.

SOCIAL RESPONSIBILITY

Since late 2016, Grupo La Comer has been a member of **ÉNTRALE (https://entrale.org.mx/)**, which works for a more inclusive Mexico. We believe in the capacity of each employee regardless of his or her physical limitations, and we demonstrate this in our slogan "If your dreams have no limits, we won't limit you, either." La Comer has 48 employees with some form of disability, whether visual, auditory, language, motor, intellectual or psycho-social. We have ongoing inclusiveness campaigns and we participate actively in inclusiveness events.

« The company encourages voluntary participation in philanthropic activities. »

SUPPLIERS

« At present we have close to 1,800 active suppliers, approximately 97% of them local to the country of the operations they supply. »

At La Comer, we interact intensively with our suppliers in order to make sure we have the products and services our customers require. For this reason, one of our priorities is to develop systems and processes that enable us to integrate all participants into our value chain.

Because it is so important that we be able to bring our customers the best products, we have a number of quality controls. These include:

- For perishable products, we conduct sensorial, physio-chemical and micro-biological analysis in laboratories authorized by the Mexican Accreditation Entity (EMA). Once authorized, suppliers are subject to audits, including a visit to plants and distribution centers to check that they comply with quality specifications and standards. As part of that review, we verify that suppliers apply good manufacturing practices, corrective and preventive maintenance of equipment, pest control, employee training, raw material and finished material process control, internal audits and social responsibility activities. After all of this, we conduct random inspection visits.
- In the specific case of organic products, we request current certificates from the entity or agency that certifies that the product is effectively organic.
- In the case of meat products, both natural and processed, all our suppliers must maintain federally inspected facilities.
- For all imported products, the company fully complies with every tariff regulation for each article, including labeling and other product specific standards.
- Every product we offer in our stores must be in compliance with current regulations, whether sanitary, labeling, tariff, etc., to ensure customers can trust the products they are purchasing.
- For our food bars, we have obtained the “H Distinction” certification from the Ministry of Tourism, which requires us to meet a series of sanitary standards and regulations.

DISTRIBUTION CENTERS

The company has two Distribution Centers, which provide an effective service in terms of quantity, quality and timeliness, executing and developing efficient processes that optimize resources, sustained by a competitive work team, all of which are necessary for offering the best products and guaranteed quality.

One distribution center is located in Mexico City; this is a multi-temperature (cold/dry) facility, which has a number of advantages in that it enables us to align operations and consolidating shipping by store with both types of product.

We also have a regional distribution center in Guadalajara, which improves distribution to stores in the neighboring states, receives agricultural products from the zone, and generates logistical efficiencies.

Each center offers high-quality distribution services for dry and perishable goods, ensuring the safety of food products and meeting legal specifications as well as the requirements of customers, suppliers and interested parties; based on a qualified, committed work team, and effective internal and external communication, along with ongoing improvement in the efficiency of our Comprehensive Management System.

During the year, we handled distribution for 1,800 suppliers, providing a speedy, flexible and reliable service, enabling us to:

- Consolidate various vendors in the same vehicle
- Improve the level of service, for the ultimate benefit of the consumer
- Immediate and expeditious reception of vehicles.

In our Distribution Centers we carry out activities under a variety of regulations, such as those of the Ministry of Labor and Social Planning, the COFEPRIS, Ministry of the Environment and Natural Resources, Ministry of Agriculture, Forestry and Fishing, the General Environmental Law, and certifications ISO 9001, ISO 22000 and TIF.

COMMUNICATION CHANNELS

We have a webpage for suppliers **Provecomer.com** which is our official means of communication with them. Through it we can handle needs like: detailed information on invoices, distribution, inquiries, manuals of policies and procedures, transactions, forums and claims, entry of orders and product characteristics, delivery conditions, etc.

We are continually strengthening our quality management system, the purpose of which is the effective implementation of processes and the efficiency of distribution processes to our stores, guaranteeing prompt and complete delivery of our products.

« Our suppliers are key to the optimal functioning of La Comer's value chain. »

SOCIAL RESPONSIBILITY

The company makes a positive contribution to Mexican communities, supporting them through initiatives in the areas of food supply, education, rural assistance, environmental restoration programs, and encouraging our employees and customers to participate in community activities. In this way, we contribute actively and voluntarily to social welfare and the improvement of Mexican communities.

To this end, we carried out various actions in 2017:

TIENDA ROSA

As we do every year, in October 2017 we decorated our stores in pink in order to raise awareness about the importance of breast cancer prevention. In one of our sales floor aisles, called the "*Pasillo Rosa*" (Pink Aisle), we offered more than 8,770 products from suppliers who directly donated a percentage of the proceeds of the sale to a movement that works to battle cancer.

At the same time, the Breast Cancer Foundation made around 12 visits to stores in various cities, offering 70 free mammograms per store, in some cases resulting in valuable early detection of some cancers.

Finally, in our Pharmacy area, a percentage of the sales of 429 medicines from our "Farmacom" brand was donated to the Breast Cancer Foundation.

UN KILO DE AYUDA

In 2017, the company partnered with the nonprofit organization "*Un Kilo de Ayuda*," which battles childhood malnutrition in Mexico through the sale of the Institutional Card UKA "1,2,3 Sésamo," Natural Disaster Relief cards and Christmas Products. We raised $157,363 pesos in this effort, providing ongoing attention to 21 children within the Comprehensive Model of Early Childhood Development (MIDIT) nutrition program.

For a number of years now, La Comer and Fresko stores have taken part in voluntary fundraising through funnels (a kind of coin collection bank that simulates the solar system, with the hole in the center representing the sun) in which donors drop a coin into the center of the funnel. In 2017 we raised more than $42,000 pesos, enough to sponsor 10 children in the MIDIT program.

DONATION OF BASIC SUPPLY PACKAGES

After the earthquakes that struck Mexico in September 2017, and in solidarity with Mexican society, the company created two aid campaigns:

1. **"*Es Momento De Unirnos*"**, in which employees helped collect basic supplies and medicines to distribute to the affected.
2. **"*Donación de Despensas*"**, which was carried out together with clients, in which the company donated two packages for every one donated by customers. The packages were made up of basic food and cleaning supplies. We collected more than 60,000 packages, which were delivered house to house by La Comer personnel, in the most affected areas of Morelos (99 communities), Chiapas (38 communities), Oaxaca (nine communities) and Puebla (nine communities).

« La Comer has supported "Educampo Chiapas" since its foundation. »

DONATIONS OF FUNDS TO CHARITABLE INSTITUTIONS

One of the company's greatest commitments is rural support. Through the *Fundación Mexicana para el Desarrollo Rural, A.C.*, we donated $2.7 million pesos to continue the "Educampo Chiapas" program, which encourages productiveness of corn, soy and sorghum crops through a highly replicable method of Basic Social Education to induce social transformation in rural areas.

IN-KIND DONATIONS TO CHARITABLE INSTITUTIONS.

In its continual efforts to support disadvantaged communities, La Comer began a new program in 2017 called "*Donación en especie*". Under this program, we delivered bread, fruit and vegetables in optimum conditions for consumption to three charitable institutions through four branches, benefited more than 100 elderly adults and more than 130 infants.

« We donated bread, pastries, fruits and vegetables to Hogar Gonzalo Cosío Ducoing, I.A.P., Un Granito de Arena, A.C. and Internado Guadalupano Calacoaya, A.C. »

ENVIRONMENTAL CARE

At Grupo La Comer, we know we need to help to maintain a balance between human needs and conservation of natural resources, and preserve the ecosystems that will sustain life for future generations. Because of this, we have made a commitment to changing our habits regarding the way we use and consume resources, in order to continue providing the best service to our more than 60 million customers, while caring for the environment at the same time.

PLASTIC BAGS

All of our stores use plastic bags with oxy-biodegradable technology, which is based on the introduction of polyolefin to make the material break down in a shorter period of time. These oxy-biodegradable plastic break down in two phases, initially by a process of oxidation that is enhanced by the inclusion of catalytic additives and subsequently by biodegradation. In 2017 a total of 204,317,000 bags were used in our retail chain.

In an effort to become more environmentally friendly, we have a strategy of re-using plastic bags and place cardboard containers at the exit of point of sale terminals for customers to deposit their used plastic bags, and the ones that are not in optimum condition are turned over to the authorized collection firm. Each month we collect an average of 3,500 bags in good enough condition to be re-used.

REFRIGERANTS

Because the emission of refrigerants has a direct impact on environmental pollution, and bearing in mind that consuming less electrical energy also helps reduce pollution, in 2017 we began a program of upgrading to more environmentally friendly refrigeration equipment, which also brought some economic benefits. This high-tech refrigeration system saves considerably on electricity and the use of refrigerants in volume, which means that even in the event of a leak, less contaminants are released. These are considered "ecological refrigeration systems."

WASTE PAPER COLLECTION

Collection of cardboard and polyethylene waste is done by a well-known and officially certified company called Biopappel. In 2017 we collected approximately four million metric tons of cardboard and 257,000 kilos of polyethylene.

WATER AND ELECTRICAL ENERGY SAVING PROGRAMS

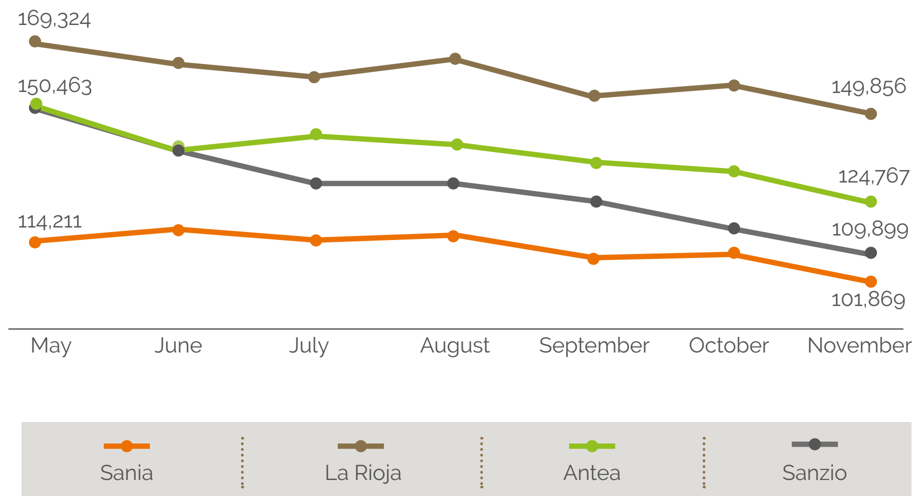
We have ongoing campaigns to save water and electrical energy. To save water, bathrooms in our stores have accessories that reduce water consumption by 40% and eight of our stores have their own wastewater treatment plants to eliminate contaminants and reuse water.

« Our water consumption in 2017 fell by 1.5% compared to the year before. »

In the area of energy savings, we are careful about controlling the number of kWh we consume, because a disproportionate use of electricity is damaging to the environment. We paid 29% more for electricity in 2017, which is exactly how much the annual electrical rate was increased during the year.

Starting in May visits were made to the stores we had opened in 2016 in order to adjust the hours for turning on and off lights, air conditioning, opening refrigeration chambers and removing unused equipment from the Dining and Perishables areas-in this way we were able to lower kWh consumption without affecting service.

ELECTRICITY CONSUMPTION IN NEW STORES BY MONTH (kWh)

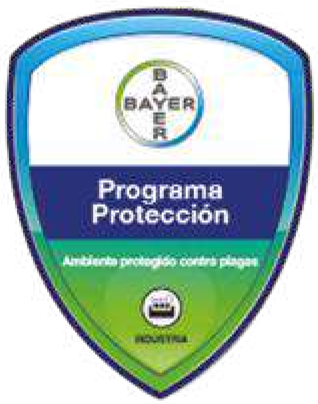


USE OF CHEMICAL PRODUCTS

Because we are committed to society and our planet, we support the conservation of the world around us and do our best to care for and preserve the environment. Part of this effort is to use environmentally-friendly cleaning products in the Perishables and Dining areas of our stores

The use of this type of product is particularly valuable to our employees and clients because it sets and example of the use of high-quality and environmentally respectful substances. Biodegradable products are part of the day-to-day life of each store, and the working environment of each employee.

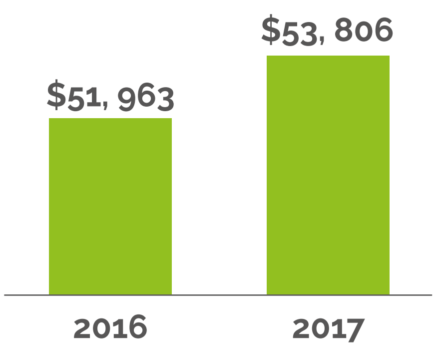
To complement this initiative, we work with pest control companies that have earned the Bayer Distinction, meaning they reduce their environmental impact by using chemical products that have been cleared by the WHO, CICOPLAFEST, COFEPRIS, EPA, FCA and USDA.



RECOVERY OF BURNED OILS AND OTHER ORGANIC FATS

In 2017 we recovered more than $53,000 pesos from the sale of used cooking oil, 3.6% more than in 2016.

SALE OF USED COOKING OIL (PESOS)



WASTE HANDLING

Throughout the year we built awareness of the importance of managing solid waste through a newsletter on the optimum, use of products, both perishable and non-perishable, encouraging each employee to correctly use all raw materials avoid generating additional waste.

In 2017 we focused on the separation and classification of solid waste in order to reuse or recycle as much as possible and dispose properly of the rest. We cleaned and disinfected our trash collection centers, placed signs designating areas for organic waste, recyclables and trash, and placed color-coded trash bins in all our stores.

We follow three principles our management of separable waste:

Prevention: avoid consuming products unnecessarily (packaging, wrapping, bags), and buy products with ecological labels, etc.
Reduction: dispose of waste in an orderly fashion (knocking down boxes, crushing bottles, etc.)
Accumulation: avoid stockpiling unused items to prevent pests and the accumulation of dust and grime.

At **La Comer,** as a complement to environmental rules and our commitment to environmental care, we separate out organic (biodegradable) waste from non-organic waste, and we also separate out recyclable material such as:

- Cardboard
- Used cooking oil
- Polyethylene
- Bones
- Fats

Separation of waste into these categories has the following benefits:

- Increases collection of recyclable waste.
- Can be used to make compost for soil fertilization
- Reduces health risks to people working in food production and waste separation areas.
- More effectively combats pests.

FINANCIAL INFORMATION

REPORT BY THE CHIEF EXECUTIVE OFFICER

Mexico City, March 15, 2018.

To the Board of Directors of La Comer, S.A.B. de C.V.
Present.

Dear Members of the Board of Directors:

Pursuant to Articles 44 section XI of the Securities Market Act and 172 of the General Business Corporations Act, I hereby submit to your approval this report on the performance and activities of La Comer, S.A.B. de C.V. during the fiscal year ended December 31, 2017. This report includes an explanation of relevant events during the year, highlights the most notable actions of the period and refers to the most important current projects and main policies followed by the management team I lead.

At the close of 2017, Gross Domestic Product (GDP) for Mexico stood 2.5% higher in real terms than it had at the end of the previous year, and annual inflation had been 6.77%. Despite a highly volatile financial climate and high inflation, domestic consumption continued to perform well, supported in part by wage remittances from abroad, which represented an important source of funds. Confirming this trend in consumption, the retailing industry, based on data from the National Association of Supermarkets and Department Stores (ANTAD) reported a 5.5% rise in same-store sales for 2017. In general, the year ended with positive results in most of the significant economic activity indicators.

During the year, to strengthen the company, management worked primarily on maintaining our strategy of differentiation and quality. From the start, we sought a complete change of image supported by a pleasant environment, excellent service, extensive assortment of merchandise and unparalleled quality, in order to offer our customers a unique shopping experience.

To achieve the effect we proposed, we introduced strict controls in each store to keep the sales floor neat, pleasant, easy to access, with shelf stocking and presentation arranged to make shopping an agreeable experience. We also took the measures necessary to surprise and delight customers, to build loyalty and encourage them to visit more often. As a result of all these efforts, our City Market Antea store in Querétaro was distinguished by the International Council of Shopping Centers (ICSC) as the best store in Latin America.

From the start, we have taken action to give our employees the necessary training for them to offer excellent service to our customers. With this they can provide specialized advice to shoppers so they can make their purchases more effectively.

With a total approach on identifying customers' demands and the products they need in various formats, we moved forward on projects that would significantly improve the shopping experience. This year we maintained an unbeatable assortment of basic, premium, and imported products and new items with excellent quality and clearly different from what other stores offer.

During the past year, we continued the company's expansion plan with the opening of three stores: two City Markets, one in Guadalajara and one in Puebla; and one La Comer in Nuevo Vallarta, Nayarit, each of which has reported excellent results since the start. We also remodeled two La Comer stores and closed one in Mexico City at the start of the year to totally overhaul the unit, which we think will be very profitable in the medium term. For these openings and remodeling efforts, we invested a total of $2.11 billion pesos.

Our operating results for 2017 included total sales of $16.63 billion, 12.7% higher than in 2016; same store sales growth for the year was 11.3%. A significant factor in this positive number was the "*Temporada Naranja*" (Orange Season) campaign conducted in the summer months, along with our weekly "*Miércoles de Plaza*" (Wednesday street market) event, both of which were highly successful. We also believe the company's value strategy marked a clear distinction from other retailers, providing more benefits to our clients and attracting their attention.

« With this company's positioning and differentiation, we are on strong footing to continue on the path of consolidation and growth. »

Our gross profit margin was 25.3%, thanks to the continuing support and cooperation of suppliers, which we have enjoyed since we began operations, as well as efficiency in product storage and distribution costs during the year. Some operating costs rose sharply in proportion to sales, among them advertising and pre-operating expenses, but these were necessary to improve our chances of success in new projects. This year we had a one time effect of $195 million pesos under "other income and expenses" from the sale of a plot of land in Puebla. EBITDA for the year was $1.37 billion pesos, resulting in a margin (in proportion to sales) of 8.3%.

The company's cash position ended 2017 at $2.54 billion, and majority shareholders' equity was $20.84 billion.

In 2017 we continued various Social Responsibility and Sustainability practices. In the sphere of social responsibility, in a joint effort with customers, we donated basic supplies to locations affected by the earthquakes that struck Mexico in September; we made various cash and in-kind donations to charitable organizations and kept up social aid programs like "*Un Kilo de Ayuda*" to battle hunger and malnutrition, our "*Tienda Rosa*" campaign to help women with breast cancer, and donations to the Mexican Foundation for Rural Development, as well as other causes.

On the matter of sustainability, we introduced a number of actions and measures in our stores to use resources more friendly to the environment. For example, we launched various water and electrical energy saving programs during the year, and took measures to collect waste, paper and cardboard for recycling or reuse, among other actions.

With this progress, the company's positioning and differentiation, we are on strong footing to continue on the path of consolidation and growth. In coming years we hope to continue opening more stores in order to replicate the shopping experience we offer.

Finally, I submit for your consideration the Consolidated Financial Statements of La Comer, S.A.B. de C.V., which are attached to this report. They have been prepared by the Management and Finance Department and authorized the Audit Committee of this same Board of Directors. Upon your approval they can then be presented to company shareholders in the General Annual Meeting.

Sincerely,

SANTIAGO GARCÍA GARCÍA
Chief Executive Officer of La Comer, S.A.B. de C.V.

OPINION OF THE BOARD OF DIRECTORS ON THE REPORT OF THE CHIEF EXECUTIVE OFFICER FOR FISCAL YEAR 2017

Mexico City, March 15, 2018.

To the General Shareholders' Meeting of La Comer, S.A.B. de C.V.
Present.

Dear shareholders:

In accordance with article 28, section IV point c) of the Securities Market Act and clause Twenty-Two of the corporate bylaws of La Comer, S.A.B. de C.V. (the "Company"), we hereby certify that the Board of Directors on this date resolved to issue this opinion, by which it APPROVES the report of the Chief Executive Officer and the financial statements of the Company for the fiscal year ended December 31, 2017, in order that they be presented, together with the external auditor's opinion, to shareholders in the General Annual Meeting to be held on April 10, 2017.

In reaching this conclusion, board members were supported, among other elements, by the favorable opinion of the external auditor, and the remarks of the Audit Committee, which is part of the Board of Directors, to the effect that the accounting and reporting policies and criteria followed by the Company are appropriate and sufficient, and that it considers them to be have been applied consistently in the financial information presented by the Chief Executive Officer. Therefore, the Board of Directors is of the opinion that the information presented by the Chief Executive Officer regarding that fiscal year reasonably reflects the financial position of the company and its subsidiaries, and the results of its operations, for that period.

CARLOS GONZÁLEZ ZABALEGUI
Chairman of the Board of Directors La Comer, S.A.B. de C.V.

REPORT OF THE BOARD UNDER TERMS OF ARTICLE 172, SECTION B) OF THE LEY GENERAL DE SOCIEDADES MERCANTILES

Mexico City, March 15, 2018

To the General Shareholders´ Assembly of La Comer, S.A.B. de C.V.

Dear shareholders:

Under the terms of the Article 28, section IV, subsection e) of the Ley del Mercado de Valores, this report describes the main accounting and information principles and criteria followed during preparation of the financial information of La Comer, S.A.B. de C.V. (The "Company") for the fiscal year that ended on December 31, 2017, as indicated in Article 172, section b) of the Ley General de Sociedades Mercantiles.

