Becle, S.A. de C.V. and subsidiaries

FINANCIAL REPORT TO BOND HOLDERS

2015

Mexico City, Mexico, April 29, 2016. – Becle S.A. de C.V. (formerly JB y Compañía, S.A. de C.V.) and Subsidiaries (which we refer collectively as “Jose Cuervo”) announced today its operating and financial results for the calendar year 2015.

Recent Developments

On November 14, 2015, as part of an internal corporate restructuring plan, the previously announced and approved merger of JB y Compañía, S.A. de C.V., Romo Hermanas S.A. de C.V. and Comercializadora Cacu S.A. de C.V. (together, the “Merged Companies”) with an into Becle S.A. de C.V. (“Becle”) took effect, with Becle surviving the merger. As a result of the merger, Becle assumed all the assets, property and rights of the Merged Companies, as well as their liabilities, obligations and responsibilities. In particular, Becle assumed all obligations of JB y Compañía S.A. de C.V. as issuer under the indenture dated May 13, 2015 (the “Indenture”) governing the company´s 3.750% Senior Notes due 2025. In addition, as part of the internal corporate restructuring plan, certain subsidiary guarantors under the Indenture were merged with and into other subsidiary guarantors under the Indenture.

From the next interest payment due on May 13, 2016 onwards, all interest payments will be done by Becle as aforementioned.

Operating and Financial Highlights

In 2015, total volume was 16.329 million 9 liter cases, 22.5% higher than same period of last year. Growth was mainly driven by the addition of Jose Cuervo Margarita Mix in August 2014 and Bushmills whisky in February 2015, and good performance of tequilas in the NAFTA region.

Full year net sales less excise taxes (“Net Sales”) totaled MXP 14,413.8 million, 28.3% higher than in 2014. This increase is mainly driven by tequila, margarita and Irish whisky categories.

Operating income was MXP 4,399.1 million, 19.5% higher than the same period of last year. The increase is from strong performance in revenues, and adequate expense control.

Operating margin was 30.5% in 2015, 2.3% lower than 2014 mainly from strategic changes in supply chain and bottling operations and higher Net Sales.

Comprehensive Financial Result

In 2015, net interest expense was MXP 125.2 million, higher than last year, due to the long term financing incurred by the company for the purchase of 100% shares of Bushmills.

The company recorded a foreign exchange loss of MXP 298.2 million compared to a foreign exchange gain of MXP 415.2 million for 2014. This loss is explained by the higher long-term leverage of the company and the depreciation of the Mexican Peso against the US dollar.

The company recorded a comprehensive financial loss of MXP 423.4 million, compared with a comprehensive financial gain of MXP 416.0 million last year.

Sale of the Shares of Tequila Don Julio (TDJ)

The sale of the shares of TDJ resulted in a net gain MXP 3,254.0 million.

Controlling Net Income

Controlling net income totaled MXP 5,182.1 million, 66.9 % higher than last year. This increase is explained by good operating results and the sale of TDJ shares.

Balance Sheet Highlights

As of December 31, 2015, the cash balance position of the company reached MXP 3,125.8 million. Approximately 90% of this cash position is US dollar denominated.

Inventories were MXP 2,484.6 million lower than in 2014. Non-current inventory was MXP 5,449.0 million, MXP 4,589.2 million higher than last year, mainly explained by the maturing bulk Irish whisky inventories related to Bushmills acquisition.

Property, plant and equipment totaled MXP 2,823.8 million, MXP 1,282.6 million higher than last year. The increase is from the Bushmills acquisition and MXP 435.3 million of capital expenditures.

Intangible assets and trademarks, and goodwill, totaled MXP 6,605.1 million. The increase from 2014 figures is mainly driven by the record of the brand and goodwill associated with Bushmills acquisition, partially compensated by the sale of TDJ shares.

Long term debt was MXP 8,490.2 million, none in 2014. This increase is due to the issuance of USD 500 million 144 A – Regulations S 10 year bond.

Cash Flow Highlights

In 2015, the cash flow from operating activities was MXP 4,298.6 million and net cash from operating activities after working capital investments was MXP 1,061.9 million.

Net cash used in investing activities was MXP 6,677.3 million and net cash received from financing activities was MXP 5,340.3 million.

Net cash flow (cash and cash equivalents) decreased MXP 275.1 million. The company cash position remained practically unchanged.

Conference Call Information:

Jose Cuervo 2015 year end results Conference Call will be held on: **Friday May 6, 2016 at 11:00 AM Eastern Time (10:00 AM Mexico City Time)**. To participate in the conference call, please dial:

México	01-800-0362000
USA	1-855-3781619
Canada	1-844-6525913
UK	0-800-3763592
Others	+52-5530031112

Access Code: 8526472

If you are unable to participate live, the conference call audio will be available on www.ircuervo.com

Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated financial statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors and Stockholders
Becle, S. A. de C. V. and subsidiaries:

We have audited the accompanying consolidated financial statements of Becle, S. A. de C. V. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 Mexican Financial Reporting Standards (FRS), 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 our 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, we consider 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.

(Continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Becle, S. A. de C. V. and subsidiaries as at December 31, 2015, and 2014, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with Mexican Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

a) As mentioned in note 1(c) to the consolidated financial statemens, at the Stockholders' Meeting held on July 16, 2015, JB y Compañía, S. A. de C. V.'s stockholders decided to merge this legal entity with Becle, S. A. de C. V. as merging company. Such merge is effective starting on July 16, 2015. Therefore, since that date, Becle, S. A. de C. V. is considered the ultimate parent company of the group, and consolidates all the subsidiaries consolidated until December 31, 2014 in JB y Compañía, S. A. de C. V.

b) During 2015, the Company and its subsidiaries carried out significant transactions as described in note 1, which affects comparability of the financial information, mainly because of the sale of its investment in Don Julio, B.V. and the acquisition of Old Bushmills Distillery Company, Ltd.

c) As mentioned in notes 3(s) and 7, the Company carried out significant transactions with related parties.

KPMG CARDENAS DOSAL, S. C.

Rodolfo Basurto Escobar

April 27, 2016.
Mexico City

Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statement of financial position

December 31, 2015 and 2014

(Thousands of Mexican pesos)

Assets		2015	2014
Current assets:			
Cash and cash equivalents	$	3,125,809	3,322,162
Accounts receivable, net (note 6)		3,400,891	2,843,333
Related parties (note 7)		3,266,684	2,360,700
Other receivables (note 8)		593,704	509,993
Inventories, net (note 9)		2,484,649	2,810,982
Investment in joint venture and trademark available for sale (notes 1(b) and 11)		-	1,402,289
Prepayments (note 10)		135,307	147,065
Total current assets		13,007,044	13,396,524
Non-current inventory (note 9)		5,448,949	859,746
Investment in associated companies (note 11)		-	154,779
Property, plant, and equipment, net (note 13)		2,823,789	1,541,211
Employee benefits (note 17)		102,848	19,082
Intangible assets and trademarks (note 14)		3,536,486	107,659
Goodwill (note 12)		3,068,617	-
Other assets (note 14)		84,118	78,645
Security deposits		2,808	1,705
	$	28,074,659	16,159,351

Liabilities and Stockholders' Equity		2015	2014
Current liabilities:			
Current installments of notes payable to banks (note 16)	$	43,016	995,439
Trade accounts payable		1,527,861	956,766
Other liabilities		711,046	1,023,837
Accruals (note 15)		620,813	647,028
Employee statutory profit sharing		11,617	12,013
Related parties (note 7)		235,991	101,410
Dividend payable		-	1,032,063
Total current liabilities		3,150,344	4,768,556
Long-term debt, excluding current installments (note 16)		8,490,206	-
Deferred income taxes and employee statutory profit sharing (note 18)		1,226,831	247,018
Total liabilities		12,867,381	5,015,574
Stockholders' equity (note 19):			
Controlling interest:			
Capital stock		6,492,756	6,384,863
Additional paid-in capital		334,489	334,489
Retained earnings		8,222,427	4,395,415
Cumulative translation effect		157,606	476
Total controlling interest		15,207,278	11,115,243
Non-controlling interest		-	28,534
Total stockholders' equity		15,207,278	11,143,777
Commitments and contingent liabilities (note 23)			
	$	28,074,659	16,159,351

See accompanying notes to consolidated financial statements.

Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statements of Comprehensive Income

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

		2015	2014
Net sales (notes 7 and 20)	$	14,413,771	11,231,442
Cost of goods sold		(6,355,475)	(4,004,969)
Gross profit		8,058,296	7,226,473
Expenses (note7):			
Advertising, marketing and promotion		2,362,477	2,180,821
Distribution		377,927	343,053
Sales		189,212	203,478
Administration		729,561	816,872
Total expenses		3,659,177	3,544,224
Operating income		4,399,119	3,682,249
Other expenses, net		(121,409)	(80,967)
Comprehensive financial results:			
Interest income (note 7)		10,053	34,558
Interest expense (note 7)		(135,232)	(33,731)
Foreign exchange (loss) gain, net		(298,185)	415,165
Comprehensive financial results, net		(423,363)	415,992
Sale of investment in 2015 and equity method in associated in 2014 (notes 1(b) and 11)		3,253,963	192,349
Income before income taxes		7,108,310	4,209,623
Income taxes (note 18):			
Current		2,009,964	1,174,298
Deferred		(83,777)	(72,449)
Total income taxes		1,926,187	1,101,849
Consolidated net income		5,182,123	3,107,774
Non-controlling interest		-	(2,587)
Controlling net income	$	5,182,123	3,105,187
Other comprehensive income:			
Cumulative translation effect (note 19 (b))		216,094	-
Employee benefits effect		26,932	-
Comprehensive income	$	5,425,149	3,105,187

See accompanying notes to consolidated financial statements.

Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2015 and 2014

	Total Capital Stock	Additional paid-in Capital	Retained earnings	Other comprehensive income	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2013	$ 6,384,863	334,489	1,651,322	476	8,371,150	25,947	8,397,097
Dividends (note 19 (c))	-	-	(208,833)	-	(208,833)	-	(208,833)
Stock acquisition between parties under common control (note 1)	-	-	(152,261)	-	(152,261)	-	(152,261)
Net income	-	-	3,105,187	-	3,105,187	2,587	3,107,774
Balances as of December 31, 2014	6,384,863	334,489	4,395,415	476	11,115,243	28,534	11,143,777
Increase in capital stock by merger (note 19 (a))	107,893	-	(318,961)	-	(211,068)	(28,534)	(239,602)
Dividends (note 19 (c))	-	-	(1,025,029)	-	(1,025,029)	-	(1,025,029)
Sale of shares under common control (note 11)	-	-	(97,017)	-	(97,017)	-	(97,017)
Accounting change - past services for actuarial non-amortized gains from prior years	-	-	85,896	(58,964)	26,932	-	26,932
Net comprehensive income (note 19 (b))	-	-	5,182,123	216,094	5,398,217	-	5,398,217
Balances as of December 31, 2015	$ 6,492,756	334,489	8,222,427	157,606	15,207,278	-	15,207,278

See accompanying notes to consolidated financial statements.

Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

		2015	2014
Cash flows from operating activities:			
Income before income taxes, non-controlling interest and discontinued operations	$	7,108,310	4,209,623
Items relating to investing activities:			
Depreciation and amortization		262,728	171,475
Investment in associates		-	(191,153)
Gain (loss) on sale of property, plant and equipment		(10,107)	5,684
Gain on sale of join venture available for sale		(3,253,963)	-
Interest income		(10,053)	(34,558)
Sale of shares under common control		(154,779)	-
Long-term debt amortization		5,159	-
Translation effect		216,094	-
Item relating to financing activities - Interest expense		135,231	33,731
Subtotal		4,298,620	4,194,802
Accounts receivable		194,522	(550,909)
Related parties		(905,984)	(1,206,783)
Other receivables		(83,711)	1,529,086
Inventories		(203,280)	(949,220)
Security deposits		(1,103)	-
Prepayments		11,758	(43,325)
Trade accounts payable		28,293	380,636
Other liabilities		(312,791)	29,371
Accruals		(26,215)	193,808
Income taxes paid		(1,810,462)	(1,174,298)
Accounts payable to related parties		134,581	32,869
Employee statutory profit sharing		(396)	-
Changes in direct employee benefits		11,424	9,298
Net periodic cost from termination and retirement benefits		(104,262)	19,338
Contributions to plan assets		(169,076)	-
Payments for termination and retirement benefits		-	(5,754)
Net cash provided by operating activities		1,061,918	2,458,919
Cash flows from investing activities:			
Investment in property, plant and equipment		(435,310)	(524,196)
Stock acquisition between parties under common control		-	(152,261)
Business acquisition		(10,664,773)	-
Mergers		(318,353)	-
Proceeds from sale of joint venture and trademark		4,656,252	-
Proceeds from sale of property, plant and equipment		17,046	25,851
Proceeds from sale of shares under common control		57,762	-
Increase in other non-current assets		-	(49,521)
Interest collected		10,053	34,558
Cash collected from loans granted		-	16,550
Net cash (used in) investing activities		(6,677,323)	(649,019)
Cash (to be obtained from) surplus to be applied in financing activities		(5,615,405)	1,809,900
Cash flows from financing activities:			
Proceeds from loans		8,528,063	469,914
Cash inflow from increase in capital stock		-	-
Dividends paid		(1,025,029)	(208,833)
Dividedns paid from previous year		(1,032,063)	-
Payments on loans		(995,439)	(408,987)
Interest paid		(135,231)	(24,743)
Net cash provided by (used in) financing activities		5,340,301	(172,649)
Net (decrease) increase in cash and cash equivalents		(275,104)	1,637,251
Cash and cash equivalents:			
At beginning of year		3,322,162	1,684,911
Cash received from mergers		78,751	-
At end of year	$	3,125,809	3,322,162

See accompanying notes to consolidated financial statements.

(1) Description of business and significant transactions of subsidiaries-

Description of business-

Becle, S. A. de C. V. (the "Company") is a company incorporated under the laws of Mexico. The address of the Company is Avenida Río Churubusco #213, Granjas México Iztacalco, Mexico City 08400.

The consolidated financial statements of the Company as of and for the years ended December 31, 2015 and 2014 comprise the Company and its subsidiaries. Subsidiaries' main activity is to produce, bottle, purchase, sell, import, export, intermediate and distribute alcoholic drinks and agricultural products, mainly Blue Tequilana Weber Agave.

Significant transactions -

a) On February 27, 2015, JB y Compañía, S. A. de C. V. (former ultimate parent company merged into Becle, see (c) below) entered into a credit agreement of US$500,000 thousands dollars with Bank of America, N.A. and Citibank, N.A., bearing interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to the "Eurodollar" rate for such interest period plus the applicable rate, as established in the agreement (note 16).

b) On February 27, 2015, the Company sold its investment in Don Julio, B. V. (DJ) to Diageo Mexico Comercializadora, S. A. de C. V., represented by 50% of DJ capital stock, for US$310,000 thousands dollars; therefore, from that date on, DJ is no longer considered a joint venture company. As a result, the Company recorded as part of the consolidated statements on comprenhensive income a revenue of $3,253,963 which represents the net amount of the transaction sales price reduced by the investment in joint venture, trademark value, working capital plus expenses incurred as part of the transaction.

c) At the Stockholders' Meeting held on July 16, 2015, JB y Compañía, S. A. de C. V.'s stockholders decided to merge this legal entity with Becle, S. A. de C. V. as merging company. The previously described merge is effective starting on July 16, 2015. Therefore, since that date, Becle, S. A. de C. V. is considered the ultimate parent company of the group.

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Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)
Notes to consolidated financial statements
For the years ended December 31, 2015 and 2014
(Thousands of Mexican pesos)

In addition, as part of this Stockholders' Meeting, it was decided to merge Comercializadora Cacu, S. A. de C.V. and Romo Hermanas, S. A. de C. V. into Becle, S. A. de C. V.

d) On December 14, 2015 BV Destilados de Malta, S.A.P.I. de C. V. (associated company) purchased from Becle, S. A. de C. V. the total capital stock of Rones del Caribe, S. A. de C. V. (associated company, see note 11) and Rones Habanos, S. A. de C. V. As a result, the Company recognized a loss of $97,017 in the stockholders´ equity.

Subsidiaries´significant transactions -

Casa Cuervo, S. A. de C. V. (CC)

On February 27, 2015, JC Overseas, Ltd., subsidiary company, purchased from Diageo Great Britain, Limited, the total capital stock of Old Bushmills Distillery Company, Limited, (OBD) for US$718,700 thousands dollars; therefore, OBD is considered a subsidiary company from that day on.

On November 2, 2014, Diageo Brands, B. V. (Diageo) terminated its distribution agreement with Casa Cuervo, S. A. de C. V. in advance, where the latest provided distribution services for products under the brand "Smirnoff", as a result of this, Diageo paid to Casa Cuervo, S. A. de C. V. a penalty of US$10,000 thousands dollars.

