Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 (restated), 2014 (restated), and 2013 (restated), and Independent Auditors' Report Dated February 28, 2017

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2015, 2014 and 2013 (restated)

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Kaltex, S. A. de C. V.

We have audited the accompanying consolidated financial statements of Grupo Kaltex, S. A. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of profit and loss and comprehensive loss, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended , and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Basis for Qualified Opinion

As explained in Note 12 to the consolidated financial statements, as of December 31, 2015, 2014 and 2013, the Entity did not comply with certain obligations established in their credit contracts; waivers were obtained to prevent the debt from becoming immediately due. Because the Entity obtained the waivers subsequent to the balance sheet date, the long-term debt should have been reclassified as a current liability. However the debt is presented according to its original maturity.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Kaltex, S.A. de C.V. as of December 31, 2015, 2014 and 2013, as their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Other Matters

As mentioned in Note 2, the consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 have been restated.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C. P. C. Walter Fraschetto

February 28, 2017

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2015 (restated), 2014 (restated) and 2013 (restated)
(In thousands of Mexican pesos)

	Note	2015 (As restated, see Note 2)	2014 (As restated, see Note 2)	2013 (As restated, see Note 2)
Assets				
Current assets:				
Cash and cash equivalents	5	$ 454,360	$ 305,626	$ 322,623
Accounts receivable, net	6	2,524,988	2,171,910	2,263,695
Accounts receivable to related parties	18	10,507	11,620	12,444
Inventories, net	7	3,254,307	2,637,168	2,586,296
Prepaid expenses		289,263	140,611	162,807
Total current assets		6,533,425	5,266,935	5,347,865
Non-current assets:				
Property, plant and equipment, net	8	11,064,245	12,041,959	12,820,424
Investment properties	9	1,133,351	1,167,769	1,237,221
Deferred income tax	21	365,952	383,730	-
Other assets, net	10	1,575,631	1,591,445	1,683,313
Total non-current assets		14,139,179	15,184,903	15,740,958
Total assets		$ 20,672,604	$ 20,451,838	$ 21,088,823

	Note	2015 (As restated, see Note 2)	2014 (As restated, see Note 2)	2013 (As restated, see Note 2)
Liabilities and stockholders' equity				
Current liabilities:				
Bank loans	11	$ 2,188,454	$ 2,102,346	$ 1,612,430
Current portion of long-term debt	12	1,731,428	1,235,355	881,793
Accounts payable to suppliers		2,544,163	2,501,449	2,582,883
Accounts payable to related parties	18	66,761	21,534	13,652
Other accounts payable and accrued liabilities	13	969,418	908,885	952,270
Direct employee benefits		42,061	12,786	43,855
Advance payments from customers		45,334	47,229	73,737
Total current liabilities		7,587,619	6,829,584	6,160,620
Non- current liabilities:				
Long-term debt	12	3,690,578	3,736,446	5,213,134
Employee benefits	14	516,150	532,710	410,867
Contingencies	22	67,324	98,962	129,029
Deferred income tax	21	1,940,119	2,032,817	1,921,686
Total non- current liabilities		6,214,171	6,400,935	7,674,716
Total liabilities		13,801,790	13,230,519	13,835,336
Stockholders' equity:				
Capital stock		4,017,990	3,835,990	3,570,990
Accumulated earnings		97,756	210,291	957,290
Other items of comprehensive income (loss)		(588,526)	(336,473)	(132,674)
Controlling interest		3,527,220	3,709,808	4,395,606
Non-controlling interest		3,343,594	3,511,511	2,857,881
Total stockholders' equity	16	6,870,814	7,221,319	7,253,487
Total liabilities and stockholders' equity		$ 20,672,604	$ 20,451,838	$ 21,088,823

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Profit and Loss and Comprehensive Loss

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

	Note	2015 (As restated, see Note 2)	2014 (As restated, see Note 2)	2013 (As restated, see Note 2)
Net sales		$ 15,874,299	$ 13,479,442	$ 14,844,764
Cost of sales	19	12,167,738	11,120,938	12,487,605
Gross profit		3,706,561	2,358,504	2,357,159
Sales expenses	19	1,562,524	1,518,985	1,757,002
Administrative expenses	19	976,014	831,834	669,446
Other (income) expenses, net	20	(169,813)	98,724	61,176
Interest expenses		584,010	542,580	439,637
Interest income		(11,138)	(28,655)	(10,713)
Exchange loss, net		718,377	597,359	73,210
Income (loss) before income taxes		46,587	(1,202,323)	(632,599)
Income tax expense	21	163,097	(203,050)	37,596
Consolidated net loss		(116,510)	(999,273)	(670,195)
Other comprehensive gain (loss), net of income tax:				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gain (loss) on employee benefits	14	11,363	(25,331)	55,388
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment		(427,358)	(303,137)	(150,819)
		(415,995)	(328,468)	(95,431)
Consolidated comprehensive loss		$ (532,505)	$ (1,327,741)	$ (765,626)
Consolidated net income (loss) attributable to:				
Controlling interest		$ (112,535)	$ (717,879)	$ (488,153)
Non-controlling interest		(3,975)	(281,394)	(182,042)
		$ (116,510)	$ (999,273)	(670,195)
Consolidated comprehensive loss attributable to:				
Controlling interest		$ (364,588)	$ (921,678)	$ (583,731)
Non-controlling interest		(167,917)	(406,063)	(181,895)
		$ (532,505)	$ (1,327,741)	(765,626)

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

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

	Capital Stock	Accumulated earnings	Other comprehensive income (loss) Cumulative translation adjustment	Other comprehensive income (loss) Actuarial (loss) gain on employee benefits	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2013 (As restated, see Note 2)	$ 3,463,302	$ 1,474,563	$ (7,797)	$ (29,299)	$ 4,900,769	$ 3,039,776	$ 7,940,545
Capital increase	107,688	-	-	-	107,688	-	107,688
Dividends paid	-	(29,120)	-	-	(29,120)	-	(29,120)
Comprehensive loss of the year (restated):							
Net loss	-	(488,153)	-	-	(488,153)	(182,042)	(670,195)
Actuarial loss on employee benefits, net of income tax	-	-	-	55,388	55,388	-	55,388
Cumulative translation adjustment	-	-	(150,966)	-	150,966	147	150,819
Comprehensive loss of the period	-	(488,153)	(150,966)	55,388	(583,731)	(181,895)	(765,626)
Balances at December 31, 2013 (As restated, see Note 2)	3,570,990	957,290	(158,763)	26,089	4,395,606	2,857,881	7,253,487
Capital increase	265,000	-	-	-	265,000	-	265,000
Dividends paid	-	(29,120)	-	-	(29,120)	-	(29,120)
Sale of participation in subsidiary	-	-	-	-	-	1,059,693	1,059,693
Comprehensive loss of the year:							
Net loss	-	(717,879)	-	-	(717,879)	(281,394)	(999,273)
Actuarial loss on employee benefits, net of income tax	-	-	-	(25,331)	(25,331)	-	(25,331)
Cumulative translation adjustment	-	-	(178,468)	-	(178,468)	(124,669)	(303,137)
Comprehensive loss of the period	-	(717,879)	(178,468)	(25,331)	(921,678)	(653,630)	(1,327,741)
Balances at December 31, 2014 (As restated, see Note 2)	3,835,990	210,291	(337,231)	758	3,709,808	3,511,511	7,221,319
Capital increase	182,000	-	-	-	182,000	-	182,000
Comprehensive loss of the year:							
Net income (loss)	-	(112,535)	-	-	(112,535)	(3,975)	(116,510)
Actuarial gain on employee benefits, net of income tax	-	-	-	11,363	11,363	-	11,363
Cumulative translation adjustment	-	-	(263,416)	-	(263,416)	(163,942)	(427,358)
Comprehensive loss of the period	-	(112,535)	(263,416)	11,363	(364,588)	(167,917)	(532,505)
Balances at December 31, 2015 (As restated, see Note 2)	$ 4,017,990	$ 97,756	$ (600,647)	$ 12,121	$ 3,527,220	$ 3,343,594	$ 6,870,814

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

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

	2015 (As restated, see Note 2)	2014 (As restated, see Note 2)	2013 (As restated, see Note 2)
Cash flows from operating activities:			
Consolidated net loss	$ (116,510)	$ (999,273)	$ (670,195)
Adjustments for:			
Income tax expense recognized in net loss	163,097	(203,050)	37,596
Loss (gain) on disposal of property, plant and equipment	3,900	6,602	(22,301)
Depreciation and amortization	715,713	720,795	721,283
Contingencies	1,144	(1,062)	1,063
Fair value adjustment of investment properties	(110,436)	(36,823)	(39,401)
Interest income	(11,138)	(28,655)	(10,713)
Interest expense	584,010	542,580	439,637
Unrealized foreign exchange	976,534	751,970	(57,997)
	2,206,314	753,084	398,972
Changes in working capital:			
(Increase) decrease in:			
Accounts receivable, net	(280,599)	128,238	744,480
Accounts receivables to related parties	(8,027)	(3,985)	1,366
Inventories, net	(603,464)	(40,842)	134,519
Prepaid expenses	(149,001)	22,047	(16,292)
Other assets	12,065	77,160	(49,601)
Increase (decrease) in:			
Accounts payable to suppliers	17,649	(89,595)	355,470
Accounts payable to related parties	(13,729)	(29,592)	20,076
Other accounts payable and accrued liabilities	60,172	27,917	415,627
Direct employee benefits	42,132	(25,950)	(5,716)
Advance payments from customers	(1,895)	(26,508)	73,737
Income taxes paid	(110,041)	(58,692)	(225,048)
Employee benefits	(1,612)	103,028	93,685
Contingencies	(32,782)	(29,005)	(27,270)
Net cash flows generated by operating activities	1,137,182	807,305	1,914,005
Cash flows from investing activities:			
Interest received	11,138	28,655	10,713
Acquisition of property, plant and equipment	(148,430)	(425,504)	(1,365,962)
Acquisition of investment properties	-	-	(1,197,820)
Sale of property, plant and equipment	6,082	152,902	375,263
Proceeds from sale of participation in subsidiary	-	1,059,693	-
Net cash flows (generated by) used in investing activities	(131,210)	815,745	(2,177,806)
Cash flows from financing activities:			
Proceeds from debt	2,885,683	4,266,035	3,536,435
Payments of debt	(3,483,547)	(5,705,447)	(3,065,674)
Interest paid	(465,374)	(448,473)	(337,847)
Capital increase	182,000	265,000	107,688
Dividends paid	-	(29,120)	(29,120)
Net cash flow (used in) generated by financing activities	(881,238)	(1,652,005)	211,482
Net increase (decrease) in cash and cash equivalents	124,734	(28,955)	(52,319)
Effects of exchange rate changes on cash flows	24,000	11,958	503
Cash and cash equivalents at beginning of year	305,626	322,623	374,439
Cash and cash equivalents at end of year	$ 454,360	$ 305,626	$ 322,623

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

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

1. Activities and significant events:

a. *Activities* - Grupo Kaltex, S. A. de C. V. and Subsidiaries (Kaltex or the "Entity") is the majority shareholder of a group of entities principally engaged in the manufacturing and distribution of yarns and fabrics of all kinds of natural and synthetic fibers, as well as the maquila and marketing of clothing, bedding for home and logistics services, as well as the operation of clothing stores.

b. *Significant Events - Acquisition of non-controlling interest* - On February 28, 2014, Kaltex Comercial, S.A. de C.V. (subsidiary entity of Grupo Kaltex) signed an agreement to sell shares that represent 48% of the interest of Grupo Milano, S.A. de C.V. The amount of the transaction was for $89.2 million U.S. Dollars which was paid on February 28, 2014.

