SPORTSWORLD

ANNUAL **REPORT**

2016

WE ARE THE LEADING OPERATOR OF FAMILY SPORTS CLUBS IN MEXICO AND THE ONLY PUBLIC COMPANY IN THE WELLNESS INDUSTRY IN LATIN AMERICA. WE OFFER A WIDE RANGE OF SPORTS PROGRAMS FOCUSED ON THE SPECIFIC DEMANDS AND NEEDS OF OUR CLIENTS, AS WELL AS ENTRETAINMENT, HEALTH AND NUTRITION PROGRAMS CONSISTENT WITH THE LATEST INTERNATIONAL TRENDS IN THE INDUSTRY.

SINCE 2010, SPORTS WORLD IS LISTED IN THE MEXICAN STOCK EXCHANGE WITH THE TICKER SPORT.S

MISSION

Making our clients feel special in a fun, dynamic and hospitable environment, activating and transforming their lives.

VISION

Being the leading Wellness organization, distinguished for generating experiences that allow us to exceed the expectations of our clients through service quality and innovation, ensuring the growth of our collaborators and the profitability and sustainability of the company.

VALUES

Service

Innovation

Passion

Growth

Honesty

Compromise

Teamwork

CONTENT

WE CELEBRATED 20 YEARS AND WE HAVE CONSOLIDATED OURSELVES AS THE LEADING OPERATOR OF SPORTS CLUBS IN MEXICO.

WE DISTINGUISH OURSELVES THROUGH:

OUR FOCUS ON WELLNESSS

UNIQUE EXPERIENCES
THAT GENERATE WELLBEING

OUR SERVICE AND HOSPITALITY

PERSONALIZED, PROFESSIONAL
AND FRIENDLY ATTENTION

OUR INNOVATION CAPACITY

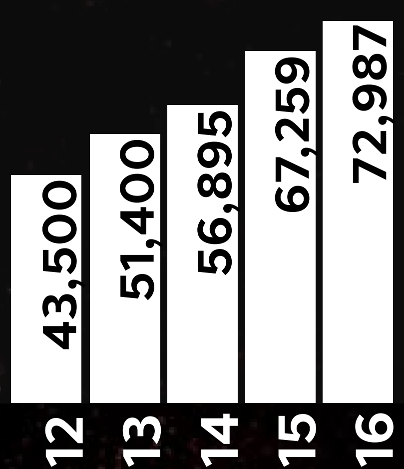
A RENOVATED AND AVANT-GARDE SPORTS OFFER

OUR CONSTANT EXPANSION

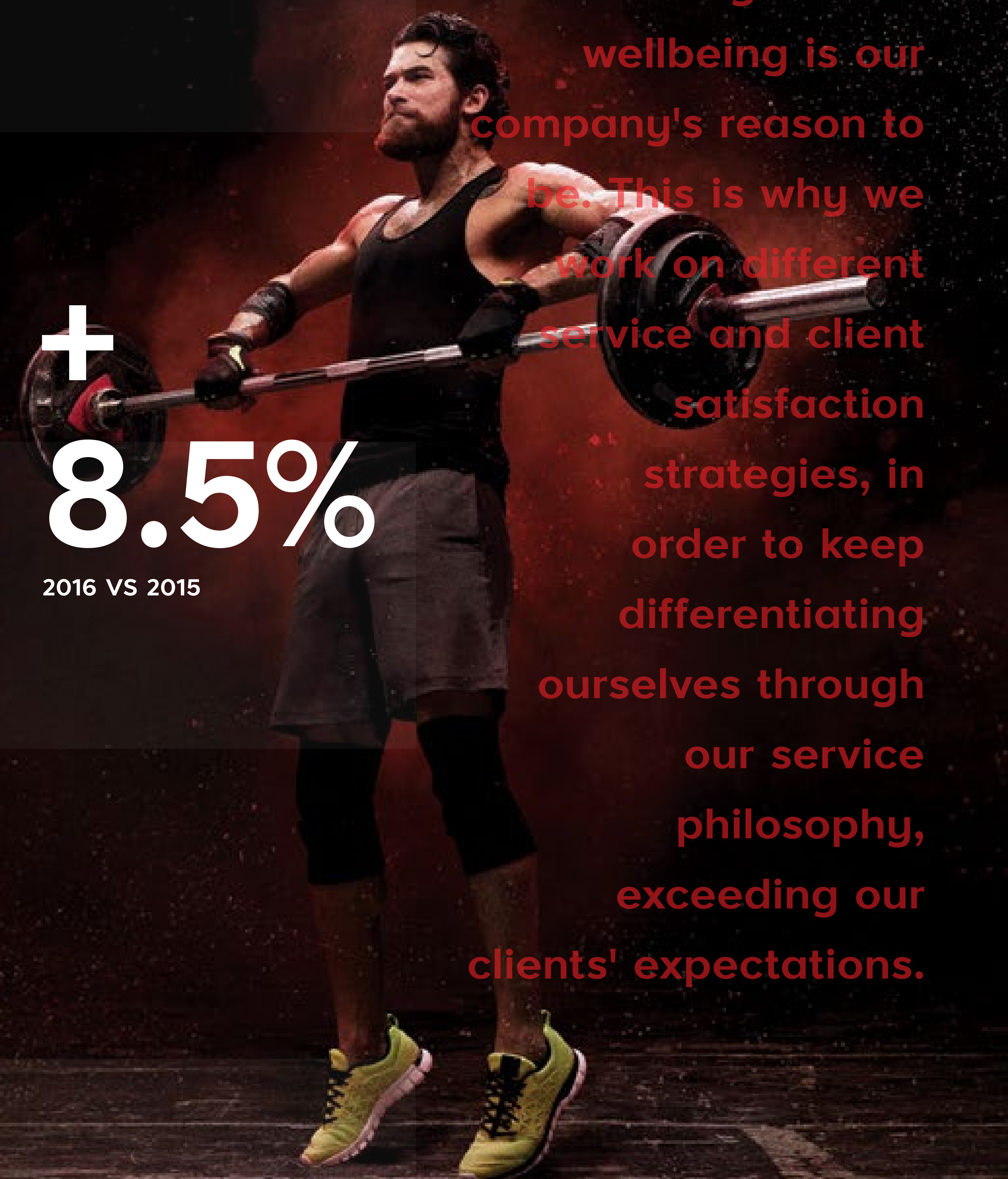
BEING CLOSER TO
OUR CLIENTS EACH DAY

72,987 CLIENTS

CAGR: 13.8%
Compound Annual Growth Rate



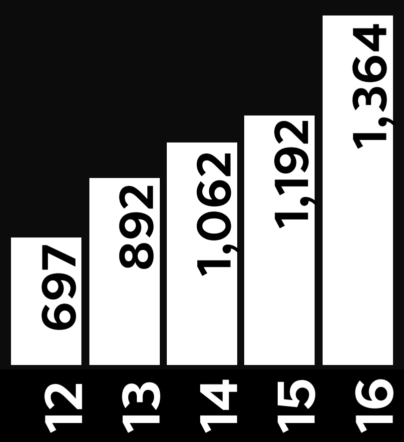
+ 8.5%
2016 VS 2015



Offering our clients unique experiences that generate wellbeing is our company's reason to be. This is why we work on different service and client satisfaction strategies, in order to keep differentiating ourselves through our service philosophy, exceeding our clients' expectations.

1,364 INCOME

CAGR: 18.3%



FIGURES IN MILLIONS OF PESOS

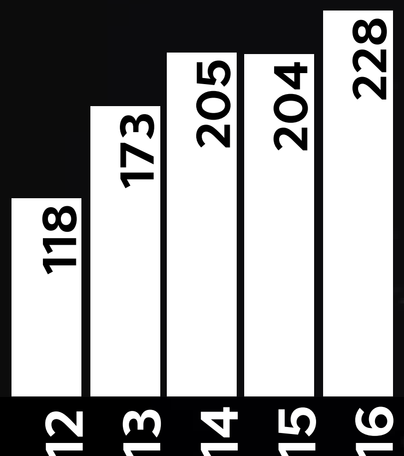
+ 14.5%

2016 VS 2015

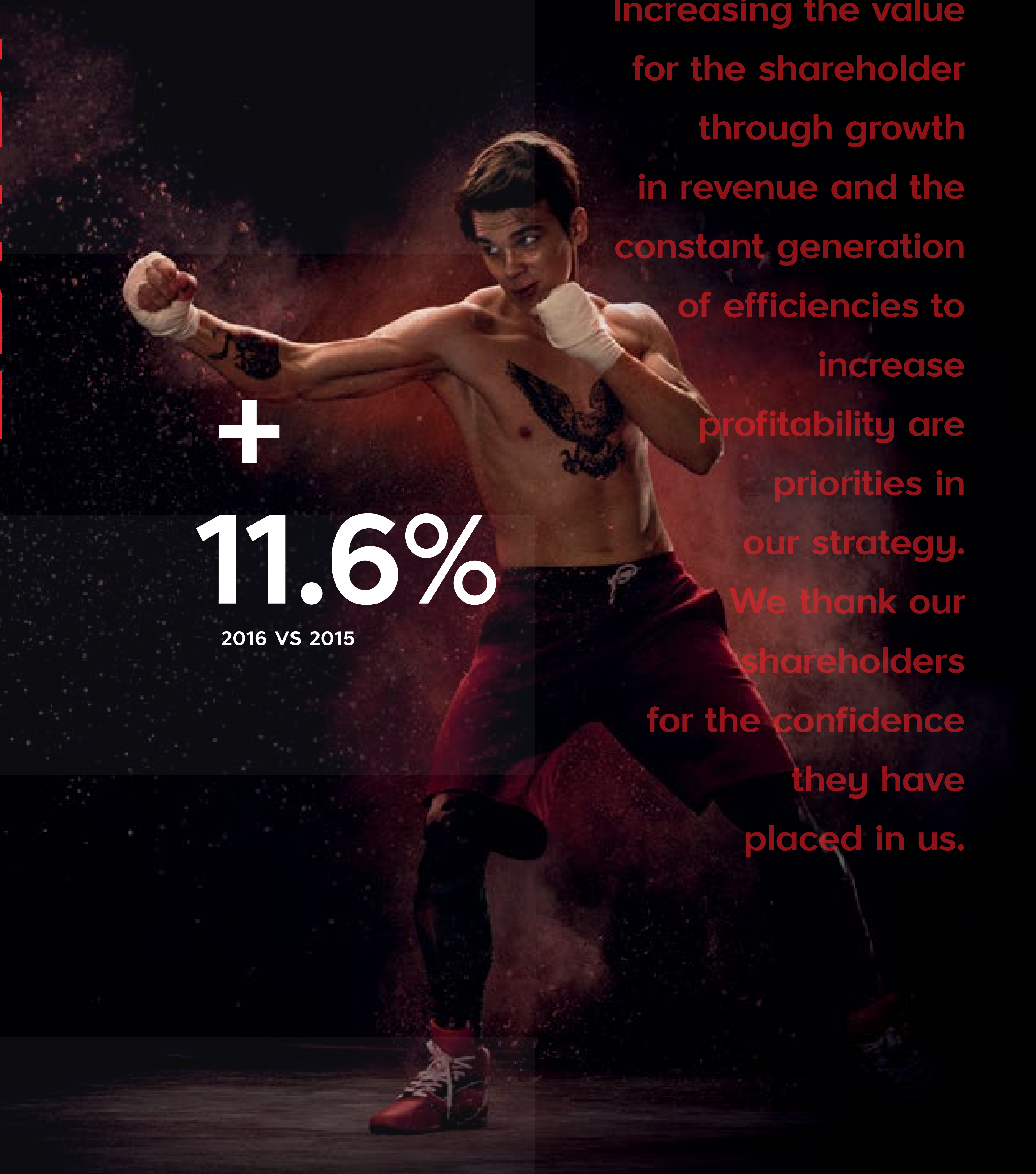
Facing the future and, particularly during 2016, we proceed with the strengthening of our four strategic cornerstones, which are the fundamental levers that will allow us to consolidate the short and medium term profitability growth.

228 EBITDA

CAGR: 17.9%



FIGURES IN MILLIONS OF PESOS



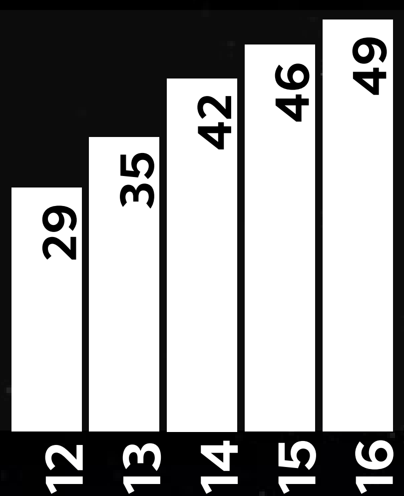
+ 11.6%

2016 VS 2015

Increasing the value for the shareholder through growth in revenue and the constant generation of efficiencies to increase profitability are priorities in our strategy. We thank our shareholders for the confidence they have placed in us.

49 CLUBS

CAGR: 14.0%



+ 6.5%

2016 VS 2015

We maintain our growth path and, in 2016, we carried out the opening of four clubs to close the year with 49 clubs in operation, which strengthens our position as the leading family sports club chain in Mexico with the most extensive sports offer in the market.

A MESSAGE FOR OUR SHAREHOLDERS

DEAR SHAREHOLDERS:

DURING THE YEAR 2016, BASED ON THE PROPOSED STRATEGY, WE TOOK IMPORTANT STRIDES THAT LED US TO SIGNIFICANT PROGRESS IN OUR MOST RELEVANT METRICS AND THAT WILL BE THE KEY TO KEEP ON BUILDING A STORY OF SUCCESS.

BY YEAR-END WE REACHED A HISTORIC HIGH OF 72,987 CLIENTS, WITH A TOTAL REVENUE GROWTH OF 14.5% AND AN EBITDA GROWTH OF 11.6%, COMPARED TO THE PREVIOUS YEAR.

At Grupo Sports World we keep growing on strong foundations.

We worked to improve the service and hospitality in all of our clubs through a comprehensive focus on cleanliness, maintenance, training and certification of our collaborators and in the unification of our customer service processes. All of this with the objective of fostering a hospitality and experience generation culture above expectations across the company, which was reflected in the decrease in the indicators of churn rate.

Through the launch of different sports programs, we reinforced our commitment to renovate and complement our sports offer in a continuous way, consistent with the new international trends, through an inclusive and differentiated service proposal.

Among our most important launches this year, we can mention **IndBike**, a unique spinning concept with dynamic and challenging training routines, coupled with visual content on screens and a setting with illumination and sound congruent with the routine executed. Another important launch was **Physical Move**, designed specifically to correct movement and posture aspects and reconnect muscle chains.

Additional to these launches and as part of our interest to encourage a healthy and familiar environment and to increase our youngest clients' base, we signed an agreement with **SafeSplash Swim School**, the leading swim school franchise in the US. The SafeSplash program employs a premium swimming teaching method, focused on bringing a unique and professional experience through the creation of an atmosphere of trust. This program takes into account the personality, skill level and maturity of children and young people, enhancing the results, besides delivering periodic reports of the participating children in the program to parents. Programs like this have allowed us to strengthen our presence in the family segment, which, as of year-end 2016, represented 26% of our clients.

As part of our social work, we made an alliance with **Save the Children** in order to implement a program that seeks to offer nutrition education, encourage the increase of physical activities as part of an active lifestyle among school age boys and girls and prevent childhood obesity and physical inactivity through workshops and playful activities. Also, in accordance with our wellness approach, we have incorporate ourselves as active members of the **Consejo para la Prevención y Atención Integral de la Obesidad y los Trastornos de la Conducta Alimentaria de la Ciudad de México (Prevention and Integral Attention for Obesity and Eating Habit Disorders Council of Mexico City),** which takes part in the initiatives implemented with the public sector in order to face the conditions caused by physical inactivity.

For the fifth year in a row, we earned the **ESR** (Socially Responsible Company) distinctive and we were recognized by the survey **Great Place To Work** as one of the best places to work in Mexico, being the only ones in our sector with this recognition.

In order to focus our efforts in the clubs that show better response to our commercial strategy, during the year we transferred the operation of the clubs SW Luna Parc, SW Coacoalco and SW Arboledas to a third party that will operate them under a different brand. The Company keeps a percentage of the utilities generated and clients with All Clubs maintenance have access to them, which allows us to maintain our presence in the areas where these clubs operate. Also, during the month of July, the club SW Paseo Interlomas ceased operations due to an expansion and remodeling process in the mall. The plan is to reopen this club during the first part of 2018, taking part of the important expansion and openings plan we will have in the next years.

In 2016 we opened four clubs, one in Merida and three in Guadalajara, two cities with great potential. We are proud to mention we are the sports club company with the highest rate of growth in the segment we are focused on, in Mexico, placing ourselves as the biggest chain, with 49 clubs in operation as of year-end 2016. These openings will help us generate economies of scale and, therefore, improve our margins and generation of cash as we reach the maximum capacity of clients in each club in operation. As of year-end 2016, the family clubs were, on average, at 75% of their capacity, compared to 69% in 2015. On the other hand, our individual clubs went from 63% in 2015 to 68% in 2016. We are still working day by day on strategies to continue the increase of this indicator.

We continue to develop our strategy focused on offering unique experiences that generate wellbeing, with the objective of turning wellness into a lifestyle for our clients.

Finally, towards the end of 2016 and beginning of the present year, we carried out an important change to the brand identity, aiming with this to complement the differentiation we are developing with our presence on a national level and the focus on service experience and wellness.

We look at 2017 with optimism, knowing it will bring important challenges; however, I renew my commitment and the commitment of all of our collaborators to stay on the path of growth that has distinguished us and to continue strengthening our strategy with the goal of improving results and profitability for our shareholders.

Finally, I want to take this opportunity to thank our collaborators because their commitment and dedication have been key elements for the growth of Sports World, our clients who distinguish us with their preference and our shareholders for the trust they have placed in our Company.

Kind regards,

Fabián Bifaretti
Chief Executive Officer
Mexico City, April 2017

SUSTAINABILITY MODEL

At Grupo Sports World, sustainability is an important part of the Company, which is why it is a component of the business strategy. Also, we know we must continuously adapt to the changes in the environment conditions and the needs of our stakeholders.

In our vision we commit to generating unique experiences for our clients through service quality and innovation and this commitment is also part of our value proposition. This is why we find ourselves in a permanent and continuous improvement process in order to turn wellness into a lifestyle.

We work to integrate our sustainability philosophy into each step we take, from key actions in the corporate to the day to day work in our clubs, making each aspect of the operation an important part of the Company's Sutanaibility Model.

During 2016 we focused on analyzing where we are and where we want to be in terms of sustainability, taking into account the business strategy, the needs of our stakeholders and the current approach of our model. As a result of this analysis, the need to adjust our focus to stay current and oriented towards the demands of the changing conditions of the environment.

We have developed a work plan through which we will ensure the needs of our stakeholders and the business strategy are covered. For 2017 we commit to carrying out an update of the materiality analysis and, consequently, we will reinforce, following the obtained results, the approach of the Sustainability Model that we will communicate in our 2017 Annual Report.

While we work on this process, we will keep up with our aforementioned actions and commitments, maintaining the validity of our sustainability model based on the four cornerstones as well as the material subjects defined during 2015.

MATERIALITY

Additionally, we reconfirm our commitment to working based on the UN's Sustainable Development Goals, contributing directly, through our actions, to the compliance of the following goals:

Subject	Impact within Sports World	Impact outside of Sports World	Report chapter that deals with the subject
Impact on health and physical wellbeing	●	●	WELLNESS STRATEGY
Materials	●	●	ENVIRONMENTAL PERFORMANCE
Energy	●		
Water	●		
Collaborators	●		SOCIAL PERFORMANCE
Community		●	SOCIAL PERFORMANCE
Ethics	●	●	ETHICS AND COMPLIANCE

In order to learn more about our current sustainability and materiality model go to: http://www.sportsworld.com.mx/seccion/sustentabilidad/estrategia

OUR INTEREST GROUPS

WE KEEP A CONSTANT DIALOGUE WITH OUR STAKEHOLDERS IN ORDER TO UNDERSTAND THEIR EXPECTATIONS AND INTEGRATE THEM INTO THE BUSINESS MANAGEMENT; THIS COMMUNICATION INVOLVES IMPORTANT INFORMATION FOR THE DECISION MAKING OF THE COMPANY.

It is important for us to keep open communication with our stakeholders, which is why, throughout the year and from different operation areas, we enable channels to generate a permanent dialogue through which we can hear their interests, opinions and expectations.

All the information generated through these channels represents a great value input for us since it is the way in which we can improve the operation, serve the needs of the environment and innovate in our services. Because of this, the relationship and dialogue with our stakeholders are strategic actions in our decision making.

During 2016 we kept our usual contact channels through which we provide attention to the concerns of our groups on a day by day basis. Also, as part of our commitment to update the materiality, during 2017 we will generate a new dialogue exercise to learn about their short, medium and long term expectations so that we can reconsider our goals and adjust our actions in the Sustainability Model of Grupo Sports World.