The consolidated financial statements of the Company have been prepared based on the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and their interpretations (IFRS IC). In compliance with the modifications to the Reglas para Compañías Públicas y Otros Participantes del Mercado de Valores Mexicano, issued on January 27, 2009, by the CNBV, the Company is obliged to prepare its financial statements using as accounting framework the IFRS issued by the IASB, and its interpretations.

The consolidated financial statements have been prepared based on historical cost, except for cash equivalents and assets corresponding to employees´ benefits, which are valued at fair value.

The elaboration of the consolidated financial statements in accordance with the IFRS, requires the use of certain critical accounting estimates. The areas that present a higher grade of judgment or complexity, or the areas in which the assumptions and estimations are significant for the consolidated financial statements, are described in Note 4.

On going business

The Company operates primarily with the cash flow obtained from the sales operations in stores, as well as from some credit operations with vendors. Management has a reasonable expectation that the Company has the sufficient resources to continue operating as on going business in the foreseen future. The Company uses the on going business platform to prepare its consolidated financial statements.

Below are the main accounting policies applied when preparing the consolidated financial statements, which have been consistently applied during the whole fiscal year, unless otherwise stated.

2.1 Consolidation

a. Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when the Company is exposed to, or is entitled to, variable yields arising from its dealings with the entity and is capable of bringing its power to bear on the entity in such a way as to affect the amount of said yields. The Company also evaluates the existence of control in cases where less than 50% of the voting shares are held, but where the Company decides on important operations. The subsidiaries consolidate as from the date on which control is transferred to the Company, and cease to consolidate when that control is lost.

Balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. The subsidiaries' accounting policies have been amended when necessary to ensure that they are in line with the Company's policies.

Consolidation includes the financial statements of all the subsidiaries of the Group. See Note 1.

b. Changes in equity in subsidiaries, not involving the loss of control

Transactions carried out with the non-controlling interest that do not result in the loss of control are accounted for as stockholders' equity transactions, i.e., as transactions carried out with the shareholders in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recorded in equity. Losses or gains arising from the sale of the non-controlling interest are also recorded in stockholders' equity. At December 31, 2017 and 2016, the Company has no non-controlling interest.

Segment Information

Information per segment is shown consistent with the internal reports provided to the Board of Directors, which is the body responsible for making operating decisions, authorizing capital investments and evaluating the operating segments' yield. For the period ended on December 31, 2017 and 2016, the Company operated a single business segment, which includes self-service stores, corporate operations and the real estate business. Resources are assigned to the segments, based on each segment's importance within the entity's operations and the strategies and yields established by Management. See Note 28.

2.2 Foreign currency transactions

a. The functional and the recording currencies

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which the entity operates (functional currency). The currency for presentation of the consolidated financial statements is the Mexican peso, which is the functional currency for La Comer and its subsidiaries and is used for compliance with its legal, tax and stock exchange obligations.

b. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction date or on the valuation date, when the items are re-measured. Exchange profits and losses resulting from said transactions and from conversion of monetary assets and liabilities denominated in foreign currency at the exchange rates in effect at the year-end closing, are recognized as exchange fluctuations under financing expenses in the statement of income.

2.3 Cash and cash equivalents

In the consolidated statement of income, cash and cash equivalents include available cash, deposits in checking accounts, bank deposits in foreign currency and short-term investments in highly liquid securities, easily converted to cash, maturing at terms of under 28 days as from the date of acquisition and subject to immaterial risks of changes in value. Cash is shown at its nominal value and cash equivalents are valued at fair value. Fluctuations in value are applied to income for the period.

Cash equivalents consist mainly of on-demand or very short-term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include vouchers for bank cards not yet deposited to the company's bank accounts by the banks. Those vouchers are usually recovered in no more than one day (See Note 8).

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets as loans and accounts receivable at fair value with changes through the statement of income. Classification depends on the intended purpose of the financial assets. Management determines the classification of its financial assets at the date of their initial recognition. Fair value is the price receivable from the sale of an asset, or to be paid on the transfer of a liability in an orderly transaction between market participants at the valuation date.

a. Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments, which are not quoted in an active market. They are shown as current assets, except for those maturing in over 12 months as from the closing date of the reported period, which are classified as non-current assets. The Company's loans and receivables are comprised of cash and cash equivalents and accounts receivable from customers and related parties shown in the statement of financial position.

b.Financial assets at fair value with changes via the statement of income

Financial assets at fair value with changes via the statement of income are financial assets held for trading. A financial asset is classified in this category is it is mainly acquired to be sold in the short-term. Assets in this category are classified as current as they are expected to be recovered within a period of less than twelve months; otherwise, they are classified as non-current.

2.4.2 Recognition and measurement

a. Loans and accounts receivable

Company loans and accounts receivable consists of accounts receivable from i) entities issuing grocery coupons, ii) lease payments receivable from third parties on the lease of commercial and promotional space and iii) other accounts receivable. Accounts receivable from financial entities for the use of credit cards and from entities issuing grocery coupons are short-term.

Accounts receivable are initially recognized at fair value and subsequently stated at amortized cost, using the effective interest rate method, less the impairment reserve. The effective interest rate is the discount rate that exactly matches cash flows receivable throughout the expected lifetime of the financial instrument to the net book value. Loans and accounts receivable are canceled when the rights to receive cash flows from investments expire or are transferred and the Company has transferred substantially all the risks and benefits arising from ownership thereof.

b. Financial assets at fair value with changes via the statement of income

These financial assets consist of investments in highly liquid government securities with original investments of no more than 28 days. Financial assets at fair value with changes via the statement of income are initially recognized at fair value and transaction costs are recorded as expenses in the statement of income. Fluctuations in fair value are recorded in income for the period.

Investments are initially recognized at fair value, plus transaction costs for all financial assets not valued at fair value with changes via income.

2.4.3 Impairment of financial assets

2.4.3.1 Assets valued at amortized cost

At the end of each reporting period, the Company determines whether or not there is objective evidence that a financial asset or group of financial assets show indications of impairment. Impairment in a financial asset or a group of financial assets and the impairment loss are recognized only when there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of an asset, in cases where the related event or events has/have an effect on the estimated cash flows of the financial asset that can be reliably estimated.

Objective evidence of impairment may include indicators that the debtors are experiencing significant financial difficulties, default on payment of the principal or interest, the likelihood of them filing for bankruptcy or any other financial restructuring process or when the observable information indicates there is a measurable decrease in estimated cash flows, such as late payment or economic conditions related to noncompliance.

The Company records an impairment provision for its loan portfolio and accounts receivable when they become overdue and the balance of this provision is increased based on an individual analysis of each account and of the results of the evaluation of the behavior of the portfolio and business ups and downs. Increases in that provision are recorded under expenses in the statement of income.

The Company's principal source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or via coupons or credit cards. The company's accounts receivable consist mainly of amounts to be collected from companies issuing grocery coupons as well as lease payments to be collected from subletting commercial locales and promotional space to third parties. The Company has experienced no difficulties in collecting on coupons. However, the same cannot be said for lease payments on sublet locales. The estimation for impairment has been sufficient to absorb the respective losses. At December 31, 2017 and 2016, that estimation was $9,745 and $13,557, respectively. If in a subsequent period the amount of the impairment loss decreases and said decrease objectively relates to an event that occurred after the date on which said impairment was recognized (as an improvement in the debtor's credit rating), cancellation of the previously recognized impairment loss is credited to the statement of income.

2.5 Other accounts and documents receivable

The Company classifies unsupported travel expenses and other similar items as accounts receivable. If collection rights or recovery of these amounts is not realized within 12 months as from the year-end closing, they are classified as short term; otherwise, they are shown as long term.

2.6 Derivative financial instruments

The Company engages in no operations with derivative financial instruments.

2.7 Inventories

Inventory of merchandise is determined by the retail method. Under that method, inventory is segregated into types of merchandise with similar features, then valued at the sales price. That value is used to determine inventory at the net discount cost, by applying specific cost factors to each department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied considers the portion of inventory marked down below its original sales price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventory valued in this manner approximates cost and does not exceed net realization value. Net realization value is the sales price estimated in the normal course of operations, less costs estimated for making the sale.

CCF physical inventory counts are taken monthly for perishable items and biyearly for nonperishable items; inventory records are adjusted for the results of the physical inventory count.

Inventories at the distribution centers are evaluated by the average inventory method, as they involve no costing factors.

2.8 Advance payments

Pre-paid expenses represent disbursements made by the Company, in which the benefits and risks inherent to the goods to be acquired or in the services to be received have not yet been transferred. Advance payments are recorded at cost and are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the goods and/or services have been received, they must be recorded as assets or expenses in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be no recoverable is recognized in the statement of income for the period in which this occurs. The principal items include insurance premiums, advertising and property tax (See Note 11).

2.9 Property, furniture and equipment and leasehold improvements - Net

Land is valued at cost minus any impairment losses. All other components of property, furniture and equipment and leasehold improvements are recognized at cost, less accumulated depreciation and any impairment losses. The cost includes expenses directly attributable to the acquisition of those assets and all expenses related to the location of assets at the site and in the conditions necessary for them to operate as expected by the Company (see Note 13). For ratable assets, the cost includes the cost of loans capitalized in accordance with Company policies. At December 31, 2017 and 2016, there were no costs for capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of the items in question are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income.

Works in process represent stores under construction and include investments and costs directly attributable to startup of operations. When stores are ready to start up operations, they are switched to the property, furniture and equipment and leasehold improvements caption and the calculation of depreciation begins.

Land is not depreciated. Depreciation is calculated by the straight-line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years
Machinery and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	The lesser of 10 years and the leasing period,

The Company assigns the amount initially recognized for a component of property, furniture and equipment in its different significant components and depreciates each of those components separately.

When necessary, the residual values and useful lives of the Company's assets are reviewed and adjusted at the date of each statement of financial position.

The book value of an asset is written off at recovery value if the book value of the asset exceeds its estimated recovery value (Note 2.6).

Profits and losses from the sale of assets are determined on the basis of the difference between the income from the transaction and the book value of the assets. They are included in the statement of income as "Other income and expenses", respectively. (See Note 22).

2.10 Discontinued operations

IFRS 5 considers a discontinued operation to be a component of the entity that has been sold or classified as an asset held for sale and: i) represents a major line of business or geographic segment of operations; ii) forms part of an individual selling plan of said major line of business or geographic segment of operations, or iii) is a subsidiary acquired exclusively for sale. The result of the sale of the segment qualifying as discontinued operations is recorded in the statement of income in the period in which it occurs and is shown separately as part of discontinued operations.

On March 4, 2016, the Company sold its subsidiary Restaurante Jajalpa, S. de R. L. de C. V. and its subsidiary Personal Jajalpa, S. de R. L. de C. V. (jointly Jajalpa), which operated a restaurant in the state of Mexico. The transaction was approved at an extraordinary stockholders' meeting held on March 4, 2016. The sale of the shares of Jajalpa gave rise to a profit of $51,099 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Jajalpa shares at the date of the transaction:

	AMOUNT
Sales price of the shares	$122,360
Book value of the Jajalpa assets and liabilities	(49,677)
Tax effect	(21,584)
Profit on the sale of Jajalpa shares	$51,099

On April 11, 2016, the Company sold its subsidiary Oficinas Bosques, S. de R. L. de C. V., which gave rise to a profit of $ 13,495 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Oficinas Bosques shares at the date of the transaction:

	AMOUNT
Sales price of the shares	$37,000
Book value of the Oficinas Bosques assets and liabilities	(17,700)
Tax effect	(5,805)
Profit on the sale of Oficinas Bosques shares	$13,495

On December 21, 2016, the Company sold its subsidiary Textilimport, S. de R. L. de C. V., which gave rise to a profit of $771 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Textilimport shares at the date of the transaction:

	AMOUNT
Sales price of the shares	$4,025
Book value of the Textilimport assets and liabilities	(3,081)
Tax effect	(173)
Profit on the sale of Textilimport shares	$771

2.11 Investment properties

The Company owns malls that house own stores, as well as commercial space it leases to third parties. The Company's own stores are recorded in the statement of financial position as property, furniture and equipment (See Note 13) and commercial locales are recorded as investment properties (See Note 12).

Investment properties are real property (land and buildings) held to produce economic benefits in the form of lease payments or to appreciate, and are initially valued at cost, including transaction costs. After initial recognition, investment properties continue to be valued at cost, less any accumulated depreciation and impairment losses.

Expansion, remodeling and improvement costs representing an increase in the capacity of items and thus an extension in their useful lives are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income (See Note 22).

Depreciation of investment properties is calculated by the straight-line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years

2.12 Cost of loans

The cost of general and/or specific loans directly attributable to the acquisition, construction or production of ratable assets requiring a substantial period (generally over 12 months) before they are ready for use or sale is included as part of the value of those assets in that period until such time as they go into use.

Income arising from the temporary investment of specific loans not yet used in rateable assets reduce the cost of loans eligible for capitalization.

All other borrowing costs are recognized in the statement of income in the period in which they were incurred.

In the period ended on December 31, 2017 in 2016, no loan costs were capitalized, and there were no ratable assets in those periods.

2.13 Intangible assets - Net

An intangible asset is recorded if, and only if a) the future economic benefits attributed to it flow into the entity and b) the cost of the asset can be reliably measured.

Licenses acquired for the use of programs, software and other systems are capitalized at the value of the costs incurred for acquisition and preparation for use. Maintenance expenses are recorded as expenses when incurred. Licenses acquired for the use of programs recorded as intangible assets are amortized during the course of their estimated useful lives, but not exceeding 3.3 years.

The assignment of the rights to use and operate self-service stores is recorded at historical cost. The rights to use and operate self-service stores are amortized on the basis of the term specified in the leasing contract, i.e., from five to 10 years. Those assets are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the rights accrue, those amounts are recorded as an expense in the statement of income for the period. When other assets lose their capacity to generate future economic benefits, the amount considered to be no recoverable is recognized in the statement of income for the period in which this occurs (See Note 15).

Individually acquired brand names are recognized at historical cost. Brand names acquired via a business acquisition are recognized at fair value at the acquisition date.

The Company records the rights to the Comercial Mexicana brand name as an indefinite-life intangible asset, as it considers that those rights are very unlikely to cease generating cash income for the Company in future accounting periods.

Rights to brand names are not amortized. The Company runs impairment tests to determine whether the value of the rights to brand names will be recovered with the future cash flows expected by the Company.

The useful life of the rights to the Comercial Mexicana brand name is indefinite, and is recorded at cost minus any accrued impairment losses (See Note 14). No impairment was determined for the rights to that brand name.

2.14 Impairment of non-financial assets

Los activos que tienen una vida útil indefinida no están sujetos a amortización y son evaluados anualmente por deterioro. Por otro lado, los activos sujetos a depreciación o amortización, son revisados por deterioro cuando eventos o cambios en circunstancias indican que el valor en libros puede no ser recuperable. Las pérdidas por deterioro corresponden al monto en el que el valor en libros del activo excede a su valor de recuperación.

El valor de recuperación de los activos es el mayor entre el valor razonable del activo menos los costos incurridos para su venta y su valor en uso. Para efectos de la evaluación de deterioro, los activos se agrupan a los niveles más pequeños en los que generan flujos de efectivo identificables (unidades generadoras de efectivo). La Compañia ha determinado a cada tienda como unidad generadora de efectivo por separado para efectos de las pruebas de deterioro. Los activos no financieros que sean objeto de castigos por deterioro se evalúan a cada fecha de reporte para identificar posibles reversiones de dicho deterioro.

La Compañía realiza pruebas de deterioro de los activos no monetarios de forma anual, o cuando hay indicadores de que estos pueden haberse deteriorado. Los activos no monetarios incluyen los siguientes rubros del estado de situación financiera: activos intangibles, propiedades, planta y equipo, propiedades de inversión, y otros activos no circulantes. Al 31 de diciembre de 2017 y 2016 no se observó la existencia de indicios de deterioro en los activos no circulantes sujetos depreciación o amortización, y en el caso de tienen una vida útil indefinida, la Compañía realizó las pruebas de deterioro anuales y no se observó deterioro en estos activos.

2.15 Accounts payable:

Accounts payable are payment obligations on goods or services acquired from suppliers, creditors and related parties in the normal course of operations. Accounts payable are classified as current liabilities if payment is due within a year or less. Otherwise, they are shown as non-current liabilities. At December 31, 2017 and 2016, the accounts payable balance is composed principally of sundry creditors and deferred income, the latter arising from loyalty programs established by the Company (See Note 2.22b).

Accounts payable are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest-rate method.

2.16 Short and long-term debt

Debt consists of bank loans and is recorded initially at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at amortized cost. Any differences between the funds received (net of transaction costs) and the redemption value are recognized in the statement of income during the period of the financing using the effective interest rate method. At December 31, 2017 and 2016, the Company has no contracted debt.

Fees incurred in acquiring said financing are recognized as transaction costs to the extent part or all of the loan is likely to be received.

2.17 Cancellation of financial liabilities

The Company cancels financial liabilities if, and only if, the related obligations expire or are met or canceled.

2.18 Provisions

Provisions are recognized when the Company has a present or assumed legal obligation resulting from past events that is likely to require the use of cash flows to settle the obligation and the amount in question can be reliably estimated.

Provisions are valued at the present value of the cash flows expected to settle the obligation via the use of an interest rate (before taxes) that reflects the assessment of the current value of money over time, as well as the specific risks of said obligation. The increase in the provision over time is recognized as an interest expense (See Note 18).

2.19 Income tax incurred and deferred

The income tax expense comprises tax incurred and deferred. The tax is recognized in the statement of income, except when it relates to items recognized under other comprehensive income or directly in stockholders' equity. In that case, tax is also recognized under other comprehensive income or directly under stockholders' equity, respectively.

Taxes on income payable consist of income tax (based on the tax profits for each year), which is recorded in income for the period in which it is incurred.

The charge for income tax incurred is calculated on the basis of tax laws in effect on the date of the statement of financial position or on laws whose approval process has been substantially concluded. Management periodically evaluates the position taken in tax returns with respect to matters in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts shown in the consolidated financial statements that are expected to materialize in the future. However, deferred taxes on income arising from initial recognition of an asset or a liability in a transaction that does not qualify as a business combination, which at the time of the transaction does not affect the book or tax profit or loss, are not recorded. (See Note 13).

Deferred income tax is determined at the tax rates and per the laws in effect at the date of the statement of financial position, which are expected to be applicable when the deferred income tax asset is realized or the deferred income tax liability is settled. The income tax rate for 2017 and 2016 is 30%.

The deferred tax asset is only recognized to the extent future tax benefits are likely to arise against which temporary liability differences can be used.

The deferred tax liability arises from temporary tax differences stemming from investments in subsidiaries, except for the deferred tax liability when reversal of the temporary difference is controlled by the Company and the temporary difference is unlikely to reverse in the near future. (See Note 24).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities intending to settle the balances on a net basis. At December 31, 2017 and 2016, the Company showed no offset deferred tax.

Accessories on the payment of federal taxes are shown as provisions.

2.20 Employee Benefits

Employee benefits, including benefit plans, are as follows:

Direct short-term benefits

Direct benefits (salaries, overtime, vacation, holidays, leave with pay, etc.) are recorded in income as they arise and the respective liabilities are stated at nominal value, since they are short-term. In the terms of legal and contractual provisions, paid absences cannot be accrued.

Long-term benefits

The Company operates a number of retirement plans, including defined benefits and defined contributions, as well as retirement medical plans.

a. Retirement benefits and seniority premium

The Company's subsidiaries recognize the obligation to provide seniority premium defined benefits and two subsidiaries operate defined contribution retirement plans, one of which recognizes the obligation for retirement health defined benefits for a particular group of participants. A defined benefit pension plan is a plan that determines the benefits to be provided to an employee upon retirement, including health retirement plans, which usually depend on a number of factors, such as age, years of service and compensation. Plan costs are determined for defined contribution plans, but the benefit level for employees retiring with the accumulated amount has not been determined.

The liability or asset recognized in the statement of financial position for defined benefit plans is the present value of the obligation for defined benefits at the date of the statement of financial position, less the fair value of plan assets.

Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows at interest rates for government bonds denominated in the currency in which the benefits will be paid, whose maturity terms approximate the terms for the related pension obligation. The basic assumptions for determination of employee benefits are mentioned in Note 19. Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to stockholders' equity under other comprehensive-income in the period in which they arise. Past service costs are recorded directly in the statement of income.

b. Employees' statutory profit sharing (ESPS) and bonuses

The Company recognizes a liability and an expense for bonuses and ESPS, the latter calculated as per current tax provisions. The Company recognizes a provision when contractually obligated to do so or when a past practice generates an assumed obligation.

c. Benefits paid to personnel in accordance with labor laws

This type of benefit is paid and recognized in the statement of income upon termination of employment prior to the retirement date or when employees resign in exchange for said benefits. The Company records indemnities on the first of the following dates: a) when the Company is unable to withdraw the offer of those benefits and b) when the Company recognizes restructuring costs within the scope of IAS 37 "Provisions", which implies the payment of termination benefits. In the case of an offer made to encourage resignation, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

2.21 Capital stock

Company shares placed on the Mexican Stock Exchange are classified as capital stock. (Note 25).

In accordance with the provisions of article 56 of the Securities Market Law and Title Six of the Sole Circular for Issuers, which establishes that Company shares placed on the Mexican Stock Exchange may be acquired under certain rules, the Company carries out the procedure for the purchase or sale of Company shares placed on the Mexican Stock Exchange from the repurchase fund.

