laComer

Annual Report **2016**

OUR STRATEGY:
BE DIFFERENT

La Comer is a retail company that specializes in supermarket stores. It operates a supermarket chain that focuses on perishable and non perishable goods, as well as specialized sections of high quality, prepared food.

Our mission is to become the supermarket chain that best serves the public with high expectation and demanding tastes , offering the best buying experience in the market, based on three key factors: quality, attention and service.

laComer

city market
LA COMER

	laComer	city market
UNITS	**29**	**7**
RETAIL AREA	**187,357** m^2	**17,902** m^2
EMPLOYEES	**4,250**	**1,405**
PRODUCTS	**35,000** skus	**25,000** skus

Spacious stores with a catalog of products that covers extensive buying needs, they offer many more goods than other store formats. Its product mix includes general merchandise, perishable and non perishable goods, and specialized, high quality deli section, bakery and coffee shop. This format targets all income sectors. Average sales area between 4,000 to 7,500 square meters.

Sophistication and specialization focused on a cultured, well educated customer with good taste on foods and drinks. This format offers special departments of wines and liquors, gourmet and organic products and several in-situ eating options, such as Pintxos, Bar do Mar and Café, among others. The product mix includes perishable and non perishable foods diversified into gourmet, organic and imported well known products. This format offers high quality services and personalized attention, focused on the middle and upper class sectors of Mexico. Average sales area is between 1,700 to 3,400 square meters.

$14,757,332
SALES

242,312
SALES AREA / m^2

59
STORES

346
COMMERCIAL SPACES

2
DISTRIBUTION CENTERS

fresko LA COMER	sumesa
	
10	**13**
27,044 m^2	**10,009** m^2
1,396	**688**
25,000 skus	**15,000** skus
A complete, comfortable and modern supermarket, with a wide variety of fresh and excellent quality perishables . It has a selection of products for the weekly needs of the families. The product mix includes perishables, non perishables and a selection of general basic home goods. It has specialized departments that offer high quality food such as freshly squeezed juices, ice cream and coffee shop. Focused on upper middle and upper class Mexican sectors. Retail sales area goes from 1,000 to 4,000 square meters.	Small stores focused on serving their neighborhood communities. Located in high density zones where grocery shopping needs to be fast. Has perishables and non perishable goods. Basic prepared food sections such as tortillas and bakery. Focused on upper middle and upper class sectors. On average, sales area goes from 600 to 1,000 square meters.

CORE PRINCIPLES

Mexico
That our activities contribute to the country´s progress.

Our clients
Provide the best service and good quality merchandise at the best price.

Members of our company
That our members obtain the benefits that they expect from the Company in an environment of cordiality, harmony and development.

Our suppliers
We offer and expect an equal relationship based on mutual respect and honesty, in order to give our clients the highest benefits.

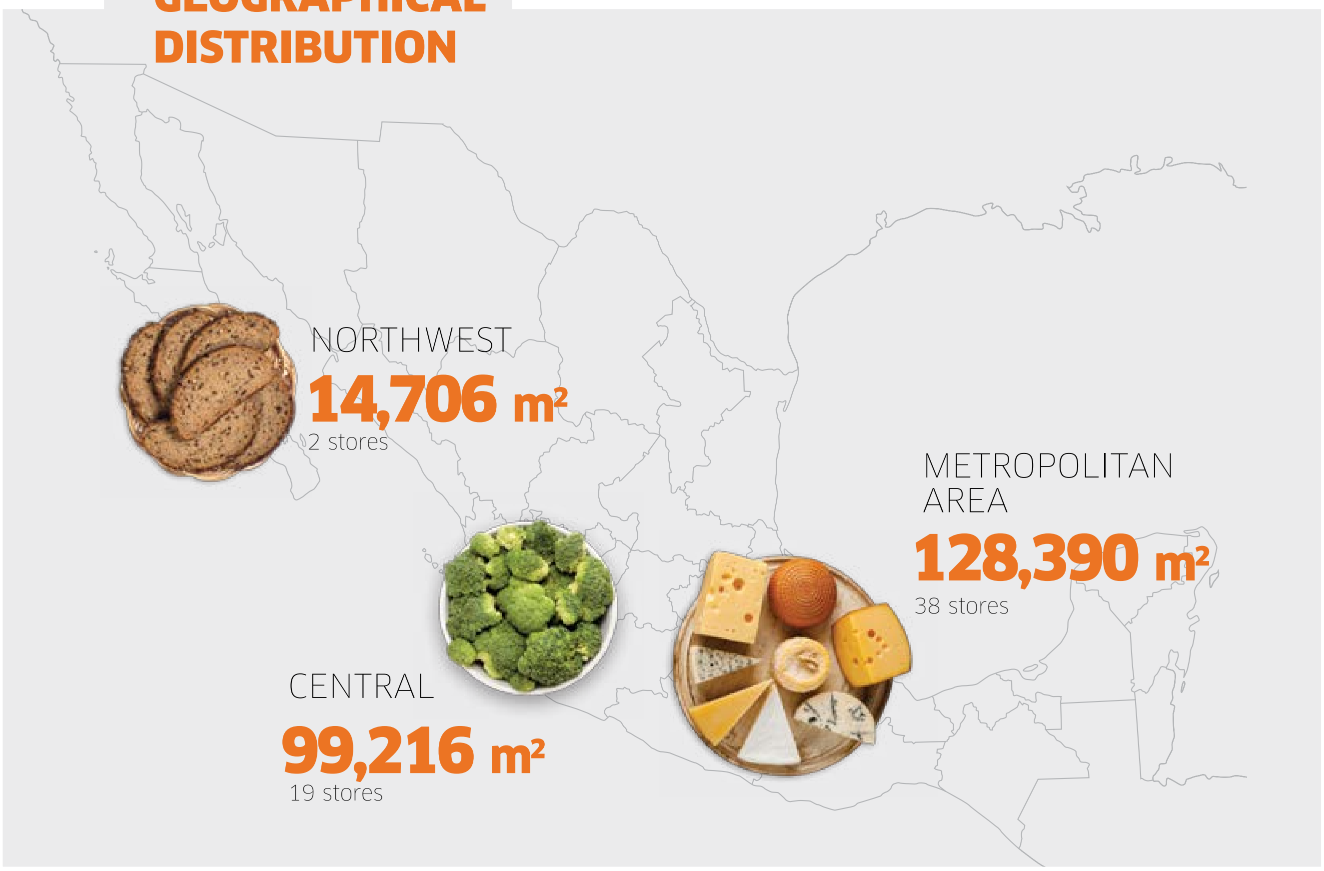
Our shareholders
Provide them with the best return, growth and security of their investment.

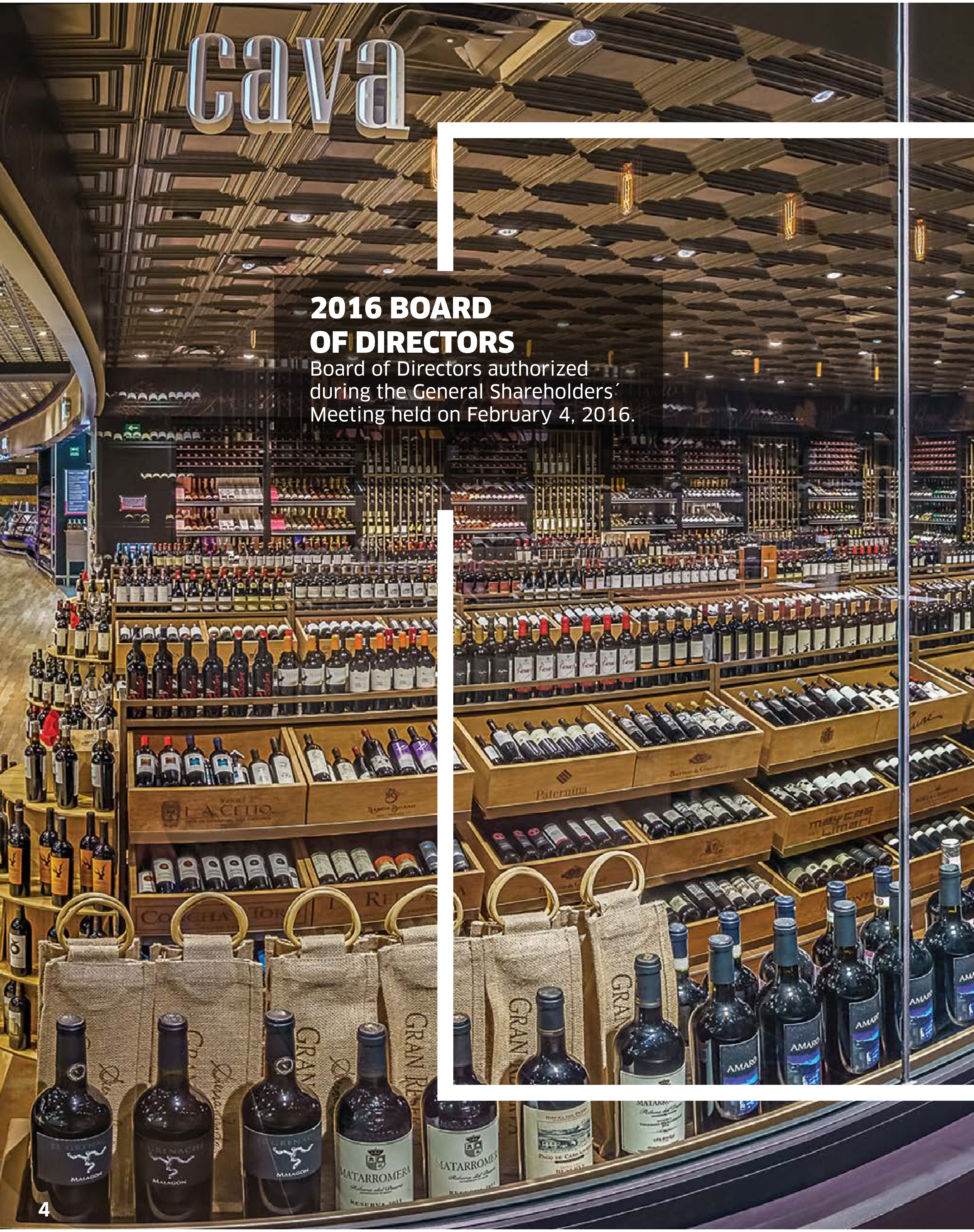
RELEVANT FINANCIAL DATA

	2016	%
Net sales	**14,757,332**	**100.0%**
Cost of sales	11,147,610	75.5%
Gross profit	**3,609,722**	**24.5%**
Sales expenses	2,599,662	17.6%
Administrative expenses	584,240	4.0%
Other expenses	(10,236)	(0.1)%
Operating income	**415,584**	**2.8%**
Financial income	123,449	0.8%
Earnings before income tax	**539,033**	**3.7%**
Income tax	86,800	0.6%
Gains on continued operations	**452,233**	**3.1%**
Gains on discontinued operations	65,365	0.4%
Net income	**517,598**	**3.5%**
Depreciation and amortization	522,238	3.5%
EBITDA	**937,822**	**6.4%**

Thousands of pesos, December 31st, 2016

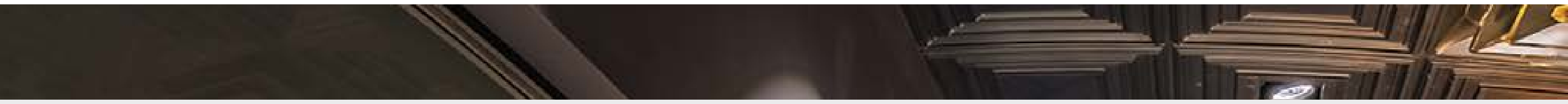
GEOGRAPHICAL DISTRIBUTION





2016 BOARD OF DIRECTORS

Board of Directors authorized during the General Shareholders´ Meeting held on February 4, 2016.



BOARD OF DIRECTORS	PROPRIETARY	
Honorary President	Guillermo González Nova	
President	Carlos González Zabalegui	1
Director	Alejandro González Zabalegui	1
Director	Luís Felipe González Zabalegui	1
Director	Pablo José González Guerra	1
Director	Antonino Benito González Guerra	1
Director	Santiago García García	2
Director	Joaquín Solís Rivera	2
Independent Director	Fermín Sobero San Martín	3
Independent Director	José Ignacio Llano Gutiérrez	3
Independent Director	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		
President	Fermín Sobero San Martín	3
Officer	Alberto G. Saavedra Olavarrieta	3
Officer	José Ignacio Llano Gutiérrez	3

CORPORATE PRACTICES COMMITTEE		
President	Alberto G. Saavedra Olavarrieta	3
Officer	Fermín Sobero San Martín	3
Officer	José Ignacio Llano Gutiérrez	3

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

SECRETARY OF THE COMPANY	
Secretary of the Company	Rodolfo J. García Gómez de Parada

1 Patrimonial Director
2 Related Director
3 Independent Director

REPORT OF THE BOARD´S OPERATIONS AND ACTIVITIES DURING THE REPORTING PERIOD 2016.

Mexico City, March 15, 2017

To the General Shareholders´ Meeting of La Comer, S.A.B. De C.V.

Dear shareholders:

As stated in Article 28, section IV, subsection e) of the Ley del Mercado de Valores (LMV), we inform you that during the period from January 2016 to December 31, 2016, the Board of Directors in full held several sessions and executed its faculties explained in the Twenty Second clause of La Comer, S.A.B. de C.V. bylaws, in addition to other activities performed by the different Board Committees. The subjects of these meetings are described in the minutes approved by the members of the Boards. The meetings were held on the following dates:

February 9, 2016
April 26, 2016
July 26, 2016
October 25, 2016

I am glad to inform that during 2016, La Comer, S.A.B. de C.V., being the result of the legal spin off from Controladora Comercial Mexicana, started operations on January 2016, with 54 stores under 4 different formats focused on perishable and non perishable products,. Along with the start of operations of the new company, change in image and some adjustments were made in the stores to reflect the features and common elements of the Company´s new image. The characteristic logo of La Comer was redesigned, with a new and updated image.

During the year, several stores were converted to comply with the new company´s formats and also we opened five new stores in Central Mexico.

Starting operations independently, meant that some processes of the new company, mainly logistics and supply, underwent a transition period to adjust to the new needs. Particularly, we adapted our distribution center to be able to manage dry and fresh products and to maintain their quality and freshness. The time that lasted this process, was carried out according to the original estimate without presenting any relevant impact. Whit this process we conserved our high quality in the variety of products, mainly in the area of perishables.

As any new company starting operations, during the year we launched several advertising campaigns to reinforce company's new image. We also launched the "Temporada Naranja" (Orange Season) campaign, which offered special deals during summer and which was widely accepted by our clients.

We have given special attention to maintain the vision of the new company to better position ourselves as a different option that offers the best shopping experience in the market, thanks to the quality, attention and service that we offer in our stores.

In order to fulfill our social responsibility, during 2016 we supported several non-profits organizations through the distribution of their products in our stores, and also started the "Tienda Rosa" campaign, to help women with cancer.

I would like to thank specially our clients, who have favored us with their preference, our collaborators and shareholders that make possible to fulfill our daily mission as a company, and our suppliers that are really our commercial and strategic allies.

Finally, I would like to reaffirm our commitment to our different stakeholders: clients, collaborators, suppliers, shareholders, and others to whom we owe as a company since, as we have established in our basic principles, our daily work is based on the contribution to its progress.

Carlos González Zabalegui
President of the Board of La Comer, S.A.B. De C.V.

01

TRANSITION

With more than 70 years of experience, now under La Comer brand, we have evolved and adopted a more compact and efficient structure.

Pioneer in the supermarket industry in Mexico, and after a long road of continued growth and hard work, La Comer has transformed itself to continue writing success stories under its four supermarket store formats:
City Market, Fresko, Sumesa and the newly renovated La Comer.

+242 thousand
SALES AREA / M²

«EVERY CHANGE PROCESS ENTAILS NEW CHALLENGES AND ENDURANCE, BUT THANKS TO OUR CAPABILITIES AND COMMITMENT, WE WILL CONTINUE AS A LEADING COMPANY IN THE SUPERMARKET INDUSTRY IN MEXICO»

Starting on January 2016, La Comer reinforced its progress and started the operation of 54 stores in four different formats: **City Market, Fresko, Sumesa** and **La Comer**, each one focused on satisfying the requirements and needs of our target market.

NEW IMAGE

As a recently renovated company, we developed a new identity based on the fundamentals of our brand and logo, but also revealing a different and modern image. We remodeled and rebranded each of our stores, so our clients can perceive modernity, progress and dynamism.

In addition, we launched an institutional campaign to reinforce the company´s new image and strategy of maintaining high quality standards to satisfy the most demanding tastes.

The new format adopted by **La Comer** was developed to offer more choices in a supermarket, where in addition to the usual sections of prepared food, perishables and non perishables, there are other options, such a general goods, health and beauty products and technology.

This wide variety of products and sections, as well as their adequate exhibition to maintain their freshness and quality, are features that distinguish us from other supermarkets.

EMBRACING CHANGE

Every change process entails new challenges and endurance, but thanks to our capability and commitment, we will continue to be a leading company in the supermarket industry in Mexico. Our guiding principle is to offer the best options and buying experiences to our clients through our high quality standards in each product and service.

As part of our renovation, we adapted our retail sales area to the new concept .New logistics and supply processes were redesigned to make more efficient the distribution and selection of products, thereby guaranteeing the quality, freshness and supply that our clients wish to have.