In order to check the details of our current dialogue with stakeholders go to: http://sportsworld.com.mx/seccion/sustentabilidad/estrategia

Frequency of our interactions with our stakeholders:
● Constant ■ Periodic ▲ Annual

	CLIENTS	COLLABORATORS	COMMUNITY	SUPPLIERS	SHAREHOLDERS
	The reason of being of our activities; we have the goal of exceeding their expectations and improving their wellbeing.	We turn ourselves into a means so that each collaborator can fulfill their life purpose, through the development of long-lasting work relationships, in an environment that promotes growth, development and involvement.	We benefit people through the impact caused by our activities in the generation of wellbeing and the promotion of physical activity for the improvement of life quality.	Goods and strategic services provided for our operations, with whom we extend our philosophy focused on an ethical, responsible and sustainable activity.	Key actors in the financial and operational management of the business, according to regulations, contracts, policies, ethics guidelines or current practices.
COMMUNICATION CHANNELS	● Social Networks ▲ Perception Study on Responsibility Topics Social ■ Satisfaction Surveys ■ Media Publicity ● Activities in Clubs ● SW Complaints	● Social Networks ■ Follow-up Meetings and Quarterly Results ■ POpen Door Policy ■ Club Visits by the Board Chairman and the Management Team ■ Management System based on Goals with Periodical Revisions and Evaluations ■ Internal Communication System ■ SW Reports ▲ Organizational Environment Survey ● Web Page ● Calls for Vacancies Coverage	▲ Invitations ■ Phone Numbers ■ E-mail ● Web Page ● Social Networks ■ Gatherings ■ Community Visits ● SW Reports ● Community Activities	● E-mail ■ Meetings ■ Satisfaction Surveys ● Phone Number ▲ Convention ● SW Reports	▲ Annual Report ▲ Annual Statement ■ Quarterly Reports ■ Shareholders Meeting ■ Board of Directors ■ Audit Committee ■ Corporate Practices Committee ■ Relevant Events ● Phone Assistance Line ● E-mail ● Web Page
KEY POINTS	Client satisfaction, innovation, proximity, support and hospitality.	Generate development and professional growth opportunities, encouraging involvement, development of leadership skills, life-work balance and service vocation, in an environment that fosters inclusion and diversity.	Ensuring our activity safeguards a familiar and secure environment. Developing activities oriented towards the improvement of life quality and child development and managing with responsibility, without losing sight of sustainability.	Encouraging the fulfillment of the ethics code, quality standards and adherence to standards and regulations.	Fulfillment of the Corporate Governance's policies and guidelines, adhering to the legal regulatory and ethics standards, ensuring and strengthening the sustainability of our activities.

ETHICS AND COMPLIANCE

An essential part of our business strategy and sustainability model is the ethical work that is reflected in each aspect of our operation. We incorporate this philosophy into our day by day through policies, manuals and procedures that are backed up by the Ethics Code.

We focus on generating lasting relationships with our stakeholders and the key for this has been the trust we generate, thanks to the fact that our collaborators live and practice the values and principles that guide our actions throughout the whole operation, from the strategic decision making of our Board of Directors, to the daily work of instructors in our clubs and the course of action of our suppliers.

Considering the Ethics Code as a key declaration within the Company, when a collaborator starts working with us, he or she gets to learn about it from the beginning of the work relationship. This document covers topics like: equality and diversity, customs and law enforcement, use of actives and technology, involvement in other businesses, gifts, confidential information and personal data privacy, records and financial information, communication and loyal competition, conflicts of interests, industrial safety and health at work.

As part of the strengthening activities, we generate communication campaigns where we reinforce the different aspects of the Ethics Code and, at the same time, every six months we carry out a content review to ensure its validity in accordance to the operation and environment conditions.

At the same time, we have several anonymous report channels and procedures in order to monitor the compliance of the Ethics Code, which is why we have enabled the following report methods:

SW REPORT

Managers, board members and collaborators:

Tel. 5481-7777
ext. 241

denuncia@sportsworld.com.mx

Suppliers:

proveedor@sportsworld.com.mx

By year-end 2016 we received a total of 69 reports, with the following status:

17 REPORTS IN PROCESS

13 REPORTS SOLVED

The 39 remaining reports did not proceed because they correspond to topics related to operation, turning them into topics without direct interference with our Ethics Code.

In order to know our Ethics Code go to: http://www.sportsworld.com.mx/seccion/sustentabilidad/gobierno_corporativo

WELLNESS STRATEGY

UNIQUE EXPERIENCES THAT GENERATE WELLBEING

FOCUS ON WELLNESS

SPORTS WORLD STARTED OUT IN THE YEAR 1996 AS A FAMILY SPORTS CLUB FOCUSED ON PHYSICAL ACTIVITY. STARTING FROM THIS IMPORTANT PLATFORM, THE COMPANY HAS GONE BEYOND PHYSICAL ACTIVITY AND SPORTS, DEVELOPING AN INTEGRAL STRATEGY FOCUSED ON WELLNESS, THROUGH WHICH IT INTENDS TO CONTRIBUTE TO IMPROVE THE WELLBEING OF PEOPLE THROUGH A PHYSICAL, MENTAL AND EMOTIONAL BALANCE. DURING 2016, WE HAVE TAKEN IMPORTANT STEPS IN ACCORDANCE WITH THIS.

This focus is a consequence of the need to promote the abandon of physical inactivity and to diminish the high rates of diseases and illnesses that place Mexico at the unwanted first place in several statistics.

The wellness industry in the world has an approximate value of $3.4 trillion dollars, according to the Global Wellness Institute, and it has grown over 10% in the last two years. This industry includes mainly the markets of: a) fitness, b) healthy eating, nutrition and weight loss, c) wellbeing in the place of work and d) spas; markets in which Sports World has a presence through an array of activities included in its service proposal.

Sports World has a wide sports offer that includes cardio areas, free and integrated weights, swimming pool, boxing area, climbing wall, squash courts and group activity rooms where innovative sports programs and personalized trainings are imparted. It also has FitKidz, a special area for children where different activities are offered in order to initiate them in sports from a young age, as well as specialized programs and personalized lessons.

Besides, it complements its offer with its wellness services and activities such as yoga and meditation, nutritional advice, relaxation areas such as sauna, vapor room and spa, camps for children, events that encourage the creation of communities, socialization areas and corporate programs to encourage a culture of health and wellbeing.

The innovation, the permanent updating and the certification of instructors are key to maintaining a wide array of activities, avoiding routine and boredom and driving, through experience in service, the continuity of clients; contributing this way to improving their lifestyles.

BEYOND FITNESS

SERVICE AND HOSPITALITY

PERSONALIZED, PROFESSIONAL AND FRIENDLY ATTENTION

UNIQUE EXPERIENCES

AT SPORTS WORLD WE HAVE STRENGTHENED OUR COMMITMENT TO OFFER OUR CLIENTS UNIQUE EXPERIENCES THAT GENERATE WELLBEING, THIS IS WHY THE FOCUS ON SERVICE AND HOSPITALITY IS OF GREAT IMPORTANCE IN THE PLANNING AND DEVELOPMENT OF THE DIFFERENT ACTIVITIES.

The continuous maintenance and demands in the cleanliness and order levels in our facilities have been a key factor in our service, responding to the demands of clients and trying to exceed their expectations. During 2016 we strengthened out preventive maintenance and service and hospitality processes, we redefined the cleaning protocols and we trained the whole organization in hospitality and service topics, investing in this 22,234 hours of training.

We firmly believe that the loyalty of our clients is directly linked to the attention they receive, with the supply of amenities that facilitate their stay at our clubs, with sports innovation and companionship in the achievement of their goals. This is why our personnel is constantly trained in technical and hospitality and service areas. Also, the sports offer is renewed and strengthened periodically.

OUR CLIENT, ALWAYS IN FIRST PLACE

RENEWED AND
AVANT-GARDE
SPORTS OFFER

INNOVATION CAPACITY

NEW SPORTS PROGRAMS

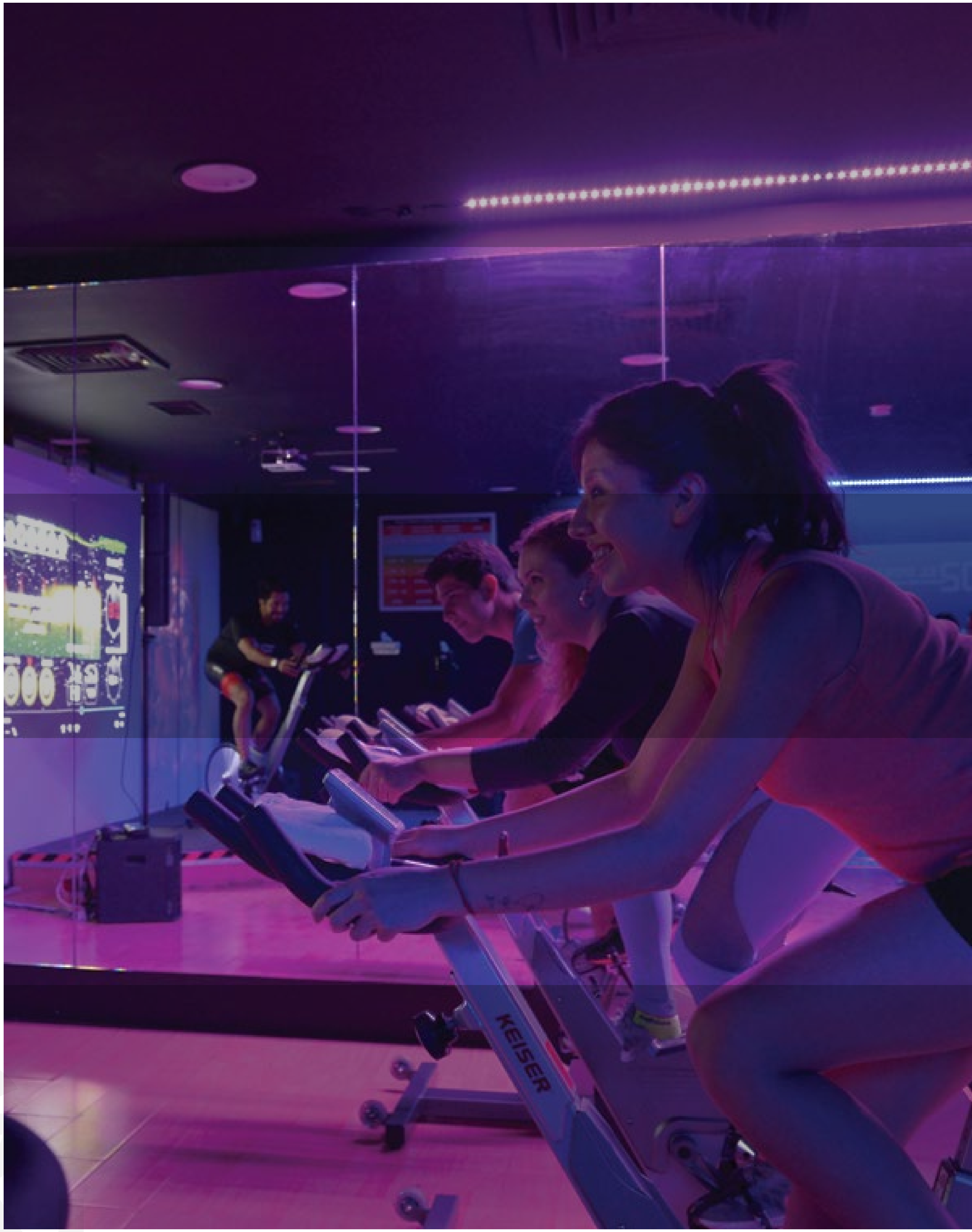
ONE OF THE KEYS FOR THE RETENTION AND SATISFACTION OF OUR CLIENTS IS INNOVATION: THIS IS WHY OUR SPORTS OFFER IS IN CONSTANT EVOLUTION.

Besides having basic areas like weights, cardio and a swimming pool, our facilities, among other things, have flexible rooms that allow us to easily adapt to new trends with a very low investment.

This year, we launched different programs and activities that complement and diversify our sports offer, among which we can mention:

- **Zona Intenz©:** a specialized area that has all the necessary equipment to carry out a high intensity functional training.
- **Absolution©:** functional training program imparted as a circuit method, oriented towards the esthetics of the mid-area of the body.
- **Physical Move©:** neuromuscular impact training that facilitates the mind-body reconnection. It is designed specifically to correct movement and posture aspects and reconnect the muscle chains.
- **Indbike©:** a unique spinning concept with dynamic and challenging training routines that are coupled with visual content on screens and special settings through illumination and sounds that match the routine executed. This program goes hand in hand with our technological developments since, through a mobile app, our clients can reserve their spot in the classes imparted by our instructors, as well as take the class virtually during whatever schedule they choose, which allows us to generate a complete experience without the need for instructors during off-peak hours, making classes available for our clients in new hours without increasing the cost structure significantly.
- **SafeSplash©:** in accordance with our focus on promoting a family environment in our clubs, we signed an agreement with SafeSplash Swim School, the leading swim school franchise in the US. The SafeSplash program employs a premium swimming teaching method, focused on providing a unique and professional experience through the creation of an atmosphere of trust. This program takes into account the personality, skill level and maturity of each child and young person, enhancing their development and results, besides delivering periodic reports of their evolution to their parents.

BIG SPORTING PROVISION



CHANGE OF IMAGE

NEW DIFFERENTIATING AND AVANT-GARDE IMAGE THAT GOES WITH OUR VALUE PROPOSITION FOCUSED ON WELLNESS.

During the last months of the year we worked on preparing the launch of our new image, which, along with a strong advertising campaign in several media, is focused on keeping our position as a family club and increasing our presence and recognition among new generations, conveying a differentiating and avant-garde image that goes with our value proposal focused on wellness.

It is worth mentioning that during 2016 we started improving the interface of our free access mobile app for our clients. The goal is to make their activities easier to carry out and improve their experience, encouraging a lifestyle focused on wellness. Each client has a profile where a record of their trainings and evolution is kept, besides having information on nutrition and training routines.

To complement this app, we are currently developing new content that will allow virtual trainings of our different activities, giving clients the facility to practice such activities not only inside our clubs but also outside, through live broadcasted classes. The launch will happen during the first half of 2017.

MODERN IMAGE

CONSTANT EXPANSION

EACH DAY CLOSER TO OUR CLIENTS

OUR ENVIRONMENT

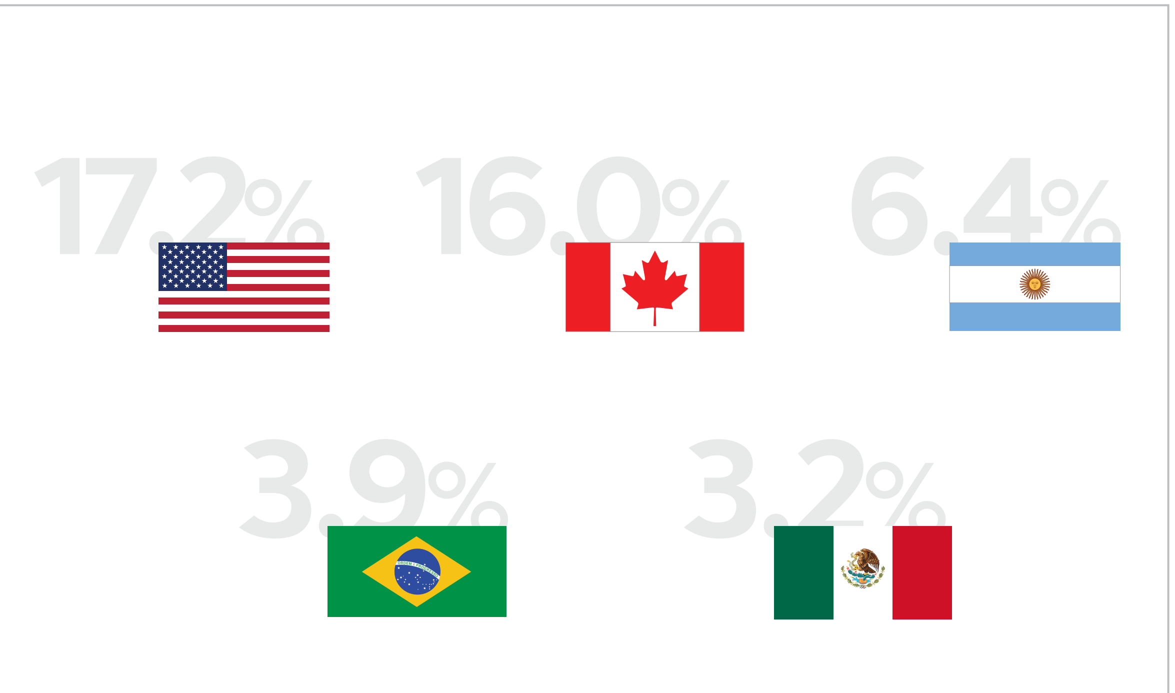
ACCORDING TO THE WORLD HEALTH ORGANIZATION (WHO), OVER 35% OF MEXICANS ARE SEDENTARY, THIS PHYSICAL INACTIVITY, ADDED ON TO THE UNHEALTHY EATING HABITS AND OTHER FACTORS, PLACES US IN THE TOP POSITION IN THE WORLD IN OVERWEIGHT AND OBESITY.

According to IHRSA (International Health, Racquet & Sportsclub Association), the fitness market penetration in Mexico, measured as the percentage of the population signed up at a club (including wellness clubs, sports centers and studios), is 3.2%, which represents a high growth potential in the country. The health indicators also point out growth opportunities in Mexico.

According to the World Health Organization (WHO), over 35% of Mexicans are sedentary. This physical inactivity, added on to the unhealthy eating habits and other factors, places us in the top position in the world in overweight and obesity, aside from the growth levels in the population that lives with diabetes as a consequence of the aforementioned physical inactivity and bad nutritional practices. These numbers show the privileged position Sports World has to attack the physical activity needs and wellness goals of Mexico's population.

PHYSICAL ACTIVITY

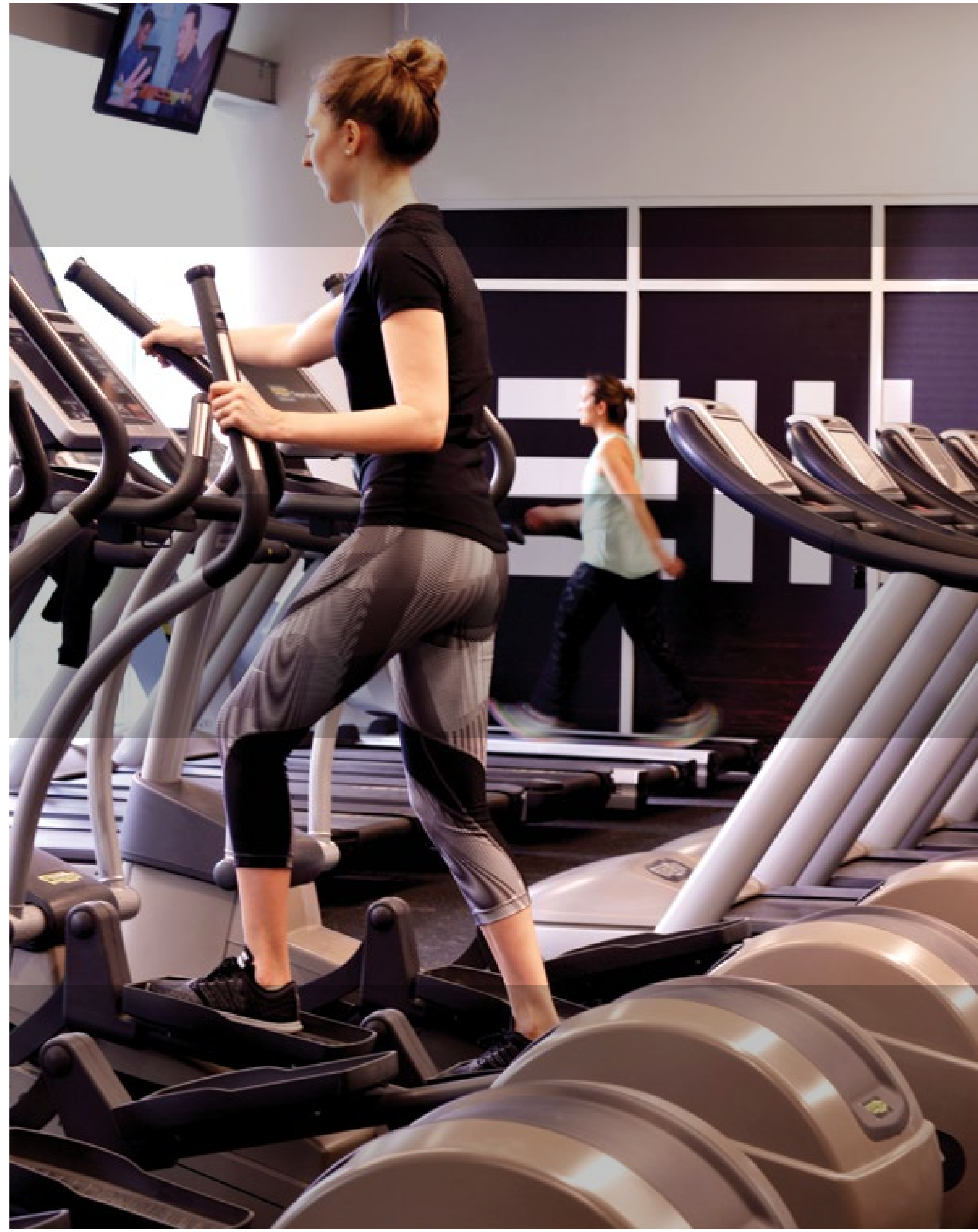
PENETRATION
(% of people registered at a club)



In line with the aforementioned opportunities and continuing with our expansion plan, during 2016, there were four club openings. The first one to open its doors was SW Merida during the month of February; it has had a very positive occupation increment curve. The second one, in the city of Guadalajara, started its operations in May. Two more clubs, also in the city of Guadalajara, started their operations in October.

Merida and Guadalajara are important cities in Sports World's expansion. The first one is characterized for being one of the cities with most development potential in the country, with a growing demand for fitness services and a limited offer of family sports clubs and other wellness services. Guadalajara is one of the largest cities in the country and it has one of the highest purchase powers, where there is also a high demand for sports services and services oriented towards improving people's wellbeing.