The purchase of own shares placed on the Mexican Stock Exchange issued by La Comer that operate under the repurchase reserve are recorded as a reduction in La Comer stockholders' equity until such time as those shares are canceled or issued once again. When those shares are reissued, the consideration received is recorded in La Comer stockholders' equity.

2.22 Revenue recognition

Income is recorded at the fair value of cash collected or receivable arising from the sale of goods or the rendering of services in the normal course of Company operations. Income is shown net of customer discounts.

The Company recognizes revenue when the related amount can be measured reliably, the entity is likely to receive the future economic benefits and the transaction meets the specific criteria for each of the Company's activities, as described later herein.

a. Sale of merchandise

Income from the sale of merchandise is recorded in income when all the following requirements are met: a) the risks and benefits associated with the goods are transferred to the purchaser and no significant control over such property is retained, b) income earned and costs incurred or to be incurred are determined reliably, and b) the Company is likely to receive the economic benefits associated with the sale.

Customer discounts and returns are shown after subtracting the respective income. Merchandise sales are settled by customers using debit and credit cards, cash and coupons. It is Company policy to allow a number of its products to be returned after they have been sold. However, experience has shown that returned items are immaterial as compared to overall sales, which is why the company creates no reserve in that regard.

b. Smart cards

The Company offers promotions, some of which involve benefits granted to customers in the form of smart cards, the value of which is referred to a percentage of the selling price. Smart cards may be used by customers to settle future purchases made at Company stores or at other stores, based on an agreement signed with the administrator of the program. Amounts contained in smart cards are subtracted from income.

When points are redeemed at the branches, income is recorded, and if redeemed at other points of sale, the amount payable to the program administrator is recorded.

Company experience has demonstrated that smart cards showing no movement over a period of six months are unlikely to be redeemed; the respective agreement specifies 12 months with no movement before the points can be canceled. Therefore, this type of smart card is cancelled, with a credit to sales.

At December 31, 2017 and 2016, the value of smart cards issued in connection with promotions pending redemption but expected by the Company to materialize are recorded at fair value and shown as deferred income. The balance is $31,559 and $26,166, respectively, and is included under other accounts payable in the statement of financial position.

c. Coupons for merchandise

Income from coupons issued by the Company, which can be exchanged for merchandise at its stores, are recognized as a deferred credit at the time the Company delivers the coupons to the customer, and is recognized as income in the statement of income when those coupons are exchanged for merchandise at the stores. At December 31, 2017 and 2016, the unredeemed balance totals $13,722 and $34,815, respectively.

d. Leasing income

The Company's policy for recognition of operating lease revenue is described in Note 2.23.

e. Commissions

Commission income on collections for services rendered by the Company at its stores and other commissions are recorded as income as they are incurred. When the Company acts as an agent in the sale of goods or services, only the profit for the commission is recorded under income.

f. Interest income
Interest income is recorded by the effective interest method. Interest expense is also recorded by the effective interest method.

2.23 Leases
Leasing is classified as capital leasing when the terms of the lease transfer all risks and benefits inherent in the property to the lessee. At the outset of the financial leasing term, the Company records, in the statement of financial position, an asset and a liability in the same amount equivalent to the fair value of the leased item, or the present value of minimum lease payments, when that figure is the lesser of the two, determined at the outset of the leasing period. All other leases are classified as operating leases. At December 31 2017 and 2016 the Company has only operating leases.

2.23.1 Lessor
Leasing income arises mainly from the Company's investment property and is recognized by the straight-line method over the term of the lease. The Company has no assets leased under capital leasing plans.

2.23.2 Lessee
Operating lease payments are charged to income by the straight-line method, over the term of the lease. Variable lease payments are recorded as an expense in the period in which they are incurred (See Note 27).

2.24 Basic and diluted earnings
The basic profit per common share is calculated by dividing the controlling interest by the weighted average of common, outstanding shares in the year. Earnings per diluted share are determined by adjusting the controlling interest and ordinary shares, assuming that the entity's commitments to issue or exchange own shares will be realized. At December 31, 2017 and 2016, basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings.

2.25 Supplier rebates
The Company receives rebates from suppliers as reimbursement of discounts granted to customers. Supplier reimbursements of discounts offered to customers on merchandise sold are negotiated and documented by the procurement area and are credited to cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs incurred by the Company. Those amounts are recorded as a reduction of the respective costs and expenses.

2.26 Dividends
Dividends paid to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by Company shareholders.

2.27 Transactions under common control
A combination of businesses between entities or businesses under common control is a business combination in which all the combined entities or businesses are controlled by a single party or parties (SIC), both prior to and following the business combination, and said control is not temporary. In that type of transaction, the consolidated financial statements of the new company show the prior book figures of the original entity.

2.28 Business combinations or the acquisition of assets
An entity determines whether a transaction is a business combination by applying the definition of IFRS 3 "Business combinations" (IFRS 3), which requires the assets acquired and the liabilities assumed to constitute a business, provided the following three elements are in place - 1) production materials: all economic resources produced or capable of being produced via the application of one or more processes; 2) process: any system, regulation, protocol, convention or rule which, applied to a production material or materials produces or is capable of producing products; and 3) product: the result of applying processes to production materials that provide or are capable of providing returns in the form of dividends, lower costs or other economic benefits directly to the investors or other owners, members or participants. When assets acquired do not constitute a business, the entity must account for the transaction as an asset acquisition and distribute the cost of the transaction between individually identifiable assets and liabilities based on their relative fair value at the date of the acquisition. That transaction gives rise to no goodwill. (See Note 13) and any costs incurred during the acquisition process are recorded as part of the asset.

In relation to this report, among the documents that have been distributed to the Shareholders attending the Assembly, you will find a copy of the opinion subscribed by the external auditor with respect to the financial situation of the Company and its financial performance and cash flows for the fiscal year ended on December 31, 2017, in which it is indicated in addition to what is wrote here, that the accounting policies and criteria followed by the Company are adequate and sufficient, comply with IFRS and have been applied consistently.

CARLOS GONZÁLEZ ZABALEGUI
President of the Board of Directors of La Comer, S.A.B. De C.V.

AUDIT COMMITTEE REPORT

Mexico City, March 15, 2018

Board of Directors of La Comer, S.A.B. De C.V.

In agreement with Article 43, Fraction II of the Ley del Mercado de Valores (from now on "LMV"), and to Article 28, Fraction IV, subsection (a) of the same law, the Auditing Committee must do an annual report of their activities, as well as present it to the Board. If the Board approves the report, it will be presented to the Shareholders´ Meeting.

For these purposes, through this document, we inform of the activities done by the Audit Committee of La Comer, S.A.B. de C.V. ("La Comer") during the period ended on December 31, 2017, which accounts with 61 supermarket stores, focused mostly on middle and high class sectors, and are located in the metropolitan area of Mexico City and the Central area of the country.

It is important to mention that the members of the Audit Committee are Mr. José Calvillo Golzarri as President, Mr. José Ignacio Llano Gutiérrez and Mr. Alberto Saavedra as vocals. During the business year 2017, the Audit Committee met during 8 ordinary sessions, held on February 21, March 10, April 21, June 21, July 21, September 1, October 20 and December 1. During these sessions, the Committee analyzed the following issues: (I) the process of revealing financial information of the Issuer. (II) internal audit; (III) changes of policies and application of new IFRS principles or new regulations of the CNBV; (IV) investment expenditure (CAPEX) and (V) external audit.

The Committee members attended the sessions, and as considered convenient, also attended Rogelio Garza Garza, Administration and Finance Director ; Rodolfo Jesús García Gómez de Parada, Fiscal Corporate Director; Raúl del Signo Guembe, Human Resources Director; Alejandro Paillés Bouchez, Construction Director; Antonio González Sánchez, Corporate Auditing Sub Director; Gustavo Monroy Martínez, Internal Auditing Sub Director; as well as the representatives of the External Auditors PricewaterhouseCoopers (PwC). A Minute from each session was registered and their recommendations and resolutions were presented to the Board systematically. Sessions were duly summoned, and all installation formalities included in the bylaws of the Audit Committee were met with.

Within the activities developed by the Audit Committee, the following points stand out:

1. The quarterly and accumulated consolidated financial statements of La Comer and its Subsidiaries were reviewed, as well as the guidelines of the report to the Mexican Stock Exchange, corresponding to the year, duly attached to International Financial Reporting Standards ("IFRs").

2. The implementation and consequences of the new principles of IFRs for the company, highlighting IFRs 15, 9 and 16 were reviewed together with the administration and external auditors.

3. The surplus cash Investment Policy was approved. There was a follow up on the implementation of the new Electronic Invoice (CFDI).

4. The Sales Same Stores (SSS) report was displayed quarterly and cumulative for the different formats of La Comer.

5. Detailed information on incidents was presented to the Code of Ethics of the Company during the year, as well as statistics, special cases and actions exercised.

6. The Construction and Projections Plan for 2017 and 2018 were presented, mentioning the new approved stores, new stores in process for 2018 and 2019, stores for remodeling approved for 2017, as well as remodeling stores in process in 2018 and 2019.

7. It was informed about the Sustainability Plan, which has the purpose of searching that the development of the company is achieved by balancing economic, social and environmental factors. The need to protect the environment

through the responsible use of resources in daily operation, taking priority in the consumption of energy, water, use of packaging and materials, and waste and garbage management.

8. The 2016 Risk Assessment and the Annual Audit Plan 2017 were presented, based on the Risk Map with the company's approach.

9. The main findings of the audits carried out by the auditor were presented in its Annual Plan and follow-up to the actions carried out by the administration to resolve them.

10. The work of the Risk Prevention Committee was presented, giving a recount of meetings, duration of sessions, members, as well as mentioning the objectives of the Committee and the corresponding results.

11. The result of the contest was presented to select the insurance broker for the next 3 years, selecting AON as insurance broker until 2020 since its proposal was the most complete, gathering the best solutions for the problems of the company at an appropriate price.

12. The reports were presented with quarterly figures from related parties of La Comer.

13. New provisions for auditors, Directors and members of the Committees of public companies were submitted by PwC that were approved during the year by the National Banking and Securities Commission.

14. The Project of the physical counting of Fixed Assets and computation were presented in stores, CEDIS and corporate with the primary purpose of improving internal and insurance controls of assets. The inventory was physical taken of three stores as evidence of the process. The estimated time to conclude all inventory surveys will be within the Exercise 2018.

15. The final report of the Diagnostic was presented to the Construction department was prepared by PwC, which shows the observations identified as well as their recommendations, likewise, the remediation plan for the area was announced.

16. The performance of the PwC firm was evaluated who met the necessary professional and quality requirements and have the independence and diligence required to dictate the Financial Statements of La Comer. In addition, the External Audit program and the fees for the exercise were approved.

Last, Article 42, Section II, subsection e) of the LMV, requires that the Audit Committee issues an opinion on the Financial Statements of La Comer, as of December 31, 2017.

In the opinion of the members of this Committee, we advise that the information presented by the CEO, reflects in a reasonable way the financial situation of La Comer as of December 31, 2017, and the results of its operations during the same periods.

The above opinion is based on the following elements:

- The Financial Opinion of External Auditors PwC.
- The fact that the accounting and information policies and criteria followed by La Comer during the period that ended on December 31, 2017, were adequate and sufficient. These policies and criteria have been consistently applied in the information presented by the CEO.

Based on the above, the Committee recommends the Board to approve both the audited financial statements of La Comer as of December 31, 2017, and the CEO´s report.

For the elaboration of this report, La Comer executives were heard and there was no difference of opinion between them.

Sincerely,

JOSÉ CALVILLO GOLZARRI
Chairman of the Audit Committee

CORPORATE PRACTICES COMMITTEE REPORT

Mexico City, Tuesday, February 20, 2018

H. Board of Directors of La Comer, S.A.B. De C.V.

In agreement with Article 43, Fraction II of the Ley del Mercado de Valores (from now on "LMV"), and to Article 28, Fraction IV, subsection (a) of the same law, the President of the Company Practices Committee must elaborate an annual report of their activities, as well as present it to the Board. If the Board approves the report, it will be presented to the Shareholders´ Meeting. For these purposes, through this document, we inform you of the activities done by the Corporate Practices Committee of La Comer, S.A.B. de C.V. ("The Company" or "the Issuer") during the reporting period that ended on December 31, 2017.

It is important to mention that the members of the Corporate Practices Committee are Mr. José Ignacio Llano Gutiérrez, Mr. José Calvillo Golzarri, and yours truly. During the business year of 2017, the Committee met during nine ordinary sessions, held on February 21, April 21st, May 22, June 23, July 21, October 9, October 20, December 1st and on February 20, 2018.

A meeting minute from each session was registered and signed by all the assistants, and all the summons and legal installation requirements were met. This to comply with the bylaws of the Corporate Practices Committee, which was approved by the Board in a timely manner. Mr. Raúl del Signo Guembe, Human Resources Director of La Comer, assisted to several sessions of this Committee, as required, among other executives.

Notwithstanding the activities done by the Committee during 2017, which are described below, it´s appropriate to point out the member of this Committee attended, among others, the following issues:

- Revise and approve the compensation plans of directors, ensuring the validity and currency of the criteria, common practices, history and other elements that helped comply with this activity.
- Revise and approve the performance evaluation of high level executives based on results done by December 31, 2016, as well as their performance bonuses and EBITDA bonuses (Earnings before Interests, Taxes, Depreciation and Amortization).
- The Committee revised and recommended approval by the Board of the budget that was prepared for the years of 2017 and 2018.
- The compensation for high level directors was reviewed carefully, and it was agreed that modification proposals be made by the Executive President, whom presented them to this Committee, who, once analyzed and approved, presented them to the Board.
- Revised chart flows and structures of different departments of the group, validating responsibilities and duties of each department and the succession plan was updated.
- The committee reviewed and recommended the approval of the supplementary retirement plan for directors and sub-directors of the group by the Board of Directors
- Evaluated the performance of the Committee, in agreement with the evaluation format designed for this purpose.
- The Committee, along with the Audit Committee, reviewed the operations between related parties done during 2017. For these purposes, it was verified that existing operations were in competitive market conditions, so there were no significant issues to report.

To elaborate this report, we have listen to important directors of the Company, without there being a difference of opinion between them. Also, when we considered appropriate, we requested the opinion of independent experts.

Yours truly,

ALBERTO SAAVEDRA OLAVARRIETA
President of the Corporate Practices Committee of La Comer

pwc

Independent Auditors' Report

To the Board Members and Stockholders of
La Comer, S. A. B. de C. V.

Opinion

We have audited the enclosed consolidated financial statements of La Comer, S. A. B. de C. V. and subsidiaries (La Comer or the Company), which include the consolidated statement of financial position at December 31, 2017, and the consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, as well as the explanatory notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the enclosed consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and its financial performance and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (NIIF).

Basis for opinion

We have conducted our audit in accordance with International Standards on Auditing (IAS). Our responsibilities under those standards are described in the section on "Auditor's responsibilities for the audit of the consolidated financial statements" in this report. We are independent of the Company in accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants, and comply with the ethics requirements applicable to our consolidated financial statement audits in Mexico, aside from which, we have complied with all other ethics responsibilities in accordance with those requirements and the aforementioned Code. We consider that the audit evidence gathered by us provides proper and sufficient support for our audit opinion.

Key audit matters

Key audit matters are matters that, in our professional judgment, have been the most significant resulting from our audit of the consolidated financial statements for the current period. These matters have been considered in the context of our audit of the consolidated financial statements as a whole when drawing up our opinion thereon, and we therefore express no separate opinion on those matters.

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Key audit matter	How our audit approached the problem
Recoverable value of nonmonetary assets and the net deferred tax asset	
As mentioned in Note 1 to the consolidated financial statements, the Company is in the second year of operations as a company spun off from Controladora Comercial Mexicana, S. A. B. de C. V., and therefore as a new entity operating in the Mexican retail sector. For that reason, it continues with its plan to grow and expand, making important investments in opening and remodeling its points of sale. Those investments, as well as the rights to its representative brand names and other assets, make up its nonmonetary assets, which are accounted for at cost less accumulated depreciation and amortization and impairment losses, when applicable. As mentioned in Note 2.14 to the consolidated financial statements, the Company runs impairment tests on indefinite-lived nonmonetary assets once a year, and on current assets subject to depreciation and amortization when they show indications of impairment. Nonmonetary assets include the following captions of the consolidated financial statements: intangible assets, property, plant and equipment, investment property and other noncurrent assets. The Company also records the derivative tax asset arising mainly from tax losses. Company management therefore conducted recoverability tests prior to recording it in its financial statements. We have focused on those captions during the course of our audit, mainly due to: 1) The importance of the book value of nonmonetary assets ($18.8 thousand million at December 31, 2017) and the net deferred tax asset ($140 million at December 31, 2017); 2) the importance of investments made by the Company in opening and remodeling its points of sale; and 3) the fact that they involve significant judgments for determining the recoverable value of nonmonetary	We have considered management's evaluation of impairment indicators identified for its nonmonetary assets. We evaluated management's future cash flow projections, as well as the processes used in preparing those projections. We also ensured that management's projections were consistent with the proposals approved by the Company's Board of Directors. We compared actual results for the current year to management's business plan in order to determine whether any of the assumptions included in the projections could be considered overly optimistic. We also took into account expert advice for evaluating the methodology and discount rate considered in cash flow projections and included in the calculation of the recoverable value of nonmonetary assets, which was compared to an estimated market rate with the assistance of our experts, considering the Company's leveraging level, short and medium-term expectations and the optimum level of the industry. We also analyzed taxable income and authorized deductions on the basis of current tax legislation. We compared a) the recoverable values of the brand-name portfolio, property plant and equipment, investment properties and other noncurrent assets taken from our independent calculation to b) the values determined by the Company. In addition to the procedures mentioned above, we were assisted by specialists in ensuring that unamortized tax losses were still current.

Key audit matter	How our audit approached the problem
assets and the net deferred tax asset, including an estimation of future business income, the discount rate applied to projections and the Company's future tax results. In particular, we concentrated our audit efforts on estimating the recoverable value of nonmonetary assets on the basis of Company projections and the discount rate used; we also concentrated on the recovery of the net deferred tax asset.	

Additional information

Company management is responsible for all additional information presented. Said additional information includes the Annual Report submitted to the National Banking and Securities Commission (NBSC) and the Annual Report issued to the stockholders, but does not include the consolidated financial statements or the independent auditors' report, which are to be issued subsequent to the date of this report.

Said additional information is not included in our opinion on the financial statements, on which we express no audit opinion.

However, as concerns our audit of the Company's consolidated financial statements, our responsibility is to read that additional information when available and determine whether it is materially inconsistent with the consolidated financial statements or with the knowledge acquired during the course of our audit, or appears to contain material errors due to other factors.

When we read additional information not yet received, we must issue a statement on the Annual Prospectus required by the National Banking and Securities Commission and any material errors encountered must be reported to those responsible for Company governance in said report.

Responsibilities of Management and of those responsible for Governance of the entity in connection with the consolidated financial statements

Company Management is responsible for preparation and fair presentation of these consolidated financial statements in accordance with MFRS and for the internal control structure considered necessary by Management to ensure that the financial statements are free of material misstatement due to fraud or error.

When preparing the financial statements, management is responsible for determining the capacity of the Company to continue in existence as a going concern, for revealing any going-concern issues and using the going-concern basis, unless management intends to liquidate the Company or discontinue operations, or lacks a more realistic means of doing so.

Those responsible for Company Governance are responsible for supervising the Company's financial reporting process.

The auditors' responsibilities for the audit of the consolidated financial statements

Our purpose is to obtain reasonable assurance that the consolidated financial statements considered as a whole are free from material inaccuracy arising from fraud of error, and to issue our audit report, which includes our opinion. Reasonable assurance is a high level of security, but not a guarantee that an audit conducted as per ISA will always detect existing material error. Errors can be due to fraud or error and are considered to be material if, either individually or in the aggregate, it can be reasonably concluded that they will influence economic decisions made by users based on the consolidated financial statements.

When conducting an audit in accordance with ISA, we exercise our professional judgment and apply our professional skepticism. We also:

- Identify and evaluate risks of material error in the financial statements arising from fraud or error, design and implement audit procedures in response to those risks, and obtain sufficient and adequate audit evidence to support our opinion. The risk of failing to detect a material error arising from fraud is higher than that of a risk arising from an unintentional error, because fraud may involve collusion, falsification, intentional omissions, intentionally misleading statements or overriding of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Company's internal control.

- Ensure that accounting policies applied are adequate and that accounting estimates and the related disclosures made by management are reasonable.

- Determine whether it is appropriate for management to use the accounting going-concern basis when preparing the financial statements, and whether, based on the audit evidence obtained, there is material uncertainty as to events or conditions giving rise to significant doubt as to the capacity of the Company to continue in operation as a going concern. If we conclude that there is material uncertainty, our audit report must emphasize the respective disclosures in the consolidated financial statements, or, if those disclosures are inadequate, we are required to issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future facts and conditions could result in the Company ceasing to qualify as a going concern.

- Evaluate the general presentation, structure and contents of the consolidated financial statements, including the disclosures contained in the notes and whether the consolidated financial statements reasonably present the underlying transactions and events.

- Obtain sufficient and adequate audit evidence in relation to the financial information of the entities or business operations comprising the economic group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We advise those responsible for governance of the Company of, among other matters, the scope and timing of the audit and significant audit findings, as well as any significant internal control deficiencies encountered during the course of our audit.

We also provide corporate governance with a statement declaring that we have complied with relevant ethics requirements concerning independence and advised management of all relationships and other matters that could reasonably influence our independence, as well as any safeguards applied.