2. Basis of presentation

a. *Explanation for translation into English* - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Entity that conform with International Financial Reporting Standards (IFRS) may not conform with accounting principles generally accepted in the country of use.

b. *Restated consolidated financial statements*

1. During 2015, Coltejer, S.A. (a subsidiary of the Entity) changed certain of its accounting policies to conform to the policies of the consolidated Group.

These effects were previously reported in the consolidated financial position statements for the years ended December 31, 2015 and 2014, which included an opening statement of financial position as of January 1, 2014.

The accompanying consolidated financial statements incorporate a statement of profit and loss and comprehensive loss, changes in stockholders' equity cash flows for the year ended December 31, 2013. These statements have not previously been presented showing the effects of the aforementioned adjustments. Accordingly, those statements have been restated herein, as follows:

Consolidated statements of profit and loss and comprehensive loss:

	2013 (previously reported)	Adjustment	2013 (restated)
Net sales	$ 14,844,764	$ -	$ 14,844,764
Cost of sales	12,505,794	(18,189)	12,487,605
Gross profit	2,338,970	(18,189)	2,357,159
Operating expenses	2,537,022	(39,401)	2,497,621
Financial expenses, net	492,137	-	492,137
	3,029,159	(39,401)	2,989,758
Loss before income taxes	(690,189)	57,590	(632,599)

	2013 (previously reported)	Adjustment	2013 (restated)
Income taxes	44,784	7,188	37,596
Consolidated net loss	$ (734,973)	$ 64,778	$ (670,195)
Other comprehensive gain (loss), net of income tax:	(101,906)	6,475	(95,431)
Consolidated comprehensive loss	$ (836,879)	$ 71,253	$ (765,626)

2. Subsequent to the issuance of its consolidated financial statements for the years ended December 31, 2015 and 2014, the Entity determined that certain amounts were improperly classified between accumulated earnings and other comprehensive income (loss) as well as controlling and non-controlling interests. Additionally, it identified certain errors in its consolidated statement of cash flows. Accordingly, the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 have been restated for these impacts, as shown below.

a) Consolidated statements of changes in stockholders' equity:

	2015 (previously reported)	Adjustment	2015 (restated)
Capital stock	$ 4,017,990	$ -	$ 4,017,990
Accumulated earnings	263,029	(165,273)	97,756
Other items of comprehensive income (loss)	(310,095)	(278,431)	(588,526)
Controlling interest	3,970,924	(443,704)	3,527,220
Non-controlling interest	2,899,890	443,704	3,343,594
Total stockholders' equity	6,870,814	-	6,870,814
Total liabilities and stockholders' equity	$ 20,672,604	$ -	$ 20,672,604

	2014 (previously reported)	Adjustment	2014 (restated)
Capital stock	$ 3,835,990	$ -	$ 3,835,990
Accumulated earnings	417,448	(207,157)	210,291
Other items of comprehensive income (loss)	(63,933)	(272,540)	(336,473)
Controlling interest	4,189,505	(479,697)	3,709,808
Non-controlling interest	3,031,814	479,697	3,511,511
Total stockholders' equity	7,221,319	-	7,221,319
Total liabilities and stockholders' equity	$ 20,451,838	$ -	$ 20,451,838

	2013 (previously reported)	Adjustment	2013 (restated)
Capital stock	$ 3,570,990	$ -	$ 3,570,990
Accumulated earnings	1,187,993	(230,703)	957,290
Other items of comprehensive income (loss)	(646,560)	513,886	(132,674)
Controlling interest	4,112,423	283,183	4,395,606
Non-controlling interest	3,141,064	(283,183)	2,857,881
Total stockholders' equity	7,253,487	-	7,253,487
Total liabilities and stockholders' equity	$ 21,088,823	$ -	$ 21,088,823

3. Subsequent to the issuance of its consolidated financial statements for the years ended December 31, 2015 and 2014, the Entity determined that certain amounts were improperly classified in its consolidated statement of cash flows of

a) Consolidated statements of cash flows:

	2015 (previously reported)	Adjustment	2015 (restated)
Cash flows from operating activities:			
Consolidated net loss	$ (116,510)	$ -	$ (116,510)
Adjustments non-cash items	2,367,214	(45,534)	2,322,824
	2,250,704	(45,534)	2,206,314
Changes in working capital:			
Net cash flows generated by operating activities	1,033,949	90,024	1,137,182
Cash flows from investing activities:			
Net cash flows (used in) investing activities	(123,722)	(7,488)	(131,210)
Cash flows from financing activities:			
Net cash flow used in financing activities	(761,493)	(119,784)	(881,238)
Net decrease in cash and cash equivalents	148,734	(24,000)	124,734

	2015 (previously reported)	Adjustment	2015 (restated)
Effects of exchange rate changes on cash flows	-	(24,000)	24,000
Cash and cash equivalents at beginning of year	305,626	-	305,626
Cash and cash equivalents at end of year	$ 454,360	$ -	$ 454,360

	2014 (previously reported)	Adjustment	2014 (restated)
Cash flows from operating activities:			
Consolidated net loss	$ (999,273)	$ -	$ (999,273)
Adjustments non-cash items	2,707,370	(1,011,541)	1,752,357
	1,708,097	(1,011,541)	753,084
Changes in working capital:			
Net cash flows generated by operating activities	1,594,413	(843,636)	807,305
Cash flows from investing activities:			
Net cash flows generated by (used in) investing activities	(209,237)	1,024,982	815,745
Cash flows from financing activities:			
Net cash flow used in financing activities	(1,402,173)	(193,304)	(1,652,005)
Net decrease in cash and cash equivalents	(16,997)	(11,958)	(28,955)
Adjustment to cash flows due to exchange rate fluctuations	-	11,958	11,958
Cash and cash equivalents at beginning of year	322,623	-	322,623
Cash and cash equivalents at end of year	$ 305,626	$ -	$ 305,626

	2013 (previously reported)	Adjustment	2013 (restated)
Cash flows from operating activities:			
Consolidated net loss	$ (670,195)	$ -	$ (670,195)
Adjustments non-cash items	1,105,586	(36,419)	1,069,167
	435,391	(36,419)	398,972
Changes in working capital:			
Net cash flows generated by operating activities	1,493,934	420,071	1,914,005
Cash flows from investing activities:			
Net cash flows generated by (used in) investing activities	(1,083,625)	(1,094,181)	(2,217,806)
Cash flows from financing activities:			
Net cash flow used in financing activities	(223,382)	434,864	211,482
Net decrease in cash and cash equivalents	186,927	(239,246)	(52,819)
Adjustment to cash flows due to exchange rate fluctuations	(238,743)	239,246	503
Cash and cash equivalents at beginning of year	374,439	-	374,439
Cash and cash equivalents at end of year	$ 322,623	$ -	$ 322,623

c. ***New and revised IFRSs in issue but not yet effective***

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]

Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3]. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3. Significant accounting policies

a. *Statement of compliance*

As described in Note 12, the Entity was not incompliance with certain of its debt covenants, for which reason such debt should be presented within current liabilities; such debt was presented based on its original maturity. Except for the lack of presentation of certain debt as a current liability, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair value, as explained in the accounting policies below:

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Basis of consolidation of the financial statements*

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

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

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

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

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

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

Net income (loss) and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

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

The Entity's main subsidiaries are:

Entity	Participation 2015, 2014 and 2013	Activity
Kaltex Textiles, S. A. de C. V. and subsidiaries	73.7%	Majority stockholder of a group of entities principally engaged in the manufacture and distribution of yarns and fabrics all kinds of natural and synthetic fibers, as well as the maquila and marketing of clothing and bedding for home.
Kaltex Comercial, S. A. de C. V. and subsidiaries	100%	Buy and selling of bedding for home and operation of clothing stores.
Kaltex Internacional, S. A. de C. V. and subsidiaries	100%	Majority stockholder of a group of foreign subsidiaries, entities principally engaged in manufacturing of all kinds of fabrics, threads and marketing of apparel and bedding for home.

d. ***Translation of financial statements of foreign subsidiaries***

To consolidate the financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to IFRS based on the recording currency of transactions. The financial statements are subsequently translated to Mexican pesos (presentation currency) considering the following methodologies:

Foreign operations with a functional currency different from the local currency and the reporting currency translate their financial statements from the recording currency to the functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the statement of financial position date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item; translation effects are recorded exchange (loss) gain, net, within results. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the statement of financial position date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. The effects of translation are recorded in stockholders' equity.