$ 517,598

NET PROFIT

02

DIFFERENTIATION

We create a unique and personalized experience for each one of our clients.

Each of our stores offers a series of exclusive and innovative characteristics that identify, distinguish and position us as a company of superior service, attention, products and facilities.

+58 million
TICKETS

«WE OFFER THE BEST BUYING EXPERIENCE BASED ON QUALITY, ATTENTION AND SERVICE»

THE BEST BUYING EXPERIENCE

La Comer´s strategy aims to offer the best buying experience in the market, both for product quality, ambience, diversity and distribution, as well as for agile attention and personalized service.

Our stores, in addition to having an excellent and innovative ambience, also offer a great variety of high quality products and brands guaranteeing a unique experience in the buying process, thanks to a complete product presentation, supply and availability.

Regarding our facilities, sales area distribution is based on a design that allows the client to buy the fastest way possible through an easy and pleasant arrangement of products, aided by the sensation of spaciousness in the aisles and strategic shelf placement.

Our store employees are trained to offer personalized, professional and friendly attention to any client. Even more, in **City Market** we offer product recommendations in accordance with the interests and wishes of each client. This imprints a clear differentiation to our stores, always committed to offer a pleasant buying experience to our clients.

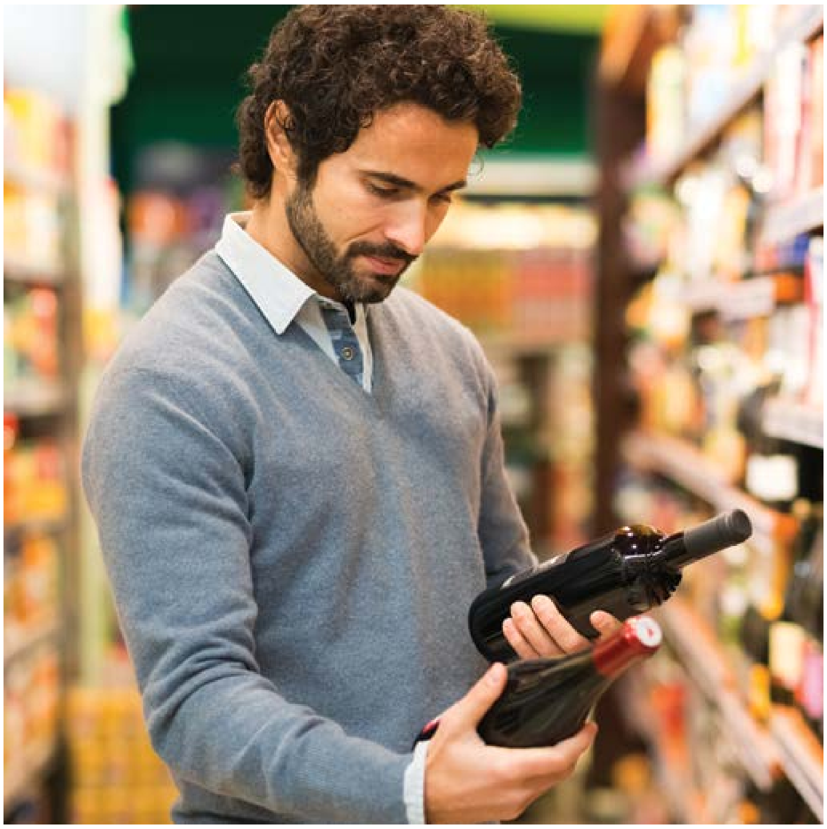
Regarding the variety of products in our stores, in addition to the basic products, we also offer premium, gourmet and imported collections of goods from around the world, thus offering our clients the possibility to choose from a big catalog of products, and finding the best option to satisfy their needs and wishes. Equally, all our store concepts have specialized sections that offer the highest quality of prepared products, such as baked bread, cakes, tapas, fresh squeezed juices, etc.

Our prepared food can be to go or to be consumed in situ, always taking care, in offering the highest hygiene and personalized treatment, and always offering a unique, pleasant and different buying experience.

Another differentiating feature, are our food and beverages tastings, which generate a sense of trust and relaxation while clients do their shopping.

6.4%

EBITDA



ANOTHER OF OUR DIFFERENTIATING IS ABOUT PRODUCT VARIETY, BESIDES OFFERING BASIC PRODUCTS, WE OFFER PREMIUM, GOURMET AND IMPORTED PRODUCTS FROM AROUND THE WORLD.

03

GROWTH

Focused on a high growth potential market, while maintaining our excellence in quality and service.

Thanks to their unique characteristics, our store concepts have a high growth potential, as they are focused on a growing target market. They are located on diverse areas, which will allow us to increase the company´s geographical distribution, which nowadays is primarily located in Mexico City´s metropolitan area and Central Mexico.

59
OPERATING STORES

«DURING 2016, WE STARTED AN AGGRESSIVE GROWTH PLAN, EXPECTING TO OPEN, IN THE NEXT FEW YEARS, MORE STORES IN ALL THE MEXICAN TERRITORY. »

STORE OPENINGS

During 2016, we opened with great success five new stores in Central Mexico. We opened three **Fresko** stores in Guadalajara, where we had no previous presence; one **Fresko** store in Cuernavaca and one **City Market** in Querétaro, being the first one that we open outside Mexico City.

During the next few years, we will keep opening new stores in different formats to establish the company in key cities that have certain economics and demographic conditions that comply with the differentiation strategy of our company. We have an aggressive expansion plan in place, which on the long run will allow us to increase substantially our retail space. We will focus on all formats, but we will give priority to the **City Market** and **Fresko** formats, which are the most innovative and accepted among our clients. We will also establish the company in cities where today we do not have any significant presence, but with our experience and based on several market studies, we know they have the main characteristics so that the openings will be successful.

WE WILL FOCUS ON DEVELOPING AN E-COMMERCE STRATEGY AND IMPROVE OUR HOME DELIVERY SERVICE, THROUGH OUR LOGISTICS AND DISTRIBUTION PLATFORM.

LA COMER EN TU CASA

Even though supermarkets have always had traditional shoppers who go the store, we believe that it is important to offer online shopping to the new generations through a home delivery service with the same quality in goods and services. Therefore, we are improving our **"La Comer en tu Casa"** e-commerce platform, to make it more user-friendly and to guarantee a complete, timely and exact delivery.

WE HAVE GREAT TRUST IN OUR COMPANY AND WE WILL MAINTAIN OUR OPTIMISM TO OVERCOME AND TAKE ADVANTAGE OF FUTURE CHALLENGES AND OPPORTUNITIES. WE HAVE A TRAINED AND COMMITTED STAFF THAT IS THE FOUNDATION TO MOVE OUR BUSINESS FORWARD.


RUTA DE
EVACUACION
FONDUE
FONDUE
FONDUE

CONTENT

CEO´S REPORT

Mexico City, March 15, 2017

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

Esteemed members of the Board:

In compliance with Articles 44, section XI of the *Ley del Mercado de Valores* and 172 of the *Ley General de Sociedades Mercantiles*, I present for your approval this report regarding the trajectory of La Comer, S.A.B. de C.V. for the fiscal year that ended on December 31st, 2016. This report includes an explanation of relevant events during the year, highlights the outstanding actions of the period, and explains the most important current projects, and the main policies followed by the administration in my charge.

By the end of 2016, Mexico´s Gross Domestic Product had grown in real terms by 2.3%, compared to last year; meanwhile, annual inflation reached 3.36%. There was also an increase in consumption due to, moderate inflation rates, increase in jobs and international remittances that were an important source of income for the country. Confirming this consumption trend, the retail sector, based on data provided by the *Asociación Nacional de Tiendas de Autoservicios y Departamentales* (ANTAD), increased its same store sales by 6.4% during 2016. In general, the year closed with positive results regarding important indicators of economic activity, despite reactions in monetary policy of both the United States and Mexico as a response to the uncertainty generated by the USA presidential elections.

It is important to mention that starting from January, 2016, La Comer started operations as an independent company with 54 stores, as a result of the spin off from Controladora Comercial Mexicana, S.A.B. de C.V. (CCM). To face this transition, we decided to be cautious and undertake a set of initiatives that would let us adapt and successfully start our operations.

The actions to achieve our goals were: 1. To adapt logistics and supply processes to the size of the new company, 2. To launch a new image to rapidly position ourselves as a completely different option in the supermarket industry, and 3. To increase the number of stores.

Regarding the suitability of processes, throughout the year we calibrated our distribution and logistics areas, so could gradually adjust to the new size of the company, and to reduce the losses and fluctuations derived from the change of operation. Also, with an investment of 30 million pesos, we remodeled the Distribution Center located in Mexico City, so that the storage chambers for fresh, cold and dry products could be all in one place. Additionally, to service our stores located in the West zone of the country, we opened a second distribution center in the city of Guadalajara.

Regarding the second action, we changed the image of all our stores, with new logos and new graphic elements, both internal and external (facades). There was also a remodeling process to adapt our stores to the company´s new formats and we made two important complete remodeling this year. We launched an institutional campaign that reinforced our new approach and strategy, as well as several advertising campaigns that strengthened our new image.

Regarding the third action, we started an expansion plan with the opening of five new stores this year: four Freskos, three in the city of Guadalajara and one in the city of Cuernavaca, and the fifth store was a City Market format that we opened in the city of Querétaro.

In terms of the 2016 operating results, total sales reached 14,757 million pesos, increasing by 5.5% in relation to 2015. It is important to mention that the 54 stores, with which the company started operations, belonged to CCM in 2015. Same stores sales increased by 3.3% during the year, accountable mostly by the City Market and Fresko formats. Our campaigns "*Temporada Naranja*" during summer and "*Miercoles de Plaza*" year round, were important triggers for the increase in sales. Our company´s value strategy allowed us to differentiate clearly from the rest of the market, giving higher benefits to all our clients and capturing their attention.

Our gross profit margin was 24.5%, thanks to the support and collaboration of our suppliers, as well as to the strict controls to correct inventory fluctuations and losses during the first months of the year. The scale of operations meant that some expenses expressed as percentage of sales increased significantly, mainly because of corporate, publicity and pre-operating expenses. Operating cash flow as percentage of sales was 6.4%, to reach more than 938 million pesos during 2016.

By the end of the year, cash reached 3,225 million pesos and majority shareholders´ equity was 20,107 million pesos.

Proceeding now to social responsibility and sustainability activities, in 2016 we supported several organizations by selling their articles in all our stores. Income from these sales was delivered completely to those organizations. We also participated in the "Tienda Rosa" (pink store) campaign to help women with breast cancer.

Lastly, I herewith present to your consideration the Consolidated Financial Statements of La Comer, S.A.B. de C.V. that are included in this report. They have been prepared by the Administration and Finance Department and later authorized by the Auditing Committee of this Board, so that if they are approved by you, be presented to the Shareholders´ General Meeting.

Sincerely,

Santiago García García
CEO of La Comer, S.A.B. De C.V.

OPINION OF THE BOARD
REGARDING THE CEO´S REPORT, CORRESPONDING TO 2016

Mexico City, March 15, 2017

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

Dear shareholders:

In compliance with Article 28, section IV, subsection c) of the *Ley del Mercado de Valores* and Clause Twenty Second of the bylaws of La Comer, S.A.B. de C.V. (the "Company"), witnneseth that the Board decided to give its opinion on this date, in which it **APPROVES** the CEO´s Report and the financial statements of the Company for the fiscal year that ended on December 31, 2016, so that, together with the external auditor´s report, may be presented to the Shareholders´ Ordinary General Meeting to be held on April 5, 2017.

To reach the above conclusion, the counselors relied, among other elements, on the favorable opinion of the external auditor, as well as the comments of the Audit Committee, which is part of the Board. The Audit Committee states that the accounting and information policies and principles followed by the Company, are adequate and sufficient, and have been applied consistently during the elaboration of the information presented by the CEO. Due to the above, the Board´s opinion is that the information presented by the CEO regarding the fiscal year of 2016, reasonably reflects the financial situation of the Company and its subsidiaries, as well as the results of its operations.

Carlos González Zabalegui
President of the Board of Directors of 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, 2017

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, 2016, 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.

ONGOING 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 an ongoing business in the foreseen future. The Company uses the ongoing 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 all entities over which the Company exercises control. The Company controls an entity when it is exposed to, or is entitled to the variable yields stemming from its involvement with the entity and can use its power over the entity to have an effect on the amount of the yields. The existence of control is also evaluated in those cases in which the Company does not hold more than 50% of the voting shares, but can direct the subsidiary’s relevant activities. The subsidiaries consolidated from the date on which control thereof was transferred to the Company and cease to consolidate from the date on which said control is lost.

The balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. The subsidiary companies’ accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

Consolidation was carried out including the financial statements of all of the Company’s subsidiaries. See Note 1.

b. Changes in the interest in subsidiaries without loss of control

Transactions with the non-controlling interest not conducive to a loss of control are recognized as transactions in stockholders’ equity, that is, as transactions with stockholders in their capacity as such. The difference between fair value of any consideration paid and the share acquired of the carrying value of the subsidiary’s net assets is recorded in equity. Profits or losses on the sale of the non-controlling interest are also applied to capital. At December 31, 2016, the Company has no non-controlling interest.

SEGMENT REPORTING

Information per segment is presented consistently with the internal reports provided to the Directors' Offices which are the bodies responsible for making operating decisions, of authorizing capital investments and of assigning the yields thereof. For the period ended December 31, 2016, the Company operates a single business segment that includes the self-service stores, corporate operations and real-estate business. Resources are assigned to the segments, based on each segment's importance with respect to the entity's operation and the yields established by Management. See Note 28.

2.2 Foreign currency transactions

a. Functional and reporting currency

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which each entity operates (functional currency). The currency in which the consolidated financial statements are presented is the Mexican peso, which is also La Comer's and all of the subsidiaries' functional currency 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 rates in effect on the transaction or the exchange rate in effect at the date of the statement of financial position of at the valuation date when the items are re-measured. The exchanges profits and losses resulting from said transactions and from conversion, at the exchange rates in effect at the year-end close, of monetary assets and liabilities denominated in foreign currency are recognized as exchange fluctuations under financing expenses and income 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, with maximum original 28-day maturities 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 year.

Cash equivalents are mainly represented by demand or very short-term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include the amount of the vouchers of bank cards yet to be deposited by the Company's banking institutions. Recovery of voucher amounts generally does not exceed three days. See Note 8.

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets as loans and accounts receivable and at fair value with changes made through the statement of income. Classification depends on the purpose for acquiring the financial assets. Management determines the classification of its financial assets at the date of the initial recognition thereof. Fair value is the price that would be received from selling an asset or that would have been paid in transferring a liability in an orderly transaction between market participants on the measurement date.

a. Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments and 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 period reported, which are classified as non-current assets. The Company's loans and accounts receivable are comprised of cash and accounts receivable from customers and related parties that are presented in the statement of financial position.

b. ActiFinancial assets at fair value with changes through the statement of income

Financial assets at fair value with changes through the statement of income are financial assets held for trading. A financial asset is classified in this category is it was mainly acquired to be sold in the short-term. Assets in this category are classified as current is 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

The Company's loans and accounts receivable are comprised of accounts receivable from: i) financial institutions, arising from the use of credit cards for the purchase of merchandise; ii) issuers of food coupons; iii) rent receivable on commercial and promotional space leased to third parties and; iv) other accounts receivable. Accounts receivable from financial institutions from the use of credit cards, as well as issuers of food coupons are short term.

Initially, loans and accounts receivable are recognized at fair value and subsequently at their amortized cost, using the effective interest rate method, less the impairment reserve. The effective interest rate is the discount rate that exactly equals the cash flows receivable over the life of the financial instrument with its net book value. Loans and accounts receivable are de-recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership thereof.

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

These financial assets comprise investments in highly liquid government securities with 28-day maximum original maturities. Financial assets at fair value with changes through 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 applied to income for the year.

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

2.4.3 Impairment of financial assets

2.4.3.1 Assets valued at their amortized cost

At the end of every reporting period, the Company evaluates whether or not there is evidence of impairment of a financial assets or group of financial assets. Impairment of a financial asset or group of financial assets and the impairment loss are recognized only if there is objective evidence of impairment resulting from one or more events occurred after initial recognition of the asset and the loss event or events have an impact 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 reorganization process or when the observable information indicates there is a measurable decrease in future cash flows, such as late payment or economic conditions related to noncompliance.

The Company records an impairment provision for loan and accounts receivable when evidence shows that payment will not be received, 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 thereof and the seasonality of the business. Increases to this provision are recorded as expenses in the statement of income.

The Company's main source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or coupons, or by credit cards. The company's Accounts Receivable consist mainly of amounts to be collected from issuers of coupons as well as the payments to be collected from leasing of commercial and promotional space to third parties. The Company's experience shows that collections on coupon sales give rise to no problems; however, collections on accounts related to leasing of space is. The allowance for impairment has been sufficient to absorb any possible loss in this regard. At December 31, 2016, said estimation totaled $13,557.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (as an improvement in the borrower's credit quality), cancellation of the previously recognized impairment loss is recorded in the statement of income.

2.5 Other accounts, notes receivable and taxes recoverable

The Company classifies favorable tax balances, other taxes recoverable, travel expenses recoverable and other similar items as other accounts receivable. If collection rights or recovery of these amount is not realized within 12 months from the period close, they are classified as current assets, otherwise, they are shown as non-current assets.

2.6 Derivative financial instruments

The Company conducts no operations with derivative financial instruments.