Among the matters reported to those responsible for Company governance, we determine those of the greatest significance in the audit of the consolidated financial statements for the current period, which are therefore key audit questions. We describe those matters in our audit report, unless public disclosure is prohibited by legal provisions or regulations or, in extremely unusual cases, we determine that a point should not be included in our report because the adverse effects of doing so would exceed the public benefits.

Following is the name of the audit partner assigned to conduct the audit.

PricewaterhouseCoopers, S. C.

José Luis Guzmán

C.P.C. José Luis Guzmán Ortiz
Audit Partner

Mexico City, March 9, 2018

La Comer, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF **FINANCIAL POSITION**

December 31, 2017 and 2016

	Note	Thousands of pesos December 31, 2017	2016
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	2.3 and 8	$ 2,545,243	$ 3,225,363
Customers and other accounts receivable net of the Estimation for impairment	2.4.1a. and 9	161,522	114,738
Tax to be credited or recovered	2.4.1a. and 9	546,019	333,802
Related parties	2.4 and 20	282	786
Inventories	2.7 and 10	2,376,227	2,082,285
Advance payments	2.8 and 11	21,393	37,141
Other assets	2.13 and 15	126,446	126,446
Total current assets		5,777,132	5,920,561
NON-CURRENT ASSETS:			
Other assets - Net	2.13 and 15	764,305	890,351
Investment properties	2.11 and 12	752,048	486,373
Property, furniture and equipment and leasehold Improvements - Net	2.9 and 13	10,863,196	9,622,364
Intangible assets - Net	2.13 and 14	6,277,998	6,277,998
Deferred income tax asset	2.19 and 24	149,827	240,644
Total assets		$ 24,584,506	$ 23,438,291

	Note	Thousands of pesos December 31, 2017	2016
Liabilities and Stockholders' Equity			
CURRENT LIABILITIES:			
Suppliers and supplier financing program	2.15 and 16	$ 2,721,979	$ 2,216,759
Related parties	2.15 and 20	44,335	187,316
Provisions	2.18 and 18	206,124	170,158
Other accounts payable	2.15 and 17	509,835	572,832
Income tax and other tax payable	24	177,726	105,245
Total current liabilities		3,659,999	3,252,310
NON-CURRENT LIABILITIES:			
Deferred income tax liability	2.19 and 24	9,390	9,876
Employee benefits	2.20 and 19	77,911	69,236
Total noncurrent liabilities		87,301	79,112
Total liabilities		3,747,300	3,331,422
STOCKHOLDERS' EQUITY:			
Capital stock	2.21 and 25	1,966,662	1,966,662
Net premium on placement of shares	25	193,896	193,896
Capital reserve	25	1,699,644	1,544,201
Retained earnings	25	16,977,004	16,402,110
Total stockholders' equity		20,837,206	20,106,869
Total liabilities and stockholders' equity		$ 24,584,506	$ 23,438,291

The accompanying notes are in integral part of these consolidated financial statements.

La Comer, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(by expense function)

Year ending on December 31, 2017 and 2016

	Note	Thousands of pesos Year ended on December 31, **2017**	2016
Operating income:			
Net sales of merchandise	2.22.a.b. and c.	$ 16,291,024	$ 14,442,932
Other income	2.22 d. and e.	344,455	314,400
Total income		16,635,479	14,757,332
Cost of sales	2.25 and 21	12,422,865	11,147,610
Gross profit		4,212,614	3,609,722
Selling expenses	21	2,987,265	2,599,662
Administrative expenses	21	639,828	584,240
		3,627,093	3,183,902
Other expenses	22	(70,627)	(165,732)
Other income	22	256,602	155,496
		185,975	(10,236)
Operating income		771,496	415,584
Financial expenses	23	(106,346)	(34,868)
Financial income	23	229,993	158,317
		123,647	123,449

	Note	Thousands of pesos Year ended on December 31, **2017**	2016
Pretax profit		895,143	539,033
Taxes on income	24	112,943	86,800
Profit on continuous operations		782,200	452,233
Profit on discontinued operations	2.10	–	65,365
Consolidated net income		$ 782,200	$ 517,598
Other comprehensive income items not to be subsequently reclassified to the statement of income			
Remeasurement of labor liabilities – Net of deferred income tax	24	$ 2,093	($ 10,028)
Consolidated comprehensive income		$ 784,293	$ 507,570
Basic and diluted earnings per unit:			
For continuous operations		$ 0.72	$ 0.42
For discontinued operations		–	0.06
Per net profit		$ 0.72	$ 0.48

The accompanying notes are in integral part of these consolidated financial statements.

La Comer, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF **CHANGES IN STOCKHOLDERS' EQUITY**

(Notes 2.21 and 25)
Year ending on December 31, 2017 and 2016

	Thousands of pesos				
	Capital stock	Net premium on placement of shares	Capital reserves	Retained earnings	Total stockholders' equity
Balances at January 4, 2016	$ 1,966,662	$ 193,896	$ 455,259	$ 17,056,534	$ 19,672,351
Comprehensive income:					
Net profit	–	–		517,598	517,598
Remeasurement of labor liabilities	–	–	–	(10,028)	(10,028)
Total comprehensive income	–	–	–	507,570	507,570
Transactions with stockholders:					
Repurchase of shares (Note 2.21)			(73,052)	–	(73,052)
Increase in capital reserves (Note 2.21)	–	–	1,161,994	(1,161,994)	–
Total transactions with stockholders	–	–	1,088,942	(1,161,994)	(73,052)
Balances at December 31, 2016	1,966,662	193,896	1,544,201	16,402,110	20,106,869
Comprehensive income:					
Net profit	–	–		782,200	782,200
Remeasurement of labor liabilities	–	–	–	2,093	2,093
Total comprehensive income	–	–	–	784,293	784,293
Transactions with stockholders:					
Repurchase of shares (Note 2.21)			(53,956)	–	(53,956)
Increase in capital reserves (Note 2.21)	–	–	209,399	(209,399)	–
Total transactions with stockholders	–	–	155,443	(209,399)	(53,956)
Balances at December 31, 2017	**$ 1,966,662**	**$ 193,896**	**$ 1,699,644**	**$ 16,977,004**	**$ 20,837,206**

The accompanying notes are in integral part of these consolidated financial statements.

La Comer, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

Year ending on December 31, 2017 and 2016

	Note	Thousands of pesos Year ended on December 31, 2017	2016
Operating activities			
Income before taxes		$ 895,143	$ 539,033
Adjustment from items not implying cash flows:			
Depreciation and amortization included in costs and expenses	11, 12, 13, and 15	602,500	522,238
Income from sale of property, machinery and equipment and investment properties	22	(163,927)	(2,320)
Net cost of labor obligations for the period	19	14,819	10,739
Interest receivable	23	(166,660)	(113,289)
Interest payable	23	4,417	3,842
		1,186,292	960,243
Increase (decrease) in:			
Customers		4,182	10,790
Inventories		(293,942)	(628,021)
Creditable tax		(234,828)	361,964
Accounts receivable		(50,460)	40,958
Prepayments and other payments		(2,340)	(8,260)
(Increase) decrease in:			
Suppliers		505,220	381,099
Other liabilities		(119,226)	406,325
Taxes on profits paid		8,949	(71,139)
Net cash flows from operating activities		1,003,847	1,453,959

	Note	Thousands of pesos Year ended on December 31, 2017	2016
Investing activities			
Interest collected	23	166,660	113,289
Profit on the sale of shares due to discontinued operations	2.10	-	92,927
Acquisition of property, furniture and equipment and investment properties – net of cash		(2,114,767)	(1,501,898)
Collections on the Sale of property and equipment and investment properties		322,513	66,931
Net cash flows from investment activities		(1,625,594)	(1,228,751)
Financing activities			
Repurchase of shares	25	(53,956)	(73,052)
Interest paid	23	(4,417)	(3,842)
Net cash flows from financing activities		(58,373)	(76,894)
(Decrease) increase in cash and cash equivalents		(680,120)	148,314
Cash and cash equivalents at beginning of year		3,225,363	3,077,049
Cash and cash equivalents at end of year		$ 2,545,243	$ 3,225,363

The accompanying notes are in integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

Thousands of pesos, except for amounts per unit and other amounts mentioned

NOTE 1 – GENERAL INFORMATION:

a. The nature of the Company

La Comer, S. A. B. de C. V. (La Comer, the ultimate holder) [jointly with its subsidiaries, the Company] arose from the spinoff of Controladora Comercial Mexicana, S. A. B. de C. V. (CCM), for which the deadline for becoming legally effective was January 4, 2016, and was listed on the Mexican Stock Exchange (MSE) as a publicly traded stock company as from that same date. La Comer is a holding company which principally invests in companies involved in the purchase, sale and distribution of groceries, perishable items and merchandise in general with an indefinite shelf life.

As mentioned in the preceding paragraph, the spinoff resulted in the operation of two distinct legal entities i.e., CCM (the original company) and La Comer (the spun off company), whose stockholders were the same before and after the spinoff, under which La Comer received certain assets and liabilities, as shown in the following table (see Note 2.27):,

Spinoff of Controladora Comercial Mexicana, S. A. B. de C. V.

Statement of financial position at January 4, 2016

	CCM	CCM	La Comer
Caption Nonconsolidated Orig. Co. Spun–off Co.			
Current assets	$ 2,782,861	$ 2,782,861	$ –
Investments in subsidiaries	30,100,751	10,428,398	19,672,353
Other non–current assets	6,635,389	6,635,389	
Assets	39,519,001	19,846,648	19,672,353
Liabilities	7,260,102	7,260,102	–
Stockholders' equity	$ 32,258,899	$ 12,586,546	$ 19,672,353

The Company's domicile and main place of business is: Av. Revolución 780, Módulo 2, Col. San Juan, 03730 Ciudad de México.

At December 31, 2017 and 2016, La Comer is the controlling company of the following subsidiaries:

Subsidiaries	Line of business	Percentage of interest (%)
Comercial City Fresko, S. de R. L. de C. V. (CCF) [b]	A chain of self–service stores	99.99
Real estate subsidiaries [c]	A group of companies whose properties house several of its stores	99.99

b. CCF

CCF is a chain of retailers operating self–service stores in Mexico under four different names: La Comer, City Market, Fresko and Sumesa. They offer a ride range of products such as groceries, gourmet items, perishable goods, pharmaceuticals and general merchandise. At December 31, 2017 and 2016, the Company operates 61 and 59 stores, respectively. It also leases commercial space to third parties.

c. Real estate subsidiaries

The real estate subsidiaries own some of the buildings housing several of the Company stores, including Hipertiendas Metropolitanas, S. de R. L. de C. V. and Arrendacomer, S. A. de C. V.

d. Corporate restructuring

i. Promise to Make Public Offering Agreement

On January 28, 2015, the then stockholder controlling CCM, holder of the Company up to January 4, 2016 and Organización Soriana, S. A. B. de C. V.

(Soriana) signed a Promise to Make Public Offering Agreement (the Agreement), under which the latter purchased the business and operation of 157 self–service stores (own and leased) operating under the Mega, Tiendas Comercial Mexicana, Bodegas Comercial Mexicana and Alprecio formats, for which it paid $39,193 million pesos. This operation was subject to compliance with certain conditions, including authorization of the Federal Economic Competition Commission (COFECE), the stock exchange authorities, and corporate approvals. The City Market, Fresko and Sumesa businesses and those of certain other stores, totaling 40 stores, were not included in the spinoff but were retained to be operated by the then controlling stockholder of CCM.

ii. Corporate Restructuring and Public Offering

At the July 2, 2015 CCM extraordinary stockholders' meeting, the stockholders approved the startup of the process, subject to resolutions to be issued by the Cofece and regulatory authorities such as the MSE and the National Banking and Securities Commission (NBSC) for splitting CCM into two distinct legal entities, whose financial, operating and legal effects, including the manner, term and other mechanisms, would be transferred once the Cofece, the MSE, the NBSC and the stockholders authorized all the terms of the transaction.

On October 9, 2015, the COFECE Commission issued a notification concerning the transaction between CCM and Soriana for the spinoff splitting CCM into two independent entities, which resulted in the operation of 143 own and leased Mega, Tiendas, Bodega and Alprecio self–service stores and one leasing agreement being sold to Soriana. In that notification, the Cofece objected to the manner in which that transaction was proposed, as it considered that it could damage the competition and free movement process of some of the units involved in the sale, and imposed certain conditions to be complied with by Soriana in order for the operation to be authorized. The options offered to Soriana by Cofece in order to close the transaction included refraining from purchasing 26 stores, or purchasing them but reselling them within a specific period. Acceptance and compliance with the conditions imposed by the Cofece allowed the two companies to go ahead with the process for closing the transaction.

On October 21, 2015, Soriana submitted to Cofece a plan for the 14 units not acquired and the two units that were to be sold by the deadline established by the regulator. This made it possible to complete and close the acquisition of the CCM shares, also subject to all the conditions and legal procedures established by the NBSC and the MSE for making a public offer for the acquisition (POA) of up to 100% of the CCM shares, linked to the spinoff process for the creation of two companies, i.e.,, one which remained in existence as CCM, which is the company that acquired Soriana, and the second, known as La Comer, which controls the operation of the stores not sold, including those of City Market, Fresko y Sumesa. The date for the CCM stockholders' approval for formalizing the spinoff was November 10, 2015.

On December 7, 2015, Soriana initiated the POA through its principal subsidiary Tiendas Soriana, S. A. de C. V., which covered a period of 20 business days, concluding on January 6, 2016, and acquired 96.31% of the CCM shares being sold.

iii. Assignment of brand name licenses

Under the January 28, 2015 Contract and its Exhibits and Appendixes (complemented by a first amending agreement dated May 20, 2015, a second amending agreement dated November 13, 2015 and a third amending agreement dated December 3, 2015), CCF, which owns the Comercial Mexicana brand names, issued Soriana a license for the use of certain Comercial Mexicana brand names, including the pelican logo. Under the agreements included in the Contract, as well as the provisions of the Licensing Contract for Exclusive Use of Brand Names and Domain Names (Exhibit capital E), it was agreed that said licensing contract, including its use, was granted as an implicit portion of the Total Consideration paid in the terms of the Contract for the period from January 1, 2016 to December 31, 2017. When recording that transaction, CCF used the methodology applicable for determination of fair value for the use of the license and the provisions of IAS 18, and prior to the spinoff described in point iv. below, recognizing its effect as part of income for the period. Likewise, according to Exhibit E included in the POA, it was stipulated that during the aforementioned term, CCF would refrain from making use of those brand names.

iv. The CCM spinoff

The legal term for the CCM spinoff to be concluded (45 calendar days, provided no legal objection was filed) was January 4, 2016. The CCM spinoff therefore became legally effective as from that date, which resulted in the existence of the original company and a new spun–off company by the name of La Comer, whose shares have been listed at the MSE as from that date, and which became the new holder of the CCF shares.

On January 8, 2016, Soriana made payment on the POA and as from that date, became the controlling stockholder of CCM.

NOTE 2 – BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and the respective interpretations (IFRS IC). The amendments to the Rules for Public Companies and Other Participants in the Mexican Securities Market issued by the National Banking and Securities Commission on January 27, 2009 require the Company to prepare its financial statements as per the accounting regulations contained in IFRS, issued by the IASB and the respective interpretations.

The consolidated financial statements have been prepared on the historical cost basis, except for cash equivalents and plan assets corresponding to employee benefits, which are measured at fair value.

Preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimations. The areas involving a greater degree of judgment or complexity and those with assumptions and estimations that are significant for the financial statements are described in Note 4.

Going concern

The Company operates mainly with the cash flow stemming from store sales and from certain supplier loans. Management has reasonable expectations that the Company will secure the resources necessary to continue operating as a going concern in the foreseeable future. Consequently, the consolidated financial statements were prepared on a going–concern basis.

Following is a summary of the most significant accounting policies used in preparing the consolidated financial statements, which have been applied consistently in the year presented, unless otherwise specified.

2.1 CONSOLIDATION

a. Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when the Company is exposed to, or is entitled to, variable yields arising from its dealings with the entity and is capable of bringing its power to bear on the entity in such a way as to affect the amount of said yields. The Company also evaluates the existence of control in cases where less than 50% of the voting shares are held, but where the Company decides on important operations. The subsidiaries consolidate as from the date on which control is transferred to the Company, and cease to consolidate when that control is lost.

Balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. The subsidiaries' accounting policies have been amended when necessary to ensure that they are in line with the Company's policies.

Consolidation includes the financial statements of all the subsidiaries of the Group. See Note 1.

b. Changes in equity in subsidiaries, not involving the loss of control

Transactions carried out with the non–controlling interest that do not result in the loss of control are accounted for as stockholders' equity transactions, i.e., as transactions carried out with the shareholders in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recorded in equity. Losses or gains arising from the sale of the non–controlling interest are also recorded in stockholders' equity. At December 31, 2017 and 2016, the Company has no non–controlling interest.

Segment Information

Information per segment is shown consistent with the internal reports provided to the Board of Directors, which is the body responsible for making operating decisions, authorizing capital investments and evaluating the operating segments' yield. For the period ended on December 31, 2017 and 2016, the Company operated a single business segment, which includes self–service stores, corporate operations and the real estate business. Resources are assigned to the segments, based on each segment's importance within the entity's operations and the strategies and yields established by Management. See Note 28.

2.2 FOREIGN CURRENCY TRANSACTIONS

a. The functional and the recording currencies

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which the entity operates (functional currency). The currency for presentation of the consolidated financial statements is the Mexican peso, which is the functional currency for La Comer and its subsidiaries and is used for compliance with its legal, tax and stock exchange obligations.

b. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction date or on the valuation date, when the items are re–measured. Exchange profits and losses resulting from said transactions and from conversion of monetary assets and liabilities denominated in foreign currency at the exchange rates in effect at the year–end closing, are recognized as exchange fluctuations under financing expenses in the statement of income.

2.3 CASH AND CASH EQUIVALENTS

In the consolidated statement of income, cash and cash equivalents include available cash, deposits in checking accounts, bank deposits in foreign currency and short–term investments in highly liquid securities, easily converted to cash, maturing at terms of under 28 days as from the date of acquisition and subject to immaterial risks of changes in value. Cash is shown at its nominal value and cash equivalents are valued at fair value. Fluctuations in value are applied to income for the period.

Cash equivalents consist mainly of on–demand or very short–term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include vouchers for bank cards not yet deposited to the company's bank accounts by the banks. Those vouchers are usually recovered in no more than one day. See Note 8.

2.4 FINANCIAL ASSETS

2.4.1 Classification

The Company classifies its financial assets as loans and accounts receivable at fair value with changes through the statement of income. Classification depends on the intended purpose of the financial assets. Management determines the classification of its financial assets at the date of their initial recognition. Fair value is the price receivable from the sale of an asset, or to be paid on the transfer of a liability in an orderly transaction between market participants at the valuation date.

a. Loans and accounts receivable

Loans and accounts receivable are non–derivative financial assets allowing for fixed or determinable payments, which are not quoted in an active market. They are shown as current assets, except for those maturing in over 12 months as from the closing date of the reported period, which are classified as non–current assets. The Company's loans and receivables are comprised of cash and cash equivalents and accounts receivable from customers and related parties shown in the statement of financial position.

b. Financial assets at fair value with changes via the statement of income

Financial assets at fair value with changes via the statement of income are financial assets held for trading. A financial asset is classified in this category is it is mainly acquired to be sold in the short–term. Assets in this category are classified as current as they are expected to be recovered within a period of less than twelve months; otherwise, they are classified as non–current.

2.4.2 Recognition and measurement

a. Loans and accounts receivable

Company loans and accounts receivable consists of accounts receivable from i) entities issuing grocery coupons, ii) lease payments receivable from third parties on the lease of commercial and promotional space and iii) other accounts receivable. Accounts receivable from financial entities for the use of credit cards and from entities issuing grocery coupons are short–term.

Accounts receivable are initially recognized at fair value and subsequently stated at amortized cost, using the effective interest rate method, less the impairment reserve. The effective interest rate is the discount rate that exactly matches cash flows receivable throughout the expected lifetime of the financial instrument to the net book value. Loans and accounts receivable are canceled when the rights to receive cash flows from investments expire or are transferred and the Company has transferred substantially all the risks and benefits arising from ownership thereof.

b. Financial assets at fair value with changes via the statement of income

These financial assets consist of investments in highly liquid government securities with original investments of no more than 28 days. Financial assets at fair value with changes via the statement of income are initially recognized at fair value and transaction costs are recorded as expenses in the statement of income. Fluctuations in fair value are recorded in income for the period.

Investments are initially recognized at fair value, plus transaction costs for all financial assets not valued at fair value with changes via income.

2.4.3 Impairment of financial assets

2.4.3.1 Assets valued at amortized cost

At the end of each reporting period, the Company determines whether or not there is objective evidence that a financial asset or group of financial assets show indications of impairment. Impairment in a financial asset or a group of financial assets and the impairment loss are recognized only when there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of an asset, in cases where the related event or events has/have an effect on the estimated cash flows of the financial asset that can be reliably estimated.

Objective evidence of impairment may include indicators that the debtors are experiencing significant financial difficulties, default on payment of the principal or interest, the likelihood of them filing for bankruptcy or any other financial restructuring process or when the observable information indicates there is a measurable decrease in estimated cash flows, such as late payment or economic conditions related to noncompliance.