The recording and functional currencies of foreign operations as well as the exchange rates used in the different translation processes are as follows:

Entity	Recording currency	Functional currency
Kaltex North America, Inc.	U.S. Dollar	U.S. Dollar
Kaltex America, Inc.	U.S. Dollar	U.S. Dollar
Revman International, Inc.	U.S. Dollar	U.S. Dollar
Kaltex Latino América, S.A.S.	Colombian Peso	Colombian Peso
Kaltex Sudamérica, S. A. S.	Colombian Peso	Colombian Peso
Kaltex Colombia, S. A. S.	Colombian Peso	Colombian Peso
Coltejer, S. A.	Colombian Peso	Colombian Peso
Kaltex-Argus, S. A.	Nicaraguan Cordoba	U.S. Dollar

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

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

f. ***Financial assets***

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

b. Loans and receivables

Loans, receivables and other accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (*including trade and other receivables, bank balances and cash, and others*) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

c. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

d. Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

g. ***Cash and cash equivalents***

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, easily convertible into cash and have maturities of three months from the date of purchase and not subject to material risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value; fluctuations in value are recognized in earnings. The cash equivalents are represented by investments in money market funds, investment funds, bank and governmental bonds, as well as investments on demand in Mexican pesos and US dollars.

h. ***Inventories and cost of sales***

Are stated at the lower of cost and net realizable value. Costs of inventories are determined on an average cost basis. The costs, including a portion of fixed and variable indirect costs are allocated to inventories through the most appropriate method for the particular kind of inventory, with most valued using the average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

i. ***Property, plant and equipment***

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, begins when the assets are ready for their intended use.

Depreciation of property, plant and equipment is recognized in profit or loss.

Land is not depreciated.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Useful live (years)	**Remaining useful live (years)**
Buildings		
Infrastructure	80	49
Electric, hydraulic and related installations	40	9
Building finishes	20	-
Industrial machinery and equipment	Between 20 to 30	Between 7 to 12
Transportation equipment	4 and 5	Between 1 to 5
Office furniture and equipment	10	Between 5 to 10
Computer equipment	3	1

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

j. ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in other (income) expenses in the statements of profit or loss in the period in which they arise.

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

k. ***Intangible assets***

1. Intangible assets acquired separately

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

2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

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

3. Derecognition of intangible assets

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

l. ***Impairment of tangible and intangible assets other than goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

m. ***Goodwill***

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

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

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

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

n. ***Other permanent investment***

Those permanents investment made by the Entity in entities in which it has no control, joint control, significant influence are stated at acquisition cost and dividends received are recognized in profit of the year except those dividends from earnings from periods before of acquisition, in which case the dividend decreases the permanent investment.

o. ***Financial liabilities***

1. <u>Classification as debt or equity</u>

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

2. <u>Financial liabilities</u>

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

3. Other financial liabilities

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

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

4. Derecognition of financial liabilities

The Entity's derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

p. ***Provisions***

Are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

q. ***Leasing***

All leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

r. ***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are generally recognized in profit or loss in the period in which they arise except.

s. ***Employee benefits***

Employee benefits from termination and retirement

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

For defined benefit retirement 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 and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

The Entity presents the first two components of defined benefit costs in profit or loss in cost of sales, sales expenses or administrative expenses, according to the level of the personnel to which the cost is related. Gains and losses for reduction of service are accounted for as past service costs.

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

Short-term and other long-term employee benefits

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

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

Statutory employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses line item in the consolidated statement of profit or loss and other comprehensive loss.

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

t. ***Borrowing cost***

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

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

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

u. ***Income taxes***

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

- Current tax

  Current income tax ("ISR") is recognized in the results of the year in which is incurred.

- Deferred income tax

  Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

  The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

  The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- Current and deferred tax for the year

  Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

v. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue recognition is performed according to the following criteria:

- Sale of goods

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

  - The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

  - The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

  - The amount of revenue can be measured reliably.

  - It is probable that the economic benefits associated with the transaction will flow to the Entity.

  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Interest income

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

- Rendering services

  Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, the Entity's management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgments and key uncertainty aspects used when applying the estimates made as of the date of the consolidated financial statements are as follows:

a. ***Critical judgments in applying accounting policies***

- The Entity's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on treasury bonds. Judgement exists with respect to the determination of the period over which benefits will be paid in order to determine maturity of the bonds that will be considered.

- The Entity is subject to contingent events or transactions for which it uses professional judgment in estimating the likelihood of occurrence. Judgment utilized considers the current legal status of each case as well as the opinion of legal advisers.

b. *Key sources of estimation uncertainty*

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

i. ***Allowance for doubtful accounts*** - The Entity uses estimates in determining its allowance of doubtful accounts receivable. The factors considered by the Entity in estimating doubtful accounts are mainly the risk of the client's financial situation, unsecured accounts and considerable delays in collections according to established credit limits. (See notes 6c and 6d).

ii. ***Allowance for obsolescence and slow moving inventory*** - If inventory impairments are generated over the course of the Entity's operations, there are periodic procedures carried out periodically to analyze the inventory reserve such as reviews, verifications, relocations that identify potentially impaired materials in a timely manner, leading to corrections in valuation using estimates or cancellations, and previous studies conducted by specialists in collaboration with the Entity's management.

iii. ***Property, plant and equipment*** - The Entity reviews useful lives of property, plant and equipment at least once a year, which are defined based on technical studies prepared by internal specialized personnel which also involve external experts. The degree of uncertainty about the estimated useful lives is affected by changes in the market, production volumes and technological developments.

iv. ***Impairment of non-current assets*** - The carrying value of non-current assets is reviewed for impairment if any situations or changes in circumstances indicate that the carrying value is not recoverable. If there is evidence of impairment, the asset is reviewed to determine if the carrying value exceeds its recoverable amount, in which case the asset is determined to be impaired. When evidence of impairment is identified, the Entity estimates the value in use assigned to its property, plant and equipment, and cash-generating units in the case of certain assets. The calculations of value in use require an entity to determine the future cash flows that should arise from the cash-generating units and appropriate discount rate to calculate the present value. The Entity uses cash flow projections of revenue using estimates of market conditions, pricing, and production and sales volumes.

v. ***Employee benefits from retirement*** - Assumptions are used to determine the best estimate of these benefits annually. Such estimates, as well as assumptions, are established jointly with independent actuaries annually. These assumptions include demographic assumptions, the discount rates and expected increases in salaries and future permanence, among others. Although it is estimated that the assumptions used are appropriate, a change in them could affect the value of assets (liabilities) for employee benefits and the income statement and other comprehensive income in the period in which it occurs.

vi. ***Fair value*** - Certain of the Entity's assets are measured at fair value for financial reporting purposes, more specifically investment properties.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. In some cases when an observable markets inputs data are not available, the Entity's administration engages third party qualified appraiser to perform the valuation.

5. Cash and cash equivalents

	2015	2014	2013
Cash	$ 380,566	$ 302,521	$ 302,280
Cash equivalents -			
Investment funds	1,784	1,861	2,726
Treasury Certificates	71,803	-	5,814
Money-market funds	207	204	11,803
Investments on demand	-	1,040	-
Total	$ 454,360	$ 305,626	$ 322,623

6. Accounts receivable

	2015	2014	2013
Trade receivables	$ 2,329,458	$ 1,915,191	$ 1,979,297
Allowance for doubtful accounts	(160,035)	(166,600)	(149,079)
	2,169,423	1,748,591	1,830,218
Sundry debtors	17,626	111,667	55,297
Income tax recoverable	116,545	100,083	95,306
IETU recoverable	272	1,331	7,840
Value-added tax recoverable	136,418	175,244	236,017
Other tax recoverable	84,704	34,994	39,017
	$ 2,524,988	$ 2,171,910	$ 2,263,695

a. *Trade receivables*

The average credit period on sales of goods is 90 days. The collection and recovery of amounts due according to the aging parameters is monitored, in order to timely identify doubtful accounts. Overdue receivables that are difficult to recover are referred to legal counsel for assistance with collection through judicial measures.

For the acceptance of a new customer, the Entity has a policy of only engaging with creditworthy parties and obtaining sufficient safeguards, which is focused on the research and subsequent selection of customers based on their solvency and known moral character, allocation of credit limits and obtaining credit enhancements through underwriting of credit, equity ratio and mortgage guarantees and collateral duly supported by the legal representative and personal guarantees.

The Entity uses estimates to determine doubtful accounts. The factors considered by the Entity to calculate this estimate are primarily the customer's credit risk, collateral received and delays in collections according to established credit limits.

b. *Age of receivables that are past due but not impaired*

Trade receivables disclosed above include amounts (see aging analysis below) that are past due at the end of the reporting period for which the Entity has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

A summary of accounts receivable shows customers due, but not yet as impaired:

		2015		2014		2013
1 to 30 days	$	276,977	$	300,507	$	371,665
31 to 60 days		16,911		22,719		76,104
61 to 90 days		12,547		20,287		55,290
Over 90 days		134,584		16,048		111,691
Total	$	441,019	$	359,561	$	614,750

The Entity monitors the payment performance of their customers, from which the Entity has not received collateral and only has guarantees. When there are delinquent payments, in accordance with the Entity's policies, customer credit lines for future purchases may be suspended and if there is significant delinquent payments, extrajudicial and judicial actions may be taken to recover the balance, and if such collection efforts fail, the account is canceled and written off. The Entity recognized an allowance for doubtful accounts for 100% of all accounts receivable that are not expected to be collected.

c. ***The allowance for doubtful accounts is as follows:***

		2015		2014		2013
Receivables for sales of fabric and thread	$	(81,937)	$	(80,336)	$	(76,183)
Receivables for sales of all kinds of acrylic fibers		(66,726)		(82,571)		(66,747)
Manufacture, purchase and sale, import and export targets for home customers		-		(808)		(2,542)
Apparel manufacturing customers		(11,273)		(2,786)		(3,508)
Transport service customers		(99)		(99)		(99)
	$	(160,035)	$	(166,600)	$	(149,079)

d. ***Movement in the allowance for doubtful accounts:***

		2015		2014		2013
Balance at beginning of the year	$	(166,600)	$	(149,079)	$	(108,632)
Estimated additional reserves of the period		(18,284)		(17,521)		(43,511)
Cancellations and applications		24,849		-		3,064
Balance at end of the year	$	(160,035)	$	(166,600)	$	(149,079)

7. Inventories

	2015	2014	2013
Raw materials and others	$ 483,280	$ 344,992	$ 428,027
Work in progress	508,686	480,101	440,038
Finished goods	1,590,444	1,209,130	1,086,755
Merchandise in stores	799,557	705,968	772,208
Allowance for slow moving and obsolete inventory	(176,172)	(183,908)	(180,402)
	3,205,795	2,556,283	2,546,626
Merchandise in transit	48,512	80,885	39,670
	$ 3,254,307	$ 2,637,168	$ 2,586,296

The Entity estimates possible impairment losses on inventories for obsolescence and for slow moving inventories which are determined based on the age of the inventory.