With these openings, Sports World continues to consolidate its presence in the country, reaching a total of 49 clubs in operation in 13 states, with its biggest focus on Mexico City and its metropolitan area, where 35 of the clubs are located. This speaks about the still existing potential for growth in the country, which is why we will continue our expansion with a bigger focus on the rest of the country, without losing our focus in the areas that bring opportunities in the capital city and its metropolitan area.



49 CLUBS

MEXICO CITY
SW CENTENARIO
SW SAN ÁNGEL
SW VALLE
SW PATRIOTISMO
SW SANTA FE
SW CONDESA
SW PALMAS
SW ALTAVISTA
SW SAN JERÓNIMO
SW PABELLÓN BOSQUES
SW ANZURES
SW PEDREGAL
SW AMORES
SW PRADO SUR
SW ANTARA
SW LAGO ALBERTO
SW ROMA
SW GARDEN SANTA FE
SW UNIVERSIDAD
SW REFORMA
SW FÉLIX CUEVAS
SW LORETO
SW CLAVERÍA
SW XOLA
SW MIGUEL ÁNGEL DE QUEVEDO
SW OBRERO MUNDIAL

STATE OF MEXICO
SW SATÉLITE
SW TECAMACHALCO
SW ARBOLEDAS*
SW INTERLOMAS
SW COACALCO*
SW LUNA PARC*
SW TRIÁNGULO TECA
SW METEPEC
SW ZONA ESMERALDA

CAMPECHE
CD. DEL CARMEN

MORELOS
CUERNAVACA

YUCATÁN
MÉRIDA

JALISCO
SW LA RIOJA
SW MINERVA
SW PUERTA DE HIERRO

SONORA
SW HERMOSILLO

NUEVO LEÓN
SW MONTERREY
SW CUMBRES

BAJA CALIFORNIA
SW TIJUANA*

PUEBLA
SW PUEBLA
SW SONATA

VERACRUZ
SW VERACRUZ

GUANAJUATO
SW LEÓN

* HAS AN AGREEMENT FOR SHARED OPERATION AND DOES NOT OPERATE UNDER THE BRAND SPORTS WORLD

SOCIAL PERFORMANCE

DEVELOPMENT AND WELLBEING FOR OUR COLLABORATORS

COLLABORATORS

BEING AWARE OF THE IMPORTANCE OF OUR COLLABORATORS IN ORDER TO ACHIEVE THE OPTIMAL DEVELOPMENT OF THE COMPANY, WE STARTED A JOINT CHANGE PROCEDURE AND WE FOCUSED ON IMPROVING THE CONDITIONS FOR THEIR DEVELOPMENT.

OUR TEAM

G4-DMA EMPLEO, G4-DMA DIVERSITY AND OPPORTUNITY EQUALITY, G4-9, G4-10, G4-LA1, G4-LA12

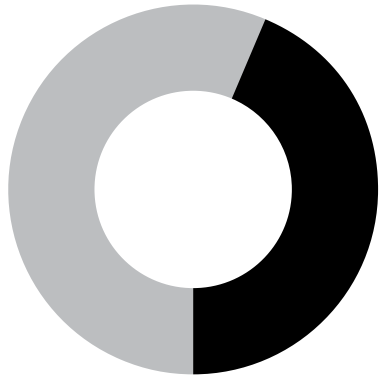
This process has the purpose of increasing their life quality and satisfaction, which, as a consequence, increases the retention of our workforce. Besides, the continuous growth in the number of collaborators has had a positive social impact within the regions where we operate.

Additionally, in compliance with our Gender Equity Policy and our Ethics Code, we maintain our talent attraction processes based on diversity and equality, without any kind of discrimination.

With the goal of ensuring a quick inclusion in the Company's culture in order to reduce the initial learning curve, we have a Hiring Manual, which eases the management and integration of our new collaborators into the Company.

SERVICE CULTURE

BY YEAR-END 2016
WE HAD A TEAM OF
2,063 COLLABORATORS



56%
MEN
|1,160|

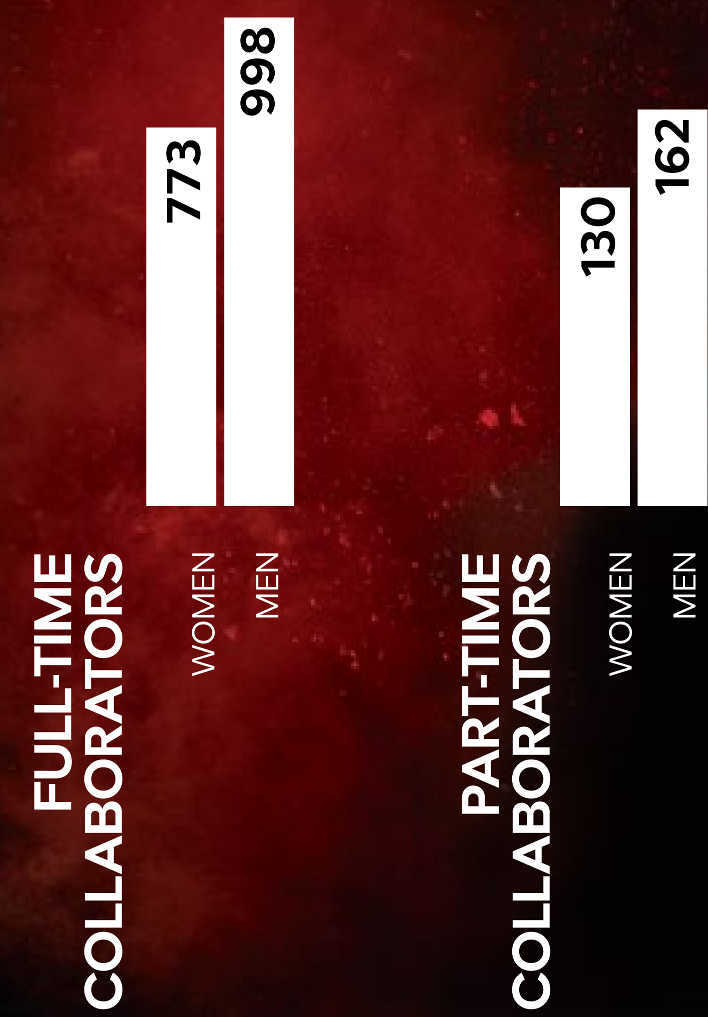
44%
WOMEN
|903|

Collaborators by Entity and Gender			
Entity	Men	Women	Colaborators by Entity
Mexico City	678	511	1,189
State of Mexico	166	138	304
Veracruz	21	17	38
Puebla	55	46	101
León	21	17	38
Monterrey	59	43	102
Hermosillo	23	20	43
Ciudad del Carmen	26	15	41
Mérida	23	23	46
Cuernavaca	21	20	41
Guadalajara	67	53	120
Total	**1,160**	**903**	**2,063**

Another relevant aspect of personnel management is our commitment to generate new jobs while we continue to ensure the best conditions so that all of our collaborators can develop their activities in the best way possible.

Hirings by region, gender and age group							
Entity	30 years old or younger		31 – 50 years old		Older than 50 years old		Total
	Men	Women	Men	Women	Men	Women	
Mexico City	266	205	401	267	45	61	1,245
State of Mexico	58	43	70	60	6	11	248
Puebla	28	16	24	29	3	1	101
León	9	7	10	8	2	2	38
Monterrey	26	15	28	23	5	5	102
Hermosillo	15	6	6	12	2	2	43
Mérida	11	13	12	9	0	1	46
Guadalajara	25	22	37	25	5	6	120
Ciudad del Carmen	12	9	12	6	2	0	41
Cuernavaca	12	9	9	11	0	0	41
Veracruz	14	8	7	9	0	0	38
Total	**476**	**353**	**616**	**459**	**70**	**89**	**2,063**

85.8% OF OUR COLLABORATORS ARE FULL TIME



COMPENSATIONS AND BENEFITS

G4-DMA RETRIBUTION EQUALITY BETWEEN MEN AND WOMEN, G4-LA2, G4-LA13

We are a Company committed to the wellbeing of our collaborators, which is why, besides having competitive wages in the sector, we have a benefits and compensations program that exceeds what the Mexican Federal Labor Law establishes. Also, as part of this commitment, we urge our value chain to offer similar benefits to their collaborators and to be our collaborators in the improvement of work conditions on a national level.

In accordance with the sixth principle of the World Pact, at Grupo Sports World we don't carry out discrimination practices nor do we make gender distinctions in neither wages nor remunerations.

ALLOWANCES AND BENEFITS

01 30 DAY YEAR-END BONUS

02 SAVINGS FUND

03 FOOD VOUCHERS

04 USE OF FACILITIES FOR EMPLOYEES AND FAMILY MEMBERS

05 ATTENDANCE AWARD

06 LIFE AND MAJOR MEDICAL EXPENSE INSURANCE FOR MIDDLE LEVEL AND MANAGERS

07 PUNCTUALITY AWARD

08 RESULTS BONUS, COMMISSIONS AND INCENTIVES

09 MATERNITY OR PATERNITY LEAVE

10 ACCESS TO DENTAL CARE

11 MARRIAGE LEAVE
COMPASSIONATE LEAVE (FOR THE DEATH OF A DIRECT FAMILY MEMBER)
NON-OFFICIAL DAYS OFF
SUPPORT WITH FUNERAL EXPENSES
LEAVES FOR SICKNESS, CLASSES, PERSONAL PAPERWORK AND FOR TAKING PART OF SPORTS COMPETITIONS
SPECIAL DISCOUNT FOR FAMILY MEMBERS IN CLUBS

TRAINING AND EVALUATION

G4-DMA TRAINING AND EDUCATION, G4-LA9, G4-LA10, G4-LA11

39 HOURS OF TRAINING PER COLLABORATOR IN 2016.

Through several training programs offered on-site or virtually, we encourage the integral development of our collaborators, ensuring that all of our team has access to training. This year, virtual training has been fundamental; we have developed a series of tutorials and classes in key positions that have eased and ensured the good governance of our operations.

In our Company, leader training is essential, which is why we have a multi-disciplinary educational offering that develops the management skills of our collaborators and allows us to form high performance groups in each level, guaranteeing a consolidated, service focused work team.

With the objective of enhancing the hospitality culture in our work team, during 2016 we implemented the training programs “Espíritu SW” and “Star Trainer”; both programs are focused on service and client empathy topics and are synchronized with the situations that are lived in our operations day by day.

We guarantee the certification of our sports trainers with updates and specialized courses, this allows us to offer safe and quality training, which is a competitive advantage that is directly linked to our clients' satisfaction.

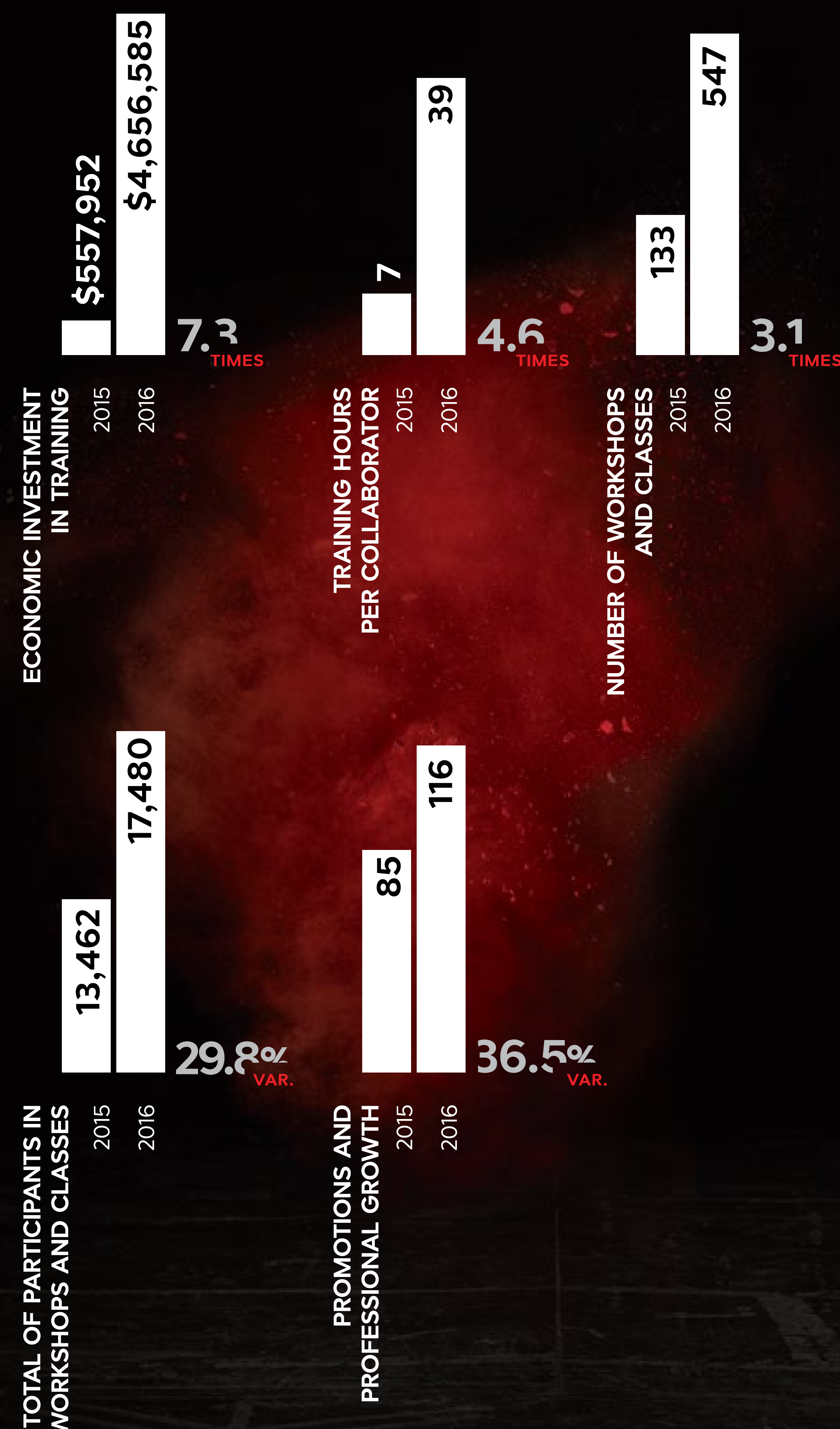
During 2016 we grew our investment in training, compared to 2015, focusing the efforts of the Company in our people.

CONTINUOUS TRAINING

DURING 2016 WE OFFERED 547 WORKSHOPS AND COURSES FOR OUR COLLABORATORS.

Training by Area and Number of Participants		
Level within the organization	2015	2016
Top Management	8	88
Management	104	957
Supervision and Coordination	233	1,633
Staff	1,476	14,802
Total of Participants	**1,821**	**17,480**

The talent development is carried out through several programs that allow us to generate commitment, loyalty and constant improvement; this is why our Development Model has an annual feedback process that gives us the chance to identify our collaborator's strengths and areas of opportunity; this way we can create a follow-up plan to achieve the agreed targets, as well as the competence development. These aspects promote and generate the opportunity to offer work promotions and to achieve growth within our company.



DIVERSITY AND EQUITY

G4-DMA NO DISCRIMINATION, G4-DMA CHILD LABOR, G4-DMA FORCED LABOR, G4-HR5, G4-HR6, G4-HR8

In accordance to our values and following the principles of the World Pact, we reject any kind of discrimination, child exploitation and forced labor. Likewise, we can state that we have no infringement cases to the rights of the indigenous population.

In order to fulfill our commitments with respect to diversity and gender equality, we have:

- Gender equality policy
- Harassment, bullying, abuse or discrimination policy
- Ethics code
- Training classes focused on non-discrimination and gender equality

These policies are made known to the collaborators from the moment they enter the Company through the induction class and are available for their perusal on our Intranet. Also, we motivate their compliance by making report channels available for all of our team in case of any infraction.

WORK-LIFE BALANCE

Achieving a balance point between personal life and work is one of the most relevant aspects to be met in order to achieve the wellbeing of our collaborators, which is why we established the following commitments:

- Motivate our collaborators to have a healthier life
- Offer more benefits for being part of the team Grupo Sports World
- Extend the benefits to the family of the collaborator
- Encourage the culture of prevention and health care
- Give continuity to the internal "Bienestar" health program

With the objective of encouraging the balance between personal and work life of our team members, we encourage them to have the opportunity of generating socialization and recreation spaces, which is why there are time slots where family and/or social activities are supported.

Also, we make agreements with other companies that allow us to offer additional benefits to our team, such as discounts, preferential costs and even free services, for example, general lab tests, optic services, amusement parks and restaurants, among others.

MATERNITY AND PATERNITY

G4-LA3

Being aware of the importance of bringing optimal conditions to mothers and fathers who work in our Company, we offer all of our staff the opportunity to take a maternity or paternity leave of absence.

Maternity or paternity	Women	Men	Total
Collaborators who were absent because of their maternity or paternity leave.	22	22	44
Collaborators who came back to their activities once their maternity or paternity leave was over.	17	21	38
Collaborators who kept their jobs twelve months after their reintegration.	17	21	38

"BIENESTAR", INTERNAL HEALTH PROGRAM

Being a Company that is committed to the wellbeing of its members, and considering the very nature of Grupo Sports World, we feel a deep responsibility towards the creation of mechanisms that allow our collaborators to carry out healthy lives. Because of this, in 2016 we continued with the implementation of our internal health program "Bienestar".

"Bienestar" is a program that aims to create a health self-care culture in all of our collaborators. This way, during 2016 we carried out the following activities:

Meses de alineación y balanceo (Alignment and balance months)
With the goal of promoting a prevention and health self-care culture, we implemented on an annual basis the program "Meses de Alineación y Balanceo". This program focuses on Heath Days where we offer free medical services, such as glucose measuring, B.M.I., pressure monitoring and sight exams, among others. 75% of our collaborators participated in these journeys.

Kilostop
Every year, we carry out the KILOSTOP contest, with the involvement of all clubs and the corporate offices, where we award the club and the collaborator that have managed to lose more fat weight along the eight weeks this program lasts. In 2016, we managed to get 80% of our collaborators to participate and we lost 300kg of fat across the Company.

As a consequence of the actions we have implemented in this line, we are proud to have obtained, for the second year in a row, the distinction Empresa Saludablemente Responsable, awarded by the Workplace Wellness Council-Mexico.

For the second year in a row, we obtained the Empresa Saludablemente Responsible award.

Día de la Familia (Family Day)
Within the initiatives of our internal health program "Bienestar", we have the "Día de la Familia". This program allows direct family members of our collaborators to use our facilities during the weekends.

HEALTH AND SAFETY

G4-DMA HEALTH AND SAFETY IN THE WORKPLACE, G4-LA6, G4-LA8

Based on our goal to create a prevention culture and ensuring a work place with optimal health, hygiene and safety conditions for all of our collaborators, we adhered to the Federal Labor Law and we had a Safety and Hygiene Commission established by the Integral Safety Management.

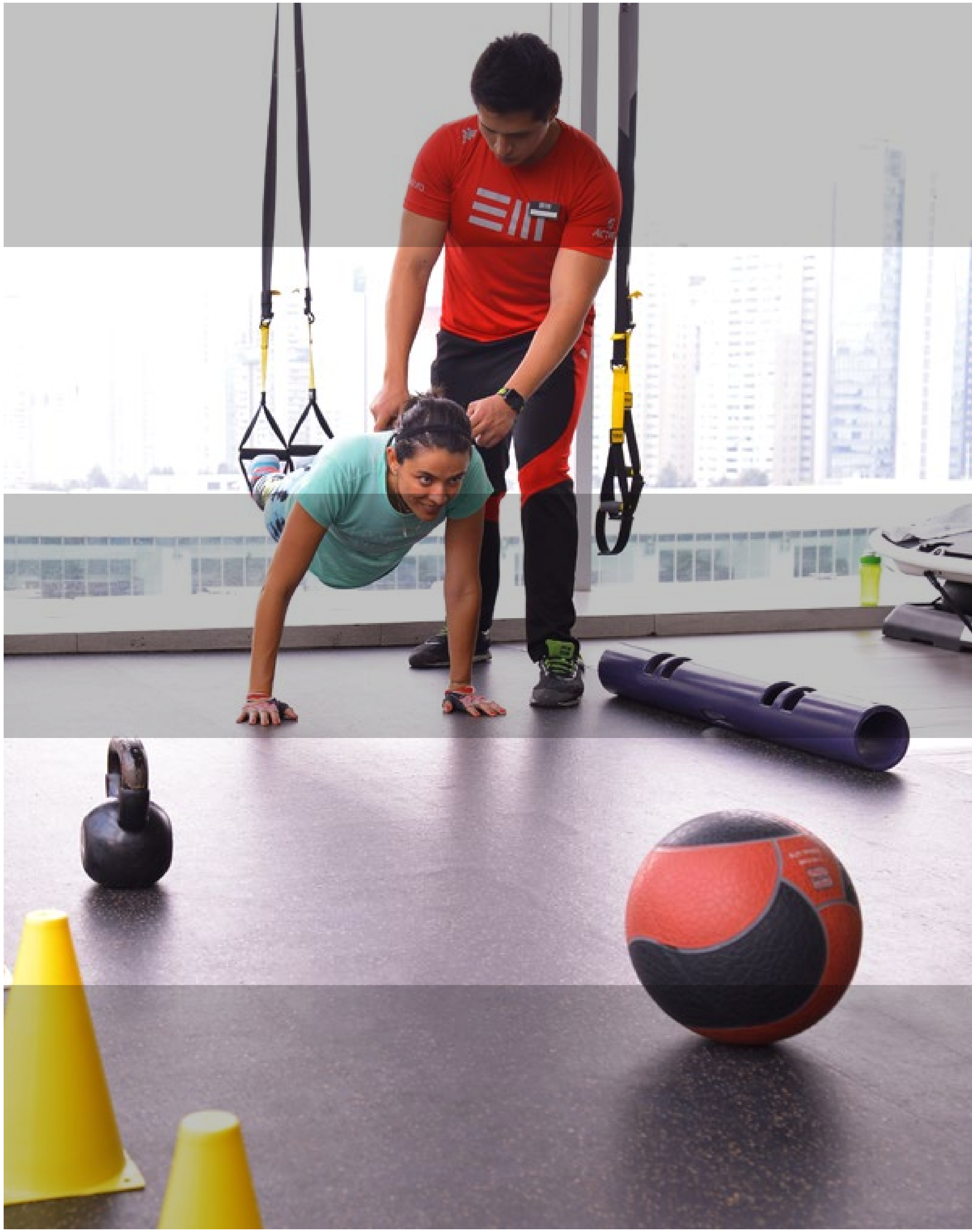
With the goal of identifying potential dangers or unsafe conditions in the work space, every year, during the month of January, we carry out the Annual Verification Walkthrough Program and it receives follow-ups to guarantee the solution of what is found.