The Company records an impairment provision for its loan portfolio and accounts receivable when they become overdue and the balance of this provision is increased based on an individual analysis of each account and of the results of the evaluation of the behavior of the portfolio and business ups and downs. Increases in that provision are recorded under expenses in the statement of income.

The Company's principal source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or via coupons or credit cards. The company's accounts receivable consist mainly of amounts to be collected from companies issuing grocery coupons as well as lease payments to be collected from subletting commercial locales and promotional space to third parties. The Company has experienced no difficulties in collecting on coupons. However, the same cannot be said for lease payments on sublet locales. The estimation for impairment has been sufficient to absorb the respective losses. At December 31, 2017 and 2016, that estimation was $9,745 and $13,557, respectively.

If in a subsequent period the amount of the impairment loss decreases and said decrease objectively relates to an event that occurred after the date on which said impairment was recognized (as an improvement in the debtor's credit rating), cancellation of the previously recognized impairment loss is credited to the statement of income.

2.5 OTHER ACCOUNTS AND DOCUMENTS RECEIVABLE

The Company classifies unsupported travel expenses and other similar items as accounts receivable. If collection rights or recovery of these amounts is not realized within 12 months as from the year–end closing, they are classified as short term; otherwise, they are shown as long term.

2.6 DERIVATIVE FINANCIAL INSTRUMENTS

The Company engages in no operations with derivative financial instruments.

2.7 INVENTORIES

Inventory of merchandise is determined by the retail method. Under that method, inventory is segregated into types of merchandise with similar features, then valued at the sales price. That value is used to determine inventory at the net discount cost, by applying specific cost factors to each department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied considers the portion of inventory marked down below its original sales price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventory valued in this manner approximates cost and does not exceed net realization value. Net realization value is the sales price estimated in the normal course of operations, less costs estimated for making the sale.

CCF physical inventory counts are taken monthly for perishable items and biyearly for nonperishable items; inventory records are adjusted for the results of the physical inventory count.

Inventories at the distribution centers are evaluated by the average inventory method, as they involve no costing factors.

2.8 ADVANCE PAYMENTS

Pre–paid expenses represent disbursements made by the Company, in which the benefits and risks inherent to the goods to be acquired or in the services to be received have not yet been transferred. Advance payments are recorded at cost and are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the goods and/or services have been received, they must be recorded as assets or expenses in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be no recoverable is recognized in the statement of income for the period in which this occurs. The principal items include insurance premiums, advertising and property tax (see Note 11).

2.9 PROPERTY, FURNITURE AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS – NET

Land is valued at cost minus any impairment losses. All other components of property, furniture and equipment and leasehold improvements are recognized at cost, less accumulated depreciation and any impairment losses. The cost includes expenses directly attributable to the acquisition of those assets and all expenses related to the location of assets at the site and in the conditions necessary for them to operate as expected by the Company (see Note 13). For ratable assets, the cost includes the cost of loans capitalized in accordance with Company policies. At December 31, 2017 and 2016, there were no costs for capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of the items in question are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income.

Works in process represent stores under construction and include investments and costs directly attributable to startup of operations. When stores are ready to start up operations, they are switched to the property, furniture and equipment and leasehold improvements caption and the calculation of depreciation begins.

Land is not depreciated. Depreciation is calculated by the straight–line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:	
Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years
Machinery and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	The lesser of 10 years and the leasing period,

The Company assigns the amount initially recognized for a component of property, furniture and equipment in its different significant components and depreciates each of those components separately.

When necessary, the residual values and useful lives of the Company's assets are reviewed and adjusted at the date of each statement of financial position.

The book value of an asset is written off at recovery value if the book value of the asset exceeds its estimated recovery value (Note 2.6).

Profits and losses from the sale of assets are determined on the basis of the difference between the income from the transaction and the book value of the assets. They are included in the statement of income as "Other income and expenses", respectively. See Note 22.

2.10 DISCONTINUED OPERATIONS

IFRS 5 considers a discontinued operation to be a component of the entity that has been sold or classified as an asset held for sale and: i) represents a major line of business or geographic segment of operations; ii) forms part of an individual selling plan of said major line of business or geographic segment of operations, or iii) is a subsidiary acquired exclusively for sale. The result of the sale of the segment qualifying as discontinued operations is recorded in the statement of income in the period in which it occurs and is shown separately as part of discontinued operations.

On March 4, 2016, the Company sold its subsidiary Restaurante Jajalpa, S. de R. L. de C. V. and its subsidiary Personal Jajalpa, S. de R. L. de C. V. (jointly Jajalpa), which operated a restaurant in the state of Mexico. The transaction was approved at an extraordinary stockholders' meeting held on March 4, 2016. The sale of the shares of Jajalpa gave rise to a profit of $51,099 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Jajalpa shares at the date of the transaction:

		Amount
Sales price of the shares	$	122,360
Book value of the Jajalpa assets and liabilities		(49,677)
Tax effect		(21,584)
Profit on the sale of Jajalpa shares	$	51,099

On April 11, 2016, the Company sold its subsidiary Oficinas Bosques, S. de R. L. de C. V., which gave rise to a profit of $ 13,495 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Oficinas Bosques shares at the date of the transaction:

		Amount
Sales price of the shares	$	37,000
Book value of the Oficinas Bosques assets and liabilities		(17,700)
Tax effect		(5,805)
Profit on the sale of Oficinas Bosques shares	$	13,495

On December 21, 2016, the Company sold its subsidiary Textilimport, S. de R. L. de C. V., which gave rise to a profit of $771 net of the respective taxes on income, as shown in the consolidated statement of income.

Following is a summary of the effects of selling the Textilimport shares at the date of the transaction:

		Amount
Sales price of the shares	$	4,025
Book value of the Textilimport assets and liabilities		(3,081)
Tax effect		(173)
Profit on the sale of Textilimport shares	$	771

2.11 INVESTMENT PROPERTIES

The Company owns malls that house own stores, as well as commercial space it leases to third parties. The Company's own stores are recorded in the statement of financial position as property, furniture and equipment (see Note 13) and commercial locales are recorded as investment properties (see Note 12).

Investment properties are real property (land and buildings) held to produce economic benefits in the form of lease payments or to appreciate, and are initially valued at cost, including transaction costs. After initial recognition, investment properties continue to be valued at cost, less any accumulated depreciation and impairment losses.

Expansion, remodeling and improvement costs representing an increase in the capacity of items and thus an extension in their useful lives are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income (see Note 22).

Depreciation of investment properties is calculated by the straight–line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:	
Cimentación	57 años
Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years

2.12 COST OF LOANS

The cost of general and/or specific loans directly attributable to the acquisition, construction or production of ratable assets requiring a substantial period (generally over 12 months) before they are ready for use or sale is included as part of the value of those assets in that period until such time as they go into use.

Income arising from the temporary investment of specific loans not yet used in rateable assets reduce the cost of loans eligible for capitalization.

All other borrowing costs are recognized in the statement of income in the period in which they were incurred.

In the period ended on December 31, 2017 in 2016, no loan costs were capitalized, and there were no ratable assets in those periods.

2.13 INTANGIBLE ASSETS – NET

An intangible asset is recorded if, and only if a) the future economic benefits attributed to it flow into the entity and b) the cost of the asset can be reliably measured.

Licenses acquired for the use of programs, software and other systems are capitalized at the value of the costs incurred for acquisition and preparation for use. Maintenance expenses are recorded as expenses when incurred. Licenses acquired for the use of programs recorded as intangible assets are amortized during the course of their estimated useful lives, but not exceeding 3.3 years.

The assignment of the rights to use and operate self–service stores is recorded at historical cost. The rights to use and operate self–service stores are amortized on the basis of the term specified in the leasing contract, i.e., from five to 10 years. Those assets are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the rights accrue, those amounts are recorded as an expense in the statement of income for the period. When other assets lose their capacity to generate future economic benefits, the amount considered to be no recoverable is recognized in the statement of income for the period in which this occurs (see Note 15).

Individually acquired brand names are recognized at historical cost. Brand names acquired via a business acquisition are recognized at fair value at the acquisition date.

The Company records the rights to the Comercial Mexicana brand name as an indefinite–life intangible asset, as it considers that those rights are very unlikely to cease generating cash income for the Company in future accounting periods. Rights to brand names are not amortized. The Company runs impairment tests to determine whether the value of the rights to brand names will be recovered with the future cash flows expected by the Company.

The useful life of the rights to the Comercial Mexicana brand name is indefinite, and is recorded at cost minus any accrued impairment losses (see Note 14). No impairment was determined for the rights to that brand name.

2.14 IMPAIRMENT OF NON–FINANCIAL ASSETS

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets subject to amortization or depreciation are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. Impairment losses are the amount by which the book value of assets exceeds the recovery value.

The recovery value of assets is the greater of the fair value of the asset (less costs incurred for its sale) and its value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash–generating units). The Company has qualified each store as a separate cash–generating unit for the purpose of impairment testing. Non–financial assets subject to write–offs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

The Company runs impairment tests on nonmonetary assets once a year or when there are indications of impairment. Nonmonetary assets include the following captions of the statement of financial position: intangible assets, property, plant and equipment, investment property and other noncurrent assets. At December 31, 2017 and 2016, there were no signs of impairment in noncurrent assets subject to depreciation and amortization, and in the case of indefinite–lived assets, the Company's annual impairment tests showed no signs of impairment.

2.15 ACCOUNTS PAYABLE:

Accounts payable are payment obligations on goods or services acquired from suppliers, creditors and related parties in the normal course of operations. Accounts payable are classified as current liabilities if payment is due within a year or less. Otherwise, they are shown as non–current liabilities. At December 31, 2017 and 2016, the accounts payable balance is composed principally of sundry creditors and deferred income, the latter arising from loyalty programs established by the Company (see Note 2.22b).

Accounts payable are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest–rate method.

2.16 SHORT AND LONG–TERM DEBT

Debt consists of bank loans and is recorded initially at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at amortized cost. Any differences between the funds received (net of transaction costs) and the redemption value are recognized in the statement of income during the period of the financing using the effective interest rate method. At December 31, 2017 and 2016, the Company has no contracted debt.

Fees incurred in acquiring said financing are recognized as transaction costs to the extent part or all of the loan is likely to be received.

2.17 CANCELLATION OF FINANCIAL LIABILITIES

The Company cancels financial liabilities if, and only if, the related obligations expire or are met or canceled.

2.18 PROVISIONS

Provisions are recognized when the Company has a present or assumed legal obligation resulting from past events that is likely to require the use of cash flows to settle the obligation and the amount in question can be reliably estimated.

Provisions are valued at the present value of the cash flows expected to settle the obligation via the use of an interest rate (before taxes) that reflects the assessment of the current value of money over time, as well as the specific risks of said obligation. The increase in the provision over time is recognized as an interest expense (see Note 18).

2.19 INCOME TAX INCURRED AND DEFERRED

The income tax expense comprises tax incurred and deferred. The tax is recognized in the statement of income, except when it relates to items recognized under other comprehensive income or directly in stockholders' equity. In that case, tax is also recognized under other comprehensive income or directly under stockholders' equity, respectively.

Taxes on income payable consist of income tax (based on the tax profits for each year), which is recorded in income for the period in which it is incurred.

The charge for income tax incurred is calculated on the basis of tax laws in effect on the date of the statement of financial position or on laws whose approval process has been substantially concluded. Management periodically evaluates the position taken in tax returns with respect to matters in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts shown in the consolidated financial statements that are expected to materialize in the future. However, deferred taxes on income arising from initial recognition of an asset or a liability in a transaction that does not qualify as a business combination, which at the time of the transaction does not affect the book or tax profit or loss, are not recorded. (See Note 13.)

Deferred income tax is determined at the tax rates and per the laws in effect at the date of the statement of financial position, which are expected to be applicable when the deferred income tax asset is realized or the deferred income tax liability is settled. The income tax rate for 2017 and 2016 is 30%.

The deferred tax asset is only recognized to the extent future tax benefits are likely to arise against which temporary liability differences can be used.

The deferred tax liability arises from temporary tax differences stemming from investments in subsidiaries, except for the deferred tax liability when reversal of the temporary difference is controlled by the Company and the temporary difference is unlikely to reverse in the near future. (See Note 24.)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities intending to settle the balances on a net basis. At December 31, 2017 and 2016, the Company showed no offset deferred tax.

Accessories on the payment of federal taxes are shown as provisions.

2.20 EMPLOYEE BENEFITS

Employee benefits, including benefit plans, are as follows:

Direct short–term benefits

Direct benefits (salaries, overtime, vacation, holidays, leave with pay, etc.) are recorded in income as they arise and the respective liabilities are stated at nominal value, since they are short–term. In the terms of legal and contractual provisions, paid absences cannot be accrued.

Long–term benefits

The Company operates a number of retirement plans, including defined benefits and defined contributions, as well as retirement medical plans.

a. Retirement benefits and seniority premium

   The Company's subsidiaries recognize the obligation to provide seniority premium defined benefits and two subsidiaries operate defined contribution retirement plans, one of which recognizes the obligation for retirement health defined benefits for a particular group of participants. A defined benefit pension plan is a plan that determines the benefits to be provided to an employee upon retirement, including health retirement plans, which usually depend on a number of factors, such as age, years of service and compensation. Plan costs are determined for defined contribution plans, but the benefit level for employees retiring with the accumulated amount has not been determined.

   The liability or asset recognized in the statement of financial position for defined benefit plans is the present value of the obligation for defined benefits at the date of the statement of financial position, less the fair value of plan assets.

   Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows at interest rates for government bonds denominated in the currency in which the benefits will be paid, whose maturity terms approximate the terms for the related pension obligation. The basic assumptions for determination of employee benefits are mentioned in Note 19. Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to stockholders' equity under other comprehensive–income in the period in which they arise. Past service costs are recorded directly in the statement of income.

b. Employees' statutory profit sharing (ESPS) and bonuses
The Company recognizes a liability and an expense for bonuses and ESPS, the latter calculated as per current tax provisions. The Company recognizes a provision when contractually obligated to do so or when a past practice generates an assumed obligation.

c. Benefits paid to personnel in accordance with labor laws
This type of benefit is paid and recognized in the statement of income upon termination of employment prior to the retirement date or when employees resign in exchange for said benefits. The Company records indemnities on the first of the following dates: a) when the Company is unable to withdraw the offer of those benefits and b) when the Company recognizes restructuring costs within the scope of IAS 37 "Provisions", which implies the payment of termination benefits. In the case of an offer made to encourage resignation, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

2.21 CAPITAL STOCK

Company shares placed on the Mexican Stock Exchange are classified as capital stock. (Note 25).

In accordance with the provisions of article 56 of the Securities Market Law and Title Six of the Sole Circular for Issuers, which establishes that Company shares placed on the Mexican Stock Exchange may be acquired under certain rules, the Company carries out the procedure for the purchase or sale of Company shares placed on the Mexican Stock Exchange from the repurchase fund.

The purchase of own shares placed on the Mexican Stock Exchange issued by La Comer that operate under the repurchase reserve are recorded as a reduction in La Comer stockholders' equity until such time as those shares are canceled or issued once again. When those shares are reissued, the consideration received is recorded in La Comer stockholders' equity.

2.22 REVENUE RECOGNITION

Income is recorded at the fair value of cash collected or receivable arising from the sale of goods or the rendering of services in the normal course of Company operations. Income is shown net of customer discounts.

The Company recognizes revenue when the related amount can be measured reliably, the entity is likely to receive the future economic benefits and the transaction meets the specific criteria for each of the Company's activities, as described later herein.

a. Sale of merchandise
Income from the sale of merchandise is recorded in income when all the following requirements are met: a) the risks and benefits associated with the goods are transferred to the purchaser and no significant control over such property is retained, b) income earned and costs incurred or to be incurred are determined reliably, and b) the Company is likely to receive the economic benefits associated with the sale.

Customer discounts and returns are shown after subtracting the respective income. Merchandise sales are settled by customers using debit and credit cards, cash and coupons. It is Company policy to allow a number of its products to be returned after they have been sold. However, experience has shown that returned items are immaterial as compared to overall sales, which is why the company creates no reserve in that regard.

b. Smart cards
The Company offers promotions, some of which involve benefits granted to customers in the form of smart cards, the value of which is referred to a percentage of the selling price. Smart cards may be used by customers to settle future purchases made at Company stores or at other stores, based on an agreement signed with the administrator of the program. Amounts contained in smart cards are subtracted from income.

When points are redeemed at the branches, income is recorded, and if redeemed at other points of sale, the amount payable to the program administrator is recorded.

Company experience has demonstrated that smart cards showing no movement over a period of six months are unlikely to be redeemed; the respective agreement specifies 12 months with no movement before the points can be canceled. Therefore, this type of smart card is cancelled, with a credit to sales.

At December 31, 2017 and 2016, the value of smart cards issued in connection with promotions pending redemption but expected by the Company to materialize are recorded at fair value and shown as deferred income. The balance is $31,559 and $26,166, respectively, and is included under other accounts payable in the statement of financial position.

c. Coupons for merchandise

Income from coupons issued by the Company, which can be exchanged for merchandise at its stores, are recognized as a deferred credit at the time the Company delivers the coupons to the customer, and is recognized as income in the statement of income when those coupons are exchanged for merchandise at the stores. At December 31, 2017 and 2016, the unredeemed balance totals $13,722 and $34,815, respectively.

d. Leasing income

The Company's policy for recognition of operating lease revenue is described in note 2.23.

e. Commissions

Commission income on collections for services rendered by the Company at its stores and other commissions are recorded as income as they are incurred. When the Company acts as an agent in the sale of goods or services, only the profit for the commission is recorded under income.

f. Interest income

Interest income is recorded by the effective interest method. Interest expense is also recorded by the effective interest method.

2.23 LEASES

Leasing is classified as capital leasing when the terms of the lease transfer all risks and benefits inherent in the property to the lessee. At the outset of the financial leasing term, the Company records, in the statement of financial position, an asset and a liability in the same amount equivalent to the fair value of the leased item, or the present value of minimum lease payments, when that figure is the lesser of the two, determined at the outset of the leasing period. All other leases are classified as operating leases. At December 31 2017 and 2016 the Company has only operating leases.

2.23.1 Lessor

Leasing income arises mainly from the Company's investment property and is recognized by the straight–line method over the term of the lease. The Company has no assets leased under capital leasing plans.

2.23.2 Lessee

Operating lease payments are charged to income by the straight–line method, over the term of the lease. Variable lease payments are recorded as an expense in the period in which they are incurred. See Note 27.

2.24 BASIC AND DILUTED EARNINGS

The basic profit per common share is calculated by dividing the controlling interest by the weighted average of common, outstanding shares in the year. Earnings per diluted share are determined by adjusting the controlling interest and ordinary shares, assuming that the entity's commitments to issue or exchange own shares will be realized. At December 31, 2017 and 2016, basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings.

2.25 SUPPLIER REBATES

The Company receives rebates from suppliers as reimbursement of discounts granted to customers. Supplier reimbursements of discounts offered to customers on merchandise sold are negotiated and documented by the procurement area and are credited to cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs incurred by the Company. Those amounts are recorded as a reduction of the respective costs and expenses.

2.26 DIVIDENDS

Dividends paid to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by Company shareholders.

2.27 Transactions under common control

A combination of businesses between entities or businesses under common control is a business combination in which all the combined entities or businesses are controlled by a single party or parties (SIC), both prior to and following the business combination, and said control is not temporary. In that type of transaction, the consolidated financial statements of the new company show the prior book figures of the original entity.

2.28 BUSINESS COMBINATIONS OR THE ACQUISITION OF ASSETS

An entity determines whether a transaction is a business combination by applying the definition of IFRS 3 "Business combinations" (IFRS 3), which requires the assets acquired and the liabilities assumed to constitute a business, provided the following three elements are in place – 1) production materials: all economic resources produced or capable of being produced via the application of one or more processes; 2) process: any system, regulation, protocol, convention or rule which, applied to a production material or materials produces or is capable of producing products; and 3) product: the result of applying processes to production materials that provide or are capable of providing returns in the form of dividends, lower costs or other economic benefits directly to the investors or other owners, members or participants. When assets acquired do not constitute a business, the entity must account for the transaction as an asset acquisition and distribute the cost of the transaction between individually identifiable assets and liabilities based on their relative fair value at the date of the acquisition. That transaction gives rise to no goodwill. (See Note 13) and any costs incurred during the acquisition process are recorded as part of the asset.

NOTE 3 – RISK MANAGEMENT:

The Company's activities expose it to a variety of financial risks: a) market risk (including i) currency risk, ii) price risk, iii) interest rate risk, b) credit risk and c) liquidity risk. The company's risk management strives to minimize the impact of adverse effects on the commercial operation.

Risk management is handled by the Central Treasury Department as per policies established by the Company. The Central treasury identifies, evaluates and hedges financial risk in close cooperation with its operating units. The Company draws up written principles for risk management in general, as well as written policies covering specific areas such as exchange risk, interest rate risk, credit risk and investment of liquidity surpluses.

a. Market risk

i. Exchange rate risk

The Company is exposed to risks stemming from movements in the Mexican peso exchange rate vis–à–vis the dollar, principally due to letters of credit contracted in dollars. The exchange risk arises from assets and liabilities in foreign–currency.

The acquisition of imported merchandise paid for in currencies other than the Mexican peso are not considered to give rise to an exchange risk, as the Company considers that exchange fluctuations can be offset in the sales price of products. Those imports our secured with letters of credit. At December 31, 2017 and 2016, the letters of credit balance is USD 846 and €33, which is equivalent to $17,420, and USD 269 and €365, which is equivalent to $13,437, respectively, for which the most recent expiration date was February 2018.