The movements in the allowance for obsolescence and slow moving inventory reduction are presented below:

	2015	2014	2013
Balance at beginning of the year	$ (183,908)	$ (180,402)	$ (180,402)
Estimated of the period	(155,583)	(71,171)	-
Cancellations and applications	163,319	67,665	-
Balance at end of the year	$ (176,172)	$ (183,908)	$ (180,402)

8. Property, plant and equipment

Reconciliation of beginning and ending balances at December 31, 2015, 2014 and 2013 is as follows:

	Balance as of December 31, 2014 (restated)	Additions	Disposals	Transferred assets	Translation effect	Balances as of December 31, 2015
Investment:						
Land	$ 2,896,906	$ -	$ -	$ 3,550	$ (285,536)	$ 2,614,920
Building and installations	5,433,919	8,205	(12,727)	26,438	(59,599)	5,396,236
Industrial machinery and equipment	31,904,179	23,736	(690)	9,720	(95,957)	31,840,988
Office furniture and equipment	611,668	20,928	(1,251)	-	5,845	637,190
Transportation equipment	227,418	4,356	(6,795)	-	20,449	245,428
Computer equipment	321,994	18,085	(12,646)	12,835	(3,922)	336,346
Water treatment plants	17,885	-	-	-	-	17,885
Projects-in-progress	484,811	73,120	(2,698)	(52,543)	519	503,209
Total investments	41,898,780	148,430	(36,807)	-	(418,201)	41,592,202
Depreciation:						
Building and installations	(2,583,309)	(157,730)	6,736	-	(1,382)	(2,735,685)
Industrial machinery and equipment	(26,473,458)	(455,272)	690	-	6,567	(26,921,473)
Office furniture and equipment	(396,512)	(36,332)	-	-	(719)	(433,563)
Transportation equipment	(72,851)	(24,466)	6,625	-	(1,857)	(92,549)
Computer equipment	(312,806)	(33,587)	12,774	-	6,817	(326,802)
Water treatment plants	(17,885)	-	-	-	-	(17,885)
Total accumulated depreciation	(29,856,821)	(707,387)	26,825	-	9,426	(30,527,957)
Investment, net	$ 12,041,959	$ (558,957)	$ (9,982)	$ -	$ (408,775)	$ 11,064,245

	Balance as of December 31, 2013	Additions	Disposals	Transferred assets	Translation effect	Balances as of December 31, 2014
Investment:						
Land	$ 3,111,471	$ -	$ -	$ -	$ (214,565)	$ 2,896,906
Building and installations	5,468,126	39,196	(27,656)	600	(46,347)	5,433,919
Industrial machinery and equipment	31,144,006	71,043	(8,803)	782,702	(84,769)	31,904,179
Office furniture and equipment	589,279	19,565	(714)	(118)	3,656	611,668
Transportation equipment	216,650	140,742	(144,284)	-	14,310	227,418
Computer equipment	297,740	22,822	(2,053)	7,730	(4,245)	321,994
Water treatment plants	17,885	-	-	-	-	17,885
Projects-in-progress	1,201,689	132,136	(52,080)	(791,032)	(5,902)	484,811
Total investments	42,046,846	425,504	(235,590)	(118)	(337,862)	41,898,780
Depreciation:						
Building and installations	(2,435,304)	(162,628)	15,158	-	(535)	(2,583,309)
Industrial machinery and equipment	(26,029,999)	(447,233)	125	-	3,649	(26,473,458)
Office furniture and equipment	(357,357)	(38,965)	80	-	(270)	(396,512)
Transportation equipment	(101,290)	(27,889)	60,100	-	(3,772)	(72,851)
Computer equipment	(284,587)	(35,753)	742	-	6,792	(312,806)
Water treatment plants	(17,885)	-	-	-	-	(17,885)
Total accumulated depreciation	(29,226,422)	(712,468)	76,205	-	5,864	(29,856,821)
Investment net	$ 12,820,424	$ (286,964)	$ (159,385)	$ (118)	$ (331,998)	$ 12,041,959

	Balance as of January 31, 2013	Additions	Disposals	Transferred assets	Translation effect	Balances as of December 31, 2013
Investment:						
Land	$ 3,090,393	$ 21,314	$ -	$ -	$ (236)	$ 3,111,471
Building and installations	5,491,797	382,635	(406,514)	1,217	(1,009)	5,468,126
Industrial machinery and equipment	31,174,762	186,848	(308,681)	99,990	(8,913)	31,144,006
Office furniture and equipment	549,088	48,034	(1,712)	(6,134)	3	589,279
Transportation equipment	210,526	10,983	(5,448)	(12)	601	216,650
Computer equipment	279,521	30,717	(9,249)	(3,016)	(232)	297,741
Water treatment plants	21,968	-	-	(4,083)	-	17,885
Projects-in-progress	639,082	685,431	-	(122,856)	32	1,201,689
Total investments	41,457,137	1,365,962	(731,604)	(34,894)	(9,754)	42,046,847
Depreciation:						
Building and installations	(2,405,127)	(158,053)	116,621	834	10,421	(2,435,304)
Industrial machinery and equipment	(26,029,073)	(455,872)	246,298	20,079	188,569	(26,029,999)
Office furniture and equipment	(321,945)	(44,528)	1,554	6,668	894	(357,357)
Transportation equipment	(77,966)	(28,809)	5,026	12	446	(101,291)
Computer equipment	(278,015)	(25,694)	9,143	3,218	6,761	(284,587)
Water treatment plants	(21,968)	-	-	4,083	-	(17,885)
Total accumulated depreciation	(29,134,094)	(712,956)	378,642	34,894	207,091	(29,226,423)
Investment net	$ 12,323,043	$ 653,006	$ (352,962)	$ -	$ 197,337	$ 12,820,424

9. Investment properties

Fair value of investment properties is as follows:

	2015	2014	2013
Land	$ 1,008,923	$ 1,042,271	$ 1,125,400
Building and installations	124,428	125,498	111,821
Total	$ 1,133,351	$ 1,167,769	$ 1,237,221

The fair value of investment properties is determined by independent appraisers who have applied the market approach and the residual method to determine the valuation of land and the replacement method for buildings and installations. The method used is as follows:

a. The market approach was determined by examining the supply and demand of similar land, operations performed and valuations in the sector and similar areas, the study of land values with comparable properties considering, potential development and localization, and consulting the database of the Market Estate Association (Colombian rated entity).

b. The residual method was applied by estimating the value that a builder who develops a project, in the light of existing regulations and taking into account market factors, would be willing to pay.

c. The Herwet table is used to establish a market factor, setting the coefficients of supply and demand according to the criteria of the appraisal committee of the Market Estate Association, for this type of land.

d. The replacement method is based on the cost of building an asset with similar characteristics, considering actual physical conditions of the asset.

The movements presented in investment properties are as follows:

	Balances as of December 31, 2014	Fair value adjustment	Translation effect	Balances as of December 31, 2015
Lands	$ 1,042,271	$ 93,887	$ (127,235)	$ 1,008,923
Building and installations	125,498	16,549	(17,619)	124,428
Total	$ 1,167,769	$ 110,436	$ (144,854)	$ 1,133,351

	Balances as of January 1, 2014	Fair value adjustment	Translation effect	Balances as of December 31, 2014
Lands	$ 1,125,400	$ 14,023	$ (97,152)	$ 1,042,271
Building and installations	111,821	22,800	(9,123)	125,498
Total	$ 1,237,221	$ 36,823	$ (106,275)	$ 1,167,769

	Balances as of January 1, 2013	Additions	Fair value adjustment	Balances as of December 31, 2013
Lands	$ -	$ 1,110,395	$ 15,005	$ 1,125,400
Building and installations	-	87,425	24,396	111,821
Total	$ -	$ 1,197,820	$ 39,401	$ 1,237,221

The lease income generated by investment properties in 2015 and 2014 was $5,260 and $9,297. To keep the investment properties in working condition, improvements and maintenance were necessary, resulting in expenditures of $9,087 and $8,085 in 2015 and 2014, respectively.

10. Other assets

	2015	2014	2013
Goodwill	$ 752,483	$ 752,483	$ 752,483
Trademark	623,876	623,876	623,876
Development in stores	92,296	92,296	92,296
Others	177,907	188,896	265,843
Other permanent investments	4,711	1,210	7,804
Accumulated amortization	(75,642)	(67,316)	(58,989)
Total	$ 1,575,631	$ 1,591,445	$ 1,683,313

11. Bank loans

As of December 31, 2015, 2014 and 2013, banks loans consist of the following:

Bank	Type	Currency	Rate	Period	2015	2014	2013
Milberg Factors, Inc.	Factoring	US dollars	4.00%	1 year	$ 500,331	$ 237,990	$ 160,697
Banco de Sabadell, S.A.	Revolving	US dollars	London Interbank Offered Rate LIBOR plus 4.00% with a floor of 4.25%	180 days	430,163	-	-
Banco de Sabadell, S.A.	Revolving	US dollars	LIBOR plus 1.50% with a floor of 2.00%	180 days	430,163	-	-
Milberg Factors, Inc.	Factoring	US dollars	3.00%	1 year	321,744	137,451	185,163
Banco Santander (México), S.A.	Revolving	US dollars	LIBOR plus 2.70%	180 days	224,407	191,952	118,996
Banco Lafise Bancentro	Revolving	US dollars	7.50%	120 days	86,033	73,589	42,799
Banco Lafise Bancentro	Revolving	US dollars	7.50%	60 days	73,720	66,114	31,384
Fondo Escalonado por compartimientos BTG Pactual Crédito	Simple credit	Colombian Peso	12.9% Effective Annual rate (EA)	1 year	43,077	36,535	16,790
Morgan Stanley	Revolving	US dollars	LIBOR plus 7.00%	1 year	43,016	-	-
BBVA Bancomer, S.A.	Revolving	US dollars	4.25%	180 days	11,796	37,531	-
Jhon Uribe e Hijos, S.A.	Simple credit	Colombian Peso	16.20% (EA)	1 month	6,803	4,652	13,562
Banco de Finanzas, S.A.	Revolving	US dollars	5.00%	90 days	5,899	4,716	27,816
Financiera Dann Regional Compañía de Financiamiento S.A.	Simple credit	Colombian Peso	Interest rate on term deposits (DTF) +11.88%	2016	3,113	10,681	18,574
Espirito Santo Bank	Revolving	US dollars	LIBOR plus 1.50%	180 days	-	441,540	375,296
Banco HSBC, S.A.	Revolving	US dollars	LIBOR plus 3.65%	180 days	-	397,386	353,066
Espirito Santo Bank	Revolving	US dollars	LIBOR plus 4.00%	180 days	-	231,747	-
Banco Nacional de México, S.A.	Revolving	US dollars	4.00%	90 days	-	147,180	130,765
Banco Nacional de México, S.A.	Revolving	US dollars	4.00%	90 days	-	63,287	56,229
Banco Santander (México), S.A.	Revolving	US dollars	LIBOR plus 2.00%	180 days	-	-	53,875
Others	-	-	-	-	8,189	19,995	27,418
					$ 2,188,454	$ 2,102,346	$ 1,612,430