Ex Hacienda los Camichines, S. A. de C. V. (EHC)

At the Stockholders' Meeting held on September 30, 2015, Agavera Camichines, S. A. de C. V., Agavera Gallardo, S. A. de C.V. and Productora Lázaro Gallardo, S. A. de C. V.'s stockholders decided to merge these legal entities with Ex Hacienda los Camichines, S. A. de C. V. as merging company. The previously described merge is effective starting on October 1, 2015.

Proximo Spirits México, S. A. de C. V. (PSM)

At the Stockholders' Meeting held on August 31, 2015, PSM's stockholders decided to merge this legal entities with José Cuervo, S. A. de C. V. as merging company. The previously described merger is effective starting on September 1, 2015.

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Bienes Inmuebles de Guadalajara, S. A. de C. V. (BIGSA)

At the Stockholders' Meeting held on October 10, 2014, BIGSA´s stockholders, who were also stockholders of JB´s ultimate parent, agreed to sell the entire BIGSA´s capital stock, amounting to $276,549 in exchange for $428,810 paid in cash by JB y Compañía, S. A. de C. V. resulting in an effect of stock acquisition between parties under common control in retained earnings of $152,261, therefore, from that date on, BIGSA is considered a subsidiary entity.

(2) Financial statements authorization and presentation-

Authorization

On April 27, 2016, Antonio Silva Jáuregui, Finance Director, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law and the bylaws of Becle, S. A. de C. V., the stockholders are empowered to modify the consolidated financial statements after issuance. The accompanying consolidated financial statements will be submitted to the next Stockholder´s Meeting for approval.

Basis of preparation

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS) (see note 4).

b) Use of estimates and judgments

The preparation of consolidated financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangibles and goodwill; valuation allowances for accounts receivable, inventories and deferred income tax assets and the valuation of assets and liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

(Continued)

c) Functional and reporting currency

The aforementioned consolidated financial statements are presented in Mexican pesos (reporting currency), which is the same as the local currency and the functional currency.

For purposes of disclosure, "pesos" or "$" means Mexican pesos, and "dollars" or "US$" means U.S. dollars.

d) Statement of comprehensive income presentation

The Company opted for reporting comprehensive income in a single statement that includes all the items that comprise net income or loss, other comprehensive income (OCI) and equity in the OCI of investees, entitled "Statement of Comprehensive Income".

Given that the Company is an industrial and commercial entity, ordinary costs and expenses are presented based on their function, to arrive at the gross profit margin. Additionally, the "Operating income" line item is included, which results from subtracting the cost of sales and expenses from net sales, as this line item is considered to provide a better understanding of the Company's economic and financial performance. Furthermore, the "Other expenses (income)" line item is included as it is deemed convenient for reporting amounts of activities other than the Company's operating activities.

(3) Summary of significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company:

(a) Recognition of the effects of inflation-

The accompanying consolidated financial statements have been prepared in accordance with Mexican FRS, and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index (NCPI). Annual and cumulative inflation percentage of the last three years and the indices used to determine inflation, are as shown on the following page.

(Continued)

(Thousands of Mexican pesos)

		Inflation	
December 31,	**NCPI**	**Yearly**	**Cumulative**
2015	118.532	2.13%	10.52%
2014	116.059	4.08%	12.07%
2013	111.508	3.97%	11.80%

(b) Principles of consolidation-

The consolidated financial statements include the accounts of Becle, S. A. de C. V. and those of its subsidiaries which it controls. All significant inter-company balances and transactions have been eliminated in consolidation. The consolidation was based on the audited financial statements of the issuing companies as of December 31, 2015, and 2014, which have been prepared in accordance with Mexican FRS. (See notes 1(c) and 19).

(c) Translation of foreign currency financial statements-

The financial statements of foreign operations are translated into the reporting currency by initially determining if the functional currency and the currency for recording the foreign operations are different and then translating the functional currency to the reporting currency, using the historical exchange rate and/or the exchange rate at year end, and the inflation index of the country of origin when the foreign operation is located in an inflationary economy.

(d) Cash and cash equivalents-

Cash and cash equivalents consist of checking accounts, foreign currency and other highly liquid instruments. At the date of the consolidated financial statements, interest income and foreign exchange gains and losses are included in the consolidated statement of income.

(e) Accounts receivable-

Accounts receivable are reported at realizable value, net of provisions for returns and discounts and the allowance for doubtful accounts.

(Continued)

(f) Inventories and cost of sales-

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the standard cost method.

Unit cost is determined using the average cost formula.

Cost of sales represents the cost of inventories at the time of sale, increased, as applicable, for reductions in the net realizable value of inventories during the year.

The Company records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the carrying amount will exceed the future revenues expected from use or realization of the inventory items.

(g) Biological assets-

The Company´s biological assets correspond to Agave Tequilana Weber blue variety in their different development stages.

Due to the fair value of the biological assets cannot be determined objectivly and trustly at fair value, their valuation is at the production cost less any cumulative shrinkage loss, sickness and impairment.

The maturity cycle of agave ranges between 6 and 8 years; based on this and the estimated time for harvest, agave inventories are classified as current and non-current assets.

(h) Prepayments-

Mainly include prepaid expenses for the purchase of inventories, marketing, leases and services that are received after the date of the consolidated statement of financial position and in the ordinary course of operations.

(i) Investments in associated company-

Investment in associated company in which indirectly held 50% of their capital stock and does not have effective control is accounted for by the equity method based on the audited financial statements of the investee as of December 31, 2014. (see notes 1(b) and 11).

(Continued)

(Thousands of Mexican pesos)

(j) Property, plant and equipment-

Property, plant and equipment owned by the Company previous to the acquisition performed by JC Overseas, Ltd. (subsidiary of Casa Cuervo, S. A. de C. V.) as a result of the transaction described in note 1, are recorded at acquisition cost and through December 31, 2007, were adjusted for inflation by applying NCPI factors. Property, plant and equipment acquired in the previously described transaction, are stated at cost less accumulated depreciation.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets as determined by the Company's Management. The annual depreciation rates of the principal asset classes are as follows:

	Rates
Manufacturing, bottling and storage machinery	8% and 25%
Machinery and equipment	4% to 25%
Buildings and constructions	1.7% to 5%
Transportation equipment	10% and 25%
Transfer equipment	3%
Pollution control equipment	8%
Leasehold improvements	5%
Laboratory equipment	8% and 10%
Office furniture and equipment	10%
Computer equipment	30% and 33%
Telecommunication equipment	10%
Distribution equipment	25%
Casks	5%

Leasehold improvements are amortized over the useful life of the improvement or the related contract term, whichever is shorter.

Minor repairs and maintenance costs are expensed as incurred.

(k) Goodwill-

Goodwill represents the future financial benefits arising from other acquired assets that are not individually identifiable or separately recognizable. Goodwill is subject to impairment tests at the end of the reporting period and when there is an indication of impairment.

(Continued)

(l) Intangible assets-

Intangible assets with indefinite useful life include the following trademarks: Bushmills, Cholula, Fonda Cholula, Cocula, Cheverny, Clos San José, Sperry´s, Castillo, Oso Negro, Pomar, Santa Clara, Sangrita, De la Viuda and until February 27, 2015 Don Julio (note 1(b) and 11). These are classified as having an indefinite useful life due to no legal, regulatory, contractual, economic or other factors might limit their useful lives, and are subject to tests for potential impairment on an annual basis or at any time when there is an indication of impairment.

Intangible assets with definite useful life include: installation expenses, deferred expenses, copyrights, memberships, patents and software. These assets are recorded at acquisition cost and through December 31, 2007, were adjusted for inflation by applying NCPI factors, except membership, which are recorded at cost. Amortization is calculated on the straight-line method, in a period from 5 to 20 years.

(m) Impairment of property, plant and equipment and other non-current assets-

The Company evaluates the net carrying amount of property, plant and equipment and other non-current assets, to determine whether there is an indication that the carrying amount exceeds the recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net revenues reasonably expected to be generated by the asset. If the net carrying amount of the asset exceeds the recoverable amount, the Company records the necessary provisions.

(Continued)

(n) Accruals-

Based on Management's estimates, the Company recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually inevitable and arises as a consequence of past events, principally marketing, services and logistics expenses.

(o) Employee benefits-

Short-term direct benefits

Short term direct benefits are recognized in the current period when the services are provided. A liability is recognized for the amount the Company expects to pay if there is a legal or assumed obligation as result of the past services provided, and when the estimation can be reasonable estimated.