Based on an analysis of the situation in the current exchange market in Mexico, the Company has determined that a 10% increase or reduction in the parity of the peso against the dollar and the euro, with all other factors remaining constant, would result in a loss (profit) of approximately $10,278 and $35,812 in 2017 and 2016, respectively, in relation to the monetary position in dollars, which is $2 and $778 in 2017 and 2016, respectively, in relation to the monetary position in euros. The sensitivity analysis includes only monetary items in foreign currency not yet settled at the year–end closing.

The company has the following foreign currency monetary assets and liabilities:

	December 31,			
	2017		2016	
Thousands of US dollars				
Monetary assets	US$	6,381	US$	17,800
Monetary liabilities		(308)		(431)
Net long position	US$	6,073	US$	17,369
Equivalents in pesos	$	119,413	$	358,138

	December 31,			
	2017		2016	
Thousands of euros:				
Monetary assets	€	34	€	49
Monetary liabilities		–		(410)
Net long (short) position	€	34	(€	361)
Equivalent in pesos	$	803	($	7,796)

The peso/dollar exchange rates in effect at the date of the consolidated financial statements were as follows:

	March 9, **2018**		December 31, 2017		2016	
Dollar	$	18.7148	$	19.6629	$	20.6194
Euro	$	23.3104	$	23.5482	$	21.5972

ii. Price risk

It is Company policy to invest cash surpluses in on–demand or very short term instruments, which makes the market price risk irrelevant. At December 31, 2017 and 2016, all cash surpluses were in on–demand investments.

The price risk for merchandise comprising Company inventory is not considered to be significant, as the Company believes it is capable of offsetting fluctuations in product sales prices.

iii. Interest rate risk

The Company's interest rate risk arises from its long–term loans. At December 31, 2017 and 2016, the Company has contracted no debt, which means there is no interest rate risk.

Financing contracted at variable rates expose the Company to interest rate cash flow risks, which are partially mitigated by cash in on demand or variable rate investments.

The Company is exposed to a risk related to the TIIE rate and to the leasing of vehicles. At December 31, 2017 and 2016, the unpaid balance on those agreements totaled $30,779 and $29,652, respectively. Based on an analysis of the current situation of interest rates in Mexico, the Company has determined that a 10% increase or reduction in the TIIE rate would require an additional (lower) cash flow of $3,362 due to higher interest.

b. Credit risk:

The credit risk arises from cash and cash equivalents, as well as from deposits in financial entities, credit exposure arising from accounts receivable from financial entities for the use of credit cards for the purchase of merchandise, from entities issuing grocery coupons and from accounts receivable from lessees. Accounts receivable from financial entities for the use of credit cards and from entities issuing grocery coupons are short–term (less than 15 days). Due to the fact that Company sales are made to the general public, there is no risk concentration on any particular customer or group of customers. Cash surpluses are invested in financial entities with a high credit rating, and in short–term bank or government instruments.

The Company has a diversified real estate property base distributed throughout 10 states in Mexico in 33 cities of different sizes. A Committee, comprised of most Board members, is responsible for authorizing the purchase of land and buildings proposed by the Company's real estate area. Real estate operations constitute a significant source of income via the leasing of approximately 2,000 commercial spaces located in 10 company–owned malls.

The Company has no risk concentration in accounts receivable from lessees, as it has a diversified base and periodically evaluates lessee payment capacity, especially prior to renewing lease agreements. It is Company policy to collect one or two monthly lease payments as security prior to a lessee occupying any commercial space. The historical occupancy rate of the Company's commercial space is above 90% and the lease uncollectibility rate has historically remained favorable, thus the credit risk related to lease agreements is considered low.

The Company has adequately insured its assets against fire, earthquake and other natural disasters. All insurance has been contracted with leading companies in the insurance market.

c. Liquidity risk

Cash flow forecasts are drawn up at the consolidated level by the Company's finance department. The Treasury Department monitors liquidity requirements to ensure that there is sufficient cash on hand for the Company to comply with all its financial commitments. The months with highest level of Company operations and consequently with the highest accumulation of cash are June, July, August and the last quarter of the year. Cash flow forecasts consider the Company's financing plans, compliance with financial restrictions, and compliance with the objectives of internal financial metrics.

Cash surpluses exceeding working capital requirements are handled by the Treasury Department, which invests them in financial entities with high credit ratings, and selects instruments with appropriate expiration dates or sufficient liquidity to allow the Company sufficient margin based on the aforementioned cash flow forecasts.

The Company finances its operations through a combination of: 1) Reinvesting a significant portion of its profits; 2) loans from suppliers, and 3) financing denominated in pesos. At December 31, 2017 and 2016, the Company has credit lines of immediately available credit for financing suppliers, contracted with financial entities, totaling approximately $1,354,000 and $820,000, respectively, of which, $207,272 and $168,738, respectively, have been drawn down.

The following table shows the contractual maturities of the Company's financial liabilities: The table was prepared on the basis of undiscounted cash flow from the first date on which payment could come due. The table includes cash flows corresponding to both principal and interest.

December 31, 2017	Less than three months	From three months to a year	Total
Related parties	$ 44,335	$ –	$ 44,335
Other accounts payable	509,835	–	509,835
Suppliers	2,366,319	355,660	2,721,979
	$ 2,920,489	$ 355,660	$ 3,276,149

December 31, 2016	Less than three months	From three months to a year	Total
Related parties	$ 185,996	$ 1,320	$ 187,316
Other accounts payable	572,832		572,832
Suppliers	1,964,527	252,232	2,216,759
	$ 2,723,355	$ 253,552	$ 2,976,907

d. Capital management

The purpose of managing the company's capital is to safeguard its ability to continue in operation as a going concern in order to provide returns for the stockholders, and to ensure the best possible capital structure in order to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust dividends paid to stockholders, repurchase its own shares at the MSE, return capital to the stockholders, issue new shares or sell assets to bring down its debt.

The Company monitors capital on the basis of the operating leverage index, which is a common practice in the business. This index is determined as net debt divided by the EBITDA (operating income plus depreciation and amortization) generated over the most–recent twelve–month period.

At December 31, 2017 and 2016, said index was (1.85) and 3.45, respectively. Net debt is determined as total financing (both short and long term) less cash and cash equivalents.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

Estimates and assumptions are reviewed on a regular basis and are based on historical experience and other factors, including expectation of future events considered reasonable in the circumstances.

Critical accounting estimates and assumptions

Company management must make judgements, estimates and assumptions concerning future events. The resulting accounting estimates are rarely the same as actual results. Estimates and assumptions with a high risk of resulting in a significant adjustment in the book value of assets and liabilities within the following tax period are as shown in the follow.

a. Determination of income tax

Professional judgment is required to determine the income tax provision. There are certain transactions and calculations for which the determination of definitive tax can be uncertain (see Note 24), and which therefore require certain significant Management criteria when determining the income tax provision. The Company records a liability for tax matters based on estimations of whether additional tax payments may be required. When the final result of these situations differs from the amounts initially recorded, the differences impact the current or deferred income tax asset and/or liability in the period in which said difference is determined. At December 01, 2017 and 2016, there are no uncertain tax positions.

b. Employee benefits

The present value of obligations related to pensions and seniority premiums is reliant on factors determined on the basis of actuarial valuations requiring the use of a series of assumptions. The assumptions used in determining the net cost for the period (NCP) and obligations arising from pensions and seniority premiums include the use of discount rates, future salary increases, personnel turnover rates and mortality rates, among others. Any changes in these assumptions affect the book value of the respective obligations.

The Company determines the proper discount rate at the end of each tax period. This is the interest rate to be used in determining the present value of future disbursements estimated to be required to settle pension and seniority premium obligations. To determine the proper discount rate, the Company considers the interest rate for government bonds denominated in the same currency as that in which the benefits are to be paid, and whose maturity terms closely resemble those of the pension obligations.

If the discount rate used by the Company varies by 0.5% from the 7.8% discount rate used in 2017 and 2016, the provision for employee benefits could be $3,002 over, or $2,770 less than at December 31, 2017 and $2,907 over, or $2,686 less than Management's estimation at December 31, 2016.

c. Impairment of loans and accounts receivable

The estimation for impairment determined has been sufficient to absorb the respective losses and the balance increases or is reduced based on the individual analysis of each account. See Note 7.

In the event that the figure expected by the Company varies by 10% with respect to the current estimation, the value of the estimation for loans and accounts receivable could be $975, more or less, at December 31, 2017 and $1,356, more or less, at December 31, 2016, of management's estimation.

d. The estimated useful life and residual values of property, furniture and equipment and leasehold improvements

The Company reviews the useful lives and residual values of its property, furniture and equipment and leasehold improvements at the end of each annual period. Management determined that the useful life and residual values should not be modified, as according to the evaluation conducted, these items reflect the economic conditions of the Company's operating environment. If the estimated useful life increases or decreases by 10% with respect to the figures shown in Notes 2.9 and 2.11, the depreciation charge would be less (more) by $45,251 and $34,946 at December 31, 2017 and 2016, respectively.

e. Estimation of the recoverable value of nonmonetary assets

The Company reviews the recoverable value of nonmonetary assets at the end of each period. That evaluation is conducted via impairment tests applied annually, or when indications of impairment arise. The determination of the recoverable value of nonmonetary assets involves significant judgments, such as the estimation of future business results and the discount rate applied to projections. Company management considers that the projections used to determine that recoverable value reasonably reflect the economic conditions prevailing in the Company's operating environment.

Use of the license granted by CCF (see Note 1D.iii) was determined as per the provisions of IAS 18 for recognition of the respective income on the first day of the term of the contract mentioned in Note 1, which was determined at fair value as per the Relief–from–Royalties income methodology.

NOTE 5 – STANDARDS, INTERPRETATIONS AND ADJUSTMENTS TO STANDARDS PUBLISHED AND IN EFFECT:

New standards, amendments and interpretations effective for periods beginning on or after January 1, 2017, 2018 and 2019.

Standards applicable as of January 1, 2017 that had no significant effects on the reporting of the Company's consolidated financial statements.

– Recognition of deferred tax assets arising from unrealized losses – Amendments to IAS 12 " Taxes on income" (IAS a2). This refers to accounting for deferred taxes when an asset is measured at fair value and is below its tax base.

– Disclosure Initiatives – Amendments to IAS 7. It will be necessary to explain any changes in liabilities arising from financing activities, including changes arising from cash flows (resources acquired and loans paid), and non–monetary changes, such as acquisitions, disposals, interest accrued and unrealized exchange differences. Changes in financial assets must be included in this disclosure if cash flows were or are to be included in cash flows pertaining to financing activities. That could be the case, for example, of assets covering liabilities arising from financing liabilities.

Standards in effect as from January 1, 2018 and 2019.

– IFRS 15 – "Revenue from Contracts with Clients" (effective as from January 1, 2018). The IASB has issued a new standard for recognizing revenue. IFRS 15 will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of an item or service is transferred to a customer. Therefore, the notion of control replaces the existing notion of risks and rewards. A five–step process must be applied before income can be recognized, i.e., identifying contracts with the respective customers; identifying the separate yield obligation; determining the transaction price in the contract; assigning the transaction price of each yield obligation; and recognizing income when each yield obligation is met.

  The key change to the current practice is: any distinguishable product or service package must be recorded separately, and any discount or price mark–down in the contract must be assigned to its specific element separately. Income may be recorded earlier than required by the current rules if the consideration varies for any reason (incentives, reductions, yield charges, royalties, success results, etc.). Minimum amounts must be recorded if not at risk of reversal (is established in IFRS 15). The point at which income can be recorded may vary. A portion of the income currently recorded at one point in time upon conclusion of a contract may have to be recorded throughout the term of the contract and vice versa.

Entities must apply IFRS 15 using one of the following two methods:

- The retrospective method. Requires application of IFRS 15 to each reporting period, i.e., restating prior periods in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

- The modified retrospective method. Requires application of IFRS 15 only at the date of adoption and no adjustments need be made to prior reporting periods. Under that method, entities must recognize the accrued effect of first–time application of IFRS 15 as an adjustment to the retained earnings opening balance (or any other component of capital, as the case may be) in the period of first–time application. Comparative periods reported need not be adjusted. For example, if the entity adopts IFRS 15 on January 1, 2018, the accrued effect would have to be recognized in retained earnings on January 1, 2018.

The Company has concluded that the most appropriate method for application of IFRS 15 would be the retrospective method because an analysis conducted by it shows that the effect on income recognition will be immaterial. Changes are merely changes in presentation of certain items, which are not significant within the Company's statement of comprehensive income. Reclassification will therefore be conducted in a comparative manner for 2017–2018, and the required disclosures will be made as per IAS 8.

Based on an analysis of the different types of Company income, the accounting effects of adopting new IFRS 15 will not be significant, as its principal revenue complies with the five conditions for punctual income recognition, and in cases where less significant income has an impact, that impact affects only presentation in the statement of comprehensive income; the items will therefore be reclassified to the respective caption.

Likewise, depending on the business line in question, the company's principal income is recorded at the time of sale, which means that all contracts (the agreement involving the purchase and the sale at the point–of–sale) are concluded at that time and there are no contracts that must be transferred from one year to another. Consequently, for practical purposes, the company deals with completed contracts.

Beginning on January 1, 2018, the Company recognizes the effects of new IFRS 15, which consist mainly of the following reclassification of sales to captions such as cost of sales, operating expenses and comprehensive financing result, and any other effect arising from new IFRS 15 is included in the financial information for the respective period.

– Charges to suppliers for the use of islands within its stores whose performance obligation is closely linked to the cost of suppliers, i.e., does not constitute a separate performance obligation and must therefore be shown within cost of sales.

– Returned imported purchases because it is not considered a performance obligation separate from the purchase of imported merchandise and must therefore be shown under cost of sales.

– Commissions charged for financial factoring, because this involves performance obligations separate from the purchase of merchandise, that is to say, there is no direct obligation in the initial contract entered into with the supplier specifying that the payment must be subject to a supplier discount, which means that it must be shown under cost of sales.

– Income from home delivery service and other store services, as this involves performance obligations identifiable within the merchandise sales process, not part of the operation, which must therefore be shown as operating income.

At January 1, 2017, no changes have been made as a result of applying IFRS 15, since, as mentioned in the preceding paragraphs, the changes arising from the new standard refer to reclassifications made in different captions of the statement of comprehensive income with no effects on its valuation, which means that there were no changes in the net profit for 2016, as included in retained earnings in the comparative statement of comprehensive income at December 31, 2017.

– Amendments to IFRS 15 “Revenue from contracts with customers” (effective as of January 1, 2018) – The amendments include the guidelines for identifying yield obligations, accounting for intellectual property licenses and evaluating the principal vs. the agent (reporting of gross income vs. reporting of net income), including additional practical files related to the transition to the new standard. In general terms, those amendments include:

  a. The guidelines for determining when the promises for goods or services in an agreement are different and, therefore, when they should be accounted for separately. The amendments specifically explain how it should be determined whether the goods or services can be identified separately from other contractual promises and establish that the objective is to determine whether an entity promises to transfer individual goods or services to a customer or rather to transfer a combined products (or products) where the individual goods and services are considered to qualify as production materials. The amendment has no significant effects on the Company, as there are no separate performance obligations in the respective agreements for merchandise sales to customers, which is the Company’s principal source of revenue.

b. The guidelines regarding industrial property licenses for determining when income from an intellectual property license must be recorded "over time" or when it must be recorded "at a specific moment in time". That amendment has no effect on the Company, which conducts no such transactions.

c. Guidelines explaining that the principal in an agreement controls goods or services before they are transferred to a customer. The amendments provide specific revisions that explain the relationship between the principle of control and the indicators of control, the "account unit" for conducting evaluations and the manner of applying the control principle to services. The IASB also amended the indicator structure in order for it to indicate when the entity is the principal rather than an agent, and eliminated two indicators: 1) the entity's consideration is in the form of a commission and 2) the entity is exposed to no credit risk.

– IFRS 9 "Financial instruments and amendments associated with other standards". IFRS 9 replaces the classification and measurement models of IAS 39 "Financial instruments: Measurement and recognition" with a single model, which initially involves two classification categories, i.e., amortized cost and fair value. Debt assets are classified on the basis of the entity's business model for managing financial assets and the features of financial asset contractual cash flows. A debt instrument is measured at amortized cost if: a) the purpose of the business model is to maintain the financial asset for generating contractual cash flows, and b) the instrument's contractual cash flows merely represent payment of principal and interest. All other debt and equity instruments, including investments in complex debt and equity instruments, must be recognized at fair value.

  All movements in financial assets must be recorded in the statement of income, with the exception of capital instruments not held for sale, which may be recorded in the statement of income or under reserves (but may not subsequently be recycled to the statement of income).

  As regards financial liabilities measured at fair value, entities must recognize a portion of the changes in fair value arising from changes in credit risk in Other comprehensive income rather than in the statement of income. The new accounting rules for coverage (issued in December 2013) bring accounting for coverage in line with common risk management practices. As a general rule, accounting for coverage will be easier to apply. The new standard also introduces additional disclosure requirements and changes in presentation. In June 2014, the IASB made further changes to classification and measurement rules and introduced a new impairment model. With those amendments, IFRS are now complete. The changes introduce a third measurement category (fair value through OCI) for certain financial assets that qualify as capital instruments and a new model of expected loan losses involving a three–stage approach whereby financial assets go through the three phases as their credit quality changes. Stages specify how an entity measures impairment losses and applies the effective interest rate method. A simplified focus is permitted for financial assets with no significant financial component (such as accounts receivable). During initial recognition, entities record losses on day one equal to expected credit losses over 12 months (or the lifetime of expected credit losses from accounts receivable), unless assets are considered to be impaired as concerns credit. For financial periods starting before February 1, 2015, entities may opt for early application of IFRS 9 with respect to credit risk requirements for financial liabilities, classification and measurement requirements for financial assets and liabilities and hedge accounting.

  Management is evaluating the new standard and one of the factors it considers to be of the highest importance is determination of the estimation for doubtful accounts, which will now be determined on the basis of expected losses rather than losses incurred, as is currently the case. The Company is in the process of determining the monetary effect of this change, and is analyzing each item receivable in order to decide on the likely effect of non–recovery. The new accounting rules for coverages will have no effect, as the Company holds no instruments subject to the accounting treatment.

– Amendments to IAS–40 "Investment properties" – transfer of investment property. These amendments explain when an asset is transferred to investment properties and when it is not. The change explains that in order to transfer an item into or out of investment properties, there must be a change in the use of that item. In order to determine whether there has been a change in the use of a property, it must first be determined whether it actually qualifies as an investment property. That fact must be backed up with supporting documentation. The IASB has confirmed that an isolated intention to change the use of an item is not sufficient to justify a transfer. That rule is applicable to the Company, which holds balances of property, plant and equipment and investment properties, and any change in use of those items must be analyzed before the respective accounting changes are made.

- IFRS 16 "Leases" (effective as from January 1, 2019). In January 2016, the IASB issued a new rule for accounting for leases. That rule replaces current IAS 17, which classifies leasing as either financial or operating. IAS 17 qualifies leases as financial when the risks and benefits of an asset are transferred; all others qualify as operating leases. IFRS 16 eliminates classification of leases as either financial or operating and requires recognition of a liability reflecting future payments and an asset for "right to use" in most leases. The IASB has included certain exceptions for short–term leases and leases of low–value assets. The foregoing modifications are applicable to the lessee's accounting for leases, while rules for the lessor remain similar to those currently in effect. The most significant effect of the new requirements is reflected in the increase in leasing assets and liabilities, which also affects the statement of income under depreciation and financing expenses for assets and liabilities recognized, respectively, and reduces expenses pertaining to leases previously recognized as operating. The rule is effective for periods beginning on or after January 1, 2019. The Company presently has no intention of adopting the rule in advance.

  The rule will principally affect the Company's accounting for operating leases. At December 31, 2017, the Company has non–cancelable operating lease commitments of $624,544 for one of its self–service stores (see Note 27), and management is in the process of determining the extent to which those commitments will give rise to an asset and a liability for future payments as well as the manner in which that will affect profits and classification of the Company's cash flows.

  No other additional standards, amendments or interpretations have been issued but not yet gone into in effect that could significantly impact the Company.

NOTE 6 – CATEGORY OF FINANCIAL INSTRUMENTS:

The Company classifies its financial assets and liabilities as follows:

December 31, 2017	Loans and accounts receivable	Assets at fair value with changes in the statement of income *	Total
Financial assets:			
Cash	$ 479,115		$ 479,115
Cash equivalents	2,066,128		2,066,128
Customers and other accounts receivable – Net – Neto	161,522		161,522
Related parties	282		282

December 31, 2017	Other financial liabilities at amortized cost	Liabilities at fair value with changes in the statement of income *	Total
Financial liabilities:			
Suppliers and supplier financing program	$ 2,721,979		$ 2,721,979
Related parties	44,335		44,335
Other accounts payable	509,835		509,835

December 31, 2016	Loans and accounts receivable	Assets at fair value through income *	Total
Financial assets:			
Cash	$ 1,279,431		$ 1,279,431
Cash equivalents	1,945,932		1,945,932
Customers and other accounts receivable – Net	114,738		114,738
Related parties	786		786

December 31, de 2016	Other financial liabilities at amortized cost	Liabilities at fair value with changes in income*	Total
Financial liabilities:			
Suppliers and supplier financing program	$ 2,216,759		$ 2,216,759
Related parties	187,316		187,316
Other accounts payable	572,832		572,832

* Fair value of cash equivalents is determined on the basis of market quotes.