12. Long-term debt

As of December 31, 2015, 2014 and 2013, long-term debt consists of the following:

Bank	Type	Currency	Rate	Maturity	2015	2014	2013
The Bank of New York Mellon	Guaranteed Multi-Term Note Program	US dollars	8.25%	2023	$ 1,935,430	$ 1,547,844	$ 1,289,934
JP Morgan	Simple credit	US dollars	LIBOR plus 0.85%	2022	459,757	325,562	1,456,722
JP Morgan	Simple credit	US dollars	LIBOR plus 0.85%	2017	412,956	529,848	564,905
HSBC México, S.A.	Simple credit	Mexican pesos	Interbank Interest Rate Balance (TIIE) plus 4.0%	2018	390,816	-	-
BNP Paribas Fortis Bank SA/ NV	Simple credit	US dollars	LIBOR plus 2.47%	2022	331,959	329,381	309,837
Banco Mercantil del Norte, S.A.	Simple credit	Mexican pesos	7.06%	2022	260,147	-	-
Banco Nacional de México, S.A., Banco Santander (México), S.A. y Banco Inbursa, S.A.	Syndicate loan	Mexican pesos	TIIE plus 5.25%	2017	253,724	392,119	530,514
Banco Nacional de México, S.A.	Simple credit	US dollars	LIBOR plus 3.75%	2017	197,301	295,341	374,860
OAL	Simple credit	Colombian pesos	Interest rate on term deposits (DTF)+2% EA	2019	192,113	276,801	329,096
Banco Inbursa, S.A.	Simple credit	Mexican pesos	TIIE plus 4.5%	2019	131,115	150,986	-
Banco Colpatria Red Multibanca	Simple credit	Colombian pesos	DTF+5% TA	2020	125,167	180,134	220,754
Grupo Bolívar	Simple credit	Colombian pesos	16.8% EA	2018	110,365	125,995	107,230
Banco Inbursa, S.A.	Simple credit	Mexican pesos	TIIE plus 4.00%	2017	109,103	155,862	-
BBVA Bancomer, S.A.	Simple credit	US dollars	LIBOR plus 4.50%	2018	103,153	120,320	131,844
Scotiabank Inverlat, S.A.	Simple credit	US dollars	LIBOR plus 4.15%	2017	92,915	178,824	239,300
Grupo Financiero Mifel, S.A.	Simple credit	Mexican pesos	7.79%	2020	64,508	-	-
Brickell Bank	Simple credit	US dollars	LIBOR plus 4.0% with a floor of 4.25%	2018	53,549	62,460	2,372
Brickell Bank	Simple credit	US dollars	LIBOR plus 2.25% with a floor of 3.0%	2018	37,790	43,099	-
Banco Santander, S.A.	Simple credit	US dollars	LIBOR plus 3.65%	2016	33,899	57,992	77,286
Grupo Financiero Mifel, S.A.	Simple credit	Mexican pesos	TIIE plus 4.0%	2020	29,496	35,108	40,249
Brickell Bank	Simple credit	US dollars	LIBOR plus 2.25% with a floor of 3.0%	2018	28,819	34,512	39,423
Banco Mercantil del Norte, S.A.	Simple credit	Mexican pesos	7.06%	2022	21,162	-	-
Brickell Bank	Simple credit	US dollars	LIBOR plus 2.25% with a floor of 3.0%	2016	9,205	23,620	34,976
Banco Improsa, S.A.	Simple credit	US dollars	7.00%	2017	4,600	5,678	-
Banco Inbursa, S.A.	Simple credit	US dollars	LIBOR plus 5.25%	2014	-	-	98,074
JP Morgan	Simple credit	US dollars	LIBOR plus 0.85%	2016	-	-	125,534
Others	-	-	-	-	32,957	100,315	122,017
					5,422,006	4,971,801	6,094,927
			Less – Current portion of long term debt		(1,731,428)	(1,235,355)	(881,793)
			Long – term debt		$ 3,690,578	$ 3,736,446	$ 5,213,134

Long-term debt maturities as of December 31, 2015 are as follows:

Year		2015
2017	$	1,200,853
2018		1,002,780
2019 and thereafter		1,486,945
	$	3,690,578

The Entity has certain obligations and restrictions in the credit agreements, some of which at December 31, 2015 are not met, including: leverage, financial debt, stockholders' equity and liquidity ratios. The most important are:

A. Maintain stockholders' equity of no less than $ 4,800,000;
B. Maintain a consolidated interest coverage ratio of no less than 1.25
C. Maintain a debt to assets ratio no greater than 0.6
D. Maintain an EBITDA of no more than 6.5

Because the Entity obtained waivers for the breach of these obligations after the year end, long-term debt for amount of $3,690,578 should have been reclassified as a current liability. However, it has been presented according to its original maturity.

In the case of loans with Banco Inbursa, S.A., waivers as of December 31, 2015 and 2014 were not obtained due to the non-compliance of covenants, for this reason these loans for amount of $240,218 are presented within the current portion of debt.

13. Other accounts payable and accrued liabilities

Balances at December 31, are as follows:

		2015		2014		2013
Creditors for services	$	229,745	$	163,935	$	222,473
Creditors for machinery		186,101		162,751		115,174
Provisions		200,771		225,292		254,027
Other taxes payable		336,854		341,631		349,064
Interest payable		15,947		15,276		11,532
	$	969,418	$	908,885	$	952,270

Provisions represent amounts accrued during 2015 and 2014, or contracted services of the following nature, attributable the financial year, which are expected to be liquidated within a period not exceeding one year. The final amounts to be paid and the timing of those outflows of economic resources involve uncertainties and could therefore vary.

	2015							
		Opening Balance		Additions		Reductions		Closing Balance
For social security and other benefits	$	46,032	$	7,056	$	-	$	53,088
For labor provision		30,605		8,141		(2,333)		36,413
For other provisions		148,655		41,495		(78,880)		111,270
	$	225,292	$	56,692	$	(81,213)	$	200,771

	2014							
		Opening Balance		Additions		Reductions		Closing Balance
For social security and other benefits	$	57,847	$	-	$	(11,815)	$	46,032
For labor provision		9,876		20,729		-		30,605
For other provisions		186,304		-		(37,649)		148,655
	$	254,027	$	20,729	$	(49,464)	$	225,292

	2013							
		Opening Balance		Additions		Reductions		Closing Balance
For social security and other benefits	$	89,161	$	-	$	(31,314)	$	57,847
For labor provision		4,665		5,211		-		9,876
For other provisions		293,532		-		(107,228)		186,304
	$	387,358	$	5,211	$	(138,542)	$	254,027

14. Employee benefits

Defined benefit plans

The Entity handles a plan that covers seniority premiums, which consist of a single payment of 12 days per every year worked based on final salary, limited to twice the minimum wage established by law year. The related liability and annual benefits costs are calculated by an independent actuary on the bases defined in the plans using the projected unit credit method.

The plans typically expose the Entity to actuarial risks such as: interest rate risk, longevity risk and salary risk.

Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2015 by independent actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015 %	2014 %	2013 %
Discount rate	6.90	7.31	7.85
Expected rate of salary increase	4.75	4.75	4.75
Inflation rate	3.75	3.75	3.75

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

	2015	2014	2013
Service cost:			
Labor cost of current service	$ 22,836	$ 43,769	$ 41,692
Net interest expense	24,632	41,886	17,108
Components of defined benefit costs recognized in profit or loss	$ 47,468	$ 85,655	$ 58,800
Remeasurement on the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in demographic assumptions	$ 5,821	$ 1,563	$ (20,302)
Actuarial (gains) and losses arising from changes in financial assumptions	(22,053)	34,625	(58,823)
Components of defined benefit costs recognized in other comprehensive income	$ (16,232)	$ 36,188	$ (79,125)

Components of defined benefit costs recognized in other comprehensive income:

	2015	2014	2013
Remeasurement on the net defined benefit liability	$ (16,232)	$ 36,188	$ (79,125)
Deferred tax	4,869	(10,857)	23,737
Components of defined benefit costs recognized in other comprehensive income	$ (11,363)	$ 25,331	$ (55,388)

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss and other comprehensive loss within administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive loss.

The amount included in the consolidated statements of financial position arising from the Entity's obligation in respect of its defined benefit plans is as follows:

	2015	2014	2013
Present value of funded defined benefit obligation	$ 516,150	$ 532,710	$ 410,867

Movements in the present value of the defined benefit obligation in the current year were as follows.

	2015	2014	2013
Opening defined benefit obligation	$ (532,710)	$ (410,867)	$ (379,596)
Current service cost	(22,836)	(43,769)	(41,692)
Interest cost	(24,632)	(41,886)	(19,554)
Remeasurement gains (losses)	16,232	(36,188)	29,975
Benefits paid	47,796	-	-
Closing defined benefit obligation	$ (516,150)	$ (532,710)	$ (410,867)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would have decreased by $75,044 (increased by $75,044).

If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would not have significant changes.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

15. Financial instruments

The Entity is exposed to market risks such as interest rate risk and foreign currency risk, as well as credit risk and liquidity risk, all of which are managed centrally by the corporate treasury. Compliance with these policies and exposure limits are reviewed by internal audit on an ongoing basis.

a. *Classes of financial instruments*

The different categories of financial instruments and their amounts as of December 31, 2015 and 2014 are shown below:

		2015		2014		2013
Financial assets						
Cash and cash equivalents	$	454,360	$	305,626	$	322,623
At amortized cost:						
• Accounts receivable, net		2,169,423		1,748,591		1,830,218
• Accounts receivable to related parties		6,640		11,620		12,444
Financial liabilities						
At amortized cost:						
• Bank loans and long-term debt	$	7,610,460	$	7,074,147	$	7,707,357
• Accounts payable to suppliers		2,544,163		2,501,449		2,582,883
• Accounts payable to related parties		66,761		21,534		13,652
• Other accounts payable and accrued liabilities		969,418		908,885		952,270

b. ***Management of capital risk*** - The Entity manages its capital to ensure that it will continue as an ongoing business, while also maximizing the return to its shareholders through optimization of its capital balance through continuous monitoring of the debt/capital structure. The Entity's capital structure consists of net debt (bank loans as detailed in Note 11 and 12) and the Entity's equity (comprising issued contributed capital, reserves and deficit accumulated in Note 17). The Entity is not subject to any externally imposed capital requirements.

The Entity's management reviews its capital structure and borrowing costs and their relation to EBITDA (earnings before taxes plus / minus interest, exchange rate fluctuations, the effect of derivatives on financial costs, depreciation and amortization) on a monthly basis, at the time it presents financial projections as part of the business plan to the Board of Directors and shareholders of Entity.

The rate of net indebtedness of the Entity is as follows:

	2015	2014	2013
Debt with financial institutions	$ 7,610,460	$ 7,074,147	$ 7,707,357
Cash and cash equivalents	(454,360)	(305,626)	(322,623)
Net debt with financial institutions	$ 7,156,100	$ 6,768,521	$ 7,384,734

	2015	2014	2013
EBITDA	$ 2,053,549	$ 629,757	$ 590,818
Net debt to EBITDA	3.48	10.75	12.50
EBITDA	$ 2,053,549	$ 629,757	$ 590,818
Interest generated by debt	$ 525,049	$ 486,052	$ 429,640
Interest coverage index	3.90	1.29	1.37

c. ***Interest rate risk management*** - The Entity is exposed to interest rate risk because it has financial debt that accrues interest at variable rates. The Entity has short-term loans mainly for working capital as well as long-term loans for certain projects, the proceeds of which will be used to pay the related debt. Hedging activities are evaluated regularly to align with interest rates and defined risks, ensuring the most cost-effective hedging strategies are applied.

Exposure of the Entity to interest rate risk relates primarily to the London Interbank Offered Rate (LIBOR) on financial liabilities. Sensitivity analyses are prepared by the Entity based on the net exposure to floating interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant; net income (loss) ended December 31, 2015, 2014 and 2013, would increase/decrease $52,504, $46,987 and $42,964, respectively.

d. ***Foreign currency risk management***

i. Functional currency of the majority of the subsidiaries of the Entity is the Mexican peso. The Entity is exposed to foreign exchange risk related to the Mexican peso as a result of financing obtained in U.S. dollars.

The Entity also has monetary assets and liabilities denominated in foreign currencies, mainly the US dollar, Euro, Nicaraguan Cordoba, Colombian peso and Swiss Franc, which exposes it to currency risk. However, this risk is hedged by the operations of the Entity in those respective countries.

Carrying values of assets and liabilities denominated in foreign currencies to which the Entity is mainly exposed are as follows (in thousands):

	Liabilities			Assets		
	2015	2014	2013	2015	2014	2013
U.S. Dollar	399,547	456,610	383,729	114,446	58,042	72,091
Euro	864	2,688	2,530	649	1,198	535
Nicaraguan Cordoba	-	176,726	189,483	-	38,862	124,570
Colombian peso	167,420,000	85,490,338	112,832,000	109,078,967	113,693,837	58,820,710
Swiss Franc	123	214	45	274	109	3

The following table details the Entity's sensitivity to an increase and decrease of 10% in pesos against the relevant foreign currencies. The 10% is the sensitivity rate used when foreign exchange risk is reported internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in exchange rates. A positive number (as shown in the table below) indicates an increase in the results where the peso is strengthened by 10% against the relevant currency. If a weakening of 10% of the peso with respect to the reference currency is presented, then it will have a comparable impact on the results and the following balances would be negative (amounts in thousands):

	2015	2014	2013
U.S. Dollar	(325,056)	(438,425)	(342,802)
Euro	(301)	(1,639)	(2,195)
Nicaraguan Cordoba	-	(151,649)	(71,404)
Colombian peso	(75,083,033)	31,023,849	(59,412,419)
Swiss Franc	139	(116)	(46)

e. ***Credit risk management*** - Credit risk refers to the risk that one party default on its contractual obligations resulting in a financial loss for the Entity, and is mainly related to accounts receivable and liquid funds. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by credit rating agencies. The maximum exposure to credit risk is represented by the carrying amounts of financial assets. The other exposure to credit risk is represented by the balance of each financial asset principally in trade accounts receivable. The Entity sells its products and / or services to customers who have demonstrated financial solvency, and periodically assesses the financial condition of its customers and has insurance billing for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss. Additionally, the Entity does not believe there is a significant concentration of credit on its customer base in the commercial sector. The Entity believes that any potential credit risk is adequately covered by the allowance for doubtful accounts that represents its estimate of incurred losses in respect of impaired of accounts receivable (see Note 6).

f. ***Liquidity risk management*** - Ultimate responsibility for liquidity risk management rests with the Corporate Treasury, which has established an appropriate liquidity risk management framework for the management of the Entity's short-, medium- and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Entity's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Entity can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Entity may be required to pay.

Amounts in the table include debt at both fixed and variable rates. If changes in variable interest rates differ from those estimates used in the table, amounts below could differ.

The Entity expects to meet its obligations with cash flows of operations and resources received from the maturity of financial assets. Additionally the Entity has access to lines of credit with different credit institutions.

As of December 31, 2015	Weighted average effective interest Rate	1 year	1 - 3 year	More than 3 Years	Total
Bank loans and long term – debt	5.31%	$ 4,323,997	$ 2,791,542	$ 1,644,859	$ 8,760,398
Accounts payable to suppliers		2,544,163	-	-	2,544,163
Accounts payable to related parties		66,761	-	-	66,761
Other accounts payable and accrued liabilities		969,418	-	-	969,418
Total		$ 7,904,339	$ 2,791,542	$ 1,644,859	$12,340,740

As of December 31, 2014	Weighted average effective interest Rate	1 year	1 - 3 year	More than 3 Years	Total
Bank loans and long term – debt	4.52%	$ 3,657,452	$ 2,610,175	$ 1,780,550	$ 8,048,178
Accounts payable to suppliers		2,501,449	-	-	2,501,449
Accounts payable to related parties		21,534	-	-	21,534
Interest accrued payable		908,885	-	-	908,885
Total		$ 7,089,320	$ 2,610,175	$ 1,780,550	$11,480,046

As of December 31, 2013	Weighted average effective interest Rate	1 year	1 - 3 year	More than 3 Years	Total
Bank loans and long term – debt	4.52%	$ 2,842,596	$ 3,604,785	$ 2,629,198	$ 9,076,578
Accounts payable to suppliers		2,582,883	-	-	2,582,883
Accounts payable to related parties		13,652	-	-	13,652
Interest accrued payable		952,270	-	-	952,270
Total		$ 6,391,401	$ 3,604,785	$ 2,629,198	$12,625,383

16. **Fair value of financial instruments**

Except as detailed in the following table, the administration of the Entity believes that the carrying amounts of financial instruments recognized at amortized cost in the consolidated financial statements approximates their fair value:

a. The fair value of long-term debt is as follows:

	2015		2014		2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Debt to financial institutions	$ 5,422,006	$ 5,826,308	$ 4,971,801	$ 5,572,390	$ 6,094,927	$ 6,840,279

b. Fair value hierarchy

There are no significant financial instruments that are measured at fair value subsequent to initial recognition. However, the fair value of financial instruments measured at amortized cost is presented in the table above. A description on the extent to which the fair value is observable below:

- Level 1 are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period there were no transfers between Level 1, 2 and 3.

The fair value of long term debt is calculated using a discounted cash flow method with an approximated market rate of the current debt cost based on comparable information in the market for entities with a similar risk profile. The level of fair value calculation is level 2.

17. **Stockholders' equity**

a. As of December 31, 2015, 2014 and 2013, capital stock is represented by:

	Number of shares			Amount		
	2015	2014	2013	2015	2014	2013
Fixed portion:						
Series "A"	50,000	50,000	50,000	$ 50	$ 50	$ 50
Variable portion:						
Series "B"	4,017,940,410	3,835,940,410	3,570,940,410	4,017,940	3,835,940	3,570,940
Total	4,017,990,410	3,835,990,410	3,570,990,410	$ 4,017,990	$ 3,835,990	$ 3,570,990

Capital stock consists of common registered shares with a par value of one peso per share. Shares of Series "A" can be acquired only by Mexican citizens. Variable capital is unlimited.

b. During the Extraordinary Stockholders' Meeting held on December 1, 2015, the stockholders approved a capital increase in the variable portion of 182,000,000 shares of Series "B" in the amount of $182,000.

c. During the Extraordinary Stockholders' Meeting held on December 30, 2014, the stockholders approved a cash distribution to stockholders of $29,120 applied to account net tax profit (CUFIN).

d. During the Extraordinary Stockholders' Meeting held on October 16, 2014, the stockholders approved a capital increase in the variable portion of 265,000,000 shares of Series "B" in the amount of $265,000.

e. During the Extraordinary Stockholders' Meeting held on December 27, 2013, the stockholders approved a cash distribution to stockholders of $29,120 applied to net account tax profit (CUFIN).

f. During the Extraordinary Stockholders' Meeting held on October 1, 2013 the stockholders approved the capital increase in the variable portion of 107,689,316 shares of Series "B" in the amount of $107,688.

g. The legal reserve may not be distributed during the existence of the Entity unless the Entity is dissolved. As of December 31, 2015, 2014 and 2013, the Entity has not created this reserve.

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

   The dividends paid from earnings generated from January 1, 2014, to residents in Mexico and foreign resident, may subject to income tax additional up to 10%, which it will be retained by the Entity.

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

		2015		2014		2013
Contributed capital account	$	6,327,552	$	6,017,449	$	5,526,881
Net account tax profit (CUFIN)		719,342		704,334		662,219
Total	$	7,046,894	$	6,721,783	$	6,189,100

   As shown in the table above, the total amount of the balances of stockholders 'equity tax accounts exceeds shareholders' equity according to the accompanying consolidated statements of financial position.

18. Balances and transactions with related parties

a. Balances to related parties are as follows:

		2015		2014		2013
Accounts receivable -						
Grupo Administración Corporativa, S. C.	$	8,661	$	8,725	$	8,138
Soluciones Financieras CCK, S.A. de C.V. SOFOM ENR		1,605		-		-
Extraser, S.A. de C.V.		128		-		-
Impulsora CCK, S.A. de C.V.		-		267		4,145
Inmobiliaria Los Mejía, S. A. de C. V.		-		2,241		-
Others		113		387		161
	$	10,507	$	11,620	$	12,444

	2015	2014	2013
Accounts payables-			
Kaltex Inmobiliaria, S.A. de C.V.	$ 57,034	$ 17,336	$ 10,730
Inmobiliaria Los Mejía, S. A. de C. V.	5,854	-	1,835
Rancho Los Mejías, S. A. de C. V.	3,804	3,804	1,087
Others	69	394	-
	$ 66,761	$ 21,534	$ 13,652

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

	2015	2014	2013
Sales	$ 15,267	$ 17,189	$ 17,189
Interest income	23	9	9
Other income	-	-	53,468

19. Costs and expenditure by nature (restated)

Concept	2015 Cost of sales	Sales expenses	Administrative expenses	Total cost and expenditures
Wages and salaries	$ 1,057,108	$ 481,910	$ 454,390	$ 1,993,408
Employee benefits	639,761	46,747	103,742	790,250
Profit sharing	39,008	1,245	1,245	41,498
Raw material	4,841,546	-	-	4,841,546
Manufacturing expenses	308,388	-	-	308,388
Finished goods	2,684,610	-	-	2,684,610
Publicity	-	193,800	160	193,960
Travel expenses	618	26,021	17,404	44,043
Insurance	83,932	13,669	13,700	111,301
Freight	9,588	15,606	73	25,267
Fees	15,847	36,796	74,719	127,362
Maintenance	378,286	35,255	68,671	482,212
Vigilance	7,359	-	1,817	9,176
Leasing	71,359	351,019	20,646	443,024
Phone	3,128	21,190	13,687	38,005
Electricity	758,134	105,808	25,507	889,449
Water	17,530	40	3,949	21,518
Fuels and lubricants	250,454	-	5,600	256,054
Logistics services	278,727	-	56,491	335,218
Customs charges	59,196	461	496	60,153
Transfer values	-	9,817	-	9,817
Sales commissions	7,005	39,598	-	46,603
Bank commissions	-	12,924	10,718	23,643
Administrative services	-	26	10,881	10,907
Amortization	-	8,326	-	8,326
Others	89,283	53,581	60,287	203,151
Subtotal	11,600,867	1,453,839	944,183	13,998,889
Depreciation	566,871	108,685	31,831	707,387
Total	$ 12,167,738	$ 1,562,524	$ 976,014	$ 14,706,276

Concept	2014 Cost of sales	Sales expenses	Administrative expenses	Total cost and expenditures
Wages and salaries	$ 1,036,134	$ 437,101	$ 349,706	$ 1,822,941
Employee benefits	632,716	38,066	76,591	747,373
Profit sharing	1,120	36	36	1,192
Raw material	4,311,315	7	4,578	4,315,900
Manufacturing expenses	280,931	86	115	281,132
Finished goods	2,481,923	-	-	2,481,923
Publicity	-	150,615	55	150,670
Travel expenses	126	23,108	12,698	35,932
Insurance	74,161	14,614	15,396	104,171
Freight	66,588	5,932	634	73,154
Fees	16,023	41,159	70,161	127,343
Maintenance	115,752	37,221	36,329	189,302
Expenditure on plant	188,744	-	-	188,744
Vigilance	1,105	-	8,365	9,470
Leasing	73,509	334,006	20,001	427,516
Phone	2,297	695	10,509	13,501
Electricity	746,920	124,114	13,306	884,340
Water	12,219	-	1,567	13,786
Fuels and lubricants	107,668	91	5,606	113,365
Logistics services	117,881	51,604	73,117	242,602
Customs charges	47,739	8,517	90	56,346
Reserve of inventories	13,050	-	-	13,050
Transfer values	-	12,161	652	12,813
Sales commissions	5,191	57,487	-	62,678
Bank commissions	-	8,826	54,766	63,592
Administrative services	-	13	13,686	13,699
Amortization	8,327	-	-	8,327
Others	232,334	40,721	31,371	304,426
Subtotal	10,573,773	1,386,180	799,335	12,759,288
Depreciation	547,165	132,805	32,499	712,469
Total	$ 11,120,938	$ 1,518,985	$ 831,834	$ 13,471,757

Concept	2014 Cost of sales	Sales expenses	Administrative expenses	Total cost and expenditures
Wages and salaries	$ 1,036,134	$ 437,101	$ 349,706	$ 1,822,941
Employee benefits	632,716	38,066	76,591	747,373
Profit sharing	1,120	36	36	1,192
Raw material	4,311,315	7	4,578	4,315,900
Manufacturing expenses	280,931	86	115	281,132
Finished goods	2,481,923	-	-	2,481,923
Publicity	-	150,615	55	150,670
Travel expenses	126	23,108	12,698	35,932
Insurance	74,161	14,614	15,396	104,171
Freight	66,588	5,932	634	73,154
Fees	16,023	41,159	70,161	127,343
Maintenance	115,752	37,221	36,329	189,302
Expenditure on plant	188,744	-	-	188,744
Vigilance	1,105	-	8,365	9,470
Leasing	73,509	334,006	20,001	427,516
Phone	2,297	695	10,509	13,501
Electricity	746,920	124,114	13,306	884,340

Concept	2014 Cost of sales	Sales expenses	Administrative expenses	Total cost and expenditures
Water	12,219	-	1,567	13,786
Fuels and lubricants	107,668	91	5,606	113,365
Logistics services	117,881	51,604	73,117	242,602
Customs charges	47,739	8,517	90	56,346
Reserve of inventories	13,050	-	-	13,050
Transfer values	-	12,161	652	12,813
Sales commissions	5,191	57,487	-	62,678
Bank commissions	-	8,826	54,766	63,592
Administrative services	-	13	13,686	13,699
Amortization	8,327	-	-	8,327
Others	232,334	40,721	31,371	304,426
Subtotal	10,573,773	1,386,180	799,335	12,759,288
Depreciation	547,165	132,805	32,499	712,469
Total	$ 11,120,938	$ 1,518,985	$ 831,834	$ 13,471,757

Concept	2013 Cost of sales	Sales expenses	Administrative expenses	Total cost and expenditures
Wages and salaries	$ 1,438,540	$ 485,209	$ 395,986	$ 2,319,735
Employee benefits	370,122	10,958	27,089	408,169
Profit sharing	-	-	-	-
Raw material	5,022,386	-	-	5,022,386
Manufacturing expenses	150,025	-	-	150,025
Finished goods	3,090,650	54,537	18,264	3,163,451
Publicity	-	49,746	19,548	69,294
Travel expenses	185	22,757	18,583	41,525
Insurance	57,107	17,653	21,116	95,876
Freight	17,781	15,244	1,699	34,724
Fees	20,162	238,865	44,596	303,623
Maintenance	283,018	37,477	38,718	359,213
Expenditure on plant	14,054	-	-	14,054
Vigilance	10,296	14	1,894	12,204
Leasing	88,093	379,934	19,267	487,294
Phone	2,401	1,041	4,529	7,971
Electricity	914,273	126,094	15,861	1,056,228
Water	59,945	-	-	59,945
Fuels and lubricants	269,608	6,365	3,894	279,867
Logistics services	12,441	18,210	1,318	31,969
Customs charges	67,601	7,024	-	74,625
Reserve of inventories	8,314	-	-	8,314
Transfer values	-	13,972	-	13,972
Sales commissions	3,780	48,118	-	51,898
Bank commissions	1,125	50,185	1,258	52,568
Administrative services	-	20,200	-	20,200
Amortization	8,327	-	-	8,327
Others	60,544	8,484	3,443	72,471
Subtotal	11,970,778	1,612,087	637,063	14,219,928
Depreciation	516,827	144,915	32,383	694,125
Total	$ 12,487,605	$ 1,757,002	$ 669,446	$ 14,914,053

20. Other expenses

	2015	2014	2013
Cancellation of accounts	$ -	$ (4,708)	$ (18,637)
Loss (gain) on sale of machinery and equipment	3,900	6,602	(22,301)
Fair value adjustment of investment properties	(110,436)	(36,823)	(39,401)
Revenues from sales of waste	(16,508)	-	-
Recovery of insurance	(3,708)	-	-
Others	(43,061)	133,653	141,515
	$ (169,813)	$ 98,724	$ 61,176

21. Income taxes

The Entity and some of its subsidiaries are located in Mexico; certain other subsidiaries are located throughout the United States of America (USA), Colombia and Nicaragua. It is important to mention that although the fiscal laws and regulations applicable in the different countries may differ considerably, there are similar permanent elements, such as non-deductible and non-taxable items. As a result, the Company has decided to use the Mexican income tax (ISR) rate of 30% to reconcile its effective tax rate, due to the fact that the majority of the earnings are taxed in Mexico through its direct subsidiary, Kaltex Textiles, S. A. de C. V. and Kaltex Comercial, S.A. de C.V.

Mexico

The Entity is subject to ISR and the rate was 30%.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain circumstances, the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions.

Colombia

The Entity calculates income tax based on its presumptive income as defined in the Colombian tax law. The current income tax rate (IRC) is 25%. The Entity is also subject to a tax on equity (CREE) at a rate of 9%.

Nicaragua

According to Decree No. 46-91 "Ley de Zonas Francas" Art. 20, the Entity has the following tax benefits:

a) 100% exemption from payment of tax on income generated by their activities in the "Zona Franca" (Free Zone) during the first ten years of operation and 60% from the eleventh year.

b) Exemption from payment of tax on sale of property under any title, including the tax on capital gains, if any, provided that the company closed its operations in this area, and the property continues to affect the regime Zona Franca.

c) Exemption from all taxes and customs duties and import-related consumption, applicable to the introduction into the country of raw materials, materials, equipment, machinery, matrix, or spare parts intended to enable the company for its operations in Zona Franca.

d) Exemption from customs duties on transport equipment, other vehicles loading passengers or service intended for normal use of the company in the Zona Franca.

e) Full exemption from excise taxes on sales or selective consumption.

f) Full exemption from municipal taxes.

g) Full exemption from export taxes on processed goods in the Zona Franca.

United States of America

In 2015 and 2014, the Entity is subject to a 34% rate on income generated.

a. ***Income tax recognized in profit or loss***

	2015	2014	2013
ISR:			
Current	$ 242,887	$ 58,692	$ (272,599)
Deferred	(79,790)	(261,742)	310,195
Income tax recognized in profit or loss	$ 163,097	$ (203,050)	$ 37,596

Deferred tax recognized in other comprehensive income:

	2015	2014	2013
Actuarial (gain) loss on employee benefits	$ 4,869	$ (10,857)	$ 40,429

b. ***Deferred tax balances:***

	2015	2014	2013
Deferred ISR asset:			
Reserves and provisions	$ 87,604	$ 125,526	$ 91,017
Employee benefits	52,297	78,884	68,654
PTU	13,779	375	11,244
Effect of tax loss carryforwards	195,567	380,259	-
Others	22,200	10,845	-
Customer prepayments	12,691	43,189	22,012
	384,138	639,078	192,927
Deferred ISR liability:			
Property, plant and equipment	(1,938,074)	(2,276,155)	(2,097,255)
Prepayments	(11,668)	(8,629)	(7,682)
Others	(8,563)	(3,381)	(9,676)
Deferred ISR liability	(1,958,305)	(2,288,165)	(2,114,613)
Net deferred ISR liability	$ (1,574,167)	$ (1,649,087)	$ (1,921,686)

c. ***Deferred tax in statement of financial position***

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statements of financial position:

	2015	2014	2013
Deferred income tax asset	$ 365,952	$ 383,730	$ -
Deferred income tax liability	(1,940,119)	(2,032,817)	(1,921,686)
Deferred income tax liability	$ (1,574,167)	$ (1,649,087)	$ (1,921,686)

d. ***The movements of deferred tax liabilities during the year are as follows:***

	2015	2014	2013
Opening balance	$ 1,649,087	$ 1,921,686	$ 1,571,062
Deferred ISR recognized in profit or loss	(79,789)	(261,742)	310,195
Deferred tax recognized in other comprehensive income	4,869	(10,857)	40,429
Closing balance	$ 1,574,167	$ 1,649,087	$ 1,921,686

e. Following is a reconciliation of the statutory income tax rate and the effective rate on the income from continuing operations before income taxes and equity in the results of associated companies:

	2015 %	2014 %	2013
Income tax at statutory rate	30	30	30
Add (deduct) the effect of permanent differences:			
Non-deductible items	4	6	2
Adjustment for inflation	(8)	(8)	(12)
Effect of different tax rates and tax bases of operations in other jurisdictions	(8)	(9)	(14)
Unrecognized deferred tax assets	335	6	-
Others	(3)	(8)	(12)
Effective rate	350	17	(6)

f. The benefits from tax loss carryforwards and recoverable IMPAC recognized as a deferred asset, which can be recovered subject to certain conditions, are as follows. In calculating deferred ISR according to the above paragraphs, the effects of tax loss carryforwards and recoverable IMPAC paid of $253,385 and $ 16,891, respectively, were included in the table below; however, they have not been recognized because there is not a high probability of recovering such amounts. Expiration dates and restated amounts for inflation through December 31, 2015 amounts are:

Year of Expiration	Tax loss Expiration	Recoverable IMPAC
2016	$ -	$ 6,432
2017	355,998	10,459
2018	271,033	-
2019	60,214	-
2020	45,831	-
2021	59,012	-
2022	26,726	-
2023 and thereafter	25,805	-
	$ 844,619	$ 16,891

22. Contingencies

At the date of these consolidated financial statements, the Entity has legal proceedings pending before the competent authorities, mainly related to foreign trade operations related to the recovery of accounts receivable and labor lawsuits.

The estimated amount of these judgments at December 31, 2015, 2014 and January 1, 2014 is $196,968, $253,360 and $444,023, respectively, of which there is a liability recorded of $67,324, $98,962 and $129,029, respectively, which represents the Entity's best estimate of probable outflows should it receive an unfavorable decision in these legal proceedings. These amounts have been included in contingencies in the consolidated statement of financial position. The Entity has paid $31,640 during 2015 for this concept. While the results of these legal proceedings cannot be predicted with certainty, management of the Entity does not believe there is any legal proceeding that will result in an unfavorable ruling for the Entity in amounts greater than the provisions it has recognized related to such proceedings.

23. **Segment information**

The information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment is based on two segments as follows:

- Textile: manufacture and distribution of yarns and fabrics of all kinds of natural and synthetic fibers and

- Commercial: marketing of clothing, bedding for home and logistics services and also the operation of clothing stores

a. The following segment information is presented based on the management approach as follows.

	2015				
	International	Textile	Commercial	Eliminations	Total Consolidated
Net sales	$ 6,455,509	$ 10,496,979	$ 3,413,721	$ (4,491,910)	$ 15,874,299
Gross profit	1,167,477	1,774,101	1,259,256	(494,273)	3,706,561
Sales expense	513,280	156,899	976,014	(93,513)	1,562,524
Administrative expenses	381,864	844,922	(169,813)	(407,884)	976,014
Other expenses (income), net	(125,347)	(54,131)	2,541	7,124	(169,813)
Operating loss	$ 272,333	$ 772,280	$ 116,286	$ 7,124	$ 1,168,023
Depreciation and amortization	$ 92,504	$ 498,178	$ 125,031	$ -	$ 715,713
EBITDA	$ 490,184	$ 1,324,589	$ 238,776	$ -	$ 2,053,549
Interest, net	$ 174,648	$ 313,604	$ 84,620	$ -	$ 572,872
Exchange loss, net	$ 13,900	$ 613,869	$ 90,608	$ -	$ 718,377
Income tax	$ 91,137	$ 34,257	$ 37,703	$ -	$ 163,097
Net loss	$ 117,995	$ (135,319)	$ (99,186)	$ -	$ (116,510)
Acquisition of property, plant and equipment	$ 19,860	$ 56,084	$ 72,486	$ -	$ 148,430
Property, plant and equipment, net	$ 3,453,849	$ 6,989,727	$ 620,669	$ -	$ 11,064,245
Total assets	$ 6,539,495	$ 10,967,790	$ 3,757,512	$ (592,193)	$ 20,672,604
Total liabilities	$ 3,775,454	$ 7,664,261	$ 3,165,319	$ (803,244)	$ 13,801,790

	2014				
	International	Textile	Commercial	Eliminations	Total Consolidated
Net sales	$ 5,184,962	$ 8,164,195	$ 3,033,481	$ (2,903,196)	$ 13,479,442
Gross profit	740,195	739,547	1,089,981	(211,219)	2,358,504
Sales expense	401,109	219,307	973,894	(75,325)	1,518,985
Administrative expenses	345,899	576,848	145,280	(236,193)	831,834
Other expenses (income), net	56,223	(67,015)	9,217	100,299	98,724
Operating loss	$ (6,813)	$ (56,608)	$ (29,193)	$ 100,299	$ 7,685
Depreciation and amortization	$ 111,187	$ 469,489	$ 140,120	$ -	$ 720,796
EBITDA	$ 48,151	$ 479,709	$ 101,897	$ -	$ 629,757
Interest, net	$ 171,127	$ 249,852	$ 92,946	$ -	$ 513,925
Exchange loss, net	$ 4,219	$ 706,776	$ (113,636)	$ -	$ 597,359
Income tax	$- 3,690	$ (215,182)	$ 8,442	$ -	$ (203,050)
Net loss	$ (242,072)	$ (731,039)	$ (26,162)	$ -	$ (999,273)
Acquisition of property, plant and equipment	$ 151,891	$ 183,602	$ 90,011	$ -	$ 425,504
Property, plant and equipment, net	$ 3,937,645	$ 7,429,444	$ 674,870	$ -	$ 12,041,959
Total assets	$ 4,334,456	$ 13,256,513	$ 3,536,754	$ (675,885)	$ 20,451,838
Total liabilities	$ 2,531,852	$ 8,483,912	$ 2,845,869	$ (631,114)	$ 13,230,519

	2013				
	International	Textile	Commercial	Eliminations	Total Consolidated
Net sales	$ 4,923,696	$ 10,290,641	$ 3,384,026	$ (3,753,599)	$ 14,844,764
Gross profit	752,683	726,160	1,038,922	(160,606)	2,357,159
Sales expense	464,801	501,162	1,063,637	(272,598)	1,757,002
Administrative expenses	294,041	375,405	-	-	669,446
Other expenses (income), net	7,927	(102,638)	43,895	111,992	61,176
Operating loss	$ (6,159)	$ (150,407)	$ (24,715)	$ 111,992	$ (69,289)
Depreciation and amortization	$ 110,336	$ 466,306	$ 144,641	$ -	$ 721,283
EBITDA	$ 96,250	$ 418,537	$ 76,031	$ -	$ 590,818
Interest, net	$ 149,013	$ 177,617	$ 102,294	$ -	$ 428,924
Exchange loss, net	$ 9,270	$ 56,689	$ 7,251	$ -	$ 73,210
Income tax	$- 27,790	$ 42,756	$ (32,950)	$ -	$ 37,596
Net loss	$ (200,159)	$ (324,831)	$ (145,205)	$ -	$ (670,195)
Acquisition of property, plant and equipment	$ 264,143	$ 1,051,940	$ 49,879	$ -	$ 1,365,962
Property, plant and equipment, net	$ 4,194,827	$ 7,897,168	$ 728,429	$ -	$ 12,820,424
Total assets	$ 4,629,242	$ 13,452,642	$ 3,645,560	$ (638,621)	$ 21,088,823
Total liabilities	$ 2,417,551	$ 8,125,843	$ 3,909,066	$ (617,124)	$ 13,835,336

24. Authorization to issue the consolidated financial statements

On February 28, 2017, the issuance of the accompanying consolidated financial statements was authorized by C.P. Carlos Avelar Guerrero, the Entity's Legal Representative; consequently, they do not reflect events occurred after that date; and subject to the approval of the ordinary shareholders' meeting, who may be modified in accordance with the provisions of the General Law of Commercial Companies.

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