SPORTSWORLD

ANNUAL **REPORT**

2016

FINANCIAL **STATEMENTS**

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.

COMMENTS AND ANALISYS BY THE MANAGEMENT
ABOUT THE FINANCIAL STATEMENTS AND STOCK PERFORMANCE

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

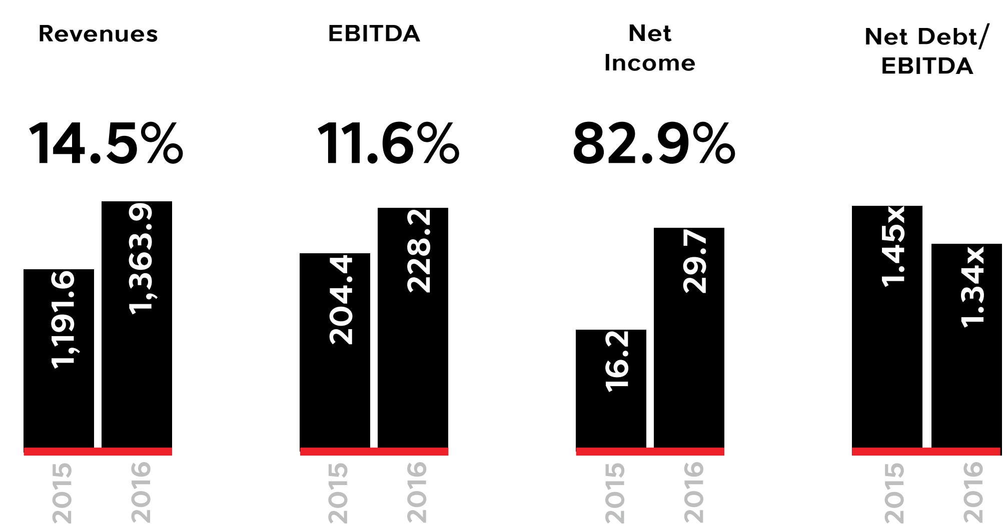
The Company registered a balance of $120.1 million pesos in this account, a decrease of $26.8 millions or 18.2% compared to the previous year. This balance is formed by outstanding amounts to be paid to suppliers, including those in charge of the construction and equipment of the new clubs.

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.

NUMBERS IN MEXICAN PESOS AS OF DECEMBER 31, 2016

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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.

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

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.

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

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.

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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STRATEGY AND ANALISIS			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.		12 - 14
G4-2	Provide a description of key impacts, risks, and opportunities.		12 - 14
ORGANIZATIONAL PROFILE			
G4-3	Report the name of the organization.	Grupo Sports World S.A.B. de C.V.	
G4-4	Report the primary brands, products, and services.		24
G4-5	Report the location of the organization's headquarters.	Mexico City	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.		42 - 43
G4-7	Report the nature of ownership and legal form.		86
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).		24
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
G4-12	Describe the organization's supply chain.		64
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: - Changes in the location of, or changes in, operations, including facility openings, closings, and expansions - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.		12 - 14
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

General Standards Disclosures			
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IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.		86
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.		18 - 19
G4-19	List all the material Aspects identified in the process for defining report content.		19
G4-20	For each material Aspect, report the Aspect Boundary within the organization.		19
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.		19
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		18 - 19
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.		18 - 19
STAKEHOLDERS ENGAGEMENT			
G4-24	Provide a list of stakeholder groups engaged by the organization.		18 - 19
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.		18 - 19
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
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.		18 - 19
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	1st of January to 31st of December 2016.	
G4-29	Date of most recent previous report (if any).	2015	
G4-30	Reporting cycle (such as annual, biennial).	Annual.	
G4-31	Provide the contact point for questions regarding the report or its contents.		149
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured.	Core.	
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.		90 - 95
GOVERNANCE			
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82

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G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82

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G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-49	Report the process for communicating critical concerns to the highest governance body.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	http://www.sportsworld.com.mx/seccion/inversionistas?l=en	82
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
	ETHICS AND INTEGRITY		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.		1
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.		20
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.		20

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G4-EC3	Coverage of the organization's defined benefit plan obligations.		130
G4-EC4	Report the total monetary value of financial assistance received by the organization from governments during the reporting period.	In 2016, GSW did not receive any financial assistance from the government.	
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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

Indicator GRI G4	Description	Answer/Omission	Page #
General Standards Disclosures			
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.	

Indicator GRI G4	Description	Answer/Omission	Page #
General Standards Disclosures			
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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The 2016 annual report might include a declaration about results' expectations in accordance to the future performance of Grupo Sports World and its Subsidiaries. These projections, dependant on the management's considerations, are based on the available information. However, expectations might vary due to facts, circumstances and events outside of Grupo Sports World and Subsidiaries' reach.

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