The financial instruments recorded at fair value in the statement of financial position are classified on the basis of the manner in which fair value is determined.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Information other than quoted prices included in level 1 that can be confirmed for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (level 2).
- Information on the asset or liability not based on data that can be confirmed in active markets (i.e., unobservable information) (level 3).

There were no changes in valuation techniques during the period.

a. Level 1 financial Instruments

The fair value of financial instruments quoted in active markets is based on market price quotations at the date of the statement of financial position. A market is considered to be active when quoted prices are easily and frequently accessible via an agent, industrial group, quotation service or regulatory agency and those prices represent actual and frequent transactions at market value. The market value used for the company's financial assets is the bid price. Instruments listed in level I include cash equivalents (federal government debt).

December 31, 2017	Book value	Level I
Cash equivalents	$ 2,066,128	$ 2,066,128

December 31, 2016	Book value	Level I
Cash equivalents	$ 1,945,932	$ 1,945,932

b. Level 2 financial Instruments

The fair value of financial instruments not traded in an active market is determined via valuation techniques. Those valuation techniques maximize the use of observable market data when available, and little trust is placed in the entity's specific estimations. If all significant data required to measure a financial instrument at fair value are observable, the instrument is classified as Level 2. If one or more relevant variables is/are not based on observable market information, the instrument is classified as Level 3.

c. Level 3 financial Instruments

Level 3 – fair value derived from valuation techniques that include indicators for assets or liabilities not based on observable market information. In the years ended December 31, 2011 and 2016, there were no transfers between levels 1 and 2.

At December 31, 2017 and 2016, the fair value of financial assets and financial liabilities recognized at amortized cost approximate their book value, as they are very short term.

The fair value of the following financial assets and liabilities approximate their book value:

- Trade and other accounts receivable
- Cash and cash equivalents (excluding bank overdrafts).
- Suppliers (includes financial factoring lines) and other accounts payable
- Related parties

NOTE 7 – CREDIT QUALITY OF FINANCIAL INSTRUMENTS:

The credit quality of financial assets that are neither past–due or impaired is evaluated high with respect to external risk ratings, when available, or are based on historical information on counterparty default indexes.

	December 31,			
		2017		2016
Bank deposits AAA	$	465,771	$	1,269,407
AAA–rated investments		2,066,128		1,945,932
	$	2,531,899	$	3,215,339
Accounts receivable with external risk ratings:				
American Express Bank (México) AMEX mxA–1 cards	$	85,162	$	65,539
Accounts receivable with no external risk ratings:				
From third parties	$	55,045	$	50,275
From leases		14,733		23,685
From related parties		282		786
	$	70,060	$	74,746

Accounts receivable from third parties include balances with entities issuing grocery coupons for which there are no risk ratings.

The average term for recovery of accounts receivable from the leasing of commercial locales and promotional space to third parties is three months at December 31, 2017 and 2016.

There has been no noncompliance as concerns accounts receivable from related parties; all have been recovered.

Following are movements of the estimation for impairment of loans and accounts receivable for the period ended on December 31, 2017 and 2016:

		2017		2016
Beginning balance at January 1	$	13,557	$	2,303
Increases		–		11,254
Applications		(3,812)		–
Ending balance at December 31	$	9,745	$	13,557

NOTE 8 – CASH AND CASH EQUIVALENTS:

The balance of cash and cash equivalents at December 31, 2017 and 2016 is as follows:

	December 31,			
		2017		2016
Cash	$	13,344	$	10,024
Bank deposits		465,771		1,269,407
Investments payable on demand		2,066,128		1,945,932
Total cash and cash equivalents	$	2,545,243	$	3,225,363

Cash and temporary investments are held at recognized financial entities and the Company has historically experienced no losses due to credit risk concentration.

NOTE 9 – CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE AND CREDITABLE AND RECOVERABLE TAX:

	December 31,			
	2017		2016	
Customers (net of estimation)	$	69,778	$	73,960
Sundry debtors		72,942		30,179
Advances for expenses		18,802		10,599
	$	161,522	$	114,738
Creditable and recoverable taxes				
Value-added tax	$	406,370	$	230,733
Excise tax		106,789		69,188
Company tax withheld		32,860		33,881
	$	546,019	$	333,802

At December 31, 2017 and 2016, there are no significant overdue accounts receivable.

NOTE 10 – INVENTORIES:

	December 31,			
	2017		2016	
Merchandise held for sale	$	2,376,227	$	2,082,285

Cost of sales pertaining to inventory write-offs at December 31, 2017 and 2016 amount to $80,455 y $78,703. At December 31, 2017 and 2016, the value of inventory recorded in the statement of income totaled $12,075,287 and $10,812,870, respectively.

NOTE 11 – PREPAYMENTS:

	December 31,			
	2017		2016	
Prepayments				
Prepaid leases	$	–	$	23,802
Insurance premiums		13,688		5,412
Other prepayments		7,705		7,927
	$	21,393	$	37,141

Amortization of prepaid leases recorded in selling expenses totaled $23,538 and $23,538, respectively, at December 31, 2017 and 2016.

NOTE 12 – INVESTMENT PROPERTIES

		Land		Buildings and construction		Total
At January 4, 2016						
Starting balance	$	337,830	$	151,575	$	489,405
Depreciation		–		(3,032)		(3,032)
Ending balance	$	337,830	$	148,543	$	486,373
At December 31, 2016						
Cost	$	337,830	$	171,113	$	508,943
Accumulated depreciation		–		(22,570)		(22,570)
Ending balance	$	337,830	$	148,543	$	486,373

		Land		Buildings and construction		Total
At January 1, 2017						
Starting balance	$	337,830	$	148,543	$	486,373
Acquisitions		52,440		223,029		275,469
Transfers		27,196		63,967		91,163
Disposals		(49,156)		(47,859)		(97,015)
Depreciation		–		(3,942)		(3,942)
Ending balance	$	368,310	$	383,738	$	752,048
At December 31, 2017						
Cost	$	368,310	$	449,525	$	817,835
Accumulated depreciation		–		(65,787)		(65,787)
Ending balance	$	368,310	$	383,738	$	752,048

Investment properties are valued at cost, less any accumulated depreciation and impairment losses. At December 31, 2017 and 2016, the fair value of investment properties was similar to their book value given that as a result of preparations for conducting the transaction mentioned in Note 1 to the financial statements, one of the Company's subsidiaries acquired investment properties at market value. The level 2 fair value of those assets is determined by the method for comparing the production or replacement prices of a similar property by applying construction market values in effect at the date of the appraisal, based on the features of the property, as affected by depreciation attributable to factors such as age, condition, obsolescence, functionality, etc.. Depreciation of investment properties is recorded in selling expenses, and totaled $3,942 and $3,032 at December 31, 2017 2016. No losses were recorded due to impairment of recoverable value. At December 31, 2017 and 2016, there are no restrictions on the use of said investment properties.

In June 2017, the Company acquired 100% of the shares of Agrupación Mexicana de Inmuebles, S. A. de C. V. (AMIS), whose principal assets consist of a piece of land and a building. From an IFRS 3 evaluation, the Company concluded that said share acquisition did not qualify as a business acquisition (see Note 2.28) but rather as an asset acquisition, and has therefore recorded those assets under investment properties, which, based on the IAS 20 exception, generate no temporary differences for recognition of deferred tax (see Note 2.19). The fair value of assets acquired in the AMIS purchase is $52,440 per unit of land and $221,140 per building, which is recorded in the financial statements net of cash paid and is the price paid in the transaction.

In December 2017, the Company sold to its related party Inverglez S. de R. L. de C. V., (Inverglez) two of nine sections of the investment property "Plaza Comercial Solesta (Solesta)", adjoining the City Market Solesta store in the state of Puebla, which will continue to be owned by the Company. Company management considers that the remaining sections will be sold in 2018 and subsequent periods based on the decision an agreement between Company management and Inverglez for the disposal of those assets.

The effect of selling those two sections to Inverglez are described below:

		Amount
Sales price of the two sections	$	300,722
Book value of the two sections belonging to Solesta		(105,198)
Profit from the disposal of the two sections belonging to Solesta (see Note 22)	$	195,524

The remaining seven Solesta sections were reclassified from property, furniture and equipment and leasehold improvements to investment properties, as follows:

		December 31, 2017
Land	$	55,459
Building		64,049
Total	$	119,508

NOTE 13 – PROPERTY, FURNITURE AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS – NET:

Property, furniture and equipment and leasehold improvements are expressed as follows:

	Land	Buildings and constructions	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in process and others *	Total
At December 31, 2016								
Opening balance	$ 3,592,739	$ 2,829,611	$ 1,719,315	$ 24,980	$ 212,407	$ 16,031	$ 313,218	$ 8,708,301
Acquisitions	84,349	380,103	338,394	303,141	100,739	15,256	120,064	1,342,046
Disposals	(26,309)	(9,741)	(17,355)	(6,350)	(1,239)	(1,843)	–	(62,837)
Depreciation	–	(79,657)	(190,693)	(4,840)	(87,877)	(2,079)	–	(365,146)
Ending balance	$ 3,650,779	$ 3,120,316	$ 1,849,661	$ 316,931	$ 224,030	$ 27,365	$ 433,282	$ 9,622,364
At December 31, 2016								
Cost	$ 3,650,779	$ 3,474,587	$ 2,114,379	$ 321,627	$ 334,250	$ 30,206	$ 433,282	$ 10,359,110
Accumulated depreciation	–	(354,271)	(264,718)	(4,696)	(110,220)	(2,841)	–	(736,746)
Ending balance	$ 3,650,779	$ 3,120,316	$ 1,849,661	$ 316,931	$ 224,030	$ 27,365	$ 433,282	$ 9,622,364
At December 31, 2017								
Opening balance	$ 3,650,779	$ 3,120,316	$ 1,849,661	$ 316,931	$ 224,030	$ 27,365	$ 433,282	$ 9,622,364
Acquisitions	310,995	242,053	604,664	182,543	146,518	14,821	367,260	1,868,854
Disposals	(17,125)	(22,146)	(40,502)	(7,238)	(1,094)	(180)		(88,285)
Transfers	(47,196)	(43,967)	–	–	–	–	–	(91,163)
Depreciation		(67,120)	(236,255)	(19,661)	(121,487)	(4,051)		(448,574)
Ending balance	$ 3,897,453	$ 3,229,136	$ 2,177,568	$ 472,575	$ 247,967	$ 37,955	$ 800,542	$ 10,863,196
At December 31, 2017								
Cost	$ 3,897,453	$ 3,650,527	$ 2,678,541	$ 496,932	$ 479,674	$ 44,847	$ 800,542	$ 12,048,516
Accumulated depreciation		(421,391)	(500,973)	(24,357)	(231,707)	(6,892)		(1,185,320)
Ending balance	$ 3,897,453	$ 3,229,136	$ 2,177,568	$ 472,575	$ 247,967	$ 37,955	$ 800,542	$ 10,863,196

* Others includes advances for the acquisition of equipment and improvements to locales under construction for $263,964 and $341,003, respectively, at December 31, 2017 and 2016, which, when finished, will be reclassified to the specific caption to which they belong.

Property, furniture, and equipment and Leasehold improvements are recorded at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation for the period was recorded under selling expenses, administrative expenses and cost of sales and amounted to $405,698, $26,901 and $15,975 and $339,963, and $13,465 and $11,718, respectively, at December 31, 2017 and 2016.

The balance of work in progress at December 31, 2017 and 2016 corresponds to sundry projects in which the Company is building certain stores and remodeling others.

NOTE 14 – INTANGIBLE ASSETS – NET:

	Brand rights December 31,	
	2017	2016
Starting balance	$ 6,277,998	$ 6,277,998
Effect for the period	–	–
Ending balance	$ 6,277,998	$ 6,277,998

At December 22, 2014,CCM sold to CCF (the Company's most significant subsidiary) its rights to the "Comercial Mexicana" brand names (the Brand Names) registered in its name at the Mexican Institute of Industrial Property. The rights to the distinctive "Comercial Mexicana" brand names are a fully identifiable asset generating present and future economic benefits, as current business structures applied by the Company in the self-service market in Mexico are operated under different "Comercial Mexicana" brand names, which are recognized by the public and are generating direct economic benefits that allow the Company to operate as a going concern (see Note 2.13).

Prior to the spinoff described in Note 1, CCF assigned to Soriana certain brand names under a two-year trademark license, which brand names are restricted as specified in Note AD.iii to the consolidated financial statements.

CCF properties hold brand names that are recognized and positioned in the market, such as: “City Market” and “Fresko”. Furthermore, once the term for Soriana to make use of the "Comercial Mexicana" brand name has elapsed, it may once again be used by the Company. Likewise, CCF also owns campaigns such as “Miércoles de Plaza” and brand names of specific products such as “Golden Hills” and “Farmacom”. The 281 brand names owned by the Company are for variable terms, some expiring in the period from 2015 to 2024. When they expire, administrative procedures must be conducted with the authorities so that they may continue to operate.

The Company runs impairment tests on intangible assets once a year or when there are indications of impairment. At December 31, 2017 and 2016, there was no impairment to be recorded.

The Company determined an indefinite useful life based on an analysis of the following factors:

- The store names currently owned by the Company operate via the use of Brand Names, and Company management has reasonable expectations as to the continuity of that arrangement in the future. The Brand Names have operated in the Mexican retail market for many years, managed by different management teams, and have been consolidated in the Mexican market into a top quality brand more than 50 years old, that has become a household name in Mexico.

- The self–service store retail sector in which the Brand Names operate Is a very stable market with very low risk of obsolescence, mainly due to the consumer products sold at the stores, i.e., perishables, general merchandise, etc. No significant changes are expected in demand, because although new brand names come on the market, the purchasing behavior of basic consumer items (perishables, fruit and vegetables, groceries, etc.) remains constant.

- The competition for the Brand Names in the market is fully identified. The self–service retail market in Mexico is occupied by large chains of stores offering products to different public sectors, and Comercial Mexicana has its own space within that market, as it is focused on a very specific consumer sector via its premium formats, which have been successfully positioned among consumers.

- The steps that need to be taken by the Company in order to ensure that its Brand Names continue to be a profitable asset are basically its strategic plan for business continuity (the capacity to keep up and increase consumption at its stores), which to a great extent depends on factors such as the quality of the products sold in those stores, the quality of the service provided to consumers, competitive product prices, investments in remodeling to keep the stores on the cutting edge, periodic maintenance of store interiors and exteriors, periodic training of the labor force and value relations with business partners, among others, which generally contribute to ensuring that the Company continues to occupy its position within the Mexican retail sector.

- The rights to the Brand Names are owned by the Company which means it exercises complete control over them.
- The lifetime of the Brand Names depends largely on proper management of the business by the Company, and therefore on its capacity to remain in operation as a going concern.

Impairment testing of brand names

The Company conducts annual tests to determine whether the value of the rights to the Brand Names have experienced any impairment. At December 31, 2017, the company ran the respective tests, and determined that no impairment adjustments were required.

The recoverable value of the Cash Generating Units (CGU) is based on calculations of their value in use. The value in use of the CGUs is determined via after-tax discounted future cash flow projections, based on historical results and expectations concerning future market development contained in the business plan. Management uses certain estimates to determine value in use (Note 2.5).

Impairment tests are based on the following assumptions:

	Value
After-tax discount rate	10.0%
Average medium-range EITDA margin	9.2%
Medium-term rate for growth in sales used to calculate expected future results	12.7%
Residual value	10x EBITDA most recent year

If the discount rates in the year ended on December 31, 2017 were three percentage points higher/lower, there would be no need to recognize an impairment provision.

If projected EBITDA flows were 3% higher/lower, there would be no need to recognize an impairment provision

If performance of the business or its future cash-generation perspectives suffer a significant setback, the Company will be required to record impairment in the value of its brand names, which would impact its financial statements.

NOTE 15 – OTHER ASSETS:

	Assignment of the rights to use and operate self-service stores	Others	Total
December 31, 2017			
Starting balance	$ 1,011,451	$ 5,346	$ 1,016,797
Investments	1,290	1,290	
Amortization	(126,446)	(890)	(127,336)
	885,005	5,746	890,751
Less short-term	(126,446)	–	(126,446)
Ending long-term balance	$ 758,559	$ 5,746	$ 764,305
Cost	$ 1,197,901	$ 6,636	$ 1,204,537
Accumulated amortization	(312,896)	(890)	(313,786)
Ending balance	$ 885,005	$ 5,746	$ 890,751

	Assignment of the rights to use and operate self-service stores	Others	Total
31 de diciembre de 2016			
Starting balance	$ 1,141,973	$ 5,346	$ 1,147,319
Investments	–	–	–
Amortization	(130,522)	–	(130,522)
	1,011,451	5,346	1,016,797
Less short-term	(126,446)	–	(126,446)
Ending long-term balance	$ 885,005	$ 5,346	$ 890,351
Cost	$ 1,197,901	$ 5,346	$ 1,203,247
Accumulated amortization	(186,450)	–	(186,450)
Ending balance	$ 1,011,451	$ 5,346	$ 1,016,797

At December 31, 2017 and 2016, the balance of the assignment of the rights to use and operate self-service stores of certain branches acquired by the Company as a result of the transaction mentioned in Notes 1A and 1D to the financial statements is $885,005 and $1,011,451, respectively. The useful lives of the rights to use and operate self-service stores are determined on the basis of the terms specified in the leasing contracts, i.e., from five to 10 years. Amortization of that intangible asset is calculated by the straight-line method so as to distribute the cost at residual value over the estimated useful lives, which averaged 10 years.

Amortization for the period of $123,676 and $2,770 was recorded in selling expenses and cost of sales at December 31, 2017, and $127,752 and $2,770 in selling expenses and cost of sales at December 31, 2016.

Noncurrent assets consist of lease payment deposits for certain locales rented by the Company.

NOTE 16 – SUPPLIERS AND SUPPLIER FINANCING PROGRAM:

The bulk of the suppliers balance is in Mexican pesos. However, at December 31, 2016, there is a balance of USD431 and €409. Of the balance in foreign-currency owed to suppliers, some accounts are settled by means of letters of credit. At December 31, 2017 and 2016 that balance was USD846 and €33, and USD269 and €365, respectively.

The Company has established the following supplier financing programs, whereby they may discount their documents at the financial entities mentioned below: The balance payable arising from these programs is recorded under the suppliers account in the statement of financial position.

Banca Mifel S. A., Institución de Banca Múltiple, Grupo Financiero Mifel, S. A. de C. V. credit line

In the second quarter of 2015, one of the Company's subsidiaries signed a supplier-factoring agreement of up to $350,000 with Banca Mifel. At December 31, 2017 and 2016, the Company's suppliers have used $143,266 and $106,121 of the line, respectively. The unused portion for 2017 and 2016 is $206,733 and $243,879, respectively.

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In 2017 and 2016, the Company signed a supplier-factoring agreement of up to $120,000. At December 31, 2017 and 2016, the Company's suppliers have used $64,005 and $62,617 of the line, respectively. The unused portion for 2017 and 2016 is $55,994 and $57,383, respectively.

NOTE 17 – OTHER ACCOUNTS PAYABLE:

The other accounts payable balance at December 31, 2017 and 2016 is as follows:

	December 31,	
	2017	2016
Sundry creditors	$ 110,260	$ 231,626
Deferred income due to loyalty programs	52,294	75,847
Guarantee deposits received	30,133	25,915
Other accounts payable	317,148	239,444
Total other accounts payable	$ 509,835	$ 572,832

NOTE 18 – PROVISIONS:

		Contingencies		Employee bonuses and gratuities		Store maintenance		Property tax		Total
At January 01, 2017	$	69,576	$	94,600	$	5,323	$	659	$	170,158
Charged to income		1,935		231,723		1,327		–		234,985
Used in the year		(2,086)		(194,943)		(1,331)		(659)		(199,019)
At December 31, 2017	$	69,425	$	131,380	$	5,319	$	–	$	206,124
At January 4, 2016	$	69,576	$	148,594	$	3,755	$	1,484	$	223,409
Charged to income		–		572,857		2,826		7,019		582,702
Used in the year		–		(626,851)		(1,258)		(7,844)		(635,953)
At December 31, 2016	$	69,576	$	94,600	$	5,323	$	659	$	170,158

The provision for bonuses is paid within the first three months following the year–end closing.

At December 31, 2017 and 2016, the provision stands at $69,425 and $69,576, respectively, calculated to cover possible adverse results of labor and administrative contingencies and official reviews.

NOTE 19 – EMPLOYEE BENEFITS:

The value of obligations for defined benefits at December 31, 2017 and 2016 was $77,911 and $69,236, respectively, as shown below:

	December 31,			
		2017		2016
a. Retirement benefits	($	6,337)	($	3,866)
b. Seniority premium		48,800		43,756
c. Retirement health policy		35,448 *		29,346
Employee benefits	$	77,911	$	69,236

* The Company has established an additional retirement plan providing a health retirement benefit for a certain group of employees, which gives rise to an additional liability.