Likewise, with the goal of keeping our procedures on the subject up to date, we implemented an update in the Work Environment Safety Procedure.

Absenteeism Rate	2015	2016
Total absences	4,546	5,713
Days worked*	713,894	720,257
% of absenteeism	**0.64%**	**0.79%**

* The days worked are calculated as the total of collaborators times the total of worked days per year.

Added on what was just mentioned and reaffirming our commitment towards the safety and health of our clients and collaborators, in 2016, we proudly obtained the Establecimiento Cardio-protegido (Cardio-protected Establishment) recognition awarded by the Mexico City Department of Health, turning us into the second cardio-protected space certified by this institution, for having the training and reaction protocol, as well as the necessary tools, in this case, defibrillators, that allow us to guarantee a safe environment before the risk of this kind of eventuality, and acting in an efficient way as first responders until the arrival of emergency services. Currently, each one of our clubs has a defibrillator and two people who are trained to use it, which constitutes a very important preventive policy for our operations.



COMMUNITY

G4-DMA LOCAL COMMUNITIES, G4-EC1, G4-SO1

CREATING A FRIENDLY LINK BETWEEN THE COMPANY AND THE COMMUNITY IS ESSENTIAL IN THE PATH TO REACH SUSTAINABLE DEVELOPMENT.

With the objective of achieving a higher social impact and being consistent with the reason of being of our Company, in 2016 we reformulated the base strategy of social wellbeing, focusing our social investment in actions that favor active and healthy lifestyles, a fundamental component of our well-being mission.

Juntos por una Niñez Activa: una Niñez Sana (Together towards an Active Childhood: a Healthy Chidlhood)

It is estimated that, in Mexico, more than 5.5 million schooled boys and girls have overweight or obesity, being the inadequate nutrition and lack of physical activity the main causes of these conditions. Standing before this picture and aiming to strengthen our commitment in favor of the Mexican childhood wellbeing, during the month of February 2016, we established an alliance with the Save the Children Mexico organization. This alliance's objective is to implement a program to improve nutrition and increase physical activity through nutritional education workshops and the promotion of active play.

Among our motivations to be a part of this program, we have:

- Being a factor that contributes to transform the life of children.
- Offering an answer to current child obesity conditions in Mexico, driven by our commitment to generate an integral wellbeing culture in the communities where we have a presence.
- Contributing to education in the country, according to the firm belief that "children need to be healthy in order to learn". We understand the relevance of investment in the education environment to improve the health conditions of children, as well as their learning level.

As part of the first stage we performed an initial diagnosis on healthy habits and we carried out weight and height measurements. Striving to make sure that all the workshops carried out were successful, in their implementation and in the results, we were especially careful to present the information through leisurely activities, so that it was more attractive and they could learn while they had fun.

Thanks to the willingness, enthusiasm and eagerness to learn of all the children, we achieved a change in the habits involved in the alliance; this was made evident through an important increase in the knowledge boys and girls had on nutrition subjects and also in a larger intake of vegetables, natural water and breakfasts.

Through the measurements of weight and height, we also found that there is now a larger amount of boys and girls who perform physical activities. The quantitative results we got at the end of the program can be seen in the report "Juntos por una Niñez Activa: una Niñez Sana".

During the first generation of this program, 351 children from a public elementary school in Mexico City were benefited.

As a consequence of the aforementioned, we reaffirm our commitment and assume the continuity of the effort and the goals achieved through this program, which is why we will keep the alliance with Save the Children Mexico during 2017 and we will continue to be a change factor in the lives of the children reached through "Juntos por una Niñez Activa: una Niñez Sana".

Del Olvido al Alivio (From Oblivion to Relief)

Through this initiative we have supported several foundations through the donation of about 3,500 clothing items. The clothes that are forgotten by our clients and are not claimed within a certain period, promotional articles and unused uniforms are donated to people in need.

One of our main alliances for this project is the Fundación IMSS AC, through the program "Amigas Solidarias (Supportive Girl Friends)" which tries to support foreign patients and family members of foreign patients who have to stay in Mexico City to receive treatment for some kind of condition and who, for several reasons, might not have enough clothes to wear during their stay.

The donations were carried out in the months of March, June, July and November in the following hospitals:

- Hospital de Pediatría
- Hospital de Especialidades CMNSXXI
- Hospital General de Zona Regional #25 Ignacio Zaragoza
- CMN La Raza, Outpatient Clinic

Cambio de Juego (Game Change)

As part of the social investment projects we carried out in 2016 in favor of the Mexican children's wellbeing, we supported Asociación Cambio de Juego A.C. in their annual soccer tournament, through which they seek to convey values to children and young people of low resources through sports.

With our donation, we were able to endorse six soccer teams and one dance team, formed by young people from the children's home "Ministerios de Amor". Our donation was used to acquire sports uniforms and all the food required for their good performance during the tournament.

Besides this donation, our volunteering team attended the tournament to support the teams that represented Grupo Sports World.

Por un México Saludable (For a Healthy Mexico)

Before the high levels of obesity in Mexico, at Grupo Sports World we maintain our commitment and our collaboration alliance with the Mexico City Department of Health in order to promote the program "Muévete (Move)". As obesity is a major problem in our country, we can't work on our own to fight it, which is why we collaborate together in the offering of public group classes in the forecourts of delegations, sports centers, health fairs and schools of Mexico City in order to promote physical activity.

Reforestation – Volunteering

For the second time, we created an alliance with Pronatura México, A.C. to participate in the volunteering of the Reforestation Day carried out in the month of August, in the ecological reserve Parque Estatal Sierra de Tepotzotlán.

Through this event, we relied on the attendance of our collaborators and their family members; their involvement showed a real commitment to turn the message of the day into a reality: "Hagámoslo possible (Let's make it possible)".

During 2016 we offered support, through donations, to several civilian organizations, among which we find:

- Asociación Acompáñame Mujer, A.C.
- Fundación Mark
- Cambio de Juego, A.C.
- Asociación Mexicana de Diabetes de la Ciudad de México, A.C.
- Fundación IMSS
- Casa Betti I.A.P.
- Integración para la Vida México, A.C. (INPAVI)
- Fundación TUK A.C.
- INPAVI México A.C.
- Save the Children

SUPPLIERS

G4-DMA SUPPLIERS' WORK PRACTICES EVALUATION, G4-DMA INVESTMENT, G4-DMA-SUPPLIERS' EVALUATION IN MATTER OF HUMAN RIGHTS, G4-12, G4-EC9, G4-LA14, G4-LA15, G4-HR1, G4-HR10, G4-HR11

IN 2016 WE HAD A TOTAL OF 493 PRODUCT AND SERVICE SUPPLIERS.

As a sustainable development committed Company and one that is aware of the importance of social and environmental impact, we are interested in making sure our good labor practices and Human Rights are extensive.

Through the Ethics Code for Suppliers, we promote the idea that our value chain respects Human Rights, the environment, labor rights and transparency and that they adhere to the requirements we make.

As a result, we have defined the structure of the Provider Evaluation Manual that will allow us to carry out an assessment of our vale chain. Through the ranking we have worked on in 2016, we will get to know the impact they generate on our business and we will seek to boost and strengthen Social Responsibility actions in them.

VALUE CHAIN

ENVIRONMENTAL PERFORMANCE

COMMITTED TO THE CARE OF OUR ENVIRONMENT

ENERGY

AT GRUPO SPORTS WORLD WE ARE COMMITTED TO SUSTAINABLE DEVELOPMENT, PROMOTING ACTIONS THAT GO BEYOND ENVIRONMENTAL LEGISLATION. OUR ENVIRONMENTAL POLICY SEEKS TO INVOLVE ALL OF OUR STAKEHOLDERS THROUGH ACTIONS THAT GENERATE AWARENESS ON THE RATIONAL AND EFFICIENT USE OF ENERGY RESOURCES IN OUR OPERATION.

ENERGY CONSUMPTION

G4-DMA, G4-EN1, G4-EN2, G4-EN3, G4-EN4, G4-EN6, G4-EN7

Energy is one of the main resources we need to operate, which is why we are constantly seeking to determine actions that allow us to optimize the use of this resource, whether through clean energy sources or savings mechanisms in the consumption.

In the following table we show the volume of gigajoules (GJ) that we used in 2016, divided by energy source:

Energy (GJ)					
Direct Consumption	Fuels	LP Gas	55,699.40	179,864.41	22.75%
		Natural Gas	123,917.23		50.60%
		Gasoline	247.78		0.10%
Indirect Consumption	CFE Electricity	CFE	63,228.85	65,013.01	25.82%
	Solar	Solar	1,784.16		0.73%
Total (GJ)			**244,877.42**	**244,877.42**	**100.00%**

Since 2015, we seek to reduce the liquefied petroleum gas (LPG) due to its strong impact on the planet; an example of this is the incorporation of solar energy as an alternate source.

We are also transitioning towards liquefied natural gas (LNG) in each club where we have the necessary public infrastructure. The LNG already represents a 68% of our total gas consumption and it is the source of half of our energy.

ELECTRIC ENERGY

Reinforcing our commitment to taking care of the planet, we still keep the initiative we started in 2015 to resort to compact fluorescence, as well as special LED applications to reduce the electricity consumption.

During the year, we provided maintenance to the clubs that already had this system and we equipped our four openings; by the end of 2016, 16% of our clubs already had this LED technology, using it, on average, for 70% of their illumination.

THE ELECTRIC ENERGY CONSUMPTION IN 2016 WENT DOWN 5.4% COMPARED TO THE YEAR BEFORE.

In the search to eliminate unnecessary identified consumption, we also adjusted the illumination schedule; we installed presence sensors and program electronic devices with stand-by options, among other actions.

Also, in accordance to our Environment Policy, we made an effort to bring awareness to our collaborators through constant communication campaigns about the importance of favoring the use of stairs and turning off computer screens and lights when they leave a room, among other simple but essential actions for the care of the planet.

During the last three years, our electric energy consumptions was:

Annual electric energy consumption (kWh)	2014	2015	2016
	15,499,357	18,561,061	17,563,571

In 2016, we opened four new clubs and we closed one for remodeling, which is to say, we closed off 2016 with three more clubs in operation than we had in 2015. Also, we saw a rise in the number of members of 17.9%, which impacts our energy consumption. Despite this, we reduced by 5.4% the electric energy consumption in our facilities in comparison to last year, the equivalent of energy consumption of approximately 82 houses during one year. These results encourage us to keep trying to rationalize our processes and minimize our energy consumption.

HEAT ENERGY

Generating a quality experience for our clients is a fundamental part of our philosophy and the focus of our daily operation; this is why we focus on generating the best conditions for our clubs. The heat energy is another important resource to achieve our service quality commitment, since each club requires water heating equipment. In this way, we emphasize the equipment of new clubs with combustion heaters with ceramic cores and cutting-edge technology, which offer the most efficient use of energy produced.

On the other hand, 11 of our clubs use natural gas as a water heating resource, lowering the LPG consumption and the emissions this type of gas generates. Also, six of our clubs have solar heaters that allow us to produce 0.03% of the total heat energy necessary for the functioning of all of our clubs.

Annual heat energy consumption by source		
LPG – Liquefied Petroleum Gas	2,148,965.00	litros
LNG – Liquefied Natural Gas	3,013,334.57	m^3
Solar	1,784.16	GJ

ENERGY INDICATOR

G4-EN5

14.1% REDUCTION IN THE ENERGY CONSUMPTION BY M² IN OUR FACILITIES IN 2016 VS. 2015

We measure out intensive development based on the kilowatts-hour per square meter of facilities indicator. This serves as a base to define the actions that will allow us to achieve better energy efficiency. This year we implemented two initiatives: turning off the lights of rooms during time slots when they weren't used and turning air conditioning off during off-peak hours.

As a result, in 2016 we reduced by 14.1% the consumption of electricity per square meter of facilities, managing to reduce the footprint our operation leaves on the environment, as well as our costs.

Energy consumption indicator (kWh/m^2)	(kWh/m^2) 2015	2016
Family format club	138.1	118.6*
Individual format club	n/d	

*average of both club formats

WATER

G4-EN1, G4-EN2, G4-EN8, G4-EN10, G4-EN31

MORE THAN $1.7 MILLION PESOS INVESTED TO OPTIMIZE WATER CONSUMPTION.

WATER CONSUMPTION

Water is one of the main resources we use for our clubs' operation, which is why we acquired different technologies that allow us to take care of this input. In 2016, this effort came together with a total investment of $1.76 million pesos, mainly spent on water-saving showers, dry urinals and high efficiency heaters.

Also, this year we committed to reusing a larger amount of water through water treatment plants. Thanks to these initiatives, we obtained the following results:

Water consumption (m^3)	2013	2014	2015	2016
Municipal water supply	n/d	297,603	329,061	369,810
Supply through water tank trucks	n/d	64,272	42,114	77,781
Reused water (treated after consumption)	3,357	3,190 (1%)	1,540	0
Total consumption	**287,235**	**364,065**	**372,715**	**447,591**

By year-end 2016, we had four water treatment plants in the country; however, these had to postpone their operations due to the revision of new technology. This is why we are planning the opening of another treatment plant during 2017 to test technologic alternatives and to repair the current plants. The number of clubs and members increased this year, which explains the rise in the water consumption. However, thanks to the efforts to minimize this consumption, detailed below, their increase was smaller in proportion to the increase in members and number of clubs.

WATER CONSUMPTION INDICATOR

Water consumption indicator	(liters/average monthly visits) 2015	2016
Family format club	72.6	65.2
Individual format club	48.4	52.1
Average	**64.9**	**62.5**

In 2016 we installed in 10 more clubs a total of 144 water saving showers that consume 25% less water than traditional ones, which allows us to reduce the impact of clients´ visits while using this resource. Up to date, 55% of our clubs have this technology, which is to say, 17% more than in 2015.

We also added 12 dry sanitary fixtures in the new clubs since dry urinals allow us to save 6 liters of water with each use of this service.

As a result from these actions, we managed to reduce by 3.7% the water consumption per member visit. Reducing this indicator is a great achievement even when we had an increase of over a million in average monthly visits.

WE TAKE CARE OF WATER

CARBON PRINT

G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19

WE QUANTIFY THE EMISSIONS GENERATED DIRECTLY BY THE USE OF FUEL, AS WELL AS INDIRECT ONES AS A RESULT OF THE USE OF ELECTRICITY.

In 2015 we committed to reporting out carbon print, in a voluntary fashion, in accordance to guidelines and methodology of the SEMARNAT from the Instituto Nacional de Ecología y Cambio Climático (National Institute of Ecology and Climate Change) and based on the Ley General de Cambio Climático (General Law on Climate Change) in order to report greenhouse gases under the Greenhouse Gas Protocol (GHG). In this sense, we quantified our direct emissions generated from the use of fuels as well as those indirect ones caused as a result of the use of electricity. Due to a methodology change in the SEMARNAT, we weren't able to file a report this year, but we have the firm commitment to report results using their new methodology in 2017.

During 2016 we generated 18,345 tons of CO_2 equivalent emissions (tCO_2e), which corresponds to the operation of our 49 clubs and headquarters. Thanks to our efforts to maintain a balance between the increase in average monthly visits, new clubs opening and emitted emissions, we continue to stay below the 25 thousand tCO_2e, keeping ourselves below the rage of high generators of the SEMARNAT.

Carbon Print (tCO_2e)					
Direct Emissions	Fuels	LP Gas	3,514.64	10,484.27	57%
		Natural Gas	6,951.77		
		Gasoline	17.86		
Indirect Emissions	CFE Electricity	CFE	8,044.12	8,044.12	44%
Emissions Reduction	Solar	Water heaters		-96.07	-1%
Total Emissions				**18,432.3**	**100%**
Emission Compensation	Reforestation			-86.67	-0.5%
Final Carbon Footprint					**18,345.64**

Stemming from the initiatives we implemented during 2016, we compensated over 180 tCO_2e out of the total of emissions generated.

WE KEEP AN EYE ON EMISSIONS

CARBON FOOTPRINT INDICATORS

G4-EN18

At Grupo Sports World we measure our intensive performance based on two indicators: CO_2 kilograms emitted by square meter of facilities and CO_2 kilograms emitted by client visit (emissions). Based on this, we establish the steps we will take in order to improve our performance in order to reduce our environmental impact. For 2017 we have a goal of 2% reduction of these indicators.

Carbon Footprint Indicators	$kgCO_2/m^2$		$kgCO_2$/average monthly visits	
	2015	2016	2015	2016
Family format club	113.3	156.3	2.7	3.1
Individual format club	88.3	140.1	1.7	2.7

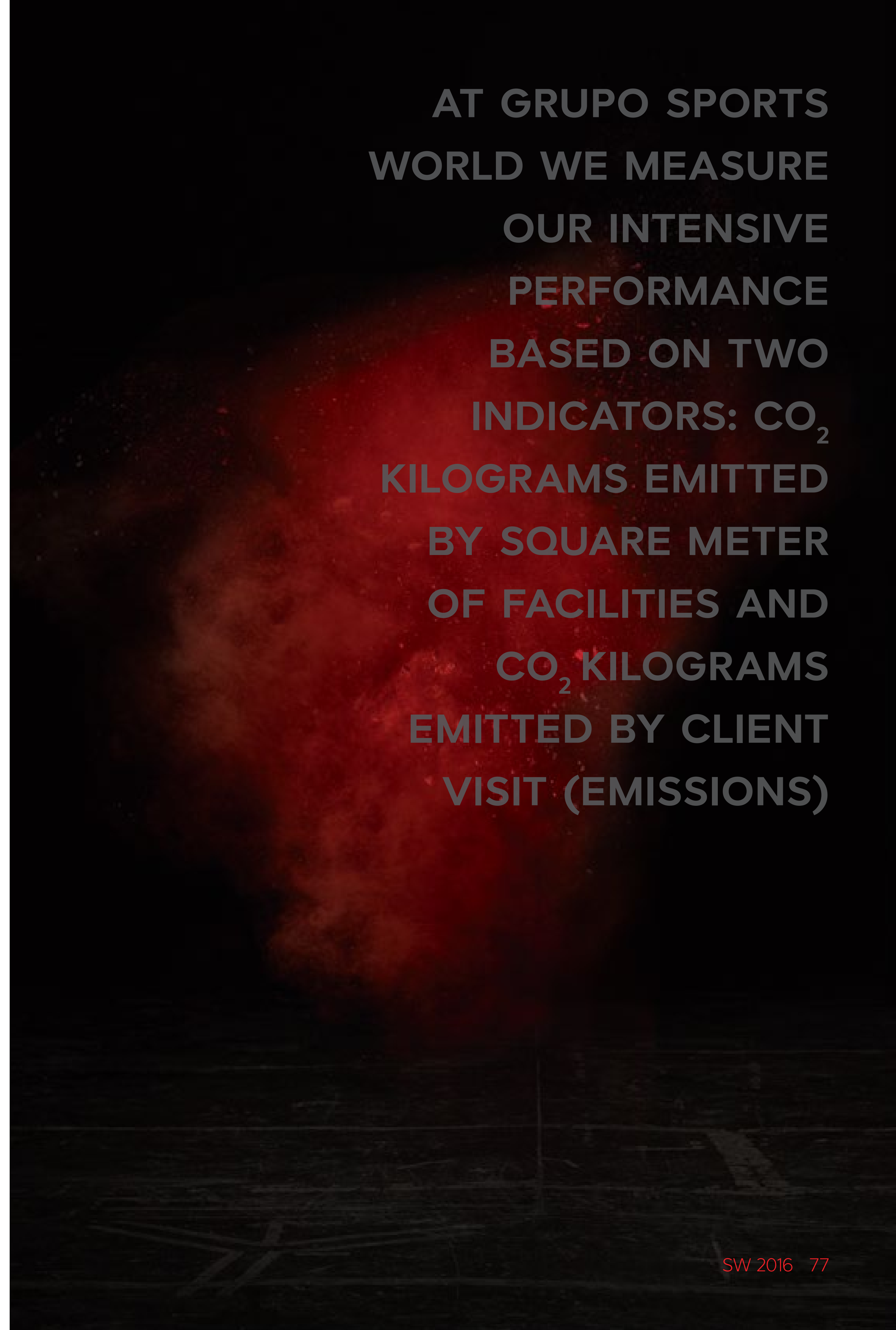
POLLUTING ATMOSPHERIC EMISSIONS

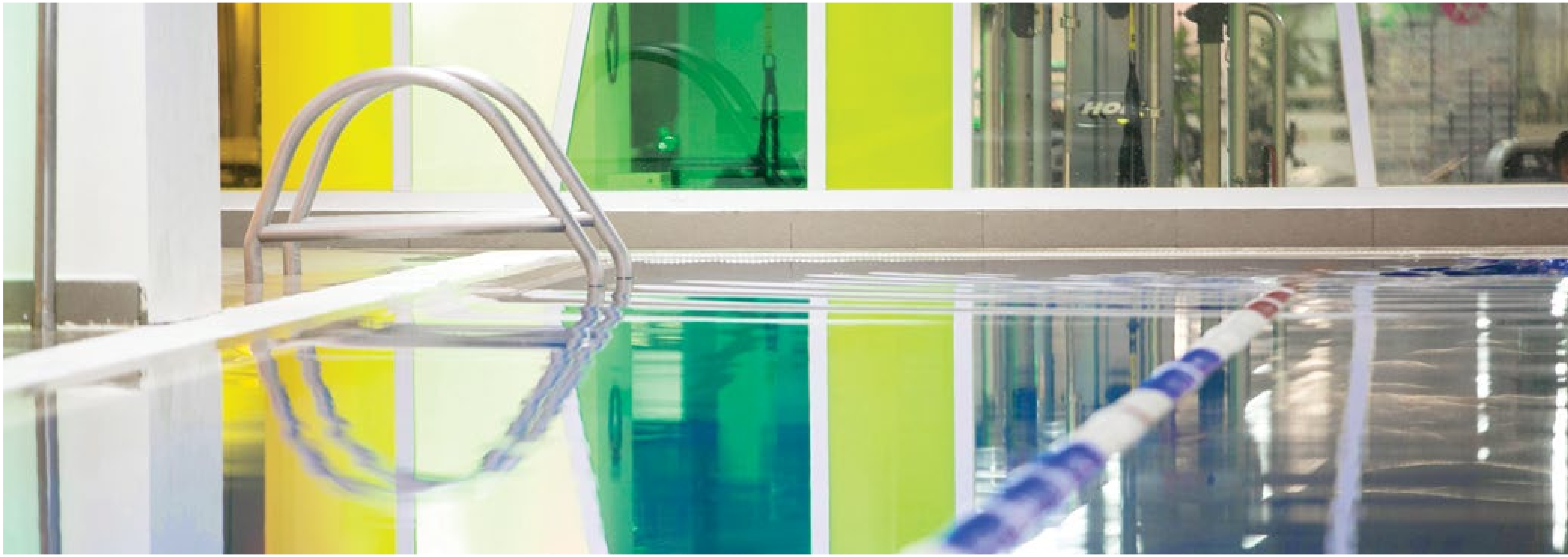
G4-EN21

Polluting Atmospheric Emissions (kg)						
Fuel	Energy	Unit	CO	SO_2	COT	MP
LPG – Liquefied Petroleum Gas	55,699.40	GJ	2,073.32	4.85	128.75	219.19
LNG – Liquefied Natural Gas	123,917.36	GJ	4,049.92	28.93	530.35	458.87
Gasoline	247.66	GJ	105.43	8.95	322.68	10.65
Total	**179,864.42**	**GJ**	**6,228.67**	**42.72**	**981.78**	**688.71**
Solar	1,784.16	GJ	0.00	0.00	0.00	0.00

The following table details the amount of emissions of considerably polluting substances for the atmosphere by gigajoule produced in function of the energy source.