2.7 Inventories

Inventories of merchandise are determined by the retail method. Under the retail method, inventory is segregated into types of merchandise with similar features, then valued at their sales price. That value is used to determine inventories at their cost price net of discounts, applying specific cost factors for each merchandise department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied takes into account the portion of inventories that have been marked below their original selling price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventories thus valued closely resemble their cost and do not exceed their net realization value. The net realization value is the selling price estimated in the normal course of operations, less costs estimated to conduct the sale.

In the CCF, physical inventory counts are conducted monthly for perishable products and semi-annually for non-perishable products, and inventory records are adjusted to the results of the physical inventory count.

Inventories pertaining to the distribution centers are valued by the average inventory method.

2.8 Advance payments:

Disbursements made by the Company in which the benefits and risks inherent to the goods to be acquired or to the services to be received have not yet been transferred are recorded as prepayments. Prepayments are recorded at their cost and are shown in the statement of financial position as current assets if they mature at a term equal to or under 12 months, or non-current, if they mature at a term of over 12 months, as from the date fo 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 non-recoverable is recognized in the statement of income for the period in which this occurs. Some examples are: insurance premiums, advertising and real property tax, among others (see Note 11).

2.9 Property, furniture and equipment and leasehold improvements - Net

Land is valued at cost, less impairment losses, if any. The rest of the components of property, furniture, equipment and leasehold improvements are recognized at cost less accumulated depreciation and impairment losses, if any. The cost includes expenses directly attributable to the acquisition of these 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 Management (see Note 13). For qualifying assets, the cost includes the cost of loans capitalized in accordance with the Company's policies. At December 31, 2016, there were no costs arising from capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of goods 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 they are replaced, the result of which is shown in the statement of income, in the operating expenses line item (see Note 21).

Works in process represent stores and shopping centers under construction and include investments and costs directly attributable to startup of operations. When stores are ready to begin operations, they are transferred to the corresponding property, furniture and equipment and leasehold improvements line and computation of their depreciation begins.

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

Buildings and construction:	
Foundation	57 years
Structure	57 years
Roof	24 years
Masonry and finishings	55 years
Hydro sanitary, electric and fire-fighting network installation	36 years
Furniture and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	10 years or the lease period, the lesser of

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

The residual values and useful life of the Company's assets and their depreciation method are reviewed and adjusted, if necessary, at the date of each statement of financial position.

The book value of an asset is decreased at its recovery value if the book value of the asset is greater than its estimated recovery value.

Profits and losses on the sale of assets are due to the difference between income from the transaction and the book value of the assets. These are included in the statement of income under other income and expenses, respectively, see Note 22.

2.10 Discontinued operations

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", a component of the entity that has been sold or has been classified as an asset held for sale is considered a discontinued operation and: i) represents a larger line of business or geographic segment of operations; ii) forms part of an individual plan for the sale of said larger line of business or geographic segment of operations, or iii) is a subsidiary acquired exclusively for its sale. The result of the sale of the segment that qualifies as discontinued operations is recognized in the statement of income in the period in which they occur and are shown separately as part of discontinued operations.

On March 4, 2016, the Company sold the restaurant it operated in the State of Mexico by the name of Restaurante Jajalpa, S. de R. L. de C. V., and its subsidiary Personal Jajalpa, S. de R. L. de C. V., (Jajalpa in the aggregate). The transaction was approved by the Company's stockholders at the March 4, 2016 Extraordinary General Stockholders' meeting. The sale of Jajalpa shares generated a $51,099 profit, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Jajalpa shares is as follows:

		Amount
Selling price of shares	$	122,360
Book value of Jajalpa assets and liabilities		(49,677)
Tax effect		(21,584)
Profit from disposal of Jajalpa shares	$	51,099

On April 11, 2016, the Company sold its subsidiary Oficinas Bosques, S. de R. L. de C. V. The sale of Oficinas Bosques shares generated a profit of $13,495, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Oficinas Bosques shares is as follows:

		Amount
Selling price of shares	$	37,000
Book value of Oficinas Bosques assets and liabilities		(17,700)
Tax effect		(5,805)
Profit from disposal of Oficinas Bosques shares	$	13,495

On December 21, 2016, the Company sold its subsidiary Textilimport, S. de R. L. de C. V. The sale of Textilimport shares generated a profit of $771, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Textilimport shares is as follows::

		Amount
Selling price of shares	$	4,025
Book value of Textilimport assets and liabilities		(3,081)
Tax effect		(173)
Profit from disposal of Textilimport shares	$	771

2.11 - Investment property

The Company owns shopping centers that house own department stores, as well as commercial space it leases to third parties. Own stores are recognized in the statement of financial position as property, furniture and equipment (see Note 13) and leasehold improvements are recognized as investment property (see Note 12).

Investment properties are real property (land and buildings) held to obtain economic benefits through collection of rent or to obtain the increase in value, and are initially valued at cost, including transaction costs. After their initial recognition, investment properties continue to be valued at cost, less accumulated depreciation and impairment losses, if any.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of goods 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 they are replaced, the result of which is shown in the statement of income, in the expenses line item (see Note 21).

The Company considers shopping centers with a surface rented to third parties of over one thousand square meters and/or showing income in excess of $3,000 annually, as investment property.

Depreciation of investment property is calculated by the straight-line method over their estimated useful lives, as follows:

Buildings and construction:	
Foundation	57 years
Structure	57 years
Roof	24 years
Masonry and finishings	55 years
Hydro-sanitary, electric and fire-fighting network installation	36 years

2.12 Cost of loans

Costs of general and/or specific loans directly attributable to the acquisition, construction or production of qualifying assets, requiring a substantial period of time (generally more than 12 months) until they are ready for their use or sale, are included as part of the value of said assets, during that period and up until the point at which they are ready for use.

Income obtained from the temporary investment of specific loans not yet used on qualifying assets reduce the cost of loans illegible 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 December 31, 2016, loan costs were not capitalized due to the fact that during those periods, there were no qualifying assets.

2.13 Intangible assets - net

An intangible asset is recognized if an only if both of the following conditions are met: a) the future economic benefits attributed thereto are likely to flow towards to the entity; and b) the cost of the asset can be measured reliably.

The licenses acquired for use of programs, software and other systems are capitalized at the value of the costs incurred for their acquisition and preparation for their use. Maintenance expenses are recognized as expenses as they are incurred. Licenses acquired for the use of programs recognized as intangible assets are amortized over their estimated useful life, without exceeding 3.3 years.

The assignment of rights to use and operate self-service stores is recognized at their historical cost. The rights to use and operate self-service stores are amortized based on the duration of the lease agreements, which range from five to ten years. These assets are shown in the statement of financial position as current assets if they mature at a term equal to or under 12 months, or non-current, if they mature at a term of over 12 months, as from the date of the statement of financial position. Once the rights accrue, these amounts are recognized as an expense in the statement of income for the period, respectively. When other assets lose their capacity to generate future economic benefits, the amount considered to be non-recoverable is recognized in the statement of income for the period in which this occurs (see Note 15).

Trademarks acquired individually are recognized at their historical cost. Trademarks acquired through business acquisition are recognized at fair value at the acquisition date.

The Company recognizes the rights pertaining to the Comercial Mexicana trademark as an intangible asset, as it considers that there is a foreseeable limit in future accounting periods, in order for the trademark rights to generate net cash inflows for the Company. Trademark rights are not amortized, and in each period, the Company conducts the respective impairment testing to determine whether or not the value of trademark rights will be recovered with expected future cash flows.

The rights distinctive to the Comercial Mexicana trademark have an indefinite useful life and are recognized at cost less accumulated impairment losses, if any (see Note 14). At December 31, 2016, the distinctive trademark rights showed no signs of impairment.

2.14 Impairment of non-financial assets

Assets having an indefinite useful life are not subject to amortization and are tested annually for impairment. At December 31, 2016, the Company had no such assets. On the other hand, assets subject to depreciation or amortization are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. Impairment losses correspond to the amount at which the book value of the asset exceeds its 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 determined each store as a separate cash-generating unit for impairment testing purposes. 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 conducts impairment testing of non-monetary assets annually, or when there are indicators that said assets may be impaired. Non-monetary assets include the following items of the statement of financial position: intangible assets, property, plant and equipment, investment property and other non-current assets. At December 31, 2016, signs of impairment were noted as a result of the delay in the opening and remodeling of stores in the business plan approved by the Company; therefore, the Company conducted annual impairment tests which revealed no impairment of long-lasting assets.

2.15 Accounts payable

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

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

2.16 Short and long-term debt

The debt is comprised of loans from banking institutions are is initially recognized at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at its amortized cost. Differences, if any, 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, 2016, the Company has no contracted debt.

Fees incurred to obtain 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 Company's obligations are met, canceled or expire.

2.18 Provisions

Provisions are recognized when the Company has a legal obligation, present or assumed, as a result of past events, when it is likely to require the use of cash flows to settle the obligation and when the amount can be reliably estimated.

Provisions are valued at the present value of cash flows expected to be required to settle the obligation, using 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 Currently-payable and deferred income tax

The income tax expense is comprised by currently-payable and deferred taxes. The tax is recognized in the statement of income, except when it relates to items applied directly to other comprehensive income or losses or to stockholders' equity. In this case, tax is recognized under other comprehensive income or directly under stockholders' equity, respectively.

Currently-payable income taxes are comprised of income tax, which is applied to income for the year in which it was incurred, and are based on tax profits.

The currently-payable income tax charge is based on federal laws approved at the date of the statement of financial position or whose approval process is substantially ended. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is provided in full, based on the assets-and-liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, expected to materialize over time.

Deferred income tax is determined using the tax rates and laws enacted at the date of the statement of financial position or whose approval process is substantially over and which are expected to be applicable when the deferred income tax asset is realized or the deferred income tax liability is settled. For 2016, the income tax rate is 30%.

The deferred income tax asset is only recognized to the extent future tax benefits are likely to be obtained against which temporary difference liabilities can be used. The deferred income tax on profits is generated on the basis of the temporary differences of investments in subsidiaries, except when the possibility that temporary differences will be reinvested is under the Company's control and the temporary difference is unlikely to be reinvested in the foreseeable future (see Note 24).

The deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset currently-payable 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 where there is an intention to settle the balances on a net basis. At December 31, 2016, the Company has no offset deferred taxes.

Federal tax accessories (restatement, surcharges, fines etc.) are shown as provisions.

2.20 Employee benefits

The benefits granted by the Company to its employees, including benefit plans are described 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 different retirement plans, including defined benefits and defined contributions, as well as health care plans at retirement.

a. Retirement benefits and seniority premium

The Company's subsidiaries recognize the defined-benefit obligation related to seniority premiums and two subsidiaries handle defined contribution retirement plans, with one of them recognizing the health defined benefit obligation at retirement for a closed group of participants. The defined-benefit plan is a plan that defines the amount of benefits to be receive by an employee at retirement, including health plans at retirement, which usually depend on a number of factors, such as the employee's age, years of service and compensation. For defined contribution plans, the cost of the plan is determined; however, the benefit level is defined for employees reaching retirement with the accumulated amount.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related defined-benefit obligation. The main assumptions for the determination of employee benefits is mentioned in Note 19. Actuarial profits and re-measurements arising from adjustments based on the experience and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive-income items in the period in which they arise. The costs of past services are recognized directly in the statement of income.

b. Employees' Statutory Profit Sharing (ESPS) and bonuses

The Company recognizes a liability and a bonus expense and ESPS, the latter based on a calculation that considers the current tax provisions. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates an assumed obligation.

c. Benefits paid to personnel corresponding to indemnities established in the labor laws

This type of benefit is paid and recognized in the statement of income upon termination of the work relationship with the employee prior to the retirement date or when the employees agree to voluntarily resign in exchange for said benefits. The Company recognizes indemnities when: a) the Company is unable to withdraw the offer of those benefits, and b) the Company recognizes the restructuring costs that are within the scope of IAS 37 "Provisions", implying payment of termination benefits, whichever occurs first. In the case of an offer made to encourage voluntary termination, the 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 to their present value.

2.21 Capital stock

Common shares are classified as capital stock (see Note 25).

Moreover, as per article 56 of the Securities Market Law and Title Six of the Secondary Regulation for Issuers, which allows for acquiring shares under certain rules, the Company follows the procedure for the purchase and sale of shares from the buyback fund.

The purchase of own shares issued by the Company that operates under the buyback reserve is recognized as a decrease in stockholders' equity until the shares are canceled or re-issued. When said shares are re-issued, the compensation received is applied to stockholders' equity.

2.22 Revenue recognition

Revenue is recognized at 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. Revenue is shown net of discounts granted to customers.

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

a. Sale of merchandise

Income from the sale of merchandise is recognized when every one of the following requirements has been met: a) the customer takes possession of the goods at the store and consequently, all related significant risks and benefits are transferred to the customer, and the Company retains no control thereon; b) the income, costs incurred or to be incurred are determined reliably, and c) the Company is likely to receive the economic benefits related to the sale.

Discounts made to customers and customer returns are subtracted from income. Sales of merchandise are settled by customers with debit or credit cards, cash and coupons. It is the Company's policy to sell many of their products with the right to return them; however, its accumulated experience shows that returns on sales are not representative with respect to total sales, as a result of which, the Company sets up no reserve in this regard.

b. Electronic cash card

The Company offers promotions, some of which involve benefits granted to its customers represented by electronic cash cards, the value of which is referenced to a percentage of the selling price. Electronic cash cards granted can be used by the customers to settle future purchases at the Company's stores and at other stores based on the agreement signed by the program's manager. The Company deducts the amount granted to its customers in Electronic cash cards from revenue.

When the points granted by the Company are redeemed at their branches, the income is recognized, and if they are redeemed at another business, the accounts payable to the program manager is recognized.

Company experience shows that electronic cash cards showing no movements after six months are unlikely to be redeemed; therefore, a 12-month idle period was established in the agreement signed with the program manager for canceling the points. Therefore, in accordance with the agreements, electronic cash cards with these characteristics are canceled, with a credit to sales.

At December 31, 2016, the value of electronic cash cards issued in promotions and yet to be redeemed and that the Company expected to materialize is recognized at fair value in the amount of $26,166, and are included in the other accounts payable account in the statement of financial position.

c. Coupons exchangeable 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, 2016, the unredeemed balance totals $34,815.

d. Lease income

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

e. Commissions

Commission income corresponding to collections on services by the Company at its stores, and other commissions are recorded as income as they are incurred. When the Company acts as agent in the sale of goods or services, only the gain from the commission is recognized in the income line item.

f. Interest income

Interest income is recognized by the effective interest method. Interest expenses are also recognized by the effective interest method.

2.23 Leases

The Company classifies leases as financial leasing when the terms of the lease transfer all substantial risks and benefits inherent to the leased property. At the start of the financial lease, the Company recognizes it, in the statement of financial position, as an asset or liability for the same amount, equal to the fair value of the leased goods, or the present value of the minimum payments arising from the lease, if said value is lower, determined at the start of the lease. All other leases are classified as straight leasing. At December 31, 2016, the Company only has operating leases.

2.23.1 Lessor

Rent income pertaining to the Company's Investment Property is recognized by the straight-line method over the term of the lease. Initial direct costs incurred in negotiating a straight lease are added to the book value of the leased asset, and are recognized by the straight-line method over the term of the lease. The Company has no assets leased through capital leasing plans.

2.23.2 Lessee

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

2.24 Basic and diluted profit

Basic earnings per linked unit share are calculated dividing the controlling interest by the weighted average of linked units outstanding during the period. Earnings per diluted linked unit are determined adjusting the controlling interest and linked units, under the assumption that the entity's commitments to issue or exchange own units would be realized. 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 related to discounts granted by the Company to its customers on merchandise sold are negotiated and documented by the procurement area and are credited to the cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs and expenses incurred by the Company. These amounts are recognized as a decrease in the corresponding costs and expenses.

2.26 Dividends

Dividends distributed to the Company's stockholders are recognized as a liability in the consolidated financial statements in the period in which they are approved by the stockholders.

2.27 Transactions under common control

A business combination between entities or businesses under common control is a business combination in which all entities or businesses that are combined are controlled, ultimately by one single party or parties, both before and after the business combination, and that control is not transitory. In this type of transaction, the new company's consolidated financial statements will reflect the source entity's predecessor accounting figures.

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, 2017

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´ Assembly.

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, 2016, which started on January 4, 2016 as a consequence of the recent spin off from Controladora Comercial Mexicana, S.A.B. de C.V. (CCM), starting operations with 54 supermarket stores with the following formats: City Market, Fresko, Sumesa and other, larger stores named La Comer format that was developed. Most of the units, focused on middle and high class sectors, 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. Fermín Sobero San Martín, Mr. José Ignacio Llano Gutiérrez and Mr. Alberto Saavedra. During the business year 2016, the Audit Committee met during 8 ordinary sessions, held on February 5, March 11, April 22, June 24, July 22, September 9, October 24 and December 2. During these sessions, the Committee analyzed the following issues: (I) external audit, (II) internal audit; (III) internal control system, and (IV) the issuer's process of revealing financial information.

The Committee members attended the sessions, and as considered convenient, also attended Lic. Rogelio Garza Garza, Administration and Finance Director ; Rodolfo Jesús García Gómez de Parada, Fiscal Corporate Director; Flor Argumedo Moreno, Systems Director; Raúl del Signo Guembe, Human Resources Director; Carlos Ramos Yañez, Logistics Director and CEDIS; Leonardo Garza Valdés, New Projects Director; Antonio González Sánchez, Corporate Auditing Sub Director; Gustavo Monroy Martínez, Internal Auditing Sub Director; Ernesto Borrás Domínguez, Sub Comptroller, 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.

Among the activities done by the Audit Committee, the following are highlighted:

1. Quarterly and Accumulated Financial Statements from La Comer and its Subsidiaries were reviewed, as well as the reporting guidelines of the Mexican Stock Exchange, corresponding to the business year, duly compliant with the IFRS.
2. The quarterly and accumulated Report of Sales Percent Change of Same Stores Sales (VMT) were reviewed for the different formats of La Comer.
3. The Statement of Financial Position of sales of CCM and its subsidiaries was reviewed as of January 1, 2016, audited by PwC.
4. The Initial Statement of Financial Position of CCM and its subsidiaries was reviewed as of January 04, 2016, audited by PwC.
5. Detailed information about incidents to the Code of Ethics of the Company during the business year was reviewed, as well as statistics, special cases and actions taken.
6. The Annual Internal Audit Plan corresponding to the business year was reviewed and approved. The plan was made with the identifying risks process, as well as the compliance degree.
7. The quarterly operations and balances with Related Parties reports were reviewed, and the Committee found that all operations are in fair market terms, including the sale of Restaurante Gastronómica Jajalpa, S.A. de C.V. and Oficinas Bosques, S.A. de C.V.; in agreement with the Law and recommending the Board its approval.

8. IT security was presented and explained in detail, using specialized equipment and software, as well as implementation of PCI DDS technology and processes that certify and validate that the Company has high level security.
9. The Financial Income Statement of the Vallejo Distribution Center was reviewed. Also, its corporate organizational chart was presented.
10. The final Diagnostic Report of the Construction Area, elaborated by PwC was reviewed, which shows the identified observations, as well as recommendations, and the remedial plan for the area was presented.
11. The evaluation of La Comer´s insurance was presented, which had the purpose of doing a risk analysis and develop a conceptual proposal about Risk Management and design the insurance program.
12. Revenue Insurance was presented to the Committee, which objective is to guarantee that sales are invoiced and fully registered in the Financial Statements.
13. The performance of the firm PwC was evaluated, who comply with the necessary requirements of professional quality and have the needed independence and diligence to give their expert opinion on the Financial Statements of La Comer. Additionally, the External Audit program and the fees for the business period were reviewed and 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, 2016.

We, the members of this Committee, advise that the information presented by the CEO, reflects in a reasonable way the financial situation of La Comer as of December 31, 2016, 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, 2016, 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, 2016, 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.

Yours truly,

Fermín Sobero San Martín
President of the Auditing Committee

COMPANY PRACTICES COMMITTEE REPORT

Mexico City, Tuesday, February 21, 2017

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 Company 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, 2016.

It is important to mention that the members of the Company Practices Committee are Mr. José Ignacio Llano Gutiérrez, Mr. Fermín Sobero San Martín, and yours truly. During the business year of 2016, the Committee met during seven ordinary sessions, held on February 5, April 22, June 24, July 22, October 21, December 2 and on February 21, 2017.

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 bylaw of the Company 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.

Notwithstanding the activities done by the Committee during 2016, which are described below, it´s appropriate to point out the member of this Committee attended, among others, the following issues:

- Reviewed all the actions taken to demerge the Company and realize the acquisition agreed with Organización Soriana, in accordance with the contract signed with them since January 28, 2015.
- Analyzed carefully, with UBS representatives, the update of the opinion made by that entity regarding the fairness and convenience of the final terms of the public tender offer of shares, that we recommended the H. Board to approve and that we requested to inform investors, under the terms of the LMV, as was done. As it´s well known, the public offer took place January, 2016.
- 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, 2015, as well as their performance bonuses and UAFIDA bonuses (Profit before financials, taxes, depreciation and amortization).
- The Committee revised and recommended approval by the Board of the budget that was prepared for this business year along with the projections until the year 2022.
- 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 and validated responsibilities and duties of each department and updated the succession plan.

- Evaluated the performance of the Committee of Company Practices, 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 2016. In addition, the Audit Committee submitted them for approval to the Board. For these purposes, it was verified that existing operations were in competitive market conditions, so there were no significant issues to report.
- The Committee made recommendation to update the Code of Ethics, now under La Comer format, and reviewed and followed up the working plan for its due communication. The new code reflects the new paradigm of the Company with emphasis on core values, quality and superior client service.

To elaborate this report, we have heard the Relevant 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 G. Saavedra Olavarrieta
President of the Committee of Company Practices of La Comer

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Independent Auditors' Report

To the Stockholders of:
La Comer, S. A. B. de C. V.

Opinion

We have audited the consolidated financial statements of La Comer, S. A. B. de C. V. and subsidiaries (La Comer or the Company), which comprise the consolidated statement of financial position at December 31, 2016 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 that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Company's consolidated financial position at December 31, 2016, and its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Basis of the Opinion

We have conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibility under those standards is described in the "Auditor's Responsibilities with regard to the Audit of the Consolidated Financial Statements" section in this report. We are independent from the Company in accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants, along with the ethics requirements applicable to our audits of consolidated financial statements in Mexico, and we have complied with the rest of our ethics responsibilities in accordance with those requirements and said Code. We consider that the audit evidence we have obtained provides a base that is sufficient and adequate for support our opinion.

Key Audit Matters

The audit's key matters are matters which, in our professional judgment, have been those of the highest importance in our audit of the consolidated financial statements for the current period. These matters have been considered in the context of our audit of the overall consolidated financial statements and in forming our opinion thereon, therefore, we express no separate opinion on these matters.

Key Audit Matters	How our audit addressed the matter
Recoverable value of non-monetary assets	
As mentioned in Note 1 to the consolidated financial statements, La Comer began operations in January 2016, as a result of the spinoff of Controladora Comercial Mexicana, S. A. B. de C. V. (CCM). As part of its plan for growth and strengthening within the retail market in Mexico, the Company must make important investments for the construction, conversion and remodeling of their stores, both those located in the metropolitan area and those in central Mexico, for which an important expansion plan has been designed. Additionally, as mentioned in Note 14 to the consolidated financial statements, CCM transferred, for a fee, ownership of the "Comercial Mexicana" denominative and mixed trademarks registered to CCM at the Mexican Institute of Industrial Property, to Comercial City Fresko, S. de R. L. de C. V., the Company's most significant subsidiary. The Company recognizes these non-monetary assets at cost, less depreciation or accumulated amortization and impairment losses, if any. As mentioned in Note 2.14 to the consolidated financial statements, the Company conducts impairment testing of non-monetary assets annually, or when there are indicators that said assets may be impaired. Non-monetary assets include the following items of the statement of financial position: intangible assets, property, plant and equipment, investment property and other non-current assets. We have focused on these items in our audit due mainly to the importance of the book value of the Company's non-monetary assets ($16.9 billion at December 31, 2016), as a result of the investments that have been made, and because significant judgments have been required to determine the recoverable value of non-monetary assets,	We have obtained and considered Management's evaluation of the impairment indicators identified in its non-monetary assets. We have evaluated and considered the projections of future cash flows prepared by Management, and the processes used to prepare them. We have verified whether Management respected the internal processes established for conducting projections, including prompt supervision and analysis thereof by the Board of Directors, and whether the resulting projections are consistent with the budgets approved by the Board. We have compared the current year's results with Management's business plan, to determine whether or not any of the assumptions included in the projections could be considered to be very optimistic. We also considered the support of expert appraisers, to verify the methodology and market assumptions considered in the cash flow projections and included in the calculation of the recoverable value of non-monetary assets. We conducted awareness raising exercises under the income approach (Relief from Royalty methodology) to determine the recoverable value of the trademark rights and we compared this information to the disclosures included in the financial statements. We compared the discount rate used to a market rate estimated by our specialists, considering the Company's level of leverage, its

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Key Audit Matters	How our audit addressed the matter
including the estimate of the business's future results and the discount rate applied to projections. In particular, we focus our audit work on the estimate of the recoverable value of the non-monetary assets, including the projections conducted by the entity and the most significant assumptions, such as the discount rate, and on the fact that certain delays were identified in some of the openings and remodeling of stores established in the business plan approved by the Company, which is a situation that has an impact on future growth, and the trend of matrices on the Company's performance, and that could affect the decrease in profitability and operating profit, and the increase in operating expenses and could therefore have an impact on the Company's market value.	expectations in the short and medium term, and the industry's optimal level. We compared the recoverable value of the trademarks portfolio and of property, plant and equipment obtained from our independent calculation, to that determined by the Company.

Additional information

Company management is responsible for the additional information presented. This additional information comprises the annual report presented to the National Banking and Securities Commission ("CNBV" from Spanish) and the Annual Report presented to the stockholders (but does not include the consolidated financial statements and our audit report thereon), which will be issued after the date of this report.

That additional information is not included in our opinion on the consolidated financial statements and we express, and will express, no audit opinion on same.

However, as concerns our audit of the Company's consolidated financial statements, our responsibility is to read this 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 circumstances.

When we read the additional information that we have not yet received, we must issue a formal statement on the annual report required by the NBS and if we detect any material errors therein, we must communicate this finding to the proper members of the Company's government in said report, if applicable.

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Management's responsibilities and of the proper members of the Company's government in connection with the consolidated financial statements

Company and subsidiaries' Management is responsible for preparation and fair presentation of these consolidated financial statements in accordance with IFRS and for the internal control structure considered by Management to be necessary to allow for ensuring that the consolidated financial statements are free of material misstatement due to fraud or errors.

When preparing the consolidated financial statements, management is responsible for determining the Company's capacity to continue in existence as a going concern, revealing going-concern issues, if any, 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.

The members of the Company's government are responsible for supervising the Company's financial reporting process.

Responsibilities of the auditors 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 error arising from fraud of error, and issue our audit report, which will include our opinion. Reasonable assurance is a high level of security, but is not a guarantee that an audit conducted as per ISA will detect any existing material error without exception. 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 influence the 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 consolidated financial statements arising from fraud or error, we design and implement audit procedures in response to those risks, and we 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 for a risk arising from an unintentional error, because fraud may involve collusion, falsification, intentional omissions, intentional misleading statements or overriding of internal controls.

- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Company' internal control.

- We evaluated the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and of the corresponding information disclosed by Management.

- We assess whether it is appropriate for management to use the going concern assumption when preparing the consolidated 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 events and conditions can cause the Company to cease to be a going concern.

- We evaluate the overall presentation, structure and contents of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events, thus achieving a reasonable presentation.

- We 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 the only party responsible for our audit opinion.

We communicate to the members of the Company's government, among other matters, the scope and timing and significant findings of the audit, as well as any significant internal control deficiency identified during the course of our audit.

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

Among the matters communicated to the Company's government, we determined those considered to be the most significant in the audit of the consolidated financial statements for the current period and consequently, the audit key matters. We described those matters in our audit report, unless the legal and regulatory provisions prohibit public disclosure thereof or, under extremely rare circumstances, we determine that a matter should not be communicated in our report, because the adverse consequences of doing so are expected to exceed the benefits of public interest.

The name of the audit partner assigned to conduct the audit of the Company is:

PricewaterhouseCoopers, S.C.

C.P.C. Rubén Rivera Rodríguez
Audit Partner

Mariano Escobedo #573, Col. Rincón del Bosque, 11580 Ciudad de México

Mexico City, March 15, 2017

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statement of Financial Position

Thousands of pesos

	Note		December 31 de 2016
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	2.3 y 8	$	3,225,363
Trade receivables and other accounts receivable - Net of the impairment reserve	2.4.1a. y 9		114,738
Taxes creditable and recoverable	2.4.1a. y 9		333,802
Related parties	2.4.1a. y 20		786
Inventories	2.7 y 10		2,082,285
Prepayments	2.8 y 11		37,141
Other assets	2.13 y 15		126,446
Total current assets			**5,920,561**
NON-CURRENT ASSETS:			
Intangible assets - Net	2.13 y 14		6,277,998
Other assets - Net	2.13 y 15		890,351
Deferred income tax asset	2.19 y 24		240,644
Investment property	2.11 y 12		486,373
Property, furniture and equipment and leasehold improvements - Net	2.9 y 13		9,622,364
Total assets		**$**	**23,438,291**
Liabilities and Stockholders' Equity			
CURRENT LIABILITIES:			
Suppliers	2.15 y 16	$	2,216,759
Related parties	2.15 y 20		187,316
Provisions	2.18 y 18		170,158
Other accounts payable	2.15 y 17		572,832
Income tax and other taxes payable	24		105,245
Total current liabilities			**3,252,310**
NON-CURRENT LIABILITIES:			
Deferred income tax liability	2.19 y 24		9,876
Employee benefits	2.20 y 19		69,236
Total non-current liabilities			**79,112**
Total liabilities			**3,331,422**
STOCKHOLDERS' EQUITY:			
Capital stock	2.21 y 25		1,966,662
Net premium on placement of units	25		193,896
Capital reserves	25		1,544,201
Retained earnings	25		16,402,110
Total stockholders' equity			**20,106,869**
Total liabilities and stockholders' equity		**$**	**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 Statement of Comprehensive Income (by function of expense)

Thousands of pesos

	Note		From January 4 to December 31, 2016
Operating income:			
Net sales of merchandise	2.22.a.b.y c.	$	14,447,319
Other income	2.22 d. y e.		310,013
Total income			14,757,332
Cost of sales	2.25 y 21		11,147,610
Gross profit			3,609,722
Selling expenses	21		2,599,662
Administration expenses	21		584,240
			3,183,902
Other expenses	22		(165,732)
Other income	22		155,496
			(10,236)
Operating income			415,584
Financial expenses	23		(34,868)
Financial income	23		158,317
			123,449
Pretax profit			539,033
Income taxes	24		86,800
Profit on continued operations			452,233
Profit on discontinued operations	2.10		65,365
Net consolidated profit		**$**	**517,598**
Other components of comprehensive income not			
to be subsequently reclassified to the statement of income:			
Re-measurements of labor liabilities - Net			
of deferred income tax	24	$	(10,028)
Consolidated comprehensive income		**$**	**507,570**
Basic and diluted profit per unit:			
On continued operations		$	0.42
On discontinued operations			0.06
On net profit		**$**	**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 Statement of Changes in Stockholders' Equity (Notes 2.21 and 25)

Thousands of pesos

	Capital stock	Net premium on placement of units
Balances at January 4, 2016	$ 1,966,662	$ 193,896
Comprehensive income:		
Net income		
Re-measurement of labor liabilities		
Total comprehensive income		
Transactions with stockholders		
Repurchase of shares (Note 2.21)		
Increase in capital reserves (Note 2.21)		
Total transactions with stockholders		
Balances at December 31, 2016	**$ 1,966,662**	**$ 193,896**

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

	Capital reserves		Retained earnings		Total stockholders' equity
$	455,259	$	17,056,534	$	19,672,351
			517,598		517,598
			(10,028)		(10,028)
			507,570		507,570
	(73,052)				(73,052)
	1,161,994		(1,161,994)		-
	1,088,942		(1,161,994)		(73,052)
$	**1,544,201**	**$**	**16,402,110**	**$**	**20,106,869**

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Thousands of pesos

		From January 4 to December 31, 2016
Operations		
Income before taxes	$	539,033
Adjustment from items not implying cash flows:		
Depreciation and amortization included in the expense and cost (Notes 11, 12, 13, 14 and 15)		522,238
Profit on sale of property, machinery and equipment (Note 22)		(2,320)
Net cost for the period of labor obligations (Note 19)		10,739
Interest receivable (Note 23)		(113,289)
Interest payable (Note 23)		3,842
		960,243
(Increase) decrease in:		
Trade receivables		10,790
Inventories		(628,021)
Creditable taxes		361,964
Accounts receivable		40,958
Prepayments and other		(8,260)
Increase (decrease) in:		
Suppliers		381,099
Other liabilities		406,325
Income taxes payable		(71,139)
Net cash flows provided by operations		1,453,959
Investing activities		
Interest collected (Note 23)		113,289
Profit on sale of shares in discontinued operations (Note 2.10)		92,927
Acquisition of property, furniture and equipment		(1,501,898)
Collections on sale of property, furniture and equipment		66,931
Net cash flows provided by investing activities		(1,228,751)
Financing activities		
Repurchase of shares (Note 25)		(73,052)
Interest paid (Note 23)		(3,842)
Net cash flows provided by financing activities		(76,894)
Increase in cash and cash equivalents		148,314
Cash and cash equivalents at beginning of year		3,077,049
Cash and cash equivalents at end of year	**$**	**3,225,363**

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

Notes to the Consolidated Financial Statements

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

Note 1- Corporate Information:

A. NATURE OF THE COMPANY

La Comer, S. A. B. de C. V. (La Comer, last holding company) [in conjunction with its subsidiaries, the Company] is the result of a spinoff of Controladora Comercial Mexicana, S. A. B. de C.V. (CCM), whose term to become effective concluded on January 4, 2016, as from which it is listed in the Mexican Stock Exchange (BMV from Spanish) as a publicly traded stock company as from that date. La Comer is a holding company that mainly invests in companies engaged in the purchase, sale and distribution of groceries, perishables and merchandise in general, for an indefinite duration.

As mentioned in the above paragraph, the spin off gave rise to the operation of two different legal entities; CMM (the original company) and La Comer (the spun-off company), whose main stockholders were the same before and after the spinoff, and through which the Company received certain assets and liabilities, as shown in the following chart (See Note 2.27):

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

Statement of financial position at January 4, 2016

Item	CCM Unconsolidated	CCM Original co.	La Comer 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 address and main place of business is: Av. Revolución 780, Módulo 2, Col. San Juan, 03730 Ciudad de México.

At December 31, 2016, La Comer is a controlling company holding interests in the following subsidiaries:

Shareholding	Subsidiaries	Activity percentage (%)
Comercial City Fresko, S. de R. L. de C. V. (CCF) a	Chain of self-service stores	99.99
Real estate subsidiaries b	Group of companies whose properties house a number of its stores	99.99

a. CCF

CCF is a chain of retail sales that operates self-service stores in Mexico in 4 different formats: La Comer, City Market, Fresko, and Sumesa, offering a number of different grocery, gourmet, perishables and pharmacy products and general lines of products. At December 31, 2016, the Company operates 59 stores. Additionally, the Company leases commercial space to third parties.

b. Real estate subsidiaries

The real estate subsidiaries own some of the real property where several of the Company's stores are located.

c. Corporate restructuring

i. Public Offering Agreement

On January 28, 2015, the then stockholder of Control de Controladora Comercial Mexicana, S. A. B. de C. V. (CCM, the Company's holding up until January 4, 2016) and Organización Soriana, S. A. B. de C. V. (Soriana) entered into a Public Offering Agreement (the Agreement), through which the latter was sold the business and operation of 157 self-service stores, own and rented, that operated under the Mega, Tiendas Comercial Mexicana, Bodegas Comercial Mexicana and Alprecio formats, 1 lease agreement and 169 buildings, for a total $39,193 million pesos. This operation was subject to compliance with certain conditions, including the authorization from the Federal Economic Competition Commission (Cofece from Spanish), from the stock market authorities and corporate approvals. Under the City Market, Fresko, Sumesa and other stores (totaling 40 stores), the business was not involved in the spin off and was retained to be operated by the then stockholder of Control de CMM, for its future development, given its potential and profitability.

ii. Corporate Restructuring and Takeover Public Offering

At the July 2, 2015 CCM Extraordinary Stockholders' Meeting, the stockholders agreed to start the process, subject to conditions imposed by the Cofece and regulatory authorities such as the BMV and the National Banking and Securities Commission (CNBV from Spanish) to spin off CCM into two different economic entities. The financial, operating and legal effects of this operation, including the manner, term and other mechanisms will be transferred eventually when Cofece, BMV, the CNBV and the Stockholders authorize the transaction in all of its terms.

On October 9, 2015, the plenary session of the Cofece's Commission issued a notice on the transaction between CCM and Soriana to conduct the spinoff of CCM into two independent entities, which would mean that operating of 143 self-service stores, own and rented, pertaining to the Mega, Tiendas, Bodega and Alprecio formats, and a lease agreement, were sold to Soriana. Moreover, through said notice, the Cofece objected to this transaction, in the terms on which it was set out, a sit considered that it could damage the free competition process in some of the units subject to sale, and imposed certain conditions to be complied with by Soriana, in order for the operation to be considered authorized. Some of the options offered by Cofece to Soriana, for closing the transaction were: abstaining from purchasing 26 stores or purchasing them and later selling them in an established period. It should be mentioned that acceptance and compliance with the conditions imposed by Cofece would allow both companies to continue with the process for closing the transaction.

On October 21, 2015, Soriana presented to Cofece, a plan with the 14 units not to be acquired and the two subject to a sale process in the term set out by the regulator. This allowed for completing and closing the acquisition of CCM shares, additionally subject to all of the conditions and legal proceedings established by the CNBV and the BMV to launch a Public Acquisition Offering (OPA from Spanish) for up to the total number of CCM shares linked to the process for spin off of two companies: the first remaining as Controladora Comercial Mexicana, S. A. B. de C. V., and the entity acquiring Soriana; and the second to be denominated La Comer, S. A. B. de C. V. (La Comer), which is to control the operation of the stores not subject to sale, which include City Market, Fresko and Sumesa. The date for approval by the CCM stockholders, to formalize the spin-off, was November 10, 2015.

On December 7, 2015, Soriana launched the OPA through its main subsidiary, Tiendas Soriana, S. A. de C. V., for a duration of 20 business days, to be completed on January 6, 2016, obtaining 96.31% of CCM shares linked to the selling process.

iii. Assignment of trademark licenses

As owner of the "Comercial Mexicana" trademarks, as per the OPA and its Exhibits and Appendices; on January 28, 2015 (complemented through an initial amending agreement dated May 20, 2015, and second amending agreement dated November 13, 2015 and a third amending agreement dated December 3, 2015), CCF granted Soriana a free license for the use of certain Comercial Mexicana trademarks, including the Pelican logo. Under said agreements included in the OPA, plus the terms and conditions established in the License Agreement for the Exclusive Use of Trademarks and Domain Names (Exhibit E), the parties agreed that said license agreement, including use thereof, was granted as an implicit part of the Total Compensation paid in accordance with the OPA for the period from January 1, 2016 to December 31, 2017. For recording of said transaction, CCF used the methodology applicable to the determination of fair values for the use of the license and the provisions of IAS 18, recognizing its effects, prior to the spin off described in point iv. Below, as part of income for the period. Moreover, according to Exhibit E included in the OPA, it was stipulated that during the aforementioned term, CCF would cease to use said trademarks.

iv. CCM spin off

On January 4, 2016, the 45-calendar-day legal term of the CCM spin-off ended with no opposition proceedings brought against it; therefore, as from that date, the CCM spin-off went into effect, with the latter surviving as the spun-off company, and with a new company arising denominated La Comer, S. A. B. de C. V., whose shares are listed in the BMV as from that same date, and becoming the new holding company of the CCF shares.

On January 8, 2016, Soriana liquidated the OPA, with Soriana becoming CCM's control stockholder.

Note 2 - Bases for preparation of the financial statements and summary of significant accounting policies:

The company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Financial Reporting Standards Board (NIIF from Spanish), and interpretations thereof (IFRS IC). In accordance with the amendments to the Rules for Public Companies and other Mexican Stock Market Participants issued on January 27, 2009 by the National Banking and Securities Commission (CNBV from Spanish), the Company is required to prepare its financial statements using the IFRS issued by the IASB and interpretations thereof as the regulatory framework.

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

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

Going concern

The Company mainly operates using the cash provided by sales at stores, as well as from contracting credit from suppliers. Management expects the Company to 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 are the main accounting policies applied in preparing the accompanying consolidated financial statements, which have been applied consistently during the term shown, unless otherwise indicated.

2.1 CONSOLIDATION

a. Subsidiaries

Subsidiaries are all entities over which the Company exercises control. The Company controls an entity when it is exposed to, or is entitled to the variable yields stemming from its involvement with the entity and can use its power over the entity to have an effect on the amount of the yields. The existence of control is also evaluated in those cases in which the Company does not hold more than 50% of the voting shares, but can direct the subsidiary's relevant activities. The subsidiaries consolidated from the date on which control thereof was transferred to the Company and cease to consolidate from the date on which said control is lost.

The balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. The subsidiary companies' accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

Consolidation was carried out including the financial statements of all of the Company's subsidiaries. See Note 1.

b. Changes in the interest in subsidiaries without loss of control

Transactions with the non-controlling interest not conducive to a loss of control are recognized as transactions in stockholders' equity, that is, as transactions with stockholders in their capacity as such. The difference between fair value of any consideration paid and the share acquired of the carrying value of the subsidiary's net assets is recorded in equity. Profits or losses on the sale of the non-controlling interest are also applied to capital. At December 31, 2016, the Company has no non-controlling interest.

Segment reporting

Information per segment is presented consistently with the internal reports provided to the Directors' Offices which are the bodies responsible for making operating decisions, of authorizing capital investments and of assigning the yields thereof. For the period ended December 31, 2016, the Company operates a single business segment that includes the self-service stores, corporate operations and real-estate business. Resources are assigned to the segments, based on each segment's importance with respect to the entity's operation and the yields established by Management. See Note 28.

2.2 FOREIGN CURRENCY TRANSACTIONS

a. Functional and reporting currency

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which each entity operates (functional currency). The currency in which the consolidated financial statements are presented is the Mexican peso, which is also La Comer's and all of the subsidiaries' functional currency 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 rates in effect on the transaction or the exchange rate in effect at the date of the statement of financial position of at the valuation date when the items are re-measured. The exchanges profits and losses resulting from said transactions and from conversion, at the exchange rates in effect at the year-end close, of monetary assets and liabilities denominated in foreign currency are recognized as exchange fluctuations under financing expenses and income 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, with maximum original 28-day maturities 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 year.

Cash equivalents are mainly represented by demand or very short-term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include the amount of the vouchers of bank cards yet to be deposited by the Company's banking institutions. Recovery of voucher amounts generally does not exceed three days. See Note 8.

2.4 FINANCIAL ASSETS

2.4.1 Classification

The Company classifies its financial assets as loans and accounts receivable and at fair value with changes made through the statement of income. Classification depends on the purpose for acquiring the financial assets. Management determines the classification of its financial assets at the date of the initial recognition thereof. Fair value is the price that would be received from selling an asset or that would have been paid in transferring a liability in an orderly transaction between market participants on the measurement date.

a. Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments and 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 period reported, which are classified as non-current assets. The Company's loans and accounts receivable are comprised of cash and accounts receivable from customers and related parties that are presented in the statement of financial position.

b. ActiFinancial assets at fair value with changes through the statement of income

Financial assets at fair value with changes through the statement of income are financial assets held for trading. A financial asset is classified in this category is it was mainly acquired to be sold in the short-term. Assets in this category are classified as current is 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

The Company's loans and accounts receivable are comprised of accounts receivable from: i) financial institutions, arising from the use of credit cards for the purchase of merchandise; ii) issuers of food coupons; iii) rent receivable on commercial and promotional space leased to third parties and; iv) other accounts receivable. Accounts receivable from financial institutions from the use of credit cards, as well as issuers of food coupons are short term.

Initially, loans and accounts receivable are recognized at fair value and subsequently at their amortized cost, using the effective interest rate method, less the impairment reserve. The effective interest rate is the discount rate that exactly equals the cash flows receivable over the life of the financial instrument with its net book value. Loans and accounts receivable are de-recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership thereof.

b. Financial assets at fair value with changes through the statement of income.
These financial assets comprise investments in highly liquid government securities with 28-day maximum original maturities. Financial assets at fair value with changes through 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 applied to income for the year.

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

2.4.3 Impairment of financial assets

2.4.3.1 Assets valued at their amortized cost

At the end of every reporting period, the Company evaluates whether or not there is evidence of impairment of a financial assets or group of financial assets. Impairment of a financial asset or group of financial assets and the impairment loss are recognized only if there is objective evidence of impairment resulting from one or more events occurred after initial recognition of the asset and the loss event or events have an impact 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 reorganization process or when the observable information indicates there is a measurable decrease in future cash flows, such as late payment or economic conditions related to noncompliance.

The Company records an impairment provision for loan and accounts receivable when evidence shows that payment will not be received, 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 thereof and the seasonality of the business. Increases to this provision are recorded as expenses in the statement of income.

The Company's main source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or coupons, or by credit cards. The company's Accounts Receivable consist mainly of amounts to be collected from issuers of coupons as well as the payments to be collected from leasing of commercial and promotional space to third parties. The Company's experience shows that collections on coupon sales give rise to no problems; however, collections on accounts related to leasing of space is. The allowance for impairment has been sufficient to absorb any possible loss in this regard. At December 31, 2016, said estimation totaled $13,557.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (as an improvement in the borrower's credit quality), cancellation of the previously recognized impairment loss is recorded in the statement of income.

2.5 OTHER ACCOUNTS, NOTES RECEIVABLE AND TAXES RECOVERABLE

The Company classifies favorable tax balances, other taxes recoverable, travel expenses recoverable and other similar items as other accounts receivable. If collection rights or recovery of these amount is not realized within 12 months from the period close, they are classified as current assets, otherwise, they are shown as non-current assets.

2.6 DERIVATIVE FINANCIAL INSTRUMENTS

The Company conducts no operations with derivative financial instruments.

2.7 INVENTORIES

Inventories of merchandise are determined by the retail method. Under the retail method, inventory is segregated into types of merchandise with similar features, then valued at their sales price. That value is used to determine inventories at their cost price net of discounts, applying specific cost factors for each merchandise department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied takes into account the portion of inventories that have been marked below their original selling price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventories thus valued closely resemble their cost and do not exceed their net realization value. The net realization value is the selling price estimated in the normal course of operations, less costs estimated to conduct the sale.

In the CCF, physical inventory counts are conducted monthly for perishable products and semi-annually for non-perishable products, and inventory records are adjusted to the results of the physical inventory count.

Inventories pertaining to the distribution centers are valued by the average inventory method.

2.8 ADVANCE PAYMENTS:

Disbursements made by the Company in which the benefits and risks inherent to the goods to be acquired or to the services to be received have not yet been transferred are recorded as prepayments. Prepayments are recorded at their cost and are shown in the statement of financial position as current assets if they mature at a term equal to or under 12 months, or non-current, if they mature at a term of over 12 months, as from the date fo 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 non-recoverable is recognized in the statement of income for the period in which this occurs. Some examples are: insurance premiums, advertising and real property tax, among others (see Note 11).

2.9 PROPERTY, FURNITURE AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS - NET

Land is valued at cost, less impairment losses, if any. The rest of the components of property, furniture, equipment and leasehold improvements are recognized at cost less accumulated depreciation and impairment losses, if any. The cost includes expenses directly attributable to the acquisition of these 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 Management (see Note 13). For qualifying assets, the cost includes the cost of loans capitalized in accordance with the Company's policies. At December 31, 2016, there were no costs arising from capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of goods 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 they are replaced, the result of which is shown in the statement of income, in the operating expenses line item (see Note 21).

Works in process represent stores and shopping centers under construction and include investments and costs directly attributable to startup of operations. When stores are ready to begin operations, they are transferred to the corresponding property, furniture and equipment and leasehold improvements line and computation of their depreciation begins.

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

Buildings and construction:	
Foundation	57 years
Structure	57 years
Roof	24 years
Masonry and finishings	55 years
Hydro sanitary, electric and fire-fighting network installation	36 years
Furniture and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	10 years or the lease period, the lesser of

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

The residual values and useful life of the Company's assets and their depreciation method are reviewed and adjusted, if necessary, at the date of each statement of financial position.

The book value of an asset is decreased at its recovery value if the book value of the asset is greater than its estimated recovery value.

Profits and losses on the sale of assets are due to the difference between income from the transaction and the book value of the assets. These are included in the statement of income under other income and expenses, respectively, see Note 22.

2.10 DISCONTINUED OPERATIONS

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", a component of the entity that has been sold or has been classified as an asset held for sale is considered a discontinued operation and: i) represents a larger line of business or geographic segment of operations; ii) forms part of an individual plan for the sale of said larger line of business or geographic segment of operations, or iii) is a subsidiary acquired exclusively for its sale. The result of the sale of the segment that qualifies as discontinued operations is recognized in the statement of income in the period in which they occur and are shown separately as part of discontinued operations.

On March 4, 2016, the Company sold the restaurant it operated in the State of Mexico by the name of Restaurante Jajalpa, S. de R. L. de C. V., and its subsidiary Personal Jajalpa, S. de R. L. de C. V., (Jajalpa in the aggregate). The transaction was approved by the Company's stockholders at the March 4, 2016 Extraordinary General Stockholders' meeting. The sale of Jajalpa shares generated a $51,099 profit, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Jajalpa shares is as follows:

	Amount
Selling price of shares	$ 122,360
Book value of Jajalpa assets and liabilities	(49,677)
Tax effect	(21,584)
Profit from disposal of Jajalpa shares	**$ 51,099**

On April 11, 2016, the Company sold its subsidiary Oficinas Bosques, S. de R. L. de C. V. The sale of Oficinas Bosques shares generated a profit of $13,495, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Oficinas Bosques shares is as follows:

	Amount
Selling price of shares	$ 37,000
Book value of Oficinas Bosques assets and liabilities	(17,700)
Tax effect	(5,805)
Profit from disposal of Oficinas Bosques shares	**$ 13,495**

On December 21, 2016, the Company sold its subsidiary Textilimport, S. de R. L. de C. V. The sale of Textilimport shares generated a profit of $771, net of income taxes shown in the consolidated statement of income.

At the date of the transaction, the summary of the effects of the sale of Textilimport shares is as follows::

	Amount
Selling price of shares	$ 4,025
Book value of Textilimport assets and liabilities	(3,081)
Tax effect	(173)
Profit from disposal of Textilimport shares	**$ 771**

2.11 - INVESTMENT PROPERTY

The Company owns shopping centers that house own department stores, as well as commercial space it leases to third parties. Own stores are recognized in the statement of financial position as property, furniture and equipment (see Note 13) and leasehold improvements are recognized as investment property (see Note 12).

Investment properties are real property (land and buildings) held to obtain economic benefits through collection of rent or to obtain the increase in value, and are initially valued at cost, including transaction costs. After their initial recognition, investment properties continue to be valued at cost, less accumulated depreciation and impairment losses, if any.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of goods 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 they are replaced, the result of which is shown in the statement of income, in the expenses line item (see Note 21).

The Company considers shopping centers with a surface rented to third parties of over one thousand square meters and/or showing income in excess of $3,000 annually, as investment property.

Depreciation of investment property is calculated by the straight-line method over their estimated useful lives, as follows:

Buildings and construction:	
Foundation	57 years
Structure	57 years
Roof	24 years
Masonry and finishings	55 years
Hydro-sanitary, electric and fire-fighting network installation	36 years

2.12 COST OF LOANS

Costs of general and/or specific loans directly attributable to the acquisition, construction or production of qualifying assets, requiring a substantial period of time (generally more than 12 months) until they are ready for their use or sale, are included as part of the value of said assets, during that period and up until the point at which they are ready for use.

Income obtained from the temporary investment of specific loans not yet used on qualifying assets reduce the cost of loans illegible 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 December 31, 2016, loan costs were not capitalized due to the fact that during those periods, there were no qualifying assets.

2.13 INTANGIBLE ASSETS - NET

An intangible asset is recognized if an only if both of the following conditions are met: a) the future economic benefits attributed thereto are likely to flow towards to the entity; and b) the cost of the asset can be measured reliably.

The licenses acquired for use of programs, software and other systems are capitalized at the value of the costs incurred for their acquisition and preparation for their use. Maintenance expenses are recognized as expenses as they are incurred. Licenses acquired for the use of programs recognized as intangible assets are amortized over their estimated useful life, without exceeding 3.3 years.

The assignment of rights to use and operate self-service stores is recognized at their historical cost. The rights to use and operate self-service stores are amortized based on the duration of the lease agreements, which range from five to ten years. These assets are shown in the statement of financial position as current assets if they mature at a term equal to or under 12 months, or non-current, if they mature at a term of over 12 months, as from the date of the statement of financial position. Once the rights accrue, these amounts are recognized as an expense in the statement of income for the period, respectively. When other assets lose their capacity to generate future economic benefits, the amount considered to be non-recoverable is recognized in the statement of income for the period in which this occurs (see Note 15).

Trademarks acquired individually are recognized at their historical cost. Trademarks acquired through business acquisition are recognized at fair value at the acquisition date.

The Company recognizes the rights pertaining to the Comercial Mexicana trademark as an intangible asset, as it considers that there is a foreseeable limit in future accounting periods, in order for the trademark rights to generate net cash inflows for the Company. Trademark rights are not amortized, and in each period, the Company conducts the respective impairment testing to determine whether or not the value of trademark rights will be recovered with expected future cash flows.

The rights distinctive to the Comercial Mexicana trademark have an indefinite useful life and are recognized at cost less accumulated impairment losses, if any (see Note 14). At December 31, 2016, the distinctive trademark rights showed no signs of impairment.

2.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets having an indefinite useful life are not subject to amortization and are tested annually for impairment. At December 31, 2016, the Company had no such assets. On the other hand, assets subject to depreciation or amortization are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. Impairment losses correspond to the amount at which the book value of the asset exceeds its 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 determined each store as a separate cash-generating unit for impairment testing purposes. 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 conducts impairment testing of non-monetary assets annually, or when there are indicators that said assets may be impaired. Non-monetary assets include the following items of the statement of financial position: intangible assets, property, plant and equipment, investment property and other non-current assets. At December 31, 2016, signs of impairment were noted as a result of the delay in the opening and remodeling of stores in the business plan approved by the Company; therefore, the Company conducted annual impairment tests which revealed no impairment of long-lasting assets.

2.15 ACCOUNTS PAYABLE

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

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

2.16 SHORT AND LONG-TERM DEBT

The debt is comprised of loans from banking institutions are is initially recognized at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at its amortized cost. Differences, if any, 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, 2016, the Company has no contracted debt.

Fees incurred to obtain 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 Company's obligations are met, canceled or expire.

2.18 PROVISIONS

Provisions are recognized when the Company has a legal obligation, present or assumed, as a result of past events, when it is likely to require the use of cash flows to settle the obligation and when the amount can be reliably estimated.

Provisions are valued at the present value of cash flows expected to be required to settle the obligation, using 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 CURRENTLY-PAYABLE AND DEFERRED INCOME TAX

The income tax expense is comprised by currently-payable and deferred taxes. The tax is recognized in the statement of income, except when it relates to items applied directly to other comprehensive income or losses or to stockholders' equity. In this case, tax is recognized under other comprehensive income or directly under stockholders' equity, respectively.

Currently-payable income taxes are comprised of income tax, which is applied to income for the year in which it was incurred, and are based on tax profits.

The currently-payable income tax charge is based on federal laws approved at the date of the statement of financial position or whose approval process is substantially ended. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is provided in full, based on the assets-and-liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, expected to materialize over time.

Deferred income tax is determined using the tax rates and laws enacted at the date of the statement of financial position or whose approval process is substantially over and which are expected to be applicable when the deferred income tax asset is realized or the deferred income tax liability is settled. For 2016, the income tax rate is 30%.

The deferred income tax asset is only recognized to the extent future tax benefits are likely to be obtained against which temporary difference liabilities can be used. The deferred income tax on profits is generated on the basis of the temporary differences of investments in subsidiaries, except when the possibility that temporary differences will be reinvested is under the Company's control and the temporary difference is unlikely to be reinvested in the foreseeable future (see Note 24).

The deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset currently-payable 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 where there is an intention to settle the balances on a net basis. At December 31, 2016, the Company has no offset deferred taxes.

Federal tax accessories (restatement, surcharges, fines etc.) are shown as provisions.

2.20 EMPLOYEE BENEFITS

The benefits granted by the Company to its employees, including benefit plans are described 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 different retirement plans, including defined benefits and defined contributions, as well as health care plans at retirement.

a. Retirement benefits and seniority premium

The Company's subsidiaries recognize the defined-benefit obligation related to seniority premiums and two subsidiaries handle defined contribution retirement plans, with one of them recognizing the health defined benefit obligation at retirement for a closed group of participants. The defined-benefit plan is a plan that defines the amount of benefits to be receive by an employee at retirement, including health plans at retirement, which usually depend on a number of factors, such as the employee's age, years of service and compensation. For defined contribution plans, the cost of the plan is determined; however, the benefit level is defined for employees reaching retirement with the accumulated amount.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related defined-benefit obligation. The main assumptions for the determination of employee benefits is mentioned in Note 19. Actuarial profits and re-measurements arising from adjustments based on the experience and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive-income items in the period in which they arise. The costs of past services are recognized directly in the statement of income.

b. Employees' Statutory Profit Sharing (ESPS) and bonuses
The Company recognizes a liability and a bonus expense and ESPS, the latter based on a calculation that considers the current tax provisions. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates an assumed obligation.

c. Benefits paid to personnel corresponding to indemnities established in the labor laws
This type of benefit is paid and recognized in the statement of income upon termination of the work relationship with the employee prior to the retirement date or when the employees agree to voluntarily resign in exchange for said benefits. The Company recognizes indemnities when: a) the Company is unable to withdraw the offer of those benefits, and b) the Company recognizes the restructuring costs that are within the scope of IAS 37 "Provisions", implying payment of termination benefits, whichever occurs first. In the case of an offer made to encourage voluntary termination, the 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 to their present value.

2.21 CAPITAL STOCK

Common shares are classified as capital stock (see Note 25).

Moreover, as per article 56 of the Securities Market Law and Title Six of the Secondary Regulation for Issuers, which allows for acquiring shares under certain rules, the Company follows the procedure for the purchase and sale of shares from the buyback fund.

The purchase of own shares issued by the Company that operates under the buyback reserve is recognized as a decrease in stockholders' equity until the shares are canceled or re-issued. When said shares are re-issued, the compensation received is applied to stockholders' equity.

2.22 REVENUE RECOGNITION

Revenue is recognized at 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. Revenue is shown net of discounts granted to customers.

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

a. Sale of merchandise
Income from the sale of merchandise is recognized when every one of the following requirements has been met: a) the customer takes possession of the goods at the store and consequently, all related significant risks and benefits are transferred to the customer, and the Company retains no control thereon; b) the income, costs incurred or to be incurred are determined reliably, and c) the Company is likely to receive the economic benefits related to the sale.

Discounts made to customers and customer returns are subtracted from income. Sales of merchandise are settled by customers with debit or credit cards, cash and coupons. It is the Company's policy to sell many of their products with the right to return them; however, its accumulated experience shows that returns on sales are not representative with respect to total sales, as a result of which, the Company sets up no reserve in this regard.

b. Electronic cash card
The Company offers promotions, some of which involve benefits granted to its customers represented by electronic cash cards, the value of which is referenced to a percentage of the selling price. Electronic cash cards granted can be used by the customers to settle future purchases at the Company's stores and at other stores based on the agreement signed by the program's manager. The Company deducts the amount granted to its customers in Electronic cash cards from revenue.

When the points granted by the Company are redeemed at their branches, the income is recognized, and if they are redeemed at another business, the accounts payable to the program manager is recognized.

Company experience shows that electronic cash cards showing no movements after six months are unlikely to be redeemed; therefore, a 12-month idle period was established in the agreement signed with the program manager for canceling the points. Therefore, in accordance with the agreements, electronic cash cards with these characteristics are canceled, with a credit to sales.

At December 31, 2016, the value of electronic cash cards issued in promotions and yet to be redeemed and that the Company expected to materialize is recognized at fair value in the amount of $26,166, and are included in the other accounts payable account in the statement of financial position.

c. Coupons exchangeable 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, 2016, the unredeemed balance totals $34,815.

d. Lease income

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

e. Commissions

Commission income corresponding to collections on services by the Company at its stores, and other commissions are recorded as income as they are incurred. When the Company acts as agent in the sale of goods or services, only the gain from the commission is recognized in the income line item.

f. Interest income

Interest income is recognized by the effective interest method. Interest expenses are also recognized by the effective interest method.

2.23 LEASES

The Company classifies leases as financial leasing when the terms of the lease transfer all substantial risks and benefits inherent to the leased property. At the start of the financial lease, the Company recognizes it, in the statement of financial position, as an asset or liability for the same amount, equal to the fair value of the leased goods, or the present value of the minimum payments arising from the lease, if said value is lower, determined at the start of the lease. All other leases are classified as straight leasing. At December 31, 2016, the Company only has operating leases.

2.23.1 Lessor

Rent income pertaining to the Company's Investment Property is recognized by the straight-line method over the term of the lease. Initial direct costs incurred in negotiating a straight lease are added to the book value of the leased asset, and are recognized by the straight-line method over the term of the lease. The Company has no assets leased through capital leasing plans.

2.23.2 Lessee

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

2.24 BASIC AND DILUTED PROFIT

Basic earnings per linked unit share are calculated dividing the controlling interest by the weighted average of linked units outstanding during the period. Earnings per diluted linked unit are determined adjusting the controlling interest and linked units, under the assumption that the entity's commitments to issue or exchange own units would be realized. 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 related to discounts granted by the Company to its customers on merchandise sold are negotiated and documented by the procurement area and are credited to the cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs and expenses incurred by the Company. These amounts are recognized as a decrease in the corresponding costs and expenses.

2.26 DIVIDENDS

Dividends distributed to the Company's stockholders are recognized as a liability in the consolidated financial statements in the period in which they are approved by the stockholders.

2.27 TRANSACTIONS UNDER COMMON CONTROL

A business combination between entities or businesses under common control is a business combination in which all entities or businesses that are combined are controlled, ultimately by one single party or parties, both before and after the business combination, and that control is not transitory. In this type of transaction, the new company's consolidated financial statements will reflect the source entity's predecessor accounting figures.

Note 3 - Risk management:

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

Risk management is handled by the central treasury department under Company policies. The central treasury identifies, evaluates and hedges financial risk in close cooperation with its operating units. The Company establishes principles in writing for risk management in general, as well as written policies that cover specific areas such as exchange rate risk, interest rate risk, credit risk and investment of the liquidity excess.

A. MARKET RISK

i. Exchange rate risk

The Company is exposed to risks related to movements in the exchange rate of the Mexican peso to the US dollar, mainly with respect to the credit contracted in US dollars. The exchange risk arises from the existence of assets and liabilities in a foreign currency.

Purchases of importation merchandise paid for in currencies other than the Mexican peso are not considered an exposure to the exchange rate risk, as the Company estimates it has the capacity to impact exchange fluctuations in the selling prices of products. These importations are guaranteed with letters of credit. At December 31, 2016, the balance of letters of credit totaled US$269 and €365, equivalent to $13,437, of which the last maturity is in March 2017.

Based on the analysis of the current situation of the country's foreign exchange market, the Company determines a sensitization period in the event of a 10% increase (decrease) in the parity of the peso to the US dollar or to the euro, maintaining the rest of the constant assumptions, would result in a loss (profit) of approximately $35,812 in 2016 with respect to the monetary position in dollars and $778 in 2016 with respect to the monetary position in euros. The sensitivity analysis includes only those monetary items not yet settled denominated in foreign currency at the December 2016 period close.

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

	December 31, 2016
Thousands of US dollars	
Monetary assets	US$ 17,800
Monetary liabilities	(431)
Net short position	**US$ 17,369**
Equivalent in pesos	**$ 358,138**
In thousands of euros	
Monetary assets	€ 49
Monetary liabilities	(410)
Net short position	**€ (361)**
Equivalent in pesos	**$ (7,796)**

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

	March 7, 2017	December 31, 2016
Dollar	$19.5210	$ 20.6194
Euro	$20.6425	$ 21.5972

ii. Price risk

It is a Company policy to invest its cash surpluses in on-demand or very short-term instruments; as a result of which, the market-price risk is irrelevant. At December 31, 2016, all investments of cash surpluses were invested on demand.

The price risk of merchandise that constitute the Company's inventory is not considered significant, as the Company estimates it has the capacity to impact fluctuations of product selling prices.

iii. Interest rate risk

The Company's interest rate risk stems from its long-term loans. At December 31, 2016, the Company has no debt, and thus no interest rate risk.

Financing contracted at variable rates expose the Company to the interest rate risk on cash flows, which is partially mitigated by the cash invested at variable rates or on demand.

The Company has exposure associated to the interbank interest rate (TIIE) involving leasing of automotive equipment. At December 31, 2016, leasing contracted totaled an unpaid balance of $29,652. Based on the analysis of the current interest rate situation in the country, the Company determined a sensitization exercise which indicates that a 10% increase (decrease) in the TIIE would mean for the Company a requirement for additional (lower) cash flows for higher interest of $2,652.

B. CREDIT RISK

The credit risk arises from cash and cash equivalents, as well as deposits in financial institutions, exposure to credit with respect to accounts receivable from financial institutions arising from the use of credit cards for the purchase of merchandise, to issuers of food coupons and account receivable from tenants. Accounts receivable from financial institutions from the use of credit cards, as well as issuers of food 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 one particular customer or group of customers. Cash surpluses are invested in financial institutions with a high credit rating and in short-term government or bank papers.

The Company has a diversified real property base distributed throughout 10 states in Mexico and owns 31 self-service stores and 10 shopping centers. The Board, comprised of most of the Directors, is responsible for authorizing the purchase of land and buildings proposed by the Company's real estate area. Real estate activities constitute a source of income through the leasing of commercial space located in 10 company-owned shopping centers.

The Company has no risk concentration in accounts receivable from lessees, as it has a diversified base and periodically evaluates their payment capacity, especially prior to renewing their lease agreements. It is Company policy to request that lessees make guarantee deposits prior to taking possession of the commercial space. The occupancy rate of the Company's commercial space is of approximately 85% and the rent-related non-collectibility rate has remained at a favorable level, thus the credit risk related to lease agreements is considered low.

The Company has insurance that duly covers its assets against the risk of 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 developed at the consolidated level by the Company's finance department. The treasury department monitors the liquidity requirements to ensure that there is sufficient cash on hand to meet operating needs and ensure the Company's compliance with its financial commitments. The months with highest operations for the Company 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, as well as compliance with the objectives of internal financial metrics.

Cash in excess of the Company's working capital requirements are handled by the treasury department, which invests it in financial institutions with a high credit rating, choosing instruments with the proper maturities or sufficient liquidity to provide the Company with sufficient margin according to the aforementioned cash flow forecasts.

The Company finances its operations through a combination of: 1) reinvestment of a significant part of its profits; 2) credit obtained from its supplies, and 3) financing contracted in pesos. At December 31, 2016 the Company has immediately available lines of credit contracted with financial institutions of approximately $820,000, of which $168,738 has been drawn down.

Following are the contractual maturities of the Company's financial liabilities according to the expiration periods. The table was prepared on a cash flow basis without discounting, from the first date on which the Company will be required to pay. The table includes the cash flows corresponding to the principal and interest:

Less than December 31, 2016	3 months	3 months to 1 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 can adjust the amount of dividends payable to the stockholders, reduce capital in favor of the stockholders, issue new shares or sell assets to reduce the debt.

Consistent with other in the industry, the Company monitors capital on the basis of the operating leverage index. This index is determined as net borrowings divided by the EBITDA (operating income plus depreciation and amortization) generated over the past 12 months.

At December 31, 2016, the operating leverage was 3.45 times. Net borrowings are determined as total financing (including short and long-term financing), less cash and cash equivalents.

Note 4 - Estimates and critical accounting judgments:

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

Critical accounting estimates and assumptions

Company management must make judgments, estimates and assumptions on the future. The resulting accounting estimates are, by definition, rarely the same of actual results. Estimates and assumptions bearing a high risk of resulting in a significant adjustment in the book value of assets and liabilities within the following tax period are as follows:

A. DETERMINATION OF INCOME TAX

Professional judgment is required to determine the consolidated income tax reserve. There are transactions and calculations due to which the determination of the definitive tax could be uncertain (see Note 24), and therefore, some of management's significant criteria are required for the determination of the income tax reserve. The Company recognizes a liability for tax matters based on estimations on whether or not additional taxes may be owed. When the final tax on these matters differs from the amounts originally recognized, said differences will impact the currently-payable and deferred tax asset and/or liability in the period in which said difference is determined.