The net cost for the period (NCP) for the years ended Sunday, December 31, 2017 and 2016 is as follows:

	December 31,			
		2017		2016
Retirement benefits	($	301)	$	35
Seniority premium		8,896		10,380
Retirement health policy		6,224		324
	$	14,819	$	10,739

a. Retirement benefits

The economic hypotheses used in nominal and real terms were as follows:

	2017		2016	
	Nominal	Real	Nominal	Real
Discount rate	7.80%	4.15%	7.80%	4.15%
Inflation rate	3.50%	N/A	3.50%	N/A
Salary increase rate	5.05%	1.50%	5.05%	1.50%
Help sector increase rate	15.00%	11.11%	15.00%	11.11%

The CNP is comprised as follows:

	December 31,	
	2017	2016
Cost of services for the year	($ 301)	$ 35
CNP of retirement benefits	($ 301)	$ 35

The amount shown as a (liability) asset in the consolidated statement of financial position is comprised as follows:

	December 31,	
	2017	2016
Obligations for defined benefits	$ 24,682	$ 30,478
Fair value of plan assets	(31,019)	(34,344)
Liability in the statement of financial position	($ 6,337)	($ 3,866)

Defined benefit obligation movements were as follows:

	2017	2016
Starting balance at January	$ 30,478	$ 40,460
Financial cost	2,169	2,521
Actuarial profits	(2,416)	(5,143)
Benefits paid	(5,549)	(7,360)
Ending balance at December 31,	$ 24,682	$ 30,478

Movements in net projected liabilities were as follows:

	2017	2016
Starting balance at January	$ 3,866	($ 28)
Provision for the year	301	(35)
Actuarial profits	2,170	3,929
Ending balance at December 31,	$ 6,337	$ 3,866

Movements in net projected liabilities were as follows:

	2017	2016
Starting balance at January	$ 34,344	$ 40,433
Financial yields on assets	2,471	2,486
Actuarial profits	(247)	(1,215)
Benefits paid	(5,549)	(7,360)
Ending balance at December 31,	$ 31,019	$ 34,344

The main categories of plan assets at the year–end closing are:

	VFair value of plan assets at December 31,			
		2017		2016
Debt instruments	$	21,525	$	26,883
Capital instruments		9,494		7,461
	$	31,019	$	34,344

b. Seniority premiums

The economic hypotheses used in nominal and real terms were as follows:

	December 31, **2017**		December 31, 2016	
	Nominal	Real	Nominal	Real
Discount rate	7.80%	4.15%	7.80%	4.15%
Inflation rate	3.50%	N/A	3.50%	N/A
Salary increase rate	4.64%	1.10%	4.64%	1.10%

The CNP is comprised as follows:

	December 31,			
		2017		2016
Cost of services for the period	$	5,499	$	4,340
Financial cost– Net		3,267		2,747
Labor cost due to reduction		–		1,040
Labor cost due to past service		130		2,253
CNP of seniority premiums	$	8,896	$	10,380

The amount shown as a liability in the consolidated statements of financial position is comprised as follows:

	December 31,			
		2017		2016
Obligations for defined benefits	$	48,804	$	44,124
Fair value of plan assets		(4)		(368)
Liability in the statement of financial position	$	48,800	$	43,756

Movements in net projected liabilities were as follows:

		2017		2016
Starting balance at January	$	43,756	$	40,630
Provision for the year		8,896		10,390
Benefits paid and charged to net liabilities		(3,928)		(7,785)
Actuarial losses		76		521
Ending balance at December 31	$	48,800	$	43,756

Defined benefit obligation movements were as follows:

		2017		2016
Starting balance at January	$	44,124	$	41,419
Labor cost of service		130		2,263
Labor cost		5,499		4,340
Financial cost		3,291		2,802
Actuarial profits and losses		(280)		531
Actuarial profits and losses due to severance pay		–		1,040
Benefits paid		(3,960)		(8,271)
Ending balance at December 31,	$	48,804	$	44,124

Movements in plan assets were as follows:

		2017		2016
Starting balance at January	($	368)	($	789)
Financial yields on assets		(25)		(54)
Actuarial profits and losses		356		(11)
Benefits paid		33		486
Ending balance at December 31,	($	4)	($	368)

The main categories of plan assets at the period end are:

	Fair value of plan assets at December 31,			
		2017		2016
Debt instruments	($	3)	($	288)
Capital instruments		(1)		(80)
	($	4)	($	368)

c. The Retirement Health Policy

The cost of the retirement health provision is comprised as follows:

	December 31,			
		2017		2016
Retirement health plan	$	6,224	$	324
Retirement health plan cost	$	6,224	$	324

The reserve for the retirement health defined contribution liability was as follows:

		2017		2016
Starting balance at January	$	29,346	$	25,190
Retirement health plan		6,224		324
Effective plan recognition		–		4,018
Benefits paid		(122)		(186)
Ending balance at December 31	$	35,448	$	29,346

Plans in Mexico generally expose the Company to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk, as shown below:

Investment risk – The expected rate of return for investment funds is equivalent to the discount rate, which is calculated on the basis of a discount rate determined with reference to long-term government bonds. If the return on assets is below that rate, that gives rise to a plan deficit. The plan currently has a majority investment in debt instruments.

Interest rate risk – A reduction in the interest rate increases plan liabilities. Rate volatility depends exclusively on the economic environment.

Longevity risk – The present value of the defined benefit obligation is calculated on the basis of the best estimation for mortality of plan participants. An increase in life expectancy of the plan participants increases the liability.

Salary risk – The present value of the defined benefit obligation is calculated on the basis of participants' future salaries. Therefore, any increase in participant salary expectations increases plan liabilities.

NOTE 20 – RELATED PARTIES:

The main balances held with related parties at December 31, 2017 and 2016 are shown below:

	December 31,			
		2017		2016
Receivable from affiliates				
Recolectapapel, S. A. de C. V.	$	187	$	574
Bed Bath & Beyond, S. de R. L. de C. V.		79		55
Other related parties		16		157
Total	$	282	$	786
Payable to affiliates:				
VCT & D&G de México, S. A. de C. V. [a]	$	13,873	$	9,556
Mercantil Cuautitlán, S. A. de C. V.		11,859		11,322
Alimentos del Campo y Ganadería, S. A. de C. V. [a]		4,947		3,910
Importadora y Distribuidora Ucero, S. A. de C. V. [a]		4,311		2,464
Other related parties		2,355		1,924
Distribuidora de Productos Pha, S.A. de C.V. [a]		1,988		–
Operadora de Servicios Tirsa, S. de R.L. de C.V. [a]		1,829		–
Manufacturas y Confecciones Agapsa, S. A. de C. V. [a]		1,783		1,475
Unimold, S. A. de C. V. [a]		587		314
Nova Distex, S. A. de C. V. [a]		408		494
Seamless Global Solutions, S. A. de C. V. [a]		330		329
Comercial Reyport, S. A. de C. V. [a]		59		316
ALO Innovations, S. A. de C. V. [a]		6		1,120
Inverglez, S. de R. L. de C. V. [f]		–		152,077
Rigiflex, S. A. de C. V. [a]		–		2,015
	$	44,335	$	187,316

During the year ended December 31, 2017 and 2016, the following operations were conducted with related parties as if the compensation agreed on those operations were equivalent to that used in similar operations with independent third parties. At December 31, 2017 and 2016, balances with related parties result from the following transactions:

	December 31,			
		2017		2016
Disbursements:				
Civil works	$	286,935	$	95,878
Purchase of merchandise		265,360		241,649
Services		69,278		143,788
Brochures		10,138		14,511
Others		1,029		–
Total	$	632,740	$	495,826

	December 31,			
		2017		2016
Income:				
Sale of property, furniture and equipment and leasehold improvements *	$	300,722	$	–
Leases and other services [e]		56,522		32,530
Sale of companies [g]		–		163,384
Total	$	357,244	$	195,914

[a] Corresponds to purchases of different merchandise such as clothing, groceries, household items and general products for sale to the public through the stores, principally from Mercantil Cuautitlán, S. A. de C. V., VCT & DG de México, S. A de C. V., and Alimentos del Campo y Ganadería, S. A. de C. V.

[b] Corresponds to executive services provided to one of the affiliates of the group.

[c] Corresponds to payments for construction services at some of the new stores opened during the year. Those services were provided by SIRP Contratistas, S. A. de C. V. and Constructora Tiloxtoc, S. A. de C. V.

[d] Corresponds to the purchase of flyers and other printed material, principally from Centro Gráfico Industrial, S. A. de C. V., for distribution to customers at the stores.

e Income received from the lease of locales, principally from Operadora OMX, S. A. de C. V., Bed Bath and Beyond, S de R. L de C. V., Inverglez S de R. L. de C. V. and Tintorerías Gofer, S. A. de C. V.

f Deposit received to secure lease payments not covered and/or future repairs at a mall in Puebla owned by the Company.

g Sale of shares of some of the Company's subsidiaries which were sold to certain directors with significant influence not forming part of Company consolidation. See Note 2.10

* See Note 12.

Remuneration of key management personnel:

Total direct short-term benefits provided to key management personnel or relevant directors totaled $124 million and $104 million at December 31, 2017 and 2016, respectively (see Note 2.20).

NOTE 21 – COSTS AND EXPENSES CLASSIFIED BY TYPE:

The cost of sales and administration and selling expenses are comprised as shown below:

	December 31,	
	2017	2016
Cost of sales	$ 12,422,865	$ 11,147,610
Employee compensation and benefits	1,615,782	1,446,926
Depreciation and amortization	583,755	507,750
Administrative services	371,326	353,985
Leases and maintenance	262,932	203,715
Other *	793,298	671,526
Total	$ 16,049,958	$ 14,331,512

* Includes cleaning, packaging, containers, labels, insurance and bonding premiums, property tax and other minor items.

Following is a breakdown of personnel compensation and benefits:

	December 31,	
	2017	2016
Salaries and bonuses	$ 1,435,028	$ 1,094,702
Other remunerations	180,754	352,224
	$ 1,615,782	$ 1,446,926

Other remunerations include mainly employer Social Security dues and major medical expenses.

NOTE 22 – OTHER INCOME AND OTHER EXPENSES:

	December 31,	
	2017	2016
Other income		
Other income from products imported on behalf of third parties	$ –	$ 141,605
Income from the sale of property, furniture and equipment and improvements	204,351	2,320
Recovery from prior periods	36,671	–
Refund of restated favorable tax	3,480	2,092
Other	12,100	9,479
Total other income	$ 256,602	$ 155,496
Other expenses		
Cost of products imported on behalf of third parties		$ 141,605
Disposal of property, furniture and equipment and improvements	$ 34,307	
Losses from accidents	12,346	359
Restatement of tax paid in preceding periods	–	1,222
Donations	11,823	4,111
Other	12,151	18,435
Total other expenses	$ 70,627	$ 165,732

NOTE 23 – FINANCE EXPENSES AND INCOME:

	December 31,			
	2017		2016	
Financial expenses				
Interest payable	$	4,417	$	3,842
Exchange loss		101,929		31,026
	$	106,346	$	34,868
Financial income				
Interest receivable	$	166,660	$	113,289
Exchange gain		63,333		45,028
	$	229,993	$	158,317

NOTE 24 – CURRENT AND DEFERRED TAXES ON INCOME:

Income tax

The Company and its subsidiaries determined a tax profit of $103,808 and $45,918 in December 2017 and 2016, respectively. The tax result differs from the book result mainly due to items accrued over time and deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items only affecting the consolidated book or tax result.

The Income Tax Law establishes that income tax applicable in 2017 and 2016 and subsequent periods is 30% of taxable profit.

The income tax provision is analyzed as follows:

	December 31,			
	2017		2016	
Income tax incurred	$	22,612	$	13,821
Deferred income tax		90,331		72,979
	$	112,943	$	86,800

At December 31, 2017 and 2016, the principal temporary differences on which deferred income tax was recorded are shown net in the statement of financial position for comparison purposes, and are analyzed as follows:

Breakdown of deferred income tax

	December 31,			
	2017		2016	
Deferred income tax asset				
Liability and other provisions	$	175,128	$	188,033
Property, furniture and equipment and leasehold improvements and investment properties		28,335		49,889
Unamortized tax losses		490,592		267,303
	$	694,055	$	505,225
Deferred income tax liability				
Property, furniture and equipment and leasehold improvements	($	35,465)	($	45,073)
Intangible assets		(518,153)		(229,384)
	($	553,618)	($	274,457)

Deferred tax assets and liabilities are analyzed as follows:

	December 31,			
	2017		2016	
Deferred tax asset				
Deferred tax to be recovered within the following 12 months	$	150,339	$	158,464
Deferred tax asset to be recovered after 12 months		543,716		346,761
	$	694,055	$	505,225

	December 31, 2017	December 31, 2016
Deferred tax liability		
Deferred tax liability payable within the following 12 months	($ 5,660)	$ –
Deferred tax liability payable after 12 months	(547,958)	(274,457)
	($ 553,618)	($ 274,457)

Net movements of deferred tax assets and liabilities during the year are explained as follows:

Deferred tax asset:	Properties, improvements, furniture and equipment an investment properties	Liability provisions and others	Tax losses	Total
At January 4, 2016	$ 107,186	$ 190,804	$ 64,161	$ 362,151
Effect on the statement of income	(57,297)	(2,771)	203,142	143,074
At December 31, 2016	$ 49,889	$ 188,033	$ 267,303	$ 505,225
Effect on the statement of income	(21,554)	(12,905)	223,289	188,830
At December 31, 2017	$ 28,335	$ 175,128	$ 490,592	$ 694,055

deferred tax liability	Properties, furniture and equipment leasehold improvements	Intangible assets	Total
At January 4, 2016	($ 65,421)	$ 7,018	($ 58,403)
Effect on the statement of income	20,348	(236,402)	(216,054)
At December 31, 2016	($ 45,073)	($ 229,384)	($ 274,457)
Effect on the statement of income	9,608	(288,769)	(279,161)
At December 31, 2016	($ 35,465)	($ 518,153)	($ 553,618)

Deferred tax due to the existence of profits not yet distributed to the subsidiaries has not been recorded because the Company is in a position to control the point at which temporary differences associated with investments are reversed or said profits are not subject to income tax, as they arise from the CUFIN.

The deferred income tax charge related to components of other comprehensive income is as follows:

	December 31, 2017	December 31, 2016
After-tax employee benefits	$ 1,112	$ 3,206

Following is a reconciliation of the rate incurred and the effective consolidated income tax rate:

	Year ended on December 31, 2017		2016
Income before income tax	$ 895,143	$	539,033
Incurred income tax rate	30%		30%
Income tax at the statutory rate	268,543		161,710
Plus (less) effect on income tax of the following items:			
Annual adjustment for inflation	9,037		(7,017)
Non–taxable income	(3,540)		(1,748)
Other items	(161,097)		(66,145)
	(155,600)		(74,910)
Income tax recorded in income	$ 112,943	$	86,800
Effective income tax rate	13%		16%

Unamortized tax losses

Tax losses whose right to be amortized against future profits spire as shown below:

Date	Amount
2022	$ 50,535
2023	22,044
2024	427
2025	132,028
2026	703,819
2027	751,197
Total	$ 1,660,050

NOTE 25 – STOCKHOLDERS' EQUITY:

The capital stock is composed of shares with no par value, of which Series B are ordinary and have voting rights and Series C are neutral, with no voting rights. Shares are grouped into units, which can be of the UB type (made up of four Series B shares), or the UBC type (made up of three Series B shares and one Series C share).

At December 31, 2017, the following shares are subscribed and paid in. 1,086,000,000 units, of which in 2017 and 2016, 626,775,944 are type UB and 459,224,056 are type UBC, respectively. Those units are quoted on the MSE.

Nominal subscribed and paid in capital stock totals $1,086,000, represented by 1,086,000,000 UB and UBC units.

The $1,086,000 paid in nominal capital stock is composed of cash contributions of $94,938, capitalized profits of $806,652 and $184,410 corresponding to the capitalization of the effects of restatement.

At December 31, 2017 and 2016, the majority stockholders have placed their investment in a trust managed by ScotiaBank Inverlat, S. A., which includes 605,404,798 UB units representing 56% of the capital stock and 62% of voting rights, respectively.

Capital reserves

Capital reserves are comprised as follows:

	December 31, 2017		2016
Legal reserve	$ 217,200	$	117,253
Reserve for repurchase of shares	1,482,444		1,426,948
	$ 1,699,644	$	1,544,201

At December 31, 2017 and 2016, the Company holds a reserve for the repurchase of shares of $1,482,444 and $1,426,948, respectively. That reserve varies depending on Company purchases and sales in the stock market. At December 31, 2017 and 2016, the Company purchased 1,531,880 and 4,247,198 units, respectively, sold units totaling 225,252, and held 1,306,628 and 4,247,198 units in treasury, respectively

Net income is subject to the legal provision requiring at least 5% of income for each year to be set aside to increase the legal reserve until it is equal to one fifth of the capital stock. At December 31, 2017 and 2016, the Company had covered the portion of the legal reserve required by the tax provisions.

Dividends are free from income tax if paid out from the After Tax Earnings Account (CUFIN). Dividends in excess of that account are subject to 42.86% tax if paid in 2018. Tax is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed profits are subject to no tax withholding or additional tax payments. At December 31, 2017 and 2016, the CUFIN totaled approximately $ 3,590,616 and $3,362,948, respectively.

As of 2014, the Income Tax Law establishes an additional 10% tax on earnings generated as from 2014 from dividends paid to parties resident abroad and to Mexican individuals.

The Income Tax Law provides a tax incentive to individuals resident in Mexico subject to the additional 10% tax on dividends or profits distributed.

The incentive is applicable provided said dividends or profits are generated in 2014, are reinvested in the entity generating the profits and consist of a tax debt equivalent to the amount arrived at by applying the percentage for the year in which the dividends are paid (see below):

Year of distribution of the dividend or profit	Percentage of application to dividends or profits distributed (%)
2017	1
2018	2
2019 onwards	5

Tax assessed can be credited only against the additional 10% income tax required to be withheld and paid by the entity, provided the requirements established in the Income Tax Law are complied with.

Entities distributing dividends or profits on shares placed among the general investing public must advise stock brokerage firms, credit institutions, investment operators, the parties distributing the shares of investment entities or any other securities–market intermediaries of the period corresponding to the profits on which dividends are being paid, so that said intermediaries can withhold the respective tax. At December 31, 2017 and 2016, no dividends had been declared.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends. At December 31, 2017 and 2016, the balance of this caption was $1,695,470 and $1,587,829, respectively.

According to IAS 29, "Hyperinflation", an entity is required to recognize the effects of financial inflation when an economy experiences 100% accrued inflation over a three–year period. Mexico was a hyperinflationary economy up to 1997, and therefore the effects of accrued inflation were recognized up to that year.

NOTE 26 – COMMITMENTS AND CONTINGENCIES:

i. The Company is involved in lawsuits and claims arising from the regular course of its operations, as well as in certain legal processes having to do with tax matters: At December 31, 2017 and 2016, there were no material open tax processes. The Company's legal advisors are of the opinion that no other tax-related legal processes will be having a significant effect, either individually or in the aggregate, on the financial position or results of operations.

ii. The Company continues to comply with the safety and hygiene measures established in the agreement between the Asociación Nacional de Tiendas de Autoservicio y Departamentales, A. C. (Antad) and the Labor Department. Therefore, no provision has been recorded for those contingencies at December 31, 2017 and 2016.

NOTE 27 – LEASES:

a. The Lessee

The Company has signed leasing agreements in Mexican pesos for certain stores, office space, warehouses and distribution centers. Certain contracts require the fixed portion of these payments to be revised annually. Certain contracts also specify variable lease payments based on store sales. Upon expiration, those contracts are expected to be renewed or replaced in the normal course of operations.

The expense for operating leases for the year ended on December 31, 2017 and 2016 was as follows:

		2017		2016
Minimum rent	$	99,491	$	94,582
Variable rent		49,171		44,503
	$	148,662	$	139,085

Minimum commitments for uncancelable operating leases at December 31, 2017 and 2016 are as follows:

For the year ending on December 31,		Amount
2018	$	94,673
2019		89,804
2020		78,637
2021		75,379
2022 and subsequent years		286,051
	$	624,544

b. The Lessor

Operating leases are related to the leasing of commercial space. Leases are for a period of one year, at the end of which, terms are renegotiated. Agreements do not establish the option to buy the leased space at the expiration date.

NOTE 28 – SEGMENT REPORTING:

Information per segment is reported on the basis of the information used by the top management in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis.

IFRS 8 requires disclosure of assets and liabilities pertaining to one segment, if measurement is regularly provided to the decision-making body; however, with respect to the Company, the Operations Committee evaluates only the performance of the operating segments based on an analysis of income and operating profit, but not of each segment's assets and liabilities.

Income reported by the Company represents the income generated by external customers, as no inter–segment sales are conducted. The Company identifies and reports the following business segment:

Group La Comer

This includes self–service store operations, corporate operations, and others.

Because the Company specializes in retail sales of merchandise to the general public, it has no main customers that would concentrate a significant percentage of total sales, and does not rely on a particular product that would represent 5% of consolidated sales.

Also, the Company operates with a broad base of different size vendors, and therefore does not rely on any particular vendor as concerns the products it sells.

Taxes and financing costs are handled at the Group level rather than within each of the segments reported. As a result, said information is not shown distributed in each of the segments reported. Operating profit and flows generated are the key performance indicators considered by Company management, which are reported every time the Board of Directors meets.

Geographic information

All Company income arising from third parties is realized in Mexico, which makes it unnecessary to disclose information by geographic segment.

NOTE 29 – AUTHORIZATION OF ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements and the notes thereto were authorized by the Company's Office of Administration and Finance on March 9, 2018 and by the Board of Directors on March 15, 2018, and are still subject to approval at a stockholders' meeting.