Polluting Atmospheric Emissions (by GJ produced)				
Fuel	CO	SO_2	COT	MP
LPG – Liquefied Petroleum Gas	0.037223	0.000087	0.002312	0.003935
LNG – Liquefied Natural Gas	0.032682	0.000233	0.00428	0.003703
Gasoline	0.425705	0.036138	1.302915	0.043002
Solar	0.00	0.00	0.00	0.00





TRANSPORTATION

G4-EN30

In order to cover our managerial and logistics activities, we have our own fleet of vehicles, which consumed 7,693 gasoline liters in 2016, which represented a cost of $101,598 pesos.

Even though we have no distribution activities and transportation is not one of our main expenses, we aim to reduce it as much as possible to limit our adverse impact on the environment.

Annual Consumption of Gasoline	
2015	2016
11,070	7,693

As a result of these efforts, in 2016, our vehicles used 30.5% less gasoline than they did last year.

ACTIONS IN FAVOR OF THE PLANET

G4-EN13

At Grupo Sports World we have the firm commitment to minimize any negative effect on the environment, through actions as simple as using both sides of a sheet of paper, changing the toner cartridge only when it's depleted and sending them to safe storage facilities, replacing magnetic storage disks with USBs and, if necessary, recording information to use their full capacity. We maintain a permanent communication campaign that has allowed for great advances in the environmental culture within the Company.

On the other hand, we carry out actions with higher impact such as the reforestation program “A Todo Pulmón” through which, since 2010, more than 5,130 trees have been planted.es.

Evolution of the “A Todo Pulmón” program:

SW Reforestation Program	2013	2014	2015	2016
Number of Planted Trees	900	450	800	750

On August 6, 2016, 60 volunteers from Grupo Sports World and their family members took part in the planting of 750 stone pines in one hectare of the state park Parque Estatal Sierra de Tepotzotlán, a protected natural area located in the Coyotepec common.

For the second year, this reforestation day was carried out alongside Pro-Natura, whose experts supported us throughout this activity. With this initiative, besides taking part in the restoration of woods, Mexico's biodiversity conservation and raising of awareness amongst our collaborators, we also positively impacted 469 members of the surrounding community and 1,407 park visitors.

CORPORATE GOVERNANCE

RELIABILITY AND TRANSPARENCY

CORPORATE GOVERNANCE

RELIABILITY AND TRANSPARENCY IN THE ACTIVITIES OF CORPORATE GOVERNANCE ARE ESSENTIAL FOR LONG TERM SUCCESS.

We have a Board of Directors conformed by nine members out of which five are independent advisors. This Board bases its management in two committees, the Audit Committee and the Corporate Practices Committee.

Besides, we have corporate policies that promote transparency and best decision making, avoid conflict of interests and try to look out for the interests of our shareholders from a perspective of value and sustainability at all times.

BOARD OF DIRECTORS:

HÉCTOR ANTONIO TRONCOSO NAVARRO
PRESIDENT

COSME ALBERTO TORRADO MARTÍNEZ
PROPRIETARY BOARD MEMBER

HÉCTOR MADERO RIVERO
PROPRIETARY BOARD MEMBER

JOSÉ PEDRO VALENZUELA RIONDA
PROPRIETARY BOARD MEMBER

ALFREDO SÁNCHEZ TORRADO
INDEPENDENT BOARD MEMBER

MARÍA TERESA ARNAL
INDEPENDENT BOARD MEMBER

OMAR NACIF SERIO
INDEPENDENT BOARD MEMBER

SALVADOR CERÓN AGUILAR
INDEPENDENT BOARD MEMBER

VÍCTOR MANUEL BARREIRO GARCÍA
INDEPENDENT BOARD MEMBER

XAVIER MANGINO DUEÑAS
NON-MEMBER SECRETARY

CORPORATE PRACTICES COMMITTEE:

SALVADOR CERÓN AGUILAR
PRESIDENT

COSME ALBERTO TORRADO MARTÍNEZ
MEMBER

VÍCTOR MANUEL BARREIRO GARCÍA
MEMBER

AUDIT COMMITTEE:

ALFREDO SÁNCHEZ TORRADO
PRESIDENT

JOSÉ PEDRO VALENZUELA RIONDA
MEMBER

OMAR NACIF SERIO
MEMBER

For more information about our Board Members and top managers please visit our website: www.sportsworld.com.mx/seccion/inversionistas.

FINANCIAL HIGHLIGHTS

Income Statement (in thousands of pesos)	2016	2015	VAR. $	VAR.%
Total Revenue	**1,363,874**	**1,191,592**	**172,282**	**14.5%**
Club Operation Expenses	1,049,276	905,472	143,804	15.9%
Marginal Contribution	**314,598**	**286,120**	**28,478**	**10.0%**
Depreciation and Amortization	158,665	149,939	8,726	5.8%
Administrative Cost	86,371	81,676	4,695	5.7%
Administrative Cost / Total Revenue	6.3%	6.9%		-0.6 p.p.
Operating Profit	**69,562**	**54,505**	**15,057**	**27.6%**
Operating Margin	5.1%	4.6%		0.5 p.p.
EBITDA	**228,227**	**204,444**	**23,783**	**11.6%**
EBITDA Margin	16.7%	17.2%		-0.4 p.p.
Comprehensive Financing Cost	-30,033	-31,911	1,878	-5.9%
Taxes on Profit	9,806	6,351	3,455	54.4%
Net Income	**29,723**	**16,243**	**13,480**	**83.0%**
Net Income Margin	2.2%	1.4%		0.8 p.p.

Balance Sheet (in thousands of pesos)	2016	2015	VAR. $	VAR.%
Cash and Equivalents	134,269	158,154	-23,885	-15.1%
Current Assets	191,531	235,374	-43,843	-18.6%
Leasehold Improvements, Constructions in Process, Furniture and Equipment – Net	1,206,070	1,164,280	41,790	3.6%
Non-Current Assets	1,450,291	1,389,328	60,963	4.4%
Total assets	**1,641,822**	**1,624,702**	**17,120**	**1.1%**
Current Portion of Long-Term Debt	231,568	98,569	132,999	134.9%
Current Liabilities	534,251	399,007	135,244	33.9%
Long-Term Debt	182,787	327,267	-144,480	-44.1%
Non-Current Liabilities	217,909	367,237	-149,328	-40.7%
Total Liabilities	**752,160**	**766,244**	**-14,084**	**-1.8%**
Total Equity	**889,662**	**858,458**	**31,204**	**3.6%**

Others	2016	2015	VAR.	VAR.%
Number of Employees	2,063	1,821	242	13.3%

(1) EBITDA is calculated by adding to the Profit (Losses) before taxes on profits, the Net Comprehensive Financing Result and the Depreciation and Amortization.

The analysis below should be read along with the consolidated and ruled statements of Grupo Sports World, S.A.B. de C.V. and Subsidiaries, as well as the notes that come with them. The financial statements were prepared according to the International Financial Reporting Standards (IFRS). The numbers in this analysis, as well as the financial statements and notes are expressed in Mexican pesos.

STATEMENT OF PROFIT OR LOSS

TOTAL REVENUE

In 2016, the Total Revenue was $1.36 billion pesos with a 14.5% rise over 2015. This result reflects:

i) A 14.0% growth in Income from Memberships and Monthly Dues, which amounted to $1.17 billion pesos due to the rise in number of Active Clients and clubs in operation.

ii) A 37.6% rise in Sports Revenue and Other Core Revenue, which were mainly boosted by a larger participation in personalized classes, sports programs, vacation workshops for children and reactivation of memberships, reaching $112.7 million pesos.

iii) A fall of 2.6% in Other Non-Core Revenue, which registered $83.7 million pesos. This number includes income by sponsorships, exchanges, commercial alliances and space rental.

The Total Revenue from Same Clubs, those with over 12 months of operation, grew 8.8% compared to 2015, mainly due to a higher occupation in these clubs and an increase in sales of sports programs and personalized classes.

ADMINISTRATIVE COST

In 2016, the Administrative Cost reached $86.4 million pesos and represented 6.3% of the Total Revenue, a decrease of 0.5% compared to the previous year. This result reflects the efficiency generation in the administrative management.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

This year's EBITDA reached $228.2 million pesos, an increase of 11.6% compared to 2015. The EBITDA margin decreased 0.5 percentage points, as a percentage of the Total Revenue, to reach 16.7% in 2016, compared to 17.2% in 2015.

OPERATING PROFIT

The Operating Profit for 2016 raised 27.6%, reaching $69.6 million pesos, compared to $54.5 million pesos in 2015. The operating margin increased 0.5 percentage points, as a percentage of the Total Revenue, to reach 5.1% during 2016, compared to 4.6% in 2015, due to a 15% increase in the Operating Expenses, excluding Depreciation and Amortization, compared to the previous year, which was partially offset by a smaller increase in Depreciation and Amortization.

COMPREHESIVE FINANCING RESULT

The Comprehensive Financing Result amounted to $30.3 million pesos, a decrease of 5.9% compared to the $31.9 million pesos registered in 2015. This decrease is a result of the positive effect of the valuation of derivative financial instruments, which were hired with the goal of creating a financial coverage due to the risk associated to floating interest rates of long-term bank debt.

NET INCOME

The Net Income had an increase of 83.0% to $29.7 million pesos, representing a 2.2% margin over Total Income, compared to $16.2 million pesos in 2015, which represented a 1.4% margin.

BALANCE SHEET

CASH AND EQUIVALENTS

The Cash and Equivalents section, by year end, registered $134.3 million pesos, a decrease of $23.9 million pesos or 15.1% compared to last year, mainly due to payments to suppliers related to the construction of new clubs, as well as interest payments and capital amortization of existing credits.

LEASEHOLD IMPROVEMENTS

This concept registered $1.21 billion pesos, an increase of $41.8 million pesos or 3.6% compared to the previous year, mainly as a result of the investments carried out in order to adapt and equip the new clubs as well as to remodel operating clubs in order to offer top notch facilities to our clients.

SUPPLIERS, CREDITORS AND OTHERS

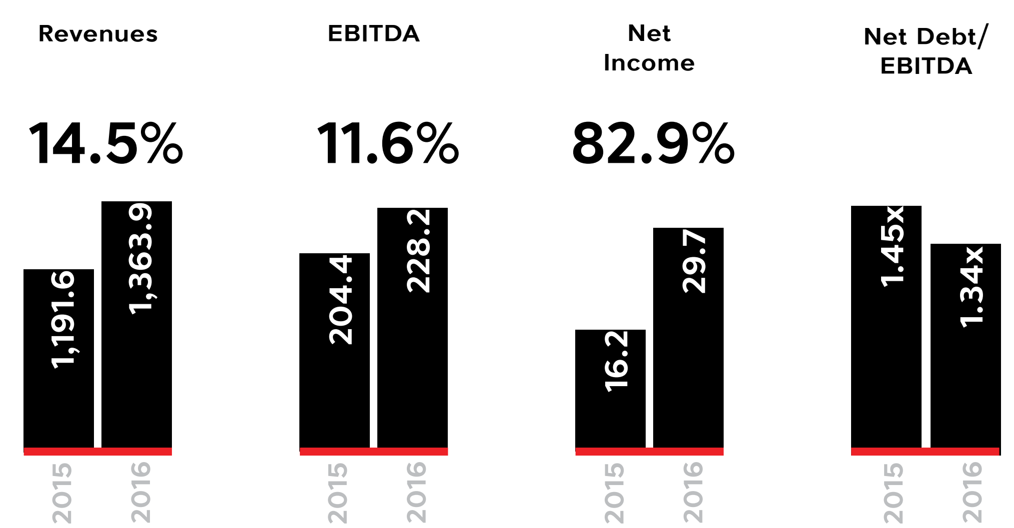
The Company registered a balance of $120.1 million pesos in this account, a decrease of $26.8 millions or 18.2% compared to the previous year. This balance is formed by outstanding amounts to be paid to suppliers, including those in charge of the construction and equipment of the new clubs.

FINANCIAL DEBT

By year-end 2016, the Net Financial Debt amounted to $306.4 million pesos, a 3.1% increase that comes mainly from the hiring of long-term credits. These resources have been used mainly for the adaptation and equipment of new clubs, as well as the remodeling of existing units. In 2016, we hired additional credit lines that amounted to a total of $120 million pesos, to finance the construction of new clubs. The Net Debt / EBITDA ratio by year-end 2016 was 1.34x compared to 1.45x at year-end 2015.

STOCK PERFORMANCE

The Sports World stock price closed at 16.57 pesos on December 31, 2016, a decrease of 14.2% compared to year-end 2015. The average daily operated volume of SPORT during 2016 was of 48,690 shares, in 2015 there was an average operated volume of 292,106 shares a day.



Note: Figures in millions of pesos, except the Net Debt / EBITDA ratio.

CONSOLIDATED FINANCIAL STATEMENTS

NUMBERS IN MEXICAN PESOS AS OF DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

(Translation from Spanish Language Original)

The Board of Directors and Stockholders
Grupo Sports World, S. A. B. de C. V.

Opinion

We have audited the consolidated financial statements of Grupo Sports World, S. A. B. de C. V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Sports World, S. A. B. de C. V. and subsidiaries as at December 31, 2016 and 2015, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Long-lived assets-

(Leasehold improvements, construction in progress, furniture and equipment, net for $1,206,292 thousands of Mexican pesos and Goodwill for $53,188 thousands of Mexican pesos)

See notes 9 and 10 to the consolidated financial statements

Key audit matter	***How the matter was addressed in our audit***
There is an inherent risk in the recoverability of long-lived assets due to external market and other factors. The impairment of long-lived assets is considered a relevant audit matter because it involves judgments in its assessment and cash flows projections and underlying assets used.	*As part of our audit procedures, we tested the controls designed and applied by the Group to ensure that its impairment analysis is appropriately performed and reviewed. We evaluated the identification of the cash generating units, the impairment indicators used by Management, as well as the judgment involved and conclusions about the existence of impairment indicators. In addition, through the participation of our specialists, we evaluated the cash flows, including the discount rate in the models used and the adequacy of the disclosures contained in the notes to these consolidated financial statements.*

(Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report as at and for the year ended December 31, 2016 (the “Annual Report”), which will be presented to the National Banking and Stock Commission and to the Mexican Stock Exchange but does not include the consolidated financial statements and our auditors’ report thereon. The Annual Report is expected to be available for us after the date of our independent auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Once we read the Annual Report, if we conclude that there is a material misstatement of this other information, then we are required to report that fact to those charged with governance of the Group.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

(Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG CARDENAS DOSAL, S. C.

Francisco José Sánchez González

Mexico City, February 13, 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015
(Thousands of Mexican pesos)
These financial statements have been translated from their original Spanish version and for the convenience of foreign/English-speaking readers.

Assets	Note		2016	2015
Current assets:				
Cash and cash equivalents	7	$	134,269	158,154
Accounts receivable, net	8		23,986	24,361
Recoverable income taxes			-	18,934
Inventory of materials	4f		8,463	10,222
Prepayments	4e		24,813	23,703
Total current assets			191,531	235,374
Non-current assets:				
Prepayments	4e		-	556
Leasehold improvements, construction in progress, furniture and equipment, net	9		1,206,292	1,175,046
Goodwill	10		53,188	53,188
Intangible assets, net	10		13,056	8,864
Other assets, net	4i		44,299	44,975
Derivate financial instruments	14		2,082	-
Deferred income taxes	17		131,374	106,699
Total non-current assets			1,450,291	1,389,328
Total assets		$	1,641,822	1,624,702

Liabilities and stockholders' equity	Note		2016	2015
Current liabilities:				
Current installments of long-term debt	11	$	231,568	98,569
Current installments of long-term financial lease	12		3,634	3,255
Accounts payable	13		70,853	103,975
Other accounts payable and accrued expenses			42,872	40,227
Income taxes payable			6,332	2,638
Deferred income from maintenance fees	4q		178,990	150,343
Total current liabilities			534,249	399,007
Non-current liabilities:				
Long-term debt	11		182,787	327,267
Long-term financial lease	12		22,645	26,079
Employee benefits	15		9,243	8,791
Payable and deferred rents			3,234	3,831
Derivate financial instruments	14		-	1,269
Total non-current liabilities			217,909	367,237
Total liabilities			752,158	766,244
Stockholders' equity:				
Capital stock	18		222,165	222,165
Premium reserve for share issue	18		353,438	353,438
Reserve for own shares	18		(40,965)	(40,880)
Comprehensive income	18		3,093	1,525
Retained earnings			351,933	322,210
Total stockholders' equity			889,664	858,458
Total liabilities and stockholders' equity		$	1,641,822	1,624,702

These consolidated financial statements were approved by the Management on February 13, 2017 and signed on its behalf by Mr. Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of financial position should be read together with the accompanying notes to consolidated financial statements on pages 11 to 66.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2016 and 2015
(Thousands of Mexican pesos)
These financial statements have been translated from their original Spanish version and for the convenience of foreign/English-speaking readers.

	Note		2016	2015
Revenue from maintenance fees and sales of memberships		$	1,167,503	1,023,773
Revenue from sponsorships and other business activities			196,370	167,819
Total revenues			1,363,873	1,191,592
Operating expenses from:				
Personnel services			428,095	382,892
Advertising			34,340	32,649
Depreciation and amortization			158,665	149,939
Lease expense			356,315	303,013
Commissions and fees			43,882	34,615
Other operating expenses and supplies			273,015	233,979
Total operating expenses			1,294,312	1,137,087
Finance cost:				
Foreign exchange loss, net			2,176	1,794
Valuation effects of derivate financial instruments	14		(3,351)	(431)
Interest expense			34,416	32,357
Interest income			(3,209)	(1,809)
Finance cost, net			30,032	31,911
Income before income taxes			39,529	22,594
Total income taxes	17		9,806	6,351
Net income			29,723	16,243
Other comprehensive (income) loss:				
Items that are not subsequently reclassified to profit or loss on the period				
Net actuarial (gains) losses of benefits plan	15		(2,240)	(188)
Income taxes of other comprehensive income	17		672	56
Total comprehensive (income) loss, net of taxes			(1,568)	(132)
Total comprehensive income		$	31,291	16,375
Earnings per share				
Basic earnings per share (in mexican pesos)	19	$	0.37	0.20

These consolidated financial statements were approved by the Management on February 13, 2017 and signed on its behalf by Mr. Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of comprehensive income should be read together with the accompanying notes to consolidated financial statements on pages 11 to 66.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2016 and 2015
(Thousands of Mexican pesos)

These financial statements have been translated from their original Spanish version and for the convenience of foreign/English-speaking readers.