Long-term direct benefits

The Company´s net obligation regarding long-term direct benefits (except for deferred ESPS - see *(p) Income Tax and Employee Statutory Profit Sharing (ESPS)*) that are expected to be paid within the twelve months after the issuance of the financials, is the amount of future benefits that employees are entitled in exchange of their services in the current and prior years. This benefit is discounted to present its present value. Re-measurements are recognized in the period when are bearded.

Post-employment benefits

Defined benefit plans

The Company´s net obligation related to the defined benefit for pension plans, seniority premium and termination are calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior years, deducting this amount and deducting at the same time, the fair value of plan assets.

The calculation of obligations for defined benefit plans are performed annually by qualified actuaries using the unit credit projected method. When the calculation results in a potential asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of economic benefits, it should be considered any minimum funding requirements.

(Continued)

Actual service cost, which represents the employee benefits period cost for having an additional service life year based on the plan benefits, is recognized in cost and operating expenses. Net interest is recognized in the "Comprehensive Financial Result".

Plan modifications affecting prior service cost, are recognized immediately in profit or loss during the year when the modification took place, with no chance for being deferred. In addition, the effects are recognized in profit and loss.

Re-measurements arose from differences between real and projected actuarial hypothesis at the end of the year, are recognized in the period´s Other Comprehensive Income in stockholders' equity.

Plan modification´s balance (past services) not yet recognized as of the adoption date, should be recorded by affecting the retained earnings opening balance.

(p) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

IT and ESPS payable for the year are determined in conformity with the tax regulations in effect.

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT, for operating loss carry forwards and other recoverable tax credits. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

Current and deferred income taxes and ESPS are presented and classified in the results of operations of the period, except those arising from a transaction that is recognized in Other Comprehensive Income or directly in stockholders' equity.

(Continued)

(q) Cumulative currency translation effect-

Represent the difference resulting from the translation of the functional currency of foreign operations into the reporting currency.

(r) Revenue recognition-

The Company recognizes revenue from sale of products when the products are shipped and the customer takes ownership and assumes risk of loss. Based on Management's analysis and estimates, the Company provides allowance for doubtful receivables (reported under selling expenses), returns and discounts (deducted from sales) and sales commissions (reported under selling expenses).

Revenue from royalties and marketing services are recognized when they are rendered.

(s) Business concentration-

The Company's products are sold to a large number of customers without significant concentration with any of them, except for what is mentioned in the next paragraph.

In 2015 and 2014, sales made to Proximo Spirits, Inc., and The Cholula Food Company, Inc. represented 53% and 47% respectively, of the Company´s net sales.

(t) Advertising costs-

Advertising costs are expensed as incurred.

(u) Comprehensive financial results (CFR)-

The CFR includes interest income and expense, and foreign exchange gains and losses and translations effects.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force at the statement of financial position date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported on the statement of comprenhensive income.

(Continued)

(v) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

(4) Accounting changes-

Accounting changes-

The accounting changes recognized by the Company in 2015, derived from adoption of the FRS and Improvements to FRS mentioned below, issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF):

FRS D-3 *"Employee benefits"*- FRS D-3 is effective for years beginning on or after January 1, 2016 and early adoption is allowed as of January 1, 2015. FRS D-3 supersedes the provisions in FRS D-3. The Company has applied early adoption. Accounting changes resulting from the initial application of this FRS were the recognition of defined benefits liability of $98,272 (net of deferred income tax of $29,482 and deferred ESPS of $9,827) as part of the other comprehensive income and non-amortized actuarial gain for past services of $143,160 (net of deferred income tax of $42,948 and deferred ESPS of $14,316) within capital stock.

2015 FRS Improvements-

In December 2014, CINIF issued the document referred to as "2015 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

- **FRS B-8 "Consolidated or combined financial statements"-** FRS B-8 defines investment entities and stipulates that, in view of the characteristics of such entities' primary activities, they generally do not exert control over an investee.

(Continued)

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- **Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments"-** Bulletin C-9 provides that foreign currency advances should be recognized at the exchange rate prevailing on the date of the transaction; that is, at the historical exchange rate. Such amounts should not be modified by subsequent exchange fluctuations between the functional currency and the foreign currency in which the price of goods and services related to such advance payments are denominated.

  Accounting changes resulting from the initial application did not generate effects in the consolidated financial statements of the Company.

(5) Foreign currency exposure and translation-

Monetary assets and liabilities denominated in us dollars, euros, pounds and canadian dollars translated into the reporting currency, as of December 31, 2015 and 2014, were as follows:

		Mexican pesos	
		2015	2014
Current assets:	$	9,570,649	4,987,750
Liabilities:			
Current		(1,539,625)	(1,672,686)
Long term		(8,490,206)	-
Net (liabilities) assets	$	(459,182)	3,315,064

As of December 31, 2015 and 2014, net foreign exchange (losses) and gain amounting $(298,185) and $415,165, respectively, were recorded.

The exchange rates used in the various translation processes to the reporting currency at December 31, 2015 and 2014, were as shown in next page.

(Continued)

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Country of origin	Currency	Exchange rate 2015	2014
United States of America	Dollar	17.21	14.71
European Community	Euro	18.79	17.91
Great Britain	Pound	25.44	22.93
Canada	Canadian dollar	12.42	12.69
		====	====

The following types of currencies were used for translation purposes:

Foreign currency	Country of origin	Currency Recording	Functional	Reporting
Dollar	United States of America	Dollar	Dollar	Peso
Euro	European Community	Euro	Euro	Peso
Pound	Great Britain	Pound	Pound	Peso

At December 31, 2015, the Company did not have foreign exchange hedging instruments.

(6) Accounts receivable-

Accounts receivable consist of the following:

		2015	2014
Clients	$	3,812,465	3,234,132
Less:			
Allowance for returns and discounts		359,662	342,412
Allowance for doubtful accounts		51,912	48,387
	$	3,400,891	2,843,333
		=======	=======

(Continued)

(Thousands of Mexican pesos)

(7) Related-party transactions and balnces-

Transactions carried out with related parties during the years ended December 31, 2015 and 2014 were as follows:

		2015	2014
Sales of products:			
Proximo Spirits, Inc.	$	7,046,024	4,787,403
The Cholula Food Company, Inc.		621,378	459,661
Proximo Spirits UK, Ltd.		55,133	48,257
Matusalem & Matusalem of Florida, Inc.		13,971	12,346
Tequila Espíritu de México, S. A. de C. V.		211	-
Grupo de Consultoria Santa Fe, S. A. de C. V.		31	64
Tequila Don Julio, S. A. de C. V.*		-	1,516
		========	=======
Royalties income:			
Proximo Spirits, Inc.	$	-	75,323
Fonda Cholula, S. A. de C. V.		-	80
		========	=======
Agricultural services income:			
Don Julio Agavera, S. A. de C. V.*	$	35,345	38,269
Tequila Don Julio, S. A. de C. V.*		2,129	4,833
		=====	=====

*Affiliated company until February 27, 2015 (note 1(b))

(Continued)

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		2015	2014
Interest income:			
Proximo Spirits UK, Ltd.	$	2,180	2,618
Aeroservicios Ejecutivos Corporativos, S. A. de C. V.		295	1,019
Administración Acuario, S. A. de C. V.		191	574
Taberna del Tequila, S. A. de C. V.		60	68
Tequila Espiritu de México, S. A. de C. V.		-	139
Romo Hermanas, S. A. de C. V.		-	11
Cien Años Vallarta, S. A. de C. V.		-	2
		======	======

Income from sale of property and equipment:			
Grupo de Consultoría Santa Fe, S. A. de C. V.	$	577	-
		======	======

Services rendered:			
Tequila Espíritu de México, S. A. de C. V.	$	9,070	-
Tequila Don Julio, S. A. de C. V.*		230	53,445
Crista la Santa, S. A. P. I. de C. V.		-	32
		=======	=======

*Affiliated company until February 27, 2015 (note 1(b))

(Continued)

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		2015	2014
Recoverable expenses:			
Tequila Espíritu de México, S. A. de C. V.	$	8,583	199
Grupo de Consultoría Santa Fe, S. A. de C. V.		7,721	1,589
Proximo Spirits, Inc.		4,923	-
Proximo Distillers, Inc.		1,077	-
Desarrollo Inmobiliario Polanco, S. A. de C. V.		134	-
Maestro Tequilero, S. A. de C. V.		49	-
Tequila Don Julio, S. A. de C. V.*		-	4,086
Administración Acuario, S. A. de C. V.		-	18
		=======	========
Other income:			
Tequila Don Julio, S. A. de C. V.*	$	3,177	12,241
Proximo Spirits, Inc.		2,810	2,991
Grupo de Consultoría Santa Fe, S. A. de C. V.		1,224	757
Matusalem & Matusalem of Florida, Inc.		878	794
The Cholula Food Company, Inc.		822	737
Administración Acuario, S. A. de C. V.		470	-
Tequila Espíritu de México, S. A. de C. V.		410	376
Crista la Santa, S. A. P. I. de C. V.		164	-
Aeroservicios Ejecutivos Corporativos, S. A. de C. V.		53	-
Administración Acuario, S. A. de C. V.		-	149
		========	========