B. EMPLOYEE BENEFITS

The present value of retirement benefit and seniority premium obligations is reliant on factors determined on the basis of actuarial valuations that use a series of assumptions. The assumptions used in determining the Net Cost for the Period (CNP from Spanish) and retirement benefit obligations 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 will impact the book value of the related 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 retirement benefit and seniority premium obligations. To determine the proper discount rate, the Company considers the interest rate of government bonds denominated in the same currency as that in which the benefits are to be paid, and which have maturity terms closely resembling those of retirement benefit obligations.

If the discount rate used by the Company were to vary by 0.5% with respect to the 7.8% discount rates used in 2016, the value of the provision for employee benefits could total $2,907, higher or $2,686 lower at December 31, 2016 than Management's estimate.

C. IMPAIRMENT OF LOANS AND ACCOUNTS RECEIVABLE

The allowance for impairment has been sufficient to absorb any possible loss in this regard and the balance increases or decreases based on the individual analysis of each account. See Note 7.

Should the estimation expected by the Company vary by 10% with respect to the current estimate, the value of the estimate of loans and accounts receivable could be $1,356 higher or lower at December 31, 2016 than Management's estimate.

D. ESTIMATED USEFUL LIFE AND RESIDUAL VALUES OF PROPERTY, FURNITURE AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS.

The Company reviews the estimated useful life and the residual values of its real property, furniture and equipment and leasehold improvements at every year end. In management's judgment, it was 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. Should the useful life increase (decrease) by 10% with respect to that shown in Note 2.9, the depreciation charge would be lower (higher) by $34,946 at December 31, 2016.

E. ESTIMATION OF THE RECOVERABLE VALUE OF NONMONETARY ASSETS

The Company reviews the recoverable value of nonmonetary assets at the end of each period. This evaluation is conducted as per the impairment tests determined annually, or when there are signs thereof. The determination of the recoverable value of nonmonetary assets involves significant judgments, such as an estimate of the business's future results and the discount rate applied to projections. In Management's judgment, the projections used in determining this recoverable value reflect fairly the economic conditions of the Company's operating environment.

The license granted by CCF (see Note 1c.iii) was determined based on the specific provisions of IAS 18 for recognition of revenue in the first day of the term of the agreement mentioned in Note 1 and which was determined at fair value as per the Relief from Royalty income approach methodology.

Note 5 - Standards, interpretations and adjustments to public standards that went into effect:

New standards, changes and interpretations in effect for the periods staring on or after January 1, 2016, which had no effective impact on the presentation of the Company's consolidated financial statements.

Applicable standards in effect as from January 1, 2017, 20198 and 2019.

- **IFRS 15 "Revenue from contracts with customers"** (effective as from January 1, 2018).- IASB issued a new standard for revenue recognition. IFRS 15 replaces IAS 18, which covers product and service contracts and IAS 11, which covers construction contracts. The new rule is based on the principle that income is recorded when control over the product or service is transferred to the client, which means that the concept of control replaces the current concept of risks and benefits. A five-step process must be applied before revenue can be recognized; identify contracts with customers; identify the obligation for separate performance; determine the transaction price in the contract; assign the transaction price of each performance obligation, and recognize revenue when each performance obligation is complied with.

The key changes to the current practice are: any product or service in a package that stand out should be recognized separately, and any discount or reduction of the contract price must be assigned to each of the elements identified separately. Income may be recorded prior than required by the current rules if the consideration varies for any reason (such as: incentives, reductions, performance charges, royalties, success results, etc.) minimum amounts must be recorded if not at risk of reversal (as defined 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 recognized throughout the term of the contract and vice a versa.

Management is evaluating the new standard and its probable impact on the financial statements in terms of recognition, measurement, presentation and disclosure; however, its main revenue is related to the sale of goods in the points of sale, as a result of which, the Company recognizes revenue upon output of the products, and there are no separable elements in revenue. The Company will conduct a more in-depth evaluation of the impact of this standard over the following 12 months.

• **IFRS 9 Financial instruments and changes related to 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: 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 assets 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 capital instruments, including investments in complex debt and capital instruments, must be recorded 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).

For financial liabilities measured at fair value, entities must record part of the changes in fair value arising from changes in the credit risk under other comprehensive income rather than in the statement of income. The new hedge accounting rules (issued in December 2013) align hedge accounting with common risk management practices. As a general rule, hedge accounting will be easier to apply. The new rule also contains requirements for additional disclosures and changes in presentation. In June 2014, the IASB made additional changes to measurement and classification rules and introduced a new impairment model. With those amendments, IFRS are now complete. The changes introduce: a third category for measurement (fair value through OCI) for certain financial assets that are capital instruments; a new model of expected credit losses that involves a three-stage approach, as a result of which, the financial assets pass through the three stages by changing their credit quality. 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). In initial recognition, entities record losses on day one equal to credit losses expected over 12 months (or the lifetime of credit losses expected from accounts receivable), unless assets are considered to be impaired as concerns credit. For financial periods beginning on February 1, 2015, entities can opt for early application of IFRS 9 for the following: the credit risk requirements for financial liabilities; requirements for classification and measurement of financial assets and liabilities and hedge accounting.

Management is evaluating the new standard and one of the elements considered as high impact is the determination of the estimation for losses in accounts receivable, which will be determined on expected losses, and not incurred as currently done. The Company is in process of determining the monetary effect of this change, and is conducting an analysis of each item receivable to determine the probable effect of non-recovery.

• **IFRS 16 Leases (to take effect on 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 Identifies leases as financial when the risks and benefits of an asset are transferred, and all others as operating leases. IFRS 16 eliminates classification of leases as either financial or operating and requires recognition of a liability by 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 above modifications are applicable to accounting for leases, while rules for the lessor remain similar to current rules. 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 standard is effective for periods beginning on or after January 1, 2019. In this stage, the Company has no plans to adopt the standard in advance.

At December 31, 2016, Management is in the process of assessing the new standard for leases, as it has lease agreements established by some of its self-service stores, and this change is expected to have an impact. To date, the expected amount related to applying the new accounting standard has not been determined.

There are no other additional standards, changes or interpretations, issued but not yet in effect, that could have a material impact on the Company's financial information.

Note 6 - Category of financial instruments:

The Company classifies its financial assets and liabilities as follows.

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
Trade receivables and other accounts receivable - Net	114,738		114,738
Taxes recoverable	333,802		333,802
Related parties	786		786
Prepayments	37,141		37,141
Financial liabilities:			
Suppliers		$ 2,216,759	$ 2,216,759
Related parties		187,316	187,316
Other accounts payable		572,832	572,832

* The fair value of cash equivalents was determined based on their market price.

The financial instruments recorded at fair value in the statement of financial position are classified on the basis of the manner of obtaining its fair value.
• 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, whether directly (prices) or indirectly (derived from prices) (Level 2).
• Information on the asset or liability not based on data that can be observed in active markets (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 negotiated traded in active markets is based on market price quoted at the date of the statement of financial position. A market is considered active if the quoted prices are easily and regularly accessible through an agent, industrial group, quote services or regulatory agencies, and those prices represent real and frequent transactions at market value. The market value used for the Company's financial assets is the bid price. The instruments included in level 1 comprise cash equivalents (debt issued by the federal government).

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

B. LEVEL 2 FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined using use of valuation techniques. These valuation techniques maximize the use of observable market data, where they are available and little trust is placed in the entity's specific estimates. If all of the significant data entered and required to measure a financial instrument at fair value are observable, the instrument is classified at Level 2. If one or more of the significant data is not based on observable market information, the instrument is included in Level 3.

C. LEVEL 3 FINANCIAL INSTRUMENTS

Fair value derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information. For the year ended December 31, 2016, there were no transfers between levels 1 and 2.

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

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

- Trade and other accounts receivable
- Cash and cash equivalents (including bank overdrafts)
- Suppliers and other accounts payable
- Related parties
- Prepayments

Note 7 - Credit quality of financial instruments:

The credit quality of the financial assets that are neither past-due or impaired is high with respect to the external risk ratings, if any, or based on historical information of indexes of counterpart default.

		December 31, 2016
AAA Bank deposits AAA	$	1,269,407
AAA rated investments		1,945,932
	$	**3,215,339**
Accounts receivable with external risk ratings:		
American Express Bank (México) AMEX cards mxA-1	**$**	**65,539**
Accounts receivable with external risk ratings:		
To third parties	$	50,275
From leasing		23,685
To related parties		786
	$	**74,746**

Accounts receivable from third parties include balances with balances with issuers of food coupons with no risk rating.

Accounts receivable from the leasing of commercial and promotional space to third parties has an average three months recovery at December 31, 2016.

Accounts receivable from related parties have shown no default and have been recovered in their entirety.

The movements of the allowance for impairment of loans and accounts receivable for the period ended December 31, 2016 are as follows:

		2016
Opening balance at January 4	$	2,303
Increases		11,254
Applications		-
Ending balance at December 31	**$**	**13,557**

Note 8 - Cash and cash equivalents:

Cash and cash equivalents at December 31, 2016 is comprised as follows:

		December 31, 2016
Cash	$	10,024
Bank deposits		1,269,407
Investment on demand		1,945,932
Total cash and cash equivalents	**$**	**3,225,363**

The Company maintains its cash and temporary investments with recognized financial institutions and has experienced no losses relating to risk concentration.

Note 9 - Trade receivables and other accounts receivable and taxes creditable and recoverable

		December 31, 2016
Trade receivables (net of the estimation)	$	73,960
Sundry debtors		30,179
Prepayment on expenses		10,599
	$	**114,738**

		December 31, 2016
Taxes creditable and recoverable		
Value added tax	$	230,733
Excise tax		69,188
Taxes withheld payable to the Company		33,881
	$	**333,802**

At December 31, 2016, there were no material past due accounts receivable.

Note 10 - Inventories:

		December 31, 2016
Merchandise for sale	**$**	**2,082,285**

The cost of sales related to inventory write offs at December 31, 2016 totals $78,703. At December 31, 2016, the value of inventory recognized in the statement of income totaled $10,812,870.

Note 11 - Prepayments:

		December 31, 2016
Prepaid leasing	$	23,802
Insurance premium		5,412
Other prepayments		7,927
	$	**37,141**

Amortization of prepaid leasing is recorded in selling expenses and at December 31, 2016, totaled $23,538.

Note 12 - Investment property:

		Land		Buildings and construction		Total
At December 31, 2016						
Opening 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**

Investment properties are valued at cost, less accumulated depreciation and impairment losses, if any. At December 31, 2016, the fair value of the investment property is similar to the book value, due to the fact that as a result of the preparation to conduct the transaction mentioned in Note 1 to the financial statements, one of the Company's subsidiaries acquired ownership of the investment at market value. The fair value of level 2 of these assets has been determined according to the method of the comparative price of reproduction or restitution of real property similar to that under study, by applying the building construction market values in effect at the date of the appraisal and based on the characteristics thereof, affected by the depreciation attributable to the following factors: age, state of conservation, obsolescence, functionality and any other affecting factor. Depreciation is investment property is recorded in selling expenses and at December 31, 2016 totaling $3,032 and no impairment losses were recorded at their recovery value. At December 31, 2016, there are no restrictions on the use of said investment property.

Note 13 - Property, furniture and equipment and leasehold improvements - Net:

Real property, furniture and equipment and leasehold improvements are comprised as follows:

	Land	Buildings and constructions	Furniture and equipment	Leasehold improve-ments	Electronic equipment	Office equipment	Works in process and other*	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**

	Land	Buildings and constructions	Furniture and equipment	Leasehold improve-ments	Electronic equipment	Office equipment	Works in process and other*	Total
At December 31, 2016								
Cost	$ 3,650,779	$ 3,199,973	$ 2,040,354	$ 321,771	$ 311,907	$ 29,444	$ 433,282	$ 9,987,510
Accumulated 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**

* Other includes prepayments for the acquisition of equipment and leasehold improvements of $341,003 at December 31, 2016.

Property, furniture, equipment and leasehold improvements are recognized at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation for the period is recorded in selling expenses, administration expenses and selling costs of $339,963, $13,465 and $11,718, respectively at December 31, 2016

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

Note 14 - Intangible assets - Net:

December 31, 2016		Trademark rights
Opening balance	$	6,277,998
Effect for the period		-
Ending balance	**$**	**6,277,998**

On December 22, 2014, Controladora Comercial Mexicana, S. A. B. de C. V. transferred, for a fee, ownership of the "Comercial Mexicana" denominative and mixed trademarks (the Trademarks) registered to CCM at the Mexican Institute of Industrial Property, to Comercial City Fresko, S. de R. L. de C. V. (CCF) , the Company's most significant subsidiary. The rights of the "Comercial Mexicana" trademarks represent a fully identifiable asset that generates current and future economic benefits, as the current business formats with which the Company participates in the self-service market in Mexico are operated under a number of "Comercial Mexicana" trademarks, which are recognized by the company, and are generating direct economic benefits that allow the Company to operate as a going concern (see Note 2.13).

Prior to the spin-off described in Note 1, CCF assigned a number of trademarks to Soriana, through a two-year license, which are restricted as set out in Note 1.iii to the consolidated financial statements.

CCF has formats that are known trademarks positioned in the market, such as: "City Market" and "Fresko"; additionally, once the term of the license to Soriana of the "Tiendas Comercial Mexicana" trademark has transpired, it can be used again by the Company. Moreover, CCF owns campaigns such as "Miércoles de Plaza", own product brands such as "Golden Hills", "Farmacom", among others. The duration of the 281 trademarks whose ownership was retained by the Company is variable, expiring from 2015 to 20124, depending on the trademark, and when they reach their expiration, they are renewed to continue operating.

The Company conducts impairment testing of its intangible assets annually, or when there are indicators that said assets may be impaired. At December 31, 2016, no impairment was determined to be applied to income.

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

- The Company's current store formats operate under the use of Trademarks, and Management has fair expectations as to its continuity in the future. The Trademarks have operated in the Mexican retain business for years, administered by different managerial teams, and has consolidated in the Mexican market as a Mexican trademark of high quality, more than 50 years old, and deeply rooted.

- The retail sector of self-service stores in which the Trademarks operate is a very stable market with very little risk of obsolescence, due mainly to the consumer products sold at the stores, such as perishables, merchandise in general, etc. Moreover, no significant changes in demand are expected, because, although new product brands are offered, the buying behavior of basic consumer products (perishables, fruits and vegetables, groceries, etc.) remains constant.

- The Trademarks' competition in the market is clearly identified. The self-service retail market in Mexico is filled by large chains of stores that offer diverse products to the public, and in the case of Comercial Mexicana, it has its own share in this market, as it targets a very specific sector through Premium formats, which have been positioned successfully among the consumers.

- The actions the Company must carry out to maintain the Trademarks profitable are essentially, the strategic plan that the Company has established for continuity of the business (the capability to maintain and increase consumption at its stores), which to a large extent depends on factors such as: the quality of the products sold at its stores; the service provided to consumers; competitive prices; the investment in remodeling to keep the stores at the forefront; periodic maintenance of store interiors and exteriors; periodic training of its labor force; value relationships with its business partners; among others, all of which in general, contribute to the Company's permanence in the Mexican retail industry.

- Trademark rights are owned by the Company, which therefore has total control thereof.

- The duration of the Trademarks is reliant to a large extent, on the Company's proper management, and therefore, of its capacity to continue as a going concern.

Note 15 - Other assets:

December 31, 2016		Assignment of rights for use and operation of self-service stores		Other		Total
Opening 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, 2016, the balance of the assignment of rights for the use and operation of self-service stores of some branches acquired by the Company as a result of the transaction mentioned in notes 1a. and 1c. to the financial statements totals $1,011,451 The useful life of the assignment of rights to use and operate self-service stores is determined based on the duration of the lease agreements, which range from five to ten years. Amortization of this asset is determined by the straight-line method to distribute the cost thereof at its residual value over their estimated useful lives, which is ten years on the average.

Amortization for the period is recorded in selling expenses and selling costs of $127,752 and $2,770, respectively at December 31, 2016

All other non-current assets represent deposits granted through leasing of space by the Company.

Note 16 - Suppliers:

Most of the suppliers balance is in Mexican pesos. However, there is a balance in US dollars of US$431 at December 31, 2016, as well as a balance in euros of €409. Of the foreign currency balance with suppliers, some is paid through letters of credit, the balance in this regard at December 31, 2016 totals US$269 and €365, respectively.

The Company has established the following supplier financing programs, through which they can discount their documents at the financial institutions listed below. The balance payable arising from these programs is recognized in 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
During the second quarter of 2015, one of the Company's subsidiaries entered into a factoring agreement with Banca Mifel, S. A. of up to $350,000. At December 31, 2016, the Company's suppliers has drawn down $106,121 on the line. The 2016 unused portion corresponds to $243,879.

Mifel S. A. de C. V. SOFOM ER (Mifel) credit line
During the second quarter of 2016, the Company entered into a factoring agreement with Mifel, S. A. of up to $350,000. At December 31, 2016, this loan remains unused.

Arrendadora y Factor Banorte, S. A. de C. V.
During 2016, the Company entered into a factoring agreement of up to $120,000. At December 31, 2016, the Company's suppliers has drawn down $62,617 on the line. The 2016 unused portion corresponds to $57,383.

Note 17 - Other accounts payable:

Accounts payable at December 31, 2016 are comprised as follows:

	December 31, 2016
Sundry creditors	$ 231,626
Deferred income from loyalty programs	75,847
Guarantee deposits received	25,915
Other accounts payable	239,444
Total other account payable	**$ 572,832**

Note 18 - Provisions:

	Contingencies	Employee bonuses	Maintenance of stores	Property tax	Total
At January 4, 2016	$ 69,576	$ 148,594	$ 3,755	$ 1,484	$ 223,409
Charges 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, after the period close.

At December 31, 2016, the Company recorded a provision of $69,576 corresponding to possible adverse results of labor and administrative contingencies, and official reviews by the tax authorities.

Note 19 - Employee benefits:

The value of defined benefit obligations at December 31, 2016 amounted to $69,236, as shown below:

	December 31, 2016
a. Retirement benefits	$ 25,480
b. Seniority premium	43,756
Employee benefits	**$ 69,236**

The Net Cost for the Period (CNP from Spanish) for the years ended December 31, 2016 is as follows

	December 31, 2016
Retirement benefits	$ 359
Seniority premium	10,380
	$ 10,739

a. Retirement benefits

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

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

The CNP is comprised as follows:

	December 31, 2016	
Cost of services for the year	$	359
CNP of retirement benefits	**$**	**359**

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

Defined benefit obligations	$	25,480
Fair value of plan assets		(34,344)
Health plan at retirement		4,998
Liabilities in the statement of financial position	**$**	**(3,866)**

Defined benefit obligation movements were as follows:

	2016	
Opening balance at January 4	$	40,460
Health plan at retirement		(4,998)
Financial cost		2,521
Actuarial gains (losses)		(5,143)
Benefits paid		(7,360)
Ending balance at December 31	**$**	**25,480**

The movement of the net liability is as follows:

	2016	
Opening balance at January 4	$	(28)
Provision for the year		(35)
Actuarial gains (losses)		3,929
Ending balance at December 31	**$**	**3,866**

Movements in plan assets were as follows:

	2016	
Opening balance at January 4	$	40,433
Financial yields on assets		2,486
Actuarial gains		(1,215)
Benefits paid		(7,360)
Ending balance at December 31	**$**	**34,344**

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

		Fair value of plan assets at December 31, 2016
Debt instruments	$	26,883
Capital instruments		7,461
	$	**34,344**

b Seniority premium

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

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

The CNP is comprised as follows:

		December 31, 2016
Cost of services for the year	$	4,340
Financial cost - Net		2,747
Labor cost of reduction		1,040
Labor cost of past services		2,253
CNP of seniority premium	**$**	**10,380**

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

		December 31, 2016
Defined benefit obligations	$	44,124
Fair value of plan assets		(368)
Liability in statement of financial position	**$**	**43,756**

The movement of the net liability is as follows:

		2016
Opening balance at January 4	$	40,630
Provision for the year		10,390
Paid-benefit charge to net liabilities		(7,785)
Actuarial losses		521
Ending balance at December 31	**$**	**43,756**

Defined benefit obligation movements were as follows:

		2016
Opening balance at January 4	$	41,419
Labor cost of the service		2,263
Labor cost		4,340
Financial cost		2,802
Actuarial gains and losses		531
Actuarial gains and losses from severance payments		1,040
Fair value of plan assets		(368)
Benefits paid		(8,271)
Ending balance at December 31	**$**	**43,756**

Movements in plan assets were as follows:

		2016
Opening balance at January 4	$	(789)
Financial yields on assets		(54)
Actuarial gains and losses		(11)
Benefits paid		486
Ending balance at December 31	**$**	**(368)**

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

		Fair value of plan assets at December 31, 2016
Debt instruments	$	(288)
Capital instruments		(80)
	$	**(368)**

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

Investment risk: the expected rate of return for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined based on long-term government bonds, if the return on the assets is less than said rate, this will create a deficit in the plan. At present, the plan has a majority investment in debt instruments.

Interest rate risk: a decrease in the interest rate will increase the plan's liability; the volatility in rates depends exclusively on the economic environment.

Longevity risk: the present value of the defined benefit obligation is calculated by reference to the best estimate of the plan participants' mortality. An increase in the expected lifetime of plan participants will increase the liability.

Salary risk: the present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Therefore, an increase in the expectation of plan participants' salaries will increase the plan liability.

Note 20 - Related parties:

At December 31, 2016, the Company's main balances pertaining to operations conducted with related parties are as follows:

		December 31, 2016
Receivable from affiliates		
Recolectapel, S. A. de C .V.	$	574
Other related parties		157
Bed Bath & Beyond, S. de R. L. de C. V.		55
Total	**$**	**786**

		December 31, 2016
Payable to affiliates		
Inverglez, S. de R. L. de C. V. [f]	$	152,077
Mercantil Cuautitlán, S. A. de C. V. [a]		11,322
VCT & D&G de México, S. A. de C. V. [a]		9,556
Alimentos del Campo y Ganadería, S. A. de C. V. [a]		3,910
Importadora y Distribuidora Ucero, S. A. de C. V. [a]		2,464
Rigiflex, S. A. de C. V. [a]		2,015
Otras partes relacionadas		1,924
Manufacturas y Confecciones Agapsa, S. A. de C. V. [a]		1,475
ALO Innovations, S. A. de C. V. [a]		1,120
Nova Distex, S. A. de C. V. [b]		494
Seamless Global Solutions, S. A. de C. V.		329
Comercial Reyport, S. A. de C. V.		316
Unimold, S. A. de C. V.		314
	$	**187,316**

During the period ended December 31, 2016, the following operations were conducted with related parties as if the compensation agreed for operations conducted with related parties were equivalent to that used in similar operations with independent parties. At December 31, 2016, balances with related parties are the result of the following transactions:

	Period ended December 31,
Disbursements:	
Purchases of merchandise[a]	$ 241,649
Services[b]	143,788
Civil works[c]	95,878
Brochures[d]	14,511
Income:	$ 495,826
Income:	
Sale of companies [g]	$ 163,384
Rent and other services [e]	32,530
Total	**$ 195,914**

a Purchase of different merchandise, such as clothing, household goods and general lines for sale to the public through stores, that were mainly made to Mercantil Cuautitlán, S. A. de C. V.; Costco México, S. A. de C. V., Nova Distex, S. A. de C. V., ALO Innovations, 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 Payment of executive services provided to group affiliates.

c Payment of construction services at some of the new stores opened during the year, conducted by SIRP Contratistas, S. A. de C. V., Vega-Vega Arquitectos, S. A. de C. V., and Constructora Tiloxtoc, S. A. de C. V.

d Purchase of brochures and other printed materials mainly to Centro Gráfico Industrial, S. A. de C. V., for distribution to customers at the stores.

e Income received from leasing spaces, mainly 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 guarantee rent not covered and/or future repairs to a shopping center in Puebla, owned by the Company.

g Sale of shares of some Company subsidiaries, that were sold to directors with significant influence but which do not form part of the Company's consolidation, see Note. 2.10.

Compensation paid to key manager level personnel

The total amount of direct short-term benefits granted to manager level personnel or relevant directors totals $38 million at December 31, 2016 (See Note 2.20)

Note 21 - Costs and expenses classified by their nature:

The cost of sales and of selling and administrative expenses is shown below:

		December 31, 2016
Cost of sales	$	11,147,610
Personnel compensation and benefit		1,446,926
Depreciation and amortization		507,750
Administrative services		353,985
Leasing and maintenance		203,715
Other*		671,526
Total	**$**	**14,331,512**

* Includes cleaning, packaging, containers, labels, insurance premium and bonds, property tax and other minor items.

Following is a breakdown of personnel compensation and benefits:

		December 31, 2016
Salaries and bonuses	$	1,094,702
Other compensation		352,224
	$	**1,446,926**

Other compensation mainly comprises employer dues paid to the Social Security Institute and major medical expenses.

Note 22 - Other income and other expenses:

Other income		December 31, 2016
Other income from imported products on behalf of third parties	$	141,605
Income from sale of fixed assets		2,320
Refund of rested favorable tax balances		2,092
Other		9,479
Total other income	**$**	**155,496**
Other expenses		
Cost of imported products on behalf of third parties	$	141,605
Tax accessories (surcharges, restatement, etc.)		1,222
Donations		4,111
Other		18,794
Total other expenses	**$**	**165,732**

Note 23 - Financial income (costs):

Financial expenses	December 31, 2016
Interest payable	$ 3,842
Exchange loss	31,026
	$ 34,868
Financial income	
Interest receivable	$ 113,289
Exchange gain	45,028
	$ 158,317

Note 24 - Currently-payable and deferred income taxes

Income Tax

The Company and its subsidiaries determined a tax profit of $45,918 in December 2016. Book and tax results differ 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 the income tax rate applicable for 2016 and subsequent periods is 30% of taxable profit.

At December 31, 2016, the main temporary differences over which deferred income tax was recognized is shown net in the statement of financial position for comparability effects and is analyzed on the following page.

Deferred income tax asset	December 31, 2016
Liability provisions and others	$ 188,033
Property, furniture and equipment and leasehold improvements and investment property	49,889
Deferred income tax liability	267,303
	$ 505,225
Property, furniture and equipment, and leasehold improvements	$ (45,073)
Intangible assets	(229,384)
	$ (274,457)

Deferred tax assets and liabilities are analyzed as follows:

Deferred tax asset	December 31, 2016
Deferred tax asset recoverable within the following 12 months	$ 158,464
Deferred tax asset recoverable after 12 months	346,761
	$ 505,225
Deferred tax liability	
Deferred tax liability payable within the following 12 months	$ -
Deferred tax liability payable after 12 months	(274,457)
	$ (274,457)

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

Deferred tax asset:	Property, furniture and equipment and investment property	Liability provisions and other	Tax losses	Total
At January 4, 2016	$ 107,186	$ 190,804	$ 64,161	$ 362,151
Effect on statement of income	(57,297)	(2,771)	203,142	143,074
At December 31, 2016	**$ 49,889**	**$ 188,033**	**$ 267,303**	**$ 505,225**

Deferred tax liability	Property, furniture and equipment leasehold improvements	Intangible assets	Total
At January 4, 2016	$ (65,421)	$ 7,018	$ (58,403)
Effect on statement of income	20,348	(236,402)	(216,054)
At December 31, 2016	**$ (45,073)**	**$ (229,384)**	**$ (274,457)**

No deferred tax has been recognized due to the existence of undistributed earnings at subsidiaries due to the fact that the Company is able to control the moment of reversal of the temporary differences related to investments or said earnings are not subject to payment of income tax out from the CUFIN.

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

	December 31, 2016
After tax employee benefits	**$ 3,206**

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

	Year ended December 31, 2016
Profit before income tax	$ 539,033
Income tax rate incurred	30%
Income tax at statutory rate	161,710
Plus (less) the effect on income tax of the following items:	
Annual adjustment for inflation	(7,017)
Non-taxable income	(1,748)
Other items	(66,145)
	(74,910)
Income tax applied to income	**$ 86,800**
Effective income tax rate	16%

Unamortized tax losses

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

Date	Amount
2022	$ 58,030
2023	20,644
2025	126,890
2026	685,444
Total	**$ 891,008**

Note 25 - Stockholders' equity:

The capital stock is composed of shares with no par value, of which Series B are common shares with 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, 2016, the following shares are subscribed and paid in. 1,086,000,000 units, of which 626,775,944 are UB type and 459,224,056 are UBC in 2016. The units are listed at the Mexican Stock Exchange (BMV from Spanish).

The Company's nominal, subscribed and paid in capital stock totals $1,086,000, represented by 1,086,000,000 UB and UBC linked 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, 2016, the majority stockholders have placed their investment in a trust contracted with Scotiabank Inverlat, S. A., which includes 605,404,798 UB units, representing 56% of the capital stock and 62% of the voting power.

Capital reserves

Capital reserves are comprised as follows:

		December 31, 2016
Legal reserve	$	117,253
Reserve for repurchase of units		1,426,948
	$	**1,544,201**

La Comer has a reserve for repurchase of units of $1,426,948. That reserve varies depending on La Comer's purchases and sales in the stock market. At December 31, 2016, La Comer purchased 4,247,198 units, and conducted no sale of units, holding 4,247,198 units in treasury at December 31, 2016.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock, which, La Comer has complied with.

Dividends are not subject to income tax if paid from the after-tax earnings account (CUFIN from Spanish). Dividends in excess of that account are subject to 42.86% tax if paid in 2017. Tax incurred is payable by the Company and may be credited against income tax for the current period or for the two periods immediately following. Dividends paid from previously taxed profits are subject to no tax withholding or additional tax payments. At December 31, 2016, the CUFIN totaled approximately $3,362,948.

As from 2014, the Income Tax Law establishes an additional 10% tax is imposed on profits or dividends distributed to parties resident abroad and Mexican individuals.
Moreover, the Income Tax Law grants a tax incentive for individuals resident in Mexico subject to an additional 10% payment on distributed dividends or earnings.

The incentive is applicable, provided said dividends or earnings were generated in 2014, 2015 and 2016, and were re-invested in the entity that generated said earnings, and consists of a tax credit equivalent to the amount arrived at by applying the percentage corresponding to the year of the distribution, to the dividend or earnings distributed, as shown below:

Year of distribution of the dividend or profit	Percentage applied to the dividend amount or profit distributed (%)
2017	1%
2018	2%
2019 onward	5%

The tax credit determined can only be credited against the 10% additional income tax that the entity is required to withhold and pay, provided the requirements set forth in the Income Tax Law are duly met.

When the Company distributes dividends or earnings with respect to shares placed among the great investing public are required to report to brokerage houses, credit institutions and investment operators on parties distributing shares to investment funds, or on any other stock market broker, the periods from which the dividends stem, in order for said brokers to perform the corresponding withholding. At December 31, 2016, no dividends were decreed.

According to the procedures established in the Income Tax Law, in the event of a capital reduction, any excess of stockholders' equity over the capital contributions account is accorded the same tax treatment as dividends. At December 31, 2016, the capital stock contribution balance totaled approximately $1,587,829.

IAS 29, "Hyperinflation", requires that entities recognize the effects of inflation on the financial information, when an economy experiences 100% accrued inflation over a three-year period. Mexico was a hyper-inflationary economy up to 1997, and therefore, the Company recognized the effects of inflation up to that year.

Note 26 - Contingencies and commitments:

i. The Company is involved in lawsuits and claims arising from the normal course of operations, as well as legal processes related to tax matters. At December 31, 2016, there are no material open tax proceedings. None of the other tax-related legal proceedings, in the opinion of the tax advisors, are expected to have a significant effect, either individually or in the aggregate, on the Company's financial position or operating income.

ii. The Company continues to comply with the security and hygiene measures established by mutual agreement between the National Association of Self-service and Department Stores (Antad from Spanish) and the Labor Department. Therefore, no provision has been recorded for those contingencies at December 31, 2016.

Note 27 - Leases:

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 a store or restaurant 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 December 31, 2016 was as follows:

		2016
Minimum rent	$	94,582
Variable rent		44,503
	$	**139,085**

Minimum commitments for non-cancelable operating leases at December 31, 2016 are as follows:

Year ending on December 31,		Amount
2017	$	85,163
2018		80,963
2019		78,967
2020 and later		385,205
	$	**630,298**

LESSOR

Straight leasing is related to the leasing of commercial space. The leasing periods are of one year, at the end of which, the terms are renegotiated. The agreements do not establish the option for tenants to buy the space leased at the date of expiration of the lease terms.

Note 28 - Segment reporting:

Information per segment is reported on the basis of the information used by the General Directors' Offices 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 "Operating Segments" 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 General Directors' Offices only evaluates 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 obtained from external customers, as no inter-segment sales are conducted. The Company identifies and reports on the following business segment.

LA COMER GROUP

This group includes operations of self-service stores, corporate operations, the real property business and other.

Due to the fact that 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 financial costs are handled at the Group level and therefore within the segment reported on. As a result, said information is not shown distributed in each of the segments reported. The operating profit and flow generated are the key performance indicators for the Company's management, which are reported every time the Board of Directors meets.

GEOGRAPHIC INFORMATION

All of the Company's income stemming from third parties is realized in Mexico, as a result of which, there is no need to disclose information per geographic segment.

Note 29 - Authorization of issuance of consolidated financial statements:

The accompanying consolidated financial statements and notes thereto were authorized by the Company's Administration and Finance Director's Office on March 7, 2017, and by the Board of Directors on March 15, 2017, and are subject to approval by the Stockholders.

INVESTOR INFORMATION

SHAREHOLDERS' MEETING

La Comer, S.A.B. de C.V.'s General Ordinary Shareholders' Meeting was held at 11:00 p.m. on April 5th, 2017 at the Uxmal room of the Club de Empresarios Bosques, located at Bosque de los Ciruelos 278, Colonia Bosques de las Lomas, in Mexico City. C.P. 11700.

REGISTERED SHARES

La Comer, S.A.B. de C.V. is a publicly-traded company. Its shares are listed on the Mexican Stock Exchange under the ticker symbol LACOMER.

CORPORATE INFORMATION

For further information about the Company or the resolutions adopted by the General Ordinary Shareholders' Meeting, please contact Rogelio Garza or Yolotl Palacios at the Finance Department of La Comer, located at Avenida Revolución 780, Suite 2, Colonia San Juan, 03730, in Mexico City.
They are also reachable at the phone number +52 55 5270 9038.

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