	Note	Capital stock	Premium reserve for share issue	Reserve for own shares	Comprehensive (loss) income	Retained earnings: Statutory reserve	Retained earnings: By to be applied	Retained earnings: Total	Total stockholders' equity
Balances as of December 31, 2014		$ 222,165	353,438	(21,930)	1,393	12,553	294,214	306,767	861,833
Establishment of statutory reserve		-	-	-	-	2,377	(2,377)	-	-
Repurchase of shares	18	-	-	(21,445)	-	-	(800)	(800)	(22,245)
Cost accrued by shares assigned	18	-	-	2,495	-	-	-	-	2,495
Comprehensive income		-	-	-	132	-	16,243	16,243	16,375
Balances as of December 31, 2015		222,165	353,438	(40,880)	1,525	14,930	307,280	322,210	858,458
Establishment of statutory reserve		-	-	-	-	1,584	(1,584)	-	-
Repurchase of shares	18	-	-	(2,155)	-	-	-	-	(2,155)
Cost accrued by shares assigned	18	-	-	2,070	-	-	-	-	2,070
Comprehensive income		-	-	-	1,568	-	29,723	29,723	31,291
Balances as of December 31, 2016		$ 222,165	353,438	(40,965)	3,093	16,514	335,419	351,933	889,664

These consolidated financial statements were approved by the Management on February 13, 2017 and signed on its behalf by Mr. Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of changes in stockholders' equity should be read together with the accompanying notes to consolidated financial statements on pages 11 to 66.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 20155
(Thousand of Mexican pesos)
These financial statements have been translated from their original Spanish version and for the convenience of foreign/English-speaking readers.

		2016	2015
Cash flows from operating activities:			
Income before income taxes	$	39,529	22,594
Adjustments:			
Depreciation and amortization		158,665	149,939
Cost accrued by shares assigned		2,070	2,495
Net period cost of employees benefits		2,843	1,908
Valuation effects of derivate financial instruments		(3,351)	(431)
Interest expense, net		31,207	30,548
Cash provided by operating activities before changes in working capital and provisions		230,963	207,053
Accounts receivable, net		375	(12,159)
Prepayments and inventory of materials		649	(3,753)
Trade accounts payable, accrued liabilities and accrued expenses		(38,215)	3,306
Provisions, rents payable and employee benefits		4,353	1,743
Deferred income from maintenance fees		28,647	15,236
Cash provided by operating activities before income taxes paid		226,772	211,426
Income taxes paid		(9,888)	(5,752)
Net cash provided by operating activities		216,884	205,674
Cash flows from investing activities:			
Acquisition of leasehold improvements, furniture and equipment, trade accounts payable and prepayments to suppliers		(185,667)	(276,067)
Increase in other assets		(7,204)	(444)
Interest received		3,209	1,809
Net cash used in investing activities		(189,662)	(274,702)
Cash flows from financing activities:			
Proceeds from loans		115,000	226,590
Interest paid		(34,416)	(32,357)
Payments on loans		(126,481)	(62,106)
Payments on financial lease obligations		(3,055)	(2,995)
Sale of shares of the reserve for shares repurchase		-	(800)
Repurchase of shares, net		(2,155)	(21,445)
Net cash provided by financing activities		(51,107)	106,887
(Decrease) increase in cash and cash equivalents		(23,885)	37,859
Cash and cash equivalents at January 1		158,154	120,295
Cash and cash equivalents at December 31	$	134,269	158,154

These consolidated financial statements were approved by the Management on February 13, 2017 and signed on its behalf by Mr. Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of cash flows should be read together with the accompanying notes to consolidated financial statements on pages 11 to 66.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015
(Thousands of Mexican pesos)
These financial statements have been translated from their original Spanish version and for the convenience of foreign/English-speaking readers.

(1) Reporting entity-

Grupo Sports World, S. A. B. de C. V. (Grupo Sports World), was incorporated in Mexico on March 2, 2005 and started operations on July 7, 2005. These consolidated financial statements comprise Grupo Sports World and its subsidiaries, collectively called "The Company". The main activity of the Company is the operation of sports clubs and offering integral services in sports and recreational areas with trained personnel. As of December 31, 2016, the Company operates 49 clubs, 35 located in Mexico City and its metropolitan area, and 14 located in ten States of the Mexican Republic. Up to date, the Company has signed four agreements in shared operation; these clubs do not operate under the "Sports World" brand.

Grupo Sports World is listed on the Mexican Stock Exchange (BMV). The Company has an investor who directly and indirectly holds a significant percentage of the Company and participates in relevant decisions through a Trust.

(2) Basis of preparation-

(a) Statement of compliance-

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted by public entities in Mexico in accordance with the amendments to the Rules for Public Companies and other Entities Trading on the Mexican Stock Exchange Market, established by the National Banking and Securities Commission in Mexico (NBV), according to which beginning in 2012, the Company is required to prepare financial statements in accordance with IFRS.

On February 13, 2017, Simón Fabián Morales Carpio, Administrative and Financial Officer and the Board of Directors authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law and the bylaws of the Company, the stockholders are empowered to modify the consolidated financial statements after issuance. The accompanying consolidated financial statements will be submitted to the next Stockholders' Meeting for approval.

(b) Basis of accounting-

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are recorded at fair value at the end of each reporting period.

(c) Functional and reporting currency-

The accompanying consolidated financial statements are presented in Mexican pesos ("pesos" or "$"), Mexico's national currency, which is the Company's functional currency and the currency in which the consolidated financial statements are presented.

(d) Use of estimates and judgments-

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following notes to the consolidated financial statements include information on estimates and assumptions that are critical in the application of accounting policies that have significant effects on the amounts recognized in the consolidated financial statements:

i) In conducting the asset impairment tests on non-current assets, the Company requires to perform estimates in the value in use assigned to leasehold improvements, construction in progress, furniture and equipment, and intangible assets, as well as other non-current assets, in the case of certain assets. The calculations of the value in use require that the Company determines the future cash flows that should arise from cash-generating units and an appropriate discount rate for calculating the current value. The Company uses cash flow projections of income considering estimates of market conditions, determination of sales prices and volumes.

ii) The Company reviews the estimated useful life of leasehold improvements, furniture and equipment at the end of every annual period, the estimated useful life of every component of an item, as it better reflects the expected partner of consumption of the future economic benefits embodied in the asset.

iii) The Company uses estimates in determining the allowances for doubtful accounts receivable. The factors considered in the allowances for doubtful accounts are primarily the risk of unsecured accounts and collection delays in accordance with the credit limits established.

iv) The Company is subject to contingent transactions or events on which judgment is applied on developing estimates of occurrence probability; the factors considered in these estimates are the current legal situation as of the estimate date and the opinion from legal advisors.

v) The estimates for determining the provision of the stock compensation plan given to officers include the probability of permanence in the Company at the end of the plan, based on the last three-year turnover.

vi) The Company makes estimates in the calculation of temporary items, where it conducts asset recoverability assessments and deferral in the payment of deferred tax liabilities. This assessment requires a judgment including the projection of revenues and tax profits.

vii) Defined benefit plan: the obligations of the Company regarding seniority Premium which by law must be given under certain conditions, are calculated by estimating the amount of future benefits accrued by employees in exchange for their services in the current and past periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified method using the projected unit credit actuary.

Assumptions in estimates of fair value

For the issue of the accompanying consolidated financial statements, the Company reviews the significant observable inputs and valuation adjustments. If third party information is used, such as broker quotes or price vendor services, to estimate the fair value, the Company evaluates the evidence obtained from third parties to support the conclusion that these estimates satisfy the requirements of IFRS, including the level within the fair value hierarchy within which should be classified. When the fair value of a financial asset or liability is estimated, the Company uses observable market data whenever possible, and even information from their counterparts. The fair value is classified at different levels within a fair value hierarchy, which is based on the variables used in the valuation techniques, as shown on the next page.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the variables used in estimating the fair value of a financial asset or liability can be classified into different levels within the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the hierarchy of fair value the lowest level variable that is significant to the overall measurement.

Note 5(e) contains additional information about the assumptions made in estimating the fair value of derivative financial instruments.

(3) Basis for consolidation-

The consolidated financial statements include the accounts of Grupo Sports World, S. A. B. de C. V. and those of its subsidiaries in which it has more than 99% control of capital stock and/or exercises control.

Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements. The consolidation was based on the audited financial statements of the issuing companies as of December 31, 2016 and 2015, which have been prepared in accordance with IFRS.

As of December 31, 2016 and 2015, the subsidiary companies, all of Mexican origin, are as follows:

	Ownership	Main activity
Operadora y Administradora SW, S. A. de C. V.	99.99%	Operating
Grupo Concentrador de Servicios, S. A. de C. V.	99.99%	Administrative services

(4) Significant accounting policies-

(a) Basis of consolidation-

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commenced until the date that control ceases. The accounting policies of the subsidiaries have been adapted, as required to conform to the accounting policies adopted by the Company.

(ii) Transactions eliminated on consolidation
Balances and transactions between Company's entities, as well as unrealized gains and losses, have been eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

In respect of the acquisitions made prior to January 1, 2011, goodwill represents the amount recognized under the accounting standards previously fulfilled by the Company.

(b) Segment information-

Grupo Sports World operates sport clubs that are primarily located in the metropolitan area of Mexico City, as well as in other States of the Mexican Republic.

The business rules are equally applicable to all the clubs independently from the geographic area, which can be summarized in the sport offer and the basic equipment table.

The executive committee, jointly with the person responsible for each club, measure and review the indicators used in evaluating the performance of each club, and undertake by consensus the actions necessary to correct or assign resources to the clubs.

Based on the foregoing characteristics, no operation reports are disclosed by segment.

(c) Foreign currency transactions-

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at that time. Exchange differences arising from conversion are recognized in the consolidated statements of comprehensive income.

(d) Non-derivative financial instruments-

Non-derivative financial instruments primarily include cash and cash equivalents, accounts receivable, debt, financial lease and trade accounts payable.

(i) Non-derivative financial assets
The Company initially recognizes accounts receivable and other receivables on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(ii) Non-derivative financial liabilities
The Company initially recognizes financial liabilities on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company has the following non-derivative financial liabilities: Long-term debt, suppliers, other accounts payable, income taxes payable, and finance lease, mainly.

Such financial liabilities are recognized initially at fair value less costs directly attributable to the transaction. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments
The Company uses derivative financial instruments to hedge exposures to interest rate risks. While these instruments are not designated for hedge accounting perspective, these instruments have a specific business purpose as they are acquired for hedging from an economic perspective.

(e) Prepaid expenses-

Prepaid expenses include mainly trading sponsorships, tax derived from the employee stock purchase plan, prepaid rents, services and insurances, which are recognized in the consolidated statements of comprehensive income for the year and/or period in which they are incurred.

The rights for compensation of trading exchanges and sponsorships are recognized as a short or long term prepayment at the moment of executing the contracts and are transferred to an account receivable once invoiced, in accordance with the established dates. When there are rights and obligations arising from the same contract, balances are offset.

As a result of the implementation of the employee stock compensation plan, the remuneration received by employees other than stock is recognized as a prepaid expense, which will be accrued as the expense for such plan is recognized.

All leases provide the prepayment of rents at the moment of executing the contracts, which are recognized in the consolidated statements of comprehensive income for the period, in the first months of operation of the club.

(f) Inventory of materials-

Inventory of materials includes uniforms worn by personnel in the clubs to provide services, and spare parts for the clubs' sport equipment. The cost of uniforms is recognized in the consolidated statements of comprehensive income for the period in which they are assigned to the employees.

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first out basis.

(g) Leasehold improvements, construction in progress, furniture and equipment-

(i) Recognition and measurement

Leasehold improvements, construction in progress, furniture and equipment, are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of leasehold improvements constructed for own use includes the cost of materials and direct labor, any other cost directly attributable to bringing the assets to useable conditions and financing cost of qualifying assets.

When parts of an item of leasehold improvements, construction in progress, furniture and equipment have different useful lives, they are recorded as separate components (major components) of leasehold improvements, construction in progress, furniture and equipment.

Gains and losses on sale of an item of furniture and equipment are determined by comparing the proceeds from the sale against the net carrying value of furniture and equipment and are recognized within “other operating income and expenses” in profit or loss, when occurs.

(ii) Subsequent costs

The replacement cost of an item of leasehold improvements, furniture and equipment is recognized in the carrying value when it is probable that future economic benefits of such item flows to the Company and their cost can be determined reliably. The net book value of the replaced part is derecognized. The costs of day to day operation of leasehold improvements, furniture and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the amount subject to depreciation, which is the cost of an asset, or other amount to replace at cost, less its residual value.

Depreciation is recognized in profit or loss using the straight-line method according to the estimated useful lives of each component of an item of leasehold improvements, furniture and equipment, since this better reflects the expected pattern of consumption of future economic benefits included in the asset. Leased assets are depreciated over the shorter of the term of the lease agreement or useful life of assets, unless there is reasonable certainty that the Company will obtain ownership of the leased assets at the end of the lease.

Depreciation rates of the major groups of assets listed below:

	Annual rates
Leasehold improvements	5% to 20%
Gym equipment	12.5% and 20%
Audio and video equipment	40%
Computer equipment	40%
Transportation equipment	25%
Office and club furniture and equipment	20%
Machinery	10%

Maintenance costs and minor repairs are expensed as incurred. As of December 31, 2016 and 2015, the maintenance costs amount to $22,454 and $15,321, respectively.

The depreciation method, useful lives and residual values are reviewed at each year and adjusted, if necessary.

(iv) Advance to suppliers

Prepayments for construction of leasehold improvements and purchase of machinery and equipment for clubs are recognized as prepayments and advances to suppliers, provided that the benefits and risks inherent to property to be acquired are not yet transferred to the entity and stated as non-current assets.

(h) Intangible assets-

These assets represent costs incurred that the Company has determined will have future economic benefits and that meet certain requirements for its recognition as assets. Research cost, as well as disbursements during the development stage that do not meet such requirements are recorded in the statement of comprehensive income of the period in which they are incurred.

The Company classifies intangible assets as having either indefinite or definite useful lives, based on the period in which the Company expects to receive the benefits.

(i) Assets with indefinite useful lives

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Assets with finite useful lives

These assets are mainly related to costs incurred in the development phase of an enterprise resource planning system, licenses for ground use, the rights to exploit certain sports programs, as well as the use of the trademark “Sports World”. These assets are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditures

Subsequent expenditures are only capitalized when the future benefits included in the relevant asset increase. The other disbursements are recognized in the consolidated statements of comprehensive income as incurred.

(iv) Amortization

Amortization is computed on the asset cost or other amount that replaces the cost, less its residual value.

Amortization is recognized in the consolidated statements of comprehensive income using the straight-line method, based on the estimated useful life of intangible assets, other than goodwill, from the date they are available for use, as it better reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Below are the estimated useful lives for the current periods and a comparison thereof:

- Trademarks and other rights 10 years
- Software – Development costs 3 years

Amortization methods, useful lives and residual values of intangible assets are reviewed at the end of each year and adjusted if necessary.

(i) Other assets-

Other assets include mainly security deposits on leased property, which are recorded at the cash value paid as collateral that is expected to be recovered at the end of the lease.

(j) Leasing-

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

(i) The Company as lessor
Rental income (sublease) from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee
Lease payments are apportioned between financial expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see note 4(r) below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The lease incentives received are recognized as an integral part of the total lease expenses during the term of the lease.

(iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is leased if the fulfilment of the agreement depends on the use of that asset. An agreement transfers the right to use the good and the agreement transfers to the Company the right to control the use of the corresponding good.

At reception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed financial cost on the liability is recognized using the Company's incremental borrowing rate.

(k) Goodwill

Goodwill represents the future economic benefits that arise from other assets acquired that are not individually identifiable or separately recognized as a result of the acquisition of subsidiaries, which control is obtained. Goodwill is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

(l) Impairment-

(i) Financial assets
A financial asset not classified as at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both individual asset and a collective level. All individually significant receivables are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and investment securities with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted by the analysis made by Management as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Changes in provisions for impairment attributable to time value are reflected as a component of interest income.

(ii) Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators of impairment are identified, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

For purposes of the impairment tests, the assets that may not be individually tested, are included in smaller groups of assets that produce cash inflows due to continuous use and that are mostly independent of cash inflows of other assets or groups of assets (the “cash generating unit”). For purposes of goodwill impairment testing, goodwill acquired in a business acquisition is allocated to the group of cash generating units that are expected to benefit from the synergies created by the combination. The allocation is subject to a ceiling test of the operating segment and reflects the lowest level at which the goodwill is monitored for internal reporting purposes. The recovery value of an asset or a cash-generating unit is the greater between the value in use and the fair value less the cost of sales.

In assessing the value in use, the estimated future cash flows are discounted at present value using the discount rate before taxes that reflects the current market assessments of the value of money over time and the specific asset risks.

An impairment loss is recognized if the carrying value of an asset or its cash-generating unit exceeds its recovery value. The impairment losses are recognized in the consolidated statements of comprehensive income. The impairment losses recorded regarding the cash-generating units are firstly allocated to reduce the carrying value of any goodwill that has been allocated to the units and then to reduce the carrying value of the other assets in the unit (group of units) on a prorating basis.

No impairment loss is reversed with respect of goodwill. Regarding other assets, the impairment losses recognized in previous periods are evaluated as of the reporting date to determine whether there is an indication that the loss reduced or no longer exists. An impairment loss will only be reversed if a change has occurred in the estimates used in determining the recovery value. An impairment loss is only reversed insofar as the carrying value of the asset does not exceed the carrying value that would have been determined net of depreciation or amortization, should any impairment loss have been previously determined.

(m) Employee benefits-

(i) Long-term employee benefits
The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(ii) Termination benefits
Termination benefits are recognized as an expense when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer that is made to encourage voluntary redundancy.

Termination benefits for voluntary retirement are recognized as an expense only if the Company has made an offer of voluntary redundancy, it is probable that the offer is accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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

Net interest are calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

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

(iii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Statutory employee profit sharing (PTU)
PTU is recorded in the results of the year in which it is incurred and is presented in other operating expenses and supplies line in the consolidated statements of profit or loss and other comprehensive income.

As result of the 2014 Income Tax Law, as of December 31, 2016 and 2015 PTU is determined based on taxable income, according to Section I of Article 9 of that Law.

(v) Share-based payment-
The Company has established a share-based payment program based on its capital stock for certain employees, recognizing an operating expense in the consolidated statement of comprehensive income and an increase in the stockholders' equity, during the vesting period, at fair value of the equity instruments provided. The vesting periods comprise from one to three years.

According to the characteristics of this plan, shares net of tax withholding will be given to those officers who meet the vesting criterion of staying uninterruptedly in the Company during the vesting dates of the plan, as mentioned in note 18(b).

(n) Provisions-

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Income taxes-

Income taxes include current tax and deferred tax. Current tax and deferred tax are recognized in income, except when it relates to a business combination or items recognized directly in equity, in other comprehensive income.

Current income tax is recognized in the results of the year in which it is incurred. Income in tax is calculated according to legal and tax requirements in Mexico, applying the tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax charged in respect of prior years.

Deferred income tax is recorded according to the asset and liability method, which compares the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, thus recognizing deferred taxes (assets and liabilities) for the temporary differences between these values. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences in as much as it is likely that the future taxable income will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(p) Capital stock-

(i) Common stock
Common stock is classified within stockholders' equity. Incremental costs that are directly attributable to the issue of common stock and stock options are recognized as a deduction in stockholders' equity, net of tax effects.

(ii) Repurchase of shares
When the capital stock recognized as stockholders' equity is repurchased, the amount of the consideration paid, including the directly attributable costs, net of tax effect, is recorded as a reduction in the stockholders' equity. The repurchased shares are classified as treasury shares and are presented as a deduction of the stockholders' equity. When the treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in the stockholders' equity, and the surplus or deficit resulting from the transaction is transferred to retained earnings.

(q) Revenue-

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

The Company provides services to the general public. The Company recognizes revenue from sales of memberships acquired by the club members to be able to use the facilities, from monthly maintenance fees, from the sale of some products and other services to the members, as well as the sponsorships and other commercial services to concession holders.

Revenue is recognized in consolidated statements of comprehensive income when the amount of revenue can be measured reliably, when: (i) the revenue is measured, (ii) the risks and rewards of products are transferred to the customer, (iii) is probable that the economic benefits associated with the transaction will flow to the Company, and (iv) the costs incurred or to be incurred in respect to the transaction can be measured reliably.

Revenue from sales of memberships is recognized at the time of sale, which generally coincides with the collection, considering that membership only makes the user to be a member of the club, and all the other services, products, and monthly maintenance fees are separately recorded, as a service is earned.

The deferred income or prepaid collections for maintenance fee are recognized as deferred income in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income for the year as earned.

The prepaid collections for maintenance fees and memberships of clubs under construction (presales) are recognized as deferred income in the consolidated statement of financial position. Revenues for memberships are recognized in the consolidated statement of comprehensive income when the club is opened and revenues for maintenance fees are recognized in the consolidated statement of comprehensive income for the year as earned or when the club is opened.

Revenue from trading sponsorships are recognized as deferred income at the moment of executing contracts, and recognized in the consolidated statements of comprehensive income as earned.

(r) Finance income and finance costs-

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

Finance costs comprise interest expense on borrowings. Borrowing costs are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Exchange income and exchange losses are reported on a net basis in the consolidated statement of comprehensive income.

(s) Earnings per share-

The Company presents information on the basic earnings per share (EPS) for their common stock. The basic EPS are computed by dividing the profit or loss attributable to the holders of the Company's common shares by the weighted average number of common shares outstanding during the period, adjusted for the own shares held (note 19).

(t) Related-party transactions and balances-

(i) Key management personnel compensation
Key management personnel compensation paid by the Company to the main directors and officers for the corporate year ended December 31, 2016 and 2015, was approximately $26,542 and $20,037, respectively. This amount includes the remunerations determined at the Company's General Stockholders' Meeting for the performance of their duties during such year, as well as wages and salaries.

The Company reviews on a continuous basis the salaries and bonuses in order to offer its employees competitive compensation conditions.

(u) Reclassifications-

Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2015 have been reclassified to conform to the presentation of the 2016 consolidated financial statements.

	December 31, 2015 originally reported	Increase (decrease) per reclassification	December 31, 2016 retrospectively reclassified
Provisions	$ 20,152	(20,152)	-
Accrued liabilities	20,075	(20,075)	-
Accrued liabilities and accrued expenses	-	40,227	40,227
	$ 40,227	-	40,227

(v) Recently issued financial reporting standards-

IFRS 7 Statement of Cash Flows required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for periods beginning on or after January 1st 2017, with earlier application permitted. The Company is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

IFRS 9 Financial instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Management is in the process of evaluating the impact of this new standard and define a possible early adoption.

IFRS 15 Revenue from contracts with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programs. Management is in the process of evaluating the impact of this new standard and define a possible early adoption.

IFRS 16 Leases replaces the current IAS 17 Leases, at the simplest level, the accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. Management is in the process of evaluating the impact of this new standard and define a possible early adoption.

The following new or amended standards are not expected to have a significant impact of the Company's consolidated financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

(5) Fair values determination-

Several accounting policies and disclosures of the Company require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods:

a. Temporary investments

The fair value of the investment securities is determined considering the purchase quotation as of the end on the reporting date; all the market values are level 1 according to the terminology of IFRS 7 “Financial instruments: Disclosures”.

b. Trade receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables are measured at the original invoice amount, considering that such amount does not differ significantly from its fair value.

c. Non-derivative financial liabilities

The fair value determination of the financial assets and liabilities for which there are not observable market prices, requires the use of valuation methodologies, as described in note 2(d).

Valuation methodologies include present value models and estimated discounted cash flows, and comparison to similar instruments for which there are observable market prices and other valuation methods.

As the Company's financial liabilities are not stock market type, the debt was valued at fair value as of the end of the period in accordance with level 2; thus, it was necessary to obtain an interest rate in order to discount the cash flows that were considered a credit component. As the Company does not have a credit rating in the market, as an alternative to discount the flows, a corporate curve observable in the market was used considering the following elements for the selection thereof:

- The Company's stock market level in the Mexican Stock Exchange Market.
- Debt instruments listed in the Mexican Stock Exchange Market, which issuers are similar to the Company as for the stock market level of the shares issued.

Notwithstanding the foregoing, the valuation made in accordance with level 2, there has not been a significant impact on the fair value measurements of the Company's financial liabilities.

d. Share-based payment arrangements

The fair value for the shares assigned in the stock compensation plan for officers is equal to the average price of the share as of the assignment date.

When applicable, further information is disclosed regarding the assumptions made in determining the specific reasonable values of such asset or liability.

e. Derivate financial instruments

The Company has a derivative financial instrument, and through it performs an economic hedge the financial liability that the Company has as of December 31, 2016 y 2015, which is denominated in Mexican pesos and pays interest based on the Interbank Interest Rate (TIIE). This instrument exchanges the profile TIIE liability for a fixed rate, however, there is an upper limit or "ceiling" of 5% and 6.5% on the TIIE rate for this coverage; the Company is not covered above this level. These transactions are referred to as "Bonus Swaps".

Therefore, the Company has modeled this instrument through two instruments base, an interest rate swap and an option on interest rates.

The following analysis shows the techniques and methodologies used in estimating the fair value of financial instruments categorized in Level 2 of the fair value hierarchy:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Interest rate swaps	Forward interest rate and estimated present value of cash flows expected is obtained	Not applicable
Options on interest rates	With inputs market forward interest rate is estimated and the Black & Scholes model is used to estimate the market value	Not applicable

Accounting classifications and fair value

The following analysis shows the carrying value and fair value of financial assets and liabilities, including the hierarchy level to which they belong. Information of the fair value of the non-financial asset or liability not measured at fair value is not included if the book value and fair value are reasonably close, particularly for the category of "cash and cash equivalents".

	Book value					Fair value			
	Note	At fair value	Accounts receivable and payable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets (liabilities) measured at fair value Interest rate swaps with Cap on TIIE rate as of December 31:									
2016	14	2,082	-	-	2,082	-	2,082	-	2,082
2015	14	(1,269)	-	-	(1,269)	-	(1,269)	-	(1,269)

The valuation is performed by the Company in conjunction with an independent third party, to whom is provided with the mark to market determined by the financial institution that has the counterparty. The independent third party can present a prospective analysis of the effectiveness of the hedge in the event that it is intended to designate the operations for this purpose. The advisors employ commonly used methods to determine the effectiveness of quarterly coverage.

(6) Financial risk management-

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Exchange risk
- Operational risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk-

Credit risk is the risk of financial loss to the Company if a club membership or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's account receivables, and cash and cash equivalents.

(i) Accounts receivable
The maximum exposure to credit risk is represented by the balance of each financial asset, primarily in the accounts receivable. The total of these accounts is primarily diluted among sundry debtors, users and concession holders, which do not represent a risk concentration individually speaking. The Company evaluates periodically the financial conditions of its debtors. The Company considers there is not a significant risk of loss as a result of a credit concentration in its client database as the services rendered by the Company are primarily collected in cash. It also considers that its potential credit risk is appropriately hedged by its allowance for doubtful accounts, which represents its estimate of impairment losses in respect of the accounts receivable. The past-due accounts receivable is reserved.

(ii) Cash and cash equivalents
The Company limits its exposure to credit risk by investing only in liquid securities, and counterparties are banks with high credit ratings assigned by rating agencies. Management continuously monitors credit ratings and since the Company has only invested in highly rated securities, management does not anticipate any counterparty default.

(iii) Derivative financial instruments
The carrying amount of financial assets represents the maximum exposure to credit risk. Because the Company has as of December 31, 2016 a liability for derivative financial instruments, the Company has no exposure to credit risk on these instruments.

Derivative financial instruments have been agreed by the Company with a bank as counterparty, and this institution is rated between the range AA- and AAA according to the rating agency Standard & Poors.

(b) Liquidity risk-

Liquidity risk is the risk that the Company encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Normally, the Company makes sure that it has sufficient cash available to cover the projected operating expenses, maintaining cash allowances, disposing of credit lines available, continuously monitoring the projected and real cash flows, reconciling the maturity profiles of the financial assets and liabilities.

The table below details the Company's remaining contractual maturities for its non-derivative financial assets and liabilities with reimbursement periods agreed:

		2016	2015
Financial liabilities			
Trade accounts payable	$	70,853	103,975
Documents payable to banks in 1 year		231,568	98,569
Documents payable to banks from 2 to 3 years		166,121	222,480
Documents payable to banks in more than 3 years		16,666	104,787
Financial lease in 1 year		3,634	3,255
Financial lease from 2 to 3 years		10,548	9,209
Financial lease in more than 3 years		12,097	16,870
Total	$	511,487	559,145
Financial assets			
Cash and cash equivalents	$	134,269	158,154
Accounts receivable, net		23,986	24,361
Total		158,255	182,515
Net	$	(353,232)	(376,630)

The following are the remaining contractual cash flows of financial assets (liabilities) as of December 31, 2016 and 2015, including estimated interest and excluding the impact of netting agreements payments.

	Book value	Contractual flows	6 months	6-12 months	1-2 years	2-5 years
Derivative financial assets (liabilities)						
Interest rate swaps with Cap TIIE rate at December 31:						
2016	2,082	2,082	894	(47)	(4)	(1)
2015	(1,269)	(1,269)	(545)	67	112	292

The inflow/(outflow) disclosed in the above table represent the expected cash flows related undiscounted financial liabilities arising from derivatives held for risk management purposes and that the Company does not intend to close before the contractual maturity. The revelation shows amounts of net cash flow for derivatives that are settled in cash inflows and cash gross output for derivatives that are settled simultaneously in gross cash.

(c) Market risk-
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company has derivative financial liabilities and financial obligations to manage market risk. These operations are carried out according to the policies established by the Management.

(d) Currency risk-
The Company is exposed to an exchange risk; it ensures that its net exposure is maintained at acceptable by purchasing and selling US dollars at spot exchange rate as required for meeting short-term unforeseen events. The Company does not use any hedging instrument.

Monetary assets and liabilities denominated in foreign currency as of December 31, 2016 and 2015, were as follows:

	U. S. dollars as Deceember 31,	
	2016	2015
Assets	39,007	4,897
Liabilities	(28,155)	(506,684)
Net monetary long (short) position	10,852	(501,787)

The exchange rate Mexican peso/U.S. dollar, as of December 31, 2016 and 2015, was $20.66 and $17.34 respectively. At February 13, 2017, the exchange rate Mexican peso/U.S. dollar was $20.35.

(e) Interest rate risk-
The Company's exposures to interest rate risks are primarily in the interest paid for the credit line with Santander Serfín, S. A., Institución de Banca Múltiple (Santander Serfín) at an Inter-bank Interest Rate of Equilibrium (TIIE) plus three point five (3.5), three (3) and four (4) percentage points and with Arrendadora Actinver, S.A. de C.V. at TIIE plus three point five (3.5). The sensitivity analysis determined by the Company is conducted in accordance with exposure to the interest rates of its total unhedged financial debt supported on variable rates; an analysis is conducted assuming that the amount of the outstanding liability at the end of the reporting period has been the outstanding liability for the entire year. The Company internally informs to the Board of Directors about the interest rate risk. The Company does not use any hedging instrument.

The Company has contracted this derivative instrument with the purpose of performing an economic hedge, due to the risk associated with the interest rate of the liabilities it maintains with its counterpart Santander. However this instrument has not been formally designated as hedging by the Company, situation that can be evaluated in the short term.

Exposure to interest rate risk
The interest rate profile of the financial instruments of the Company that accrues interest is defined as follows:

	Nominal amount	
	2016	2015
Variable rate instruments		
Financial liabilities	(172,121)	(245,000)
Effect of interest rate swap with Cap in TIIE	2,082	(1,269)
	(170,039)	(246,269)

During 2016, there were no maturities in derivative transactions. Existing swap transactions have not included margin calls. As of December 31, 2016, the Company has not failed to comply with the obligations related to this type of transaction.

(f) Sensitivity analysis of cash flow for instruments of variable rate
The Company's exposures to interest rate risk are mainly in TIIE interest rates on bank loans, and in derivate financial instruments as of December 31, 2016. Sensitivity analysis determined by the Company is prepared based on exposure to interest rates for its total debt at variable rates, and the derivative financial instrument that has contracted to cover that debt. The Company prepares an analysis assuming that the liability at the end of reporting period has been the liability for the year.

If interest rates TIIE had had a change of 100 and 200 basis points (bp), up and down each reporting period, and all other variables held constant, current earnings would have increased (decreased) in the amounts shown below:

December 31, 2016	100 pb		200 pb	
	Increase	Decrease	Increase	Decrease
Interest rate swap with Cap in TIIE	224	(522)	304	(1,569)
	224	(522)	304	(1,569)

December 31, 2015	100 pb		200 pb	
	Increase	Decrease	Increase	Decrease
Interest rate swap with Cap in TIIE	2,502	(3,315)	4,014	(7,232)
	2,502	(3,315)	4,014	(7,232)

(g) Operational risk-
The operational risk is the direct or indirect loss derived from different reasons relating to the Company's processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risks, such as those deriving from legal and regulatory requirements, and generally accepted corporate governance standards. The operational risk arises from the totality of the Company's operations.

The Company's policy is to manage the operational risk in order to balance the prevention of financial losses and damage to its reputation with the overall effectiveness of costs while avoiding control procedures that limit initiative and creativity.

The responsibility for the development and implementation of controls for hedging operational risks lies with senior management of each business unit. This responsibility is focused on developing policies for managing the Company's operational risk, in the following areas:

- Proper segregation of duties, including the independent authorization of transactions;
- Transaction reconciliation and monitoring;
- Compliance with the regulatory and legal requirements;
- Documentation of controls and procedures;
- Periodic evaluation of operational risks being faced, the appropriateness of the controls and procedures to tackle identified risks;
- Reporting requirements for operational losses and corrective measurements proposed;
- Development of contingency plans;
- Training and professional development;
- Ethics and business standards;
- Risk mitigation, including the procurement of insurance as required.

Compliance with the Company's policies is monitored by the senior management.

(h) Equity risk management-

The Company's Board of Directors policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors, and market participants on the Company and sustain the future development of the business.

The Board of Director's objective is that the Company's managers, assistant managing directors and managing directors hold a percentage of the Company's common stock.

Periodically, the Company purchases its own shares in the market; the moment of such purchases depends on the market prices. Some shares are devoted to the Company's share-based payment program.

The Executive Committee takes decisions based on the evaluation of every specific transaction. During the period, there were no changes with regard to the Company's policies in the capital management.

The Company is obligated to maintain the minimum consolidated stockholders' equity of $ 802,000, as part of its obligations to Santander, if it is not complied with, the Bank is entitled to terminate in advance the agreements that cover the lines of credit.

The Board of Directors seeks maintaining the balance between the highest returns that could be reached with higher levels of loans and the advantages and security provided by a strong capital position.

The Company's Management reviews periodically the financial lease debt and bank loans with interest cost and its relation with the EBITDA (earnings before income tax plus depreciation and amortization, interest and exchange rate fluctuations), by submitting their financial projections, as part of the business plan, to the Company's Board of Directors and stockholders.

The debt index is the relation with the EBITDA and the net debt with interest cost, and the interest hedge index is the relation with interest expense and the EBITDA. The net debt index as of the end of the reporting period is as follows:

		2016	2015
Net debt with interest cost	$	306,365	297,016
Net income	$	29,723	16,243
Depreciation and amortization		158,665	149,939
Finance cost, net		30,032	31,911
Income taxes		9,806	6,351
EBITDA	$	228,226	204,444
Debt index		1.34	1.45
EBITDA	$	228,226	204,444
Interest expense		34,416	32,357
Interest hedge index		6.63	6.32

(i) Fair values versus carrying amounts

The Company estimates, given the nature of its financial assets and liabilities, that the carrying amounts of financial assets and liabilities, do not differ significantly from their fair values.

(7) Cash and cash equivalents-

		2016	2015
Cash	$	48,126	41,247
Temporary investments		86,143	116,907
Cash and cash equivalents in the consolidated statement of cash flows	$	134,269	158,154

(8) Accounts receivable-

		2016	2015
Mainly members	$	22,183	28,296
Other accounts receivables		3,803	2,048
		25,986	30,344
Less allowance for doubtful accounts		2,000	5,983
	$	23,986	24,361

(9) Leasehold improvements, construction in progress, furniture and equipment-

The movement of leasehold improvements, construction in progress, furniture and equipment is shown below:

	Balances at December 31, 2015	Additions	Disposals/ depreciation	Transfers	Balances at December 31, 2016
Investment:					
Leasehold improvements	$ 1,102,822	-	-	149,460	1,252,282
Gym equipment	278,051	42,943	(6,212)	-	314,782
Audio and video equipment	20,528	3,326	(20)	-	23,834
Club furniture and equipment	50,705	4,066	(1,592)	-	53,179
Computer equipment	38,480	6,088	(264)	-	44,304
Transportation equipment	664	-	-	-	664
Machinery	76,718	4,175	(11)	614	81,496
Office furniture and equipment	2,994	-	-	-	2,994
Construction in progress	34,160	140,755	(2,266)	(150,074)	22,575
Investment total	1,605,122	201,353	(10,365)	-	1,796,110
Depreciation:					
Leasehold improvements	221,772	83,652	(153)	-	305,271
Gym equipment	122,712	41,307	(4,365)	-	159,654
Audio and video equipment	12,971	5,393	-	-	18,364
Club furniture and equipment	27,336	8,180	-	-	35,516
Computer equipment	28,842	7,292	(260)	-	35,874
Transportation equipment	460	153	-	-	613
Machinery	24,417	8,225	(447)	-	32,195
Office furniture and equipment	2,332	221	-	-	2,553
Accumulated depreciation	440,842	154,423	(5,225)	-	590,040
Net investment	$ 1,164,280	46,930	(5,140)	-	1,206,070
Advance to suppliers					222
					$ 1,206,292

	Balances at December 31, 2014	Additions	Disposals/ depreciation	Transfers	Balances at December 31, 2015
Investment:					
Leasehold improvements	$ 1,032,717	-	(142,302)	212,407	1,102,822
Gym equipment	236,378	54,899	(13,226)	-	278,051
Audio and video equipment	15,323	6,319	(1,114)	-	20,528
Club furniture and equipment	41,196	11,648	(2,139)	-	50,705
Computer equipment	32,922	6,935	(1,377)	-	38,480
Transportation equipment	664	-	-	-	664
Machinery	71,547	7,571	(2,400)	-	76,718
Office furniture and equipment	2,881	283	(170)	-	2,994
Construction in progress	17,382	229,185	-	(212,407)	34,160
Investment total	1,451,010	316,840	(162,728)	-	1,605,122
Depreciation:					
Leasehold improvements	243,551	83,988	(105,767)	-	221,772
Gym equipment	98,404	34,065	(9,757)	-	122,712
Audio and video equipment	9,615	4,450	(1,094)	-	12,971
Club furniture and equipment	22,781	6,585	(2,030)	-	27,336
Computer equipment	23,131	7,000	(1,289)	-	28,842
Transportation equipment	307	153	-	-	460
Machinery	18,904	6,911	(1,398)	-	24,417
Office furniture and equipment	2,283	218	(169)	-	2,332
Accumulated depreciation	418,976	143,370	(121,504)	-	440,842
Net investment	$ 1,032,034	173,470	(41,224)	-	1,164,280
Advance to suppliers					10,766
					$ 1,175,046

(10) Intangible assets-

The movement of intangible assets is shown below:

		Balances at December 31, 2015	Additions	Disposals/ depreciation	Transfers	Balances at December 31, 2016
Investment:						
Trademarks	$	27,795	-	-	-	27,795
Rights		2,282	4,537	-	-	6,819
Software– Development costs		28,121	3,899	-	-	32,020
Investment total		58,198	8,436	-	-	66,634
Amortization:						
Trademarks		27,795	-	-	-	27,795
Rights		273	587	-	-	860
Software– Development costs		21,266	3,657	-	-	24,923
Accumulated amortization		49,334	4,244	-	-	53,578
Net investment	$	8,864	4,192	-	-	13,056

		Balances at December 31, 2014	Additions	Disposals/ depreciation	Transfers	Balances at December 31, 2015
Investment:						
Trademarks	$	27,795	-	-	-	27,795
Rights		1,800	482	-	-	2,282
Software– Development costs		25,981	2,140	-	-	28,121
Investment total		55,576	2,622	-	-	58,198
Amortization:						
Trademarks		26,124	1,671	-	-	27,795
Rights		33	240	-	-	273
Software– Development costs		16,608	4,658	-	-	21,266
Accumulated amortization		47,765	6,569	-	-	49,334
Net investment	$	12,811	(3,947)	-	-	8,864

Impairment tests for cash-generating units that contain goodwill

For purposes of impairment tests, goodwill is assigned to the Company's asset units per club, which represent the Company's lowest level to which goodwill is monitored for management's internal purposes.

Both in 2016 and 2015, the cash flows were projected over the basis of past experiences, the real operating results and the business plan of each business unit for ten years. The cash flows for an additional period of 10 years were extrapolated using a constant growth rate in the order of 2% for 2016 and 2015.

(11) Short- and long-term loans-

This note provides information on the contractual terms for the Company's loans that bear interest, which is measured at amortized cost.

On September 20, 2016 the Company, through its subsidiary Operadora y Administradora SW, S.A. de C.V., obtained a new line of credit of up to $70,000 with Arrendadora Actinver, S.A. de C.V., which shall bear interest at TIIE plus 3.5 percentage points, payable at maturity on January 21, and February 21, 2017.

During July 2016, the Company, through its subsidiary Operadora y Administradora SW, S.A. de C.V., obtained two additional borrowings of $25,000 each with Santander, which shall bear interest at TIIE plus 3.0 percentage points and TIIE plus 4.0 percentage points, payable at maturity in 180 days and 12 months, respectively.

The disposals made in the credit line as of December 31, 2016 and the respective interest rate are detailed on the following page.

Date	Interest rate	Disposal date		Amount disposed	Paid	Short term	Long term
23/08/2012	TIIE + 3.50%	23/08/2017	$	65,800	57,027	8,773	-
23/10/2012	TIIE + 3.50%	23/10/2017		24,900	20,750	4,150	-
23/11/2012	TIIE + 3.50%	23/11/2017		31,790	25,962	5,828	-
23/08/2013	TIIE + 3.50%	23/08/2018		59,774	43,472	13,043	3,259
23/09/2013	TIIE + 3.50%	23/08/2018		17,736	12,810	3,941	985
23/06/2014	TIIE + 3.50%	23/06/2019		78,315	29,368	19,579	29,368
28/09/2014	TIIE + 3.50%	28/06/2019		35,095	13,160	8,774	13,161
23/12/2014	TIIE + 3.50%	23/12/2019		25,000	9,375	6,250	9,375
23/04/2015	TIIE + 3.50%	23/12/2019		26,590	9,972	6,647	9,971
22/05/2015	TIIE + 3.50%	13/04/2020		25,000	4,167	6,250	14,583
23/06/2015	TIIE + 3.50%	13/04/2020		35,000	5,833	8,750	20,417
23/07/2015	TIIE + 3.50%	13/04/2020		35,000	5,833	8,750	20,417
25/08/2015	TIIE + 3.50%	13/04/2020		35,000	5,833	8,750	20,417
25/09/2015	TIIE + 3.50%	13/04/2020		35,000	5,833	8,750	20,417
25/11/2015	TIIE + 3.50%	13/04/2020		35,000	5,833	8,750	20,417
11/07/2016	TIIE + 3.00%	01/01/2017		25,000	-	25,000	-
21/07/2016	TIIE + 4.00%	18/07/2017		25,000	10,417	14,583	-
21/09/2016	TIIE + 3.50%	21/01/2017		40,000	-	40,000	-
10/10/2016	TIIE + 3.50%	21/02/2017		15,000	-	15,000	-
25/10/2016	TIIE + 3.50%	21/02/2017		10,000	-	10,000	-
			$	680,000	265,645	231,568	182,787

During the second quarter of 2015, it was agreed to dispose of a simple credit line up to $200,000 contracted on April 13, 2015 with Santander Serfín, S.A. Institución de Banca Múltiple (Santander Serfin) through its subsidiary Operadora y Administradora SW, S. A. de C. V. and as jointly responsible, Grupo Sports World, S. A. B. de C. V. This credit line shall bear interest at TIIE plus 2.3 percentage points, payable in 60 monthly installments until April 13, 2020. During the first twelve months it will pay no capital, only interest.

The disposals made in the credit line as of December 31, 2015 and the respective interest rate are detailed on the next page.

Date	Interest rate	Disposal date		Amount disposed	Paid	Short term	Long term
23/08/2012	TIIE + 3.50%	23/08/2017	$	65,800	43,867	13,160	8,773
23/10/2012	TIIE + 3.50%	23/10/2017		24,900	15,770	4,980	4,150
23/11/2012	TIIE + 3.50%	23/11/2017		31,790	19,604	6,358	5,828
23/08/2013	TIIE + 3.50%	23/08/2018		59,774	30,430	13,042	16,302
23/09/2013	TIIE + 3.50%	23/08/2018		17,736	8,868	3,941	4,927
23/06/2014	TIIE + 3.50%	23/06/2019		78,315	9,789	19,579	48,947
28/09/2014	TIIE + 3.50%	28/06/2019		35,095	4,387	8,774	21,934
23/12/2014	TIIE + 3.50%	23/12/2019		25,000	3,125	6,250	15,625
23/04/2015	TIIE + 3.50%	23/12/2019		26,590	3,324	4,985	18,281
22/05/2015	TIIE + 3.50%	13/04/2020		25,000	-	3,646	21,354
23/06/2015	TIIE + 3.50%	13/04/2020		35,000	-	4,375	30,625
23/07/2015	TIIE + 3.50%	13/04/2020		35,000	-	3,646	31,354
25/08/2015	TIIE + 3.50%	13/04/2020		35,000	-	2,917	32,083
25/09/2015	TIIE + 3.50%	13/04/2020		35,000	-	2,187	32,813
25/11/2015	TIIE + 3.50%	13/04/2020		35,000	-	729	34,271
			$	565,000	139,164	98,569	327,267

Bank loans establish certain affirmative and negative covenants, the most significant of which refer to limitations on dividend payments and the compliance with certain financial ratios determined in accordance with the consolidated figures of Grupo Sports World, S. A. B. de C. V. and subsidiaries, as well as not incurring direct or contingent liabilities, or any other contractual debts.

As of December 31, 2016 such obligations were complied, except for the financial liquidity index, however, the Administration has obtained a waiver by Santander Serfin dated on January 30, 2017.

The interest expense, for years ended December 31, 2016 and 2015, was $30,444 and $28,595, respectively.

(12) Short- and long-term financial leases-

The Company has contracted capital lease liabilities covering certain leasehold improvements leased for two sport clubs, which mature in 15 years, from 2008 and up to 2023. As of December 31, 2016 and 2015, leasehold improvements acquired through capital lease are as shown bellows:

		2016		2015
Leasehold improvements	$	42,281	$	42,281
Less accumulated amortization		(27,042)		(24,587)
	$	15,239	$	17,694

Interest expense on capital leases, for the years ended December 31, 2016 and 2015, was $3,278 and $3,732, respectively.

The financial lease obligations are payable as described below:

		Total amount of the minimum future lease payments	(Interest)	Present value of the minimum lease payments
December 31, 2016:				
Less than one year	$	6,515	2,881	3,634
From two to three years		16,727	6,179	10,548
More than three years		13,392	1,295	12,097
	$	36,634	10,355	26,279
December 31, 2015:				
Less than one year	$	6,576	3,321	3,255
From two to three years		15,866	6,657	9,209
More than three years		21,163	4,293	16,870
	$	43,605	14,271	29,334

(13) Accounts payable-

The trade accounts payable are analyzed as follows:

		2016	2015
Accounts payable to suppliers of capital goods	$	33,187	73,846
Accounts payable to other suppliers and creditors		37,666	30,129
	$	70,853	103,975

(14) Derivative financial instruments-

As of December 31, 2016 and 2015 the carrying amount and the fair value of financial assets and liabilities, including their hierarchy level to which they belong were as follows:

		2016		2015
Financial assets measured at fair value Interest rate swaps with Cap on TIIE rate	$	2,082	$	-
Financial liabilities measured at fair value Interest rate swaps with Cap on TIIE rate	$	-	$	1,269

The exposure of the Company to market and liquidity risk in relation to financial liabilities are disclosed in note 6.

(15) Employee benefits-

As of December 31, 2016 and 2015, there were short-term direct benefits from accumulating compensated absences for vacation aggregating to $4,903 and $4,771, respectively, which are recorded in other payables in the statement of financial position.

The cost, obligations and other elements of the seniority premium plans were determined based on computations prepared by independent actuaries at December 31, 2016 and 2015.

The present value of benefit obligations of the plans at December 31, 2016 and 2015 is as follows:

		2016	2015
Seniority premium	$	2,225	2,080
Other post-retirement plans		7,018	6,711
	$	9,243	8,791

(a) Movements in the present value of the defined benefit obligation (DBO)

		Seniority premium		Other post-retirement plans	
		2016	2015	2016	2015
		2016	2015	2016	2015
DBO at January 1	$	2,080	1,864	6,711	5,727
Service and interest cost		626	587	2,217	1,321
Benefits paid by the plan		(151)	(520)	-	-
Net actuarial gain and loss recognized in OCI		(330)	149	(1,910)	(337)
DBO as of December 31	$	2,225	2,080	7,018	6,711

(b) Expense recognized in the statement of comprehensive income

		Seniority premium		Other post-retirement plans	
		2016	2015	2016	2015
Service cost	$	489	470	1,753	939
Interest cost		137	118	464	381
		$ 626	588	2,217	1,320

(c) Net actuarial gains and losses recognized in other comprehensive income (OCI)

		2016	2015
Amount accumulated as of January 1	$	(1,172)	(984)
Recognized during the year		(2,240)	(188)
Amount accumulated	$	(3,412)	(1,172)

The (income) expense is presented as "personnel services" in the statement of comprehensive income.

(d) Actuarial assumptions

The main actuarial assumptions at the reporting date (expressed as weighted averages):

	2016	2015
Discount rate	8.0%	7.0%
Rate of compensation increase	4.5%	4.5%

(16) Operating leases-

The rents for operating leases not subject to cancellation are as follows:

	December 31, 2016
Less than one year	428,683
From two to five years	1,695,977
More than five years	1,025,413
	$ 3,150,073

The facilities where the Company has sport clubs are leased to third parties. Such leases are classified as operating leases because, independently from the lease term and the amounts fulfilled or committed with the owners of the leased property, no transfer of risks and benefits attributable to the ownership thereof is made.

In many leases, a fixed rent is established, fulfilled on a monthly basis and annually updated in accordance with an inflation effect rate. In other cases, the amounts payable to the lessor are added with a percentage of sales obtained by the Company in the leasehold. Sometimes, staggered rents are agreed, which allow to reduce the monetary flow during the first years of use; however, the expense is recognized on a straight line basis.

The total expense of the rents for the years ended December 31, 2016 and 2015 amounted to $356,315 and $303,013, respectively, and are recorded as operating expenses in the consolidated statement of comprehensive income.

(a) Payable rents

In some cases, the leases set forth payment plans that include deferred or free payment periods. The Company recognizes the rent expense of such property by estimates, in accordance with the lease.

Differences resulting between the expenses recognized and the amounts paid in accordance with the payment plans are recorded in the consolidated statement of comprehensive income.

(17) Income taxes-

The Company is subject to income tax. The rate of current income is 30% as of December 31, 2016 and 2015, and will continue for future years.

(a) The income tax expense is as follows:

	2016	2015
Income tax expense:		
Current	$ 35,154	16,820
Deferred	(25,348)	(10,469)
	$ 9,806	6,351

Income tax expense of the year can be reconciled with the accounting profit, as follows:

	2016		2015	
		%		%
Income before income tax	$ 39,529	100%	22,594	100%
Income rate 30%	11,859	30%	6,778	30%
Deferred tax effect previously unrecognized	(1,689)	(4%)	-	-
Derivate financial instruments	-	-	(510)	(3%)
Non-deductible expenses	1,417	4%	826	4%
Recognition of income or deductions for inflation, net	(5,669)	(14%)	(4,375)	6%
Non-deductible portion of exempt wages	3,888	10%	3,632	16%
	$ 9,806	(25%)	6,351	(28%)

(b) Income tax recognized in other comprehensive income:

	2016	2015
Deferred tax		
Remeasurement of defined benefit obligation	$ (2,240)	(188)
Income tax	672	56
Net	$ (1,568)	(132)

(c) Deferred tax assets and liabilities:

	2016	2015
Deferred tax assets		
Construction in progress, furniture and equipment	$ 76,549	59,857
Deferred revenues	48,208	38,578
Provisions	11,131	11,364
Allowance for doubtful receivables	600	1,181
Other long-lived assets	392	295
Total gross deferred tax assets	136,880	111,275
Deferred tax liabilities		
Inventories	2,539	3,067
Prepayments	2,137	1,509
Accounts receivable	830	-
Total gross deferred tax liabilities	5,506	4,576
Net deferred tax asset	$ 131,374	106,699

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Management estimates that the temporary differences for deferred tax assets and liabilities as of December 31, 2016 will be realized as follow:

		Realization	
	As of December 31, 2016	Current from 1 up to 12 months	Non-Current more than 12 months
Deferred tax assets			
Construction in progress, furniture and equipment	$ 76,549	-	76,549
Deferred revenues	48,208	48,208	-
Provisions	11,131	10,075	1,056
Allowance for doubtful receivables	600	600	-
Other long-lived assets	392	-	392
Deferred tax assets	136,880	58,883	77,997
Deferred tax liabilities			
Inventories	2,539	2,539	-
Prepayments	2,137	2,137	-
Accounts receivable	830	830	-
Deferred tax liabilities	5,506	5,506	-
Net deferred tax asset	$ 131,374	53,377	77,997

(18) Stockholders' equity and reserves-

(a) Capital stock-

As of December 31, 2016 and 2015, the subscribed capital stock of the Company was represented by the following number of shares:

	Number of shares
S Class – Fixed Capital	36,963
S Class – Variable Capital	82,081,986
	82,118,949

The holders of common shares are entitled to receive dividends as periodically stated and at one vote per share in the Company's meetings.

(b) Reserve for own shares-

Repurchase of shares

At Ordinary and Extraordinary General Stockholders' Meeting held on April 18, 2016, a resolution was passed to repurchase the own shares up to a maximum amount of $182,000 during the period 1 of January to 31 of December of 2016. The National Banking and Securities Commission permits the companies to acquire their own shares at the market, charged to retained earnings.

The shares repurchased as of December 31, 2016 amounted to 1,839,762 shares in the amount of $38,831, which represent 2.24% of the total shares in the Company's capital stock. The market value of the shares as of December 31, 2016 is $16.57 Mexican pesos per share. The repurchased own shares available are reclassified to retained earnings. On the other hand, 119,700 shares were purchased and sold in the amount of $2,155.

The shares repurchased as of December 31, 2015 amount to 1,720,062 shares in the amount of $36,676, which represent 2.09% of the total shares in the Company's capital stock. The market value of the shares as of December 31, 2015 is $19.32 Mexican pesos per share. The repurchased own shares available are reclassified to retained earnings. On the other hand, 971,191 shares were purchased and sold in the amount of $21,445, which includes a loss of $800.

Below is the detail of the reserve for own shares as of December 31, 2016:

	Shares	Value
Repurchase of shares as of December 31, 2015	1,720,062	$ 36,676
Purchase and (sale), net	119,700	2,155
	1,839,762	$ 38,831

Share-based payment

The Company has a trust in order to purchase own shares for the employees' share-based payment. The start date of the plan was April 1, 2012. The main characteristics of the plan include: (i) 3-years validity from the assignment to each of the executives, (ii) release of a third party on each anniversary and (iii) not having ceased to render services to the Company during that term. This plan allows the Company to incorporate new employees during its term.

The Company's Technical Committee authorizes and assigns the shares of the plan at least once a year to new employees who are eligible, according to the policies. The fair value for each share assigned in the stock plan is equal to the average price of the share as of the assignment date.

The trust shares for the share-based payment as of December 31, 2016 and 2015 are 331,628 and 394,801 in the amount of $4,694 and $5,588, respectively. According to the terms of the plan, the expenses of $2,780 and of $3,979 were recognized and the net effect of taxes of $2,070 and $2,495 were credited to the stock repurchase reserve as of December 31, 2016 and 2015, respectively.

Increases (decreases) of the trust shares as of December 31, 2016 and 2015 are as follows:

	2016	2015
Shares as of January 1	394,801	793,085
Shares recognized during the year	(63,173)	(398,284)
Shares as of December 31	331,628	394,801

Below is the detail of the reserve for own shares as of December 31, 2016:

	Shares	Value
Shares repurchase	1,839,762	$ 38,831
Share-based payment	331,628	4,694
	2,171,390	43,525
Cost accrued by shares assigned in 2012		(5,188)
Cost of shares released in 2013		7,263
Cost accrued by shares assigned in 2013		(7,693)
Cost of shares released in 2014		6,340
Cost accrued by shares assigned in 2014		(5,247)
Cost of shares released in 2015		5,636
Cost accrued by shares assigned in 2015		(2,495)
Cost of shares released in 2016		894
Cost accrued by shares assigned in 2016		(2,070)
Reserve for own shares		$ 40,965

(c) Restrictions on stockholders' equity

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2016, the statutory reserve amounts to $16,514, and has not reached the required amount.

Stockholder contributions restated as provided for by the tax law, may be refunded to stockholders tax-free, to the extent that such contributions equal or exceed stockholders' equity.

Retained earnings on which no income tax has been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of such amounts.

(19) Earnings per share-

Basic earnings per share calculation as of December 31, 2016 and 2015 was based on the earnings attributable to the common stockholders, and in a weighted average of current common shares, as detailed below:

	Number of shares	Equivalence factor	Weighted average of shares
December 31, 2016			
Current shares on January 1	80,004,086	1.0000	80,004,086
Net sale of shares repurchase	(56,527)	0.6430	(36,345)
Current shares as of December 31	79,947,559		79,967,741
December 31, 2015			
Current shares on January 1	80,576,993	1.0000	80,576,993
Net sale of shares repurchase	(572,907)	0.7244	(415,025)
Current shares as of December 31	80,004,086		80,161,968

The total shares not included in the basic earnings per share are 2,171,390, see note 18(b).

(20) Commitments-

(a) The Company has the commitment of providing the operating service of sport clubs, and providing different services in the sport and recreation areas to the active members, as well as providing some sponsorship services and exchange obligations.

(b) The Company is in process of constructing three new clubs to be opened in 2017; thus, the estimate cash disbursement necessary to complete the construction of such clubs and be under operating conditions is $120,118. As of December 31, 2016, construction in progress amounted to $10,168.

(21) Contingencies-

(a) Lawsuits

The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and income.

(b) Tax contingencies

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(22) Subsequent events -

During January and February of 2017, the Company signed two lease agreements for new clubs, which it plans to open during 2017. The estimated cash disbursement to start the operation of these clubs is $52,318.

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G4-2	Provide a description of key impacts, risks, and opportunities.		12 - 14
	ORGANIZATIONAL PROFILE		
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G4-4	Report the primary brands, products, and services.		24
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G4-9	Report the scale of the organization, including: - Total number of employees - Total number of operations - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) - Quantity of products or services provided.		6 - 11, 48, 85
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).		48 - 49
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G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	The precautionary principle is taken into consideration in the elaboration of national laws, in conformity with international agreements, which is why GSW addresses this principle implicitly.	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.		13, 50, 58

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G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.		18 - 19
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G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-38	Report the composition of the highest governance body and its committees.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: - Whether and how diversity is considered - Whether and how independence is considered - Whether and how expertise and experience relating to economic, environmental and social topics are considered - Whether and how stakeholders (including shareholders) are involved.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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G4-51	a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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	ENVIRONMENTAL		
	MATERIALS		
G4-EN1	Materials used by weight or volume.		68, 72
G4-EN2	Percentage of materials used that are recycled input materials.		68, 72
	ENERGY		
G4-EN3	Energy consumption within the organization.		68-70
G4-EN4	Energy consumption outside of the organization.		68-70
G4-EN5	Energy intensity.		71
G4-EN6	Reduction of energy consumption.		68-70
G4-EN7	Reductions in energy requirements of products and services.		68-70
	WATER		
G4-EN8	Total water withdrawal by source.		72
G4-EN9	Water sources significantly affected by withdrawal of water.	In 2016, no water source was affected by GSW's withdrawal of water.	
G4-EN10	Percentage and total volume of water recycled and reused.		72
	BIODIVERSITY		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GSW does not have operations in protected areas.	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		N/A
G4-EN13	Habitats protected or restored.		79
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		N/A
	EMISSIONS		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).		74
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).		74
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).		74

General Standards Disclosures			
Indicator GRI G4	Description	Answer/Omission	Page #
G4-EN18	Greenhouse gas (GHG) emissions intensity.		74, 76
G4-EN19	Reduction of greenhouse gas (GHG) emissions.		74
G4-EN20	Emissions of ozonedepleting substances (ODS).		74
G4-EN21	NOx, SOx and other significant air emissions.		76
PRODUCTS AND SERVICES			
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.		N/A
COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations.	In 2016, we did not receive any fine nor sanction for environmental non-compliance.	
TRANSPORT			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.		78
OVERALL			
G4-EN31	Total environmental protection expenditures and investments by type.		72
SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.		64
ENVIRONMENTAL GRIEVANCE MECHANISM			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	In 2016, we did not receive any environmental grievance.	
SOCIAL PERFORMANCE: LABOR PRACTICES AND DECENT WORK			
EMPLOYMENT			
G4-DMA			46
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.		46
G4-LA2	Benefits provided to fulltime employees that are not provided to temporary or parttime employees, by significant locations of operation.		50
G4-LA3	Return to work and retention rates after parental leave, by gender.		56
OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA			58
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender.		58
G4-LA8	Health and safety topics covered in formal agreements with trade unions.		58
TRAINING AND EDUCATION			
G4-DMA			52
G4-LA9	Average hours of training per year per employee by genfer and by employee category.		52
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		52
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.		52

General Standards Disclosures			
Indicator GRI G4	Description	Answer/Omission	Page #
DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA			46
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.		46
EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA			50
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		50
SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-DMA			64
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.		64
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.		64
LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.		20
SOCIAL PERFORMANCE: HUMAN RIGHTS			
INVESTMENT			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.		64
NON-DISCRIMINATION			
G4-DMA			56
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	None in 2016. As a preventive action we train our people on the 10 principles of the Global Compact and offer them grievance mechanisms to report non-compliance with our Code of Ethics.	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	We respect our employees civil rights as well as their right to political affiliation.	
CHILD LABOR			
G4-DMA			56
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.		56
FORCED OR COMPULSORY LABOR			
G4-DMA			56
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		56

General Standards Disclosures			
Indicator GRI G4	Description	Answer/Omission	Page #
INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.		56
SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA			64
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.		64
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.		64
HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.		20
SOCIAL PERFORMANCE: SOCIETY			
LOCAL COMMUNITIES			
G4-DMA			60
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		60
ANTI-CORRUPTION			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	In 2016, we did not realize any assessment of that type.	
G4-SO5	Confirmed incidents of corruption and actions taken.	There was no incident in 2016.	
PUBLIC POLICY			
G4-SO6	Total value of political contributions by country and recipient/ beneficiary.	In 2016, GSW did not give any political participation.	
ANTI-COMPETITIVE BEHAVIOR			
G4-SO7	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes.	GSW supports free competition, thus we did not experiment any case of monopolistic practices.	
COMPLIANCE			
G4-SO8	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations.	We did not receive any fine for non-compliance.	
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.		137
SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Because of the type of business we are in, all of our services are orientated towards the generation of positive impact on our customers' health.	
G4-PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	In 2016 there wasn't any case of non-compliance of the health and safety regultation.	

General Standards Disclosures			
Indicator GRI G4	Description	Answer/Omission	Page #
PRODUCT AND SERVICES LABELING			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.		N/A
G4-PR4	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		N/A
G4-PR5	Results of surveys measuring customer satisfaction.		N/A
MARKETING COMUNICATIONS			
G4-PR6	Sale of banned or disputed products.	At GSW, we do not sell prohibited nor disputed products.	
G4-PR7	Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	None.	
CUSTOMER PRIVACY			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	For GSW, the collaborators and customers are equally important, for this reason we constantly update and spread our Integral Privacy Notice for Employees. In 2016, we received two complaints regarding privacy.	
COMPLIANCE			
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	In 2016, 39 claims were presented but none of them was registrated as a fine.	

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