*Affiliated company until February 27, 2015 (note 1(b))

(Continued)

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		2015	**2014**
Purchases of products:			
Proximo Distillers, Inc.	$	399,984	-
Proximo Spirits, Inc.		41,784	62,474
Tequila Don Julio, S. A. de C. V.*		-	283,336
		========	========
Royalties paid:			
Maestro Tequilero, S. A. de C. V.	$	6,213	9,658
Rones del Caribe, S. A. de C. V.**		7,433	12,490
Romo Hermanas, S. A. de C. V.		-	9,114
		======	======
Advertising services:			
Proximo Spirits, Inc.	$	18,339	7,655
The Cholula Food Company, Inc.		1,068	32,123
Grupo de Consultoría Santa Fe, S. A. de C. V.		-	28,339
		======	======
Lease expenses:			
Aeroservicios Ejecutivos Corporativos, S. A. de C. V.	$	81,287	26,606
Desarrollo Inmobiliario Polanco, S. A. de C. V.		76,298	71,888
Inmuebles Rústicos Santo Domingo, S. A. de C. V.		7,979	-
Bienes Inmuebles de Tequila, S. A. de C. V.		3,709	3,591
Bienes Inmuebles de Guadalajara, S. A. de C. V.		-	28,775
Inmuebles Rústicos Santo Domingo, S. A. de C. V.			6,963
		======	======

*Affiliated company until February 27, 2015 (note 1(b))
** Associated company until December 14, 2015 (note 11)

(Continued)

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		2015	**2014**
Marketing income:			
Maestro Tequilero, S. A. de C. V.	$	96,568	-
		======	======
Marketing expenses:			
Proximo Spirits, Inc.	$	-	281,677
Tequila Espíritu de México, S. A. de C. V.		-	2,462
		======	======
Interest expense:			
Desarrollo Inmobiliario Polanco, S. A. de C. V.	$	102	191
		=====	=====
Services received:			
Grupo de Consultoría Santa Fe, S. A. de C. V.	$	3,434	29,144
Desarrollo Inmobiliario Polanco, S. A. de C. V.		2,433	2,943
Administración Acuario, S. A. de C. V.		527	173
Tequila Don Julio, S. A. de C. V.*		-	1,371
Proximo Spirits, Inc.		-	36,658
Bienes Inmuebles de Guadalajara, S. A. de C. V.		-	2,050
The Cholula Food Company, Inc		-	496
Tequila Espíritu de México, S. A. de C. V.		-	725
Maestro Tequilero, S. A. de C. V.		-	120
Romo Hermanas, S. A. de C. V.		-	12
		=====	=====

*Affiliated company until February 27, 2015 (note 1(b))

(Continued)

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(Thousands of Mexican pesos)

Balances receivable from and payable to related parties as of December 31, 2015 and 2014 are as shown below:

		2015	**2014**
Receivables:			
Proximo Spirits Inc.	$	2,956,178	1,892,054
The Cholula Food Company, Inc.		125,182	156,726
Proximo Spirits UK, Ltd.		89,594	135,331
Crista la Santa, S. A. P. I. de C. V.		46,653	21,291
Rones del Caribe, S. A. de C. V.**		30,180	-
Aeroservicios Ejecutivos, S. A. de C. V.		7,637	11,284
Taberna del Tequila, S. A. de C. V.		3,772	3,063
Matusalem & Matusalem of Florida, Inc.		2,934	19,463
Tequila Espíritu de México, S. A. de C. V.		2,133	61,947
Grupo de Consultoría Santa Fe, S. A. de C. V.		2,034	-
Rones Habanos, S. A. de C. V.**		282	-
Proximo Distillers, Inc.		64	-
Fonda Cholula, S. A. de C. V.		23	-
Sunrise Holding, S. A. de C. V.		17	14
Desarrollo Inmobiliario Polanco, S. A. de C. V.		1	38,459
Administración Acuario, S. A. de C. V.		-	10,931
Others		-	10,137
	$	3,266,684	2,360,700

*Affiliated company until February 27, 2015 (note 1(b))
** Associated company until December 14, 2015 (note 11)

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		2015	2014
Payables:			
Proximo Marketing, Inc.	$	61,366	12,421
BV Destilados de Malta, S. A. P. I. de C. V.		3,657	-
Maestro Tequilero, S. A. de C. V.		228	-
Administración Acuario, S. A. de C. V.		21	-
Otros		170,719	-
Bienes Inmuebles de Tequila, S. A. de C. V.		-	58,457
Grupo de Consultoría Santa Fe, S. A. de C. V.		-	18,781
Tequila Don Julio, S. A. de C. V.*		-	11,751
	$	235,991	101,410

*Affiliated company until February 27, 2015 (note 1(b))

Accounts receivable from and payable to related parties relates to purchases of products and services in the normal course of the Company's business, which bears no interest and has no defined maturity.

(8) Other receivables-

Other receivables consist of the following:

		2015	2014
Recoverable value-added tax	$	287,181	107,431
Recoverable flat rate business tax		109,441	21,221
Sundry debtors		176,630	159,597
Other		20,452	26,936
Recoverable income taxes		-	194,808
	$	593,704	509,993

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(9) Inventories-

Inventories are comprised as follows:

		2015	2014
Finished goods	$	803,634	383,212
Short term agave inventory		359,357	499,680
Bulk beverage aging and hard liquor		951,110	1,652,686
Bottling supplies		234,475	152,672
Raw materials		71,356	76,119
Goods in-transit		66,836	55,148
Agrochemicals		34,943	30,462
Tools		26,304	16,633
		2,548,015	2,866,612
Less			
Allowance for obsolete and slow-moving items		30,377	27,428
Allowance for agave inventory		32,989	28,202
		2,484,649	2,810,982
Non-current			
Agave inventory		1,039,845	859,746
Bulk beverage		4,409,104	-
		5,448,949	859,746
	$	7,933,598	3,670,728
		=======	=======

(10) Prepayments-

Prepayments are comprised as follows:

		2015	2014
Inventories	$	72,927	98,431
Services		52,786	42,928
Marketing		9,594	4,954
Other		-	752
	$	135,307	147,065
		======	======

(Continued)

(Thousands of Mexican pesos)

(11) Investment in associated and joint venture-

As of December 31, 2014, investment in the common stock of joint venture company (Don Julio, B. V.) was accounted for by the equity method, which recognizes the Company's proportionate share in the income and stockholders' equity of the investee. Such investment was classified as available for sale, therefore, was classified as current asset and has been valuated at net book value or sale price, the lowest.

At December 31, 2014, the investment in Don Julio, B. V., which was accounted for by the equity method was as follows:

	%		Equity in net assets	Equity in income for the year
December 31, 2014	50	$	824,416	192,349
			======	======

As of December 31, 2014, investments in associated companies in which Rones del Caribe, S. A. de C. V. (subsidiary company) held 59% of their capital stock amounting to $154,779 at December 31, 2014 and did not have effective control, were recorded at cost.

As mentioned in note 1 b) and 1 d) the Company sold its investments in Don Julio and Rones del Caribe, during 2015.

(12) Goodwill-

As of December 31, 2015 goodwill arose from the acquisition of the business mentioned in note 21 is as follows:

The Old Bushmills Distillery, Ltd.	$ 10,664,773
Net assets	7,596,156
	3,068,617
	=======

(Continued)

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(13) Property, plant and equipment-

Property, plant and equipment comprise the following:

		2015	2014
Manufacturing, bottling and storage machinery	$	1,624,510	1,552,169
Casks		578,752	-
Pollution control equipment		363,293	172,961
Buildings and construction		856,966	225,199
Machinery and equipment		956,077	196,141
Transportation equipment		202,091	152,023
Leasehold improvements		106,153	106,808
Computer equipment		87,319	61,895
Laboratory equipment		38,218	36,195
Office furniture and equipment		30,740	30,085
Distribution equipment		9,332	8,399
Telecommunication equipment		7,933	7,726
Subtotal		4,861,384	2,549,601
Less accumulated depreciation		2,413,686	1,443,718
		2,447,698	1,105,883
Land		220,582	213,139
Construction in progress [1]		155,509	222,189
	$	2,823,789	1,541,211
		=======	=======

[1] Mainly includes improvements in the distillation plant which will be completed during 2016.

(Continued)

(Thousands of Mexican pesos)

(14) Intangible assets and trademarks-

Intangible assets at December 31, 2015 and 2014 include the following:

		2015	2014
Intangible assets with indefinite useful lives			
Trademarks (mainly Bushmills Brand)	$	3,536,486	107,659
		=======	======
Intangible assets with defined useful lives			
Software	$	64,630	61,962
Installation expenses		36,658	36,571
Memberships		11,051	3,097
Copyrights		-	402
		112,339	102,032
Less accumulated amortization		96,446	83,258
Subtotal		15,893	18,774
Projects in progress [(1)]		68,225	59,871
Total intangible assets	$	84,118	78,645
		======	======

[(1)] Mainly includes improvements and migration to the SAP system.

(Continued)

(Thousands of Mexican pesos)

(15) Accruals-

Accruals include the following:

		Marketing	Services	Logistics expenses	Other	Total
Balances at December 31, 2014	$	232,034	220,829	159,327	34,838	647,028
Increases recorded in earnings		27,536	777,218	2,614,296	440,804	3,859,854
Payments and cancellations credited to earnings		(47,937)	(794,987)	(2,608,019)	(435,126)	(3,886,069)
Balances at December 31, 2015	$	211,633	203,060	165,604	40,516	620,813

(16) Notes payable to banks-

At December 31, 2015 and 2014, the Company has notes payable to banks as follows:

a) On May 6, 2015 JB y Compañía, S. A. de C. V. (former ultimate parent company and merged into Becle, S. A. de C. V. during 2015, see note 1) issued an offering memorandum of $500,000 thousands USD to qualified institutional buyers in the United States of America, bearing interest of 3.75% which will be paid semi-annually during the months of May and November each year. The offering memorandum is guaranteed by certain of the Company´s subsidiaries and there is no public market for the notes. As of December 31, 2015 the current installment of notes payable to banks for $43,016 to represents accrued interests. Long term debt includes $8,603,250 (principal) net of ofering incurred expenses for $113,044.

   The note payable to banks is recognized at amortized cost and its maturity date is 2025. In addition, it includes certain covenants, which are described in note 23.

b) In September 2014, the Company renegotiated a loan from Bank of America, N. A. amounting US$40,000 thousands USD equivalent to $588,720 Mexican pesos establishing a new maturity date on March 11, 2015, bearing annual interest at 1.48%. The loan does not establish covenants and it was paid at the maturity date.

(Continued)

(Thousands of Mexican pesos)

c) In October 2014, the Company obtained a loan from Banco Nacional de Mexico, S. A. amounting $400,000 Mexican pesos maturing on April 1, 2015 and bearing annual interest at 4.10%, Tequila Cuervo, S. A. de C. V. (subsidiary company), is jointly liable for this loan. The loan does not establish covenants and it was paid at the maturity date.

Interest expense on loans for the years ended December 31, 2015 and 2014 amounted to $5,881 and $6,719, respectively.

(17) Employee benefits-

The Company has a defined benefit pension plan covering all of its employees. The benefits are based on years of service and the employee's compensation over the last five years. The Company paid annual contributions to the plan equal to the maximum amount that can be deducted for income tax purposes based on the projected unit credit method.
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Cash flows-

During 2015 and 2014 there were no plan contributions, and benefits paid were as follows:

		Benefits paid	
		2015	**2014**
Termination	$	2,536	5,875
Retirement		16,922	-
Total	$	19,458	5,875

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The cost, obligations and other elements of post-employment benefits mentioned in note 3(o), have been determined based on computations prepared by independent actuaries at December 31, 2015 and 2014, respectively. The components of the defined benefit cost for the years ended December 31, 2015 and 2014 are as shown as follows:

		Seniority premium		Termination		Pension plans	
		2015	2014	2015	2014	2015	2014
Cost of actual service	$	1,520	2,584	5,266	5,173	30,767	27,092
Net interest over DBL o (DBA)*		241	209	3,036	3,220	(9,597)	(7,458)
Cost of past service		9	-	-	-	(139,148)	(5,849)
Recycling of DBL or DBS measurements booked in OCI*		65	-	-	-	3,019	-
Return on plan assets		-	(127)	-	147	-	(4,641)
Amortization of actuarial (gain) losses		-	308	-	(541)	-	237
Cost of defined benefits	$	1,835	2,974	8,302	7,999	(114,959)	9,381

		Seniority premium		Termination		Pension plans	
		2015	2014	2015	2014	2015	2014
Opening balances of the measurement from DBL or DBA *	$	1,664	-	268	-	59,895	-
Re-measurements during the year		1,258	28	3,016	-	31,849	-
Recycling of the re measurement recorded in the OCI during the year		(48)	59	17	-	(2,754)	-
Closing balance of the re-measurement from DBL or DBA*	$	1,874	87	3,301	-	88,990	-

(Continued)

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		Seniority premium		Termination		Pension plans	
		2015	2014	2015	2014	2015	2014
Opening balance of the re-measurement from DBL or DBA/DBL *	$	4,657	3,710	49,422	46,631	(70,888)	(84,433)
Cost (income) of defined benefits		1,836	1,806	8,302	6,976	(114,959)	9,382
Payments debited to the DBL/DBA *		503	23	(7,904)	(5,875)	7,610	2,748
Other comprehensive income from prior years		541	(14)	(440)	(124)	(123,431)	-
Other comprehensive income		1,874	87	3,301	-	88,990	-
Closing balance of DBL or DBA*	**$**	**9,411**	**5,612**	**52,681**	**47,608**	**(212,678)**	**(72,303)**
		======	======	=====	=======	=======	======

(*)Defined benefit liability (DBL) or defined benefit Asset (DBA)

The financing position of the Defined Employee benefits at December 31, 2015 and 2014 is shown below:

		Seniority premium		Termination		Pension plans	
		2015	2014	2015	2014	2015	2014
Projected benefit obligation (PBO)	$	13,631	11,686	52,681	47,608	418,301	696,469
Plan assets		4,220	5,074	-	-	764,053	624,166
Closing balance of the re measurement from DBL or DBA*	**$**	**9,411**	**6,612**	**52,681**	**47,608**	**(345,752)**	**(72,303)**
		=====	=====	=====	======	======	=======

(Continued)

(Thousands of Mexican pesos)

The main actuarial assumptions used, to determine net period cost of plan assets are as shown below:

	Benefits	
	2015	**2014**
Discount rate	6.9%	7.5%
Expected return on plan assets	6.9%	7.5%
Rate of compensation increase	4.5%	4.5%
Average remaining working life (seniority premium)	18 years	19 years
Average remaining working life (termination)	6 years	
Average remaining working life (pension plans)	19 years	22 years

The Old Bushmill Distillery Company Limited – Pension Liability-

The expected rates for return on assets have been calculated as weighted averages of the individual expected asset class returns, weighted by the allocation of assets to each category at the relevant date. The expected market values are as follows:

		2015
Equities	$	364,476
Bonds		160,968
Real state/property		15,762
Other		3,908
Net pension liability	$	545,114

(Continued)

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The unfunded pension liabilities and the amount recognized on the balance sheet are as follows:

		2015
Present value of scheme's liabilities	$	604,786
Total market value of assets		(545,114)
Unfunded liability		59,672
Deferred tax asset (UK)		(11,934)
Net pension liability	$	47,738
		=====

Changes in the fair value of plan assets

Fair value of assets at the beginning of the year	$	338,307
Expected return on assets		37,361
Actuarial gain		2,767
Employer contributions		191,629
Benefits paid		(24,950)
Fair value of assets at the end of the year	$	545,114
		======

Analysis of the present value of the scheme liability

Present value of scheme liabilities at the beginning of the year	$	338,307
Employer service cost		37,361
Interest cost		2,767
Benefits paid from plan assets		(24,950)
Present value of liabilities at the end of the year of the year	$	353,485
		======

(Continued)

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		2015
Operating charge		
The amounts charged to operating profit are current service costs	$	18,731
Interest charge		
The amounts charged to interest costs are:		
Expected return on assets	$	(37,761)
Interest costs		33,884
Total interest charge	$	(3,877)
		=====

Recognized gains and losses

The amounts recognized in the statement of total recognized gain and losses (STRGL) are:

		2015
Experience gain arising on scheme' s assets	$	2,767
Experience loss arising on the scheme's liabilities		(9,366)
Changes in actuarial assumptions		42,336
Actuarial loss recognized in STRGL	$	35,737
		=====

Financial assumptions

Discount rate of scheme liabilities (UK)	3.80%
Rate of general increase in salaries (UK)	4.35%
Rate of increase in pensions payments (UK)	3.00%
Rate of inflation (UK)	3.35%

(Continued)

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(18) Tax on earnings (Income Tax (IT) and employee statutory profit sharing (ESPS)-

IT Law effective as of January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter.

a) Tax on earnings

The income tax expense is as follows:

		2015	2014
In income:			
Current IT	$	2,009,964	1,174,298
Deferred IT		(83,777)	(72,449)
	$	1,926,187	1,101,849
In OCI:			
Deferred IT	$	(29,481)	-

Income tax expense attributable to income before income taxes and OCI, differed from the amounts computed by applying the Mexican statutory rates of 30% IT to income (loss) before income taxes and OCI, as a result of the items shown as follows:

		2015	2014
Computed "expected" tax expense	$	2,132,493	1,262,887
Increase (reduction) resulting from:			
Cost of shares		(195,338)	-
Effects of inflation, net		8,225	(51,434)
Equity in the earnings of associated companies		-	(57,704)
Non-deductible expenses		21,511	22,383
Deduction by article 81 from IT Law		(2,303)	(1,975)
Change in tax rates		-	(1,243)
Change in the beginning of the year balance of the valuation allowance		(46,554)	(15,951)
Other, net		8,153	(55,114)
IT expense	$	1,926,187	1,101,849

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, at December 31, 2015 and 2014, are presented in the next page.

(Continued)

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	2015	2014
Deferred tax assets:		
Accruals	$ 186,243	93,826
Allowance for doubtful receivables	15,574	14,515
Allowance for returns and discounts	107,898	102,724
Allowance for obsolete inventories	19,009	16,659
Recoverable AT	-	10,585
ESPS payable	3,485	3,207
Deferred ESPS	727	1,188
Net operating loss carry forwards	159,293	54,101
Exemption rate by article 47 of IT Law	1,236	1,963
Total gross deferred income tax assets	493,465	298,768
Less valuation allowance	5,154	50,528
Net deferred income tax assets	488,311	248,240

(Continued)

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	2015	2014
Deferred tax liabilities:		
Taxable cumulative inventory	384,869	254,675
Property, plant and equipment	212,338	192,842
Prepaid expenses	11,802	14,683
Exemption rate by article 47 of IT Law	188	-
Intangible assets	42	8,999
Employee benefits	33,241	5,726
Deduction by article 81 from IT Law	75	-
Deferred ESPS	50	-
Other	4,299	13,685
Total gross deferred tax liabilities	646,904	490,610
Net deferred tax liability	158,593	242,370
Deferred tax liability from acquisition	1,068,070	-
Net deferred tax liability	1,226,663	242,370
	======	======

The valuation allowance for deferred tax assets as of January 1, 2015 and 2014 amounted to $50,528 and $66,479, respectively. The net change in the total valuation allowance for the years ended December 31, 2015 and 2014 was a decrease of $(45,374) and $(15,951), respectively. In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

(Continued)

(Thousands of Mexican pesos)

At December 31, 2015, operating loss carry forwards, expire as shown below:

Year		Inflation adjusted through December 31, 2015
2016	$	-
2017		-
2018		-
2019		564
2020		2,484
2021		966
2022		1,537
2023		4,359
2024		322,039
2025		199,026
	$	530,975
		======

b) Deferred ESPS

The deferred ESPS (benefit) expense is as follows:

		2015	2014
In profit or loss	$	4,480	5,357
		=====	====

The ESPS effects of temporary differences that give rise to significant portions of the deferred ESPS asset and liabilities, at December 31, 2014 and 2013, are presented as the following page.

(Thousands of Mexican pesos)

		2015	2014
Deferred ESPS asset:			
Accruals	$	19,923	1,191
Employee benefits		712	-
Employee benefits OCI		22	-
Total deferred ESPS asset		20,657	1,191
Deferred ESPS liabilities:			
Employee benefits		17,803	-
Employee benefits OCI		-	5,349
Taxable cumulative inventory		772	84
Property, plant and equipment		1,669	-
Other		581	406
Total deferred ESPS liabilities		20,825	5,839
Net deferred ESPS liabilities	$	168	4,648

(19) Stockholders' equity-

The principal characteristics of Stockholders' equity are as follows:

(a) Structure of capital stock-

At the Stockholders' Meeting held on July 16, 2015, JB y Compañía, S. A. de C. V.'s stockholders decided to merge this legal entity with Becle, S. A. de C. V. as merging company. The previously described merge is effective starting on July 16, 2015. Therefore, since this date, Becle, S. A. de C. V. is considered the ultimate parent company of the group.

In addition, as part of this Stockholders' Meeting, it was decided to merge Comercializadora Cacu, S. A. de C.V. and Romo Hermanas, S. A. de C. V. into Becle, S. A. de C. V.

After the aforementioned mergers, the Company's capital stock at December 31, 2015 is represented by 6,492,756 common, registered shares, with a par value of one peso each, divided into two series: 41,590 series "A" shares representing the fixed portion, and 6,451,166 series "B" shares representing the unlimited variable portion.

(Continued)

(b) Other Comprehensive income (OCI)-

At December 31, 2015 and 2014 OCI includes $26,932 (net of deferred taxes by $11,542) which represents the effect of the employee benefits recorded by the entity as a result of the early adoption of modifications occurred to FRS D-3 “Employee benefits”.

In addition, includes the cumulative translation effect for $216,094 as a result of the consolidation process for JC Overseas, Ltd., The Old Bushmills Distillery, Ltd. and Master Distribution, Ltd. starting on February 27, 2015.

(c) Dividends-

At the General Stockholders’ Meeting held on December 7 and December 18, 2015, a resolution was passed to declare a dividend in the amount of $229,912 equivalent to $0.00037825 per share and $795,117 equivalent $0.000130816, respectively, from retained earnings which were paid in cash.

At the General Stockholders’ Meeting held on December 19, 2014, a resolution was passed to declare a dividend in the amount of $208,833, $0.034 pesos per share, fully paid in cash.

(d) Restrictions on stockholders’ equity-

In accordance with the General Corporations Law, five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock.

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

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

(Continued)

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(20) Revenue ands cost:

Revenues are as follows:

		2015	2014
Sales of products	$	15,402,436	12,228,346
Discounts and returns		988,665	996,904
		14,413,771	11,231,442

The main items comprising cost are shown below:

		2015	2014
Raw material	$	5,237,005	2,887,613
Overhead		626,766	777,252
Other manufacturing expenses		491,704	340,104
		6,355,475	4,004,969

(21) Acquisition-

On February 27, 2015, JC Overseas, Ltd., subsidiary company, purchased from Diageo Great Britain, Limited, the total capital stock of Old Bushmills Distillery Company, Limited, (OBD) for US$718,700 dollars; therefore, OBD is considered a subsidiary company from that day on.

Income of the Acquired Entity has been included in the consolidated financial statements from such date. The Acquired Entity is a manufacturer and distributor of Irish whiskey.

The aggregate purchase price, paid in cash, was US$714,637 (note 1).

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The goodwill recognized amounts to $3,068,617, arising from different factors evaluated as part of the acquisition occurred.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of acquisition.

		2015
Inventories	$	4,059,590
Trademark		3,428,827
Goodwill		3,068,617
Current assets		752,080
Property, plant and equipment, net		636,123
Total assets acquired	$	11,945,237
Deferred tax liability		(1,068,070)
Total liabilities		(212,394)
Net assets acquired	$	10,664,773

The total intangible assets acquired in 2015 were assigned to a registered trademark not subject to amortization.

The amounts recognized in the acquisition of associated companies are shown below:

		2015
Fair value at acquisition date	$	7,596,156
Consideration paid		10,664,773
Goodwill	$	3,068,617

(Continued)

(Thousands of Mexican pesos)

(22) Group entities-

Investment in subsidiaries-

The principal subsidiaries are the following:

	Direct and indirect ownership		Main
	2015	**2014**	**activity**
Lanceros, S. A. de C. V. and Subsidiaries (1)	99.99 %	99.99 %	Holding company
Rones del Caribe, S. A. de C. V. and subsidiaries (2)	-	99.99 %	Holding company
Distribuidora Cacu, S. A. de C. V. and subsidiaries	100 %	100 %	Holding company
José Cuervo, S. A. de C. V. and subsidiaries	100 %	100 %	Holding company
Próximo Spirits México, S. A. de C. V. and subsidiaries (note 1)(4)	-	100 %	Holding company
Comercializadora Cacu, S. A. de C. V. and subsidiaries (3)	-	100 %	Holding company
Corporativo de Marcas GJB, S. A. de C. V.	100 %	100 %	Granting use of trademarks
Salsas de Jalisco Cacu, S. A. de C. V.	100 %	100 %	Granting use of trademarks
Cultivo de Agave y Jima, S. A. de C. V.	100 %	-	Administrative services

(Continued)

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Agaveros y Jimadores de Guadalajara, S. A. de C. V.	100 %	-	Administrative services
Bienes Inmuebles de Guadalajara, S. A. de C. V.	99.99 %	99.99 %	Leasing
Agaveros y Jimadores de Jalisco, S. A. de . V.	100 %	-	Administrative services
Agricultores Agaveros de Tequila, S. A. de . V.	100 %	-	Administrative services
Servicios Agricolas de Tequila, S. A. de . V.	100 %	-	Administrative services
Azul Agricultura y Servicios, S. A. de . V.	100 %	-	Agricultural activity

(1) Becle, S. A. de C. V. holds 55% and Lanceros, S. A. de C. V. (Subsidiary Company) holds 45% of their capital stock.

(2) On December 14, 2015, B. V. Destilados de Malta, S. A. P. I. de C. V. (associated company) purchased from the Company the total capital stock of the specified legal entities. (note 3(i) and 11).

(3) Merged in 2015 into Becle, S. A. de C. V.

(4) Merged in 2015 into José Cuervo, S. A. de C. V.

The significant judgments and assumptions to determine the existence of control, were:

- The entity has power over another in which it participates, to lead their relevant activities;

- It is exposed or has rights, to varible returns from such participation; abd it has the ability to affect those returns though its power over the investee.

(Continued)

(23) Commitments and contingent liabilities-

(a) The Company issued the notes described in note 16. The payment of principal, interest and premium (if any) o the notes will be fully, unconditionally and irrevocably guaranteed on a senior unsecured basis by the Subsidiary Guarantors listed below:

1. Distribuidora Cacu, S. A. de C. V.
2. Casa Cuervo, S. A. de C. V.
3. Próximo Spirits México, S. A. de C. V.
4. Agavera Camichines, S. A. de C. V.
5. José Cuervo, S. A. de C. V.
6. Tequijal, S. A. de C. V.
7. Tequila Cuervo, S. A. de C. V.
8. Tequila Cuervo la Rojeña, S. A. de C. V.
9. Azul Agricultura y Servicios, S. A. de C. V.
10. Lanceros, S. A. de C. V.
11. Ex Hacienda los Camichines, S. A. de C. V.
12. Bienes Inmuebles de Guadalajara, S. A. de C. V.
13. JC Overseas, Ltd.
14. The "Old Bushmills Distillery" Company, Ltd.

As part of the agreement, there are specific restrictive covenants applicable to te issuer and its subsidiaries related to the following activities:

i. Limitation of liens – the Company will not, nor will it permit any subsidiary to, issue, assume or suffer to exist any Indebtedness or Guarantee, if such Indebtedness or guarantee is secured by a lien upon any principal property of the issuer or any subsidiary.

ii. Sale and lease back - the Company will not, nor will it permit any subsidiary to, enter into any sale and leaseback transactions with respect to any principal property, without effectively providing that the notes will be secured equally and ratably with the obligations under such sale and leaseback transacion, unless certain criteria exists.

(Continued)

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iii. Consolidation, Merger, Sale or Conveyance – the Company may not consolidate with or merge into, or convey or transfer its properties and assets substantially as an entirety to, any person, and except in case the Note Guarantee of such subsidiary guarantor is to be released as provided under "*Note Guarantees*," no subsidiary guarantor may consolidate with or merge into, ot convey or transfer its propertie and assets substantially as an entirety to, any person.

iv. High leverage transactions – the identure does not include any debt covenants or other provisions which afford holders of the notes protection in the event of a highly leveraged transaction.

v. Reporting requirements – annual financial statements audited by an internationally recognized firm of independent public accountants within 120 days of the end of each fiscal year and quarterly financial statements within 60 days of the end of each of the first three fiscal quarters of each fiscal year, in each case for the issuer and its subsidiaries o a consolidated basis.

vi. Audited information – The issuer shall take all action necessary to provide information to permit resales of the notes.

(b) Azul Agricultura y Servicios, S. A. de C. V. has entered into a service agreement with Tequila Don Julio, S. A. de C. V. (TDJ), under which the Company commits to provide to TDJ the necessary services for its operation, administrative, maintenance and crop of the plantations of Blue Weber Tequilana Agave, in the premises on which TDJ have signed sharecropping, lease, sublease or bailment agreements; this agreement is for a period of ten years ending in December, 2014.

(c) Additionally, Azul Agricultura y Servicios, S. A. de C. V. has entered into a service agreement with Don Julio Agavera, S. A. de C. V. (Don Julio) under which the Company commits to provide to Don Julio the necessary services for its operation, administrative, maintenance and crop of the plantations Agave Tequilana Weber Azul variety in grounds on the TDJ have agreements to sharecropping, lease, sublease or bailment; this agreement is for a period of ten years ending in November, 2014.

(Continued)

(d) Agavera Camichines, S. A. de C. V., together with other related parties, has a distribution agreement with Proximo Spirits, Inc. (PS), related party, in which PS commits to provide distribution and selling services of Cuervo´s products in the United States of America, Puerto Rico and Canada. Additionally, PS commits to pay to the Company an annual royalty equal to 5% of gross adjusted sales made in United States of America.

(e) Azul Agricultura y Servicios, S. A. de C. V. leases land for the agave plantations, under defined term lease agreements. Total rents payable through 2017 under these agreements are as follows:

2016	$ 91,901
2017	123,305
2018	148,241
	$ 363,447
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(f) Azul Agricultura y Servicios, S. A. de C. V. is involved in a number of lawsuits and claims regarding to lease lands, The Company´s legal counsel estimates a liability contingent amounting to $4,034, which has been accrued for.

(g) Casa Cuervo, S. A. de C. V. leases the premises of its administrative offices as well airplane services, mainly to Aeroservicios Ejecutivos Corporativos, S. A. de C. V. and Desarrollo Inmobiliario Polanco, S. A. de C. V., related parties, as mentioned in note 7.

(h) There is a contingent liability arising from the labor obligations mentioned in note 3(o).

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

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

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

(24) Recently issued financial reporting standards-

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the FRS and Improvements listed below:

FRS C-3 *"Accounts Receivable"*- FRS C-3 is effective for years beginning January 1, 2018, and is applicable retrospectively; however, early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of FRS C-20 "Financing Instruments Receivable" receivable. Some of the primary changes resulting from the adoption of this FRS are as follows:

- FRS C-3 provides that accounts receivable based on a contract are deemed financial instruments. On the other hand, some other accounts receivable, resulting from legal or tax provisions, may include certain characteristics of a financial instrument, such as bearing interest, though these are not deemed financial instruments.
- FRS C-3 sets out that the allowance for doubtful trade receivables shall be recognized as revenue is earned. Thus, the allowance shall be recorded as expenses in the statement of comprehensive income.
- FRS C-3 provides that, from initial recognition, the time value of money shall be considered. Therefore, should the effect of the present value of the account receivable be significant in light of its term, an adjustment must be made to take into consideration such present value.
- A reconciliation between the initial and final balances of the allowance for doubtful accounts is required for each period presented.

FRS C-9 *"Provisions, Contingencies and Commitments"*- FRS C-9 is effective for years beginning on or after January 1, 2018; early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the initial adoption of FRS C-19 "Financial instruments payable". FRS C-9 supersedes Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments". The first-time adoption of this FRS does not produce accounting changes in the financial statements.

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Some of the main points covered by this FRS include the following:

- Its scope is reduced by moving the subject concerning the accounting treatment of financial liabilities to FRS C-19 "Financial instruments payable".

- The definition of "liability" is changed by eliminating the qualifier "virtually unavoidable" and including the word "probable".

- The terminology employed throughout the standard is updated to standardize its presentation to the rest of the FRS.

FRS D-3 *"Employee benefits"*- FRS D-3 is effective for years beginning on or after January 1, 2016 with retrospective effects and early adoption is allowed as of January 1, 2015. FRS D-3 supersedes the provisions in FRS D-3. Main changes include the following:

- **Direct benefits** - The classification of direct short-term benefits was modified and the recognition of deferred Employee Statutory Profit Sharing (ESPS) was ratified.

- **Termination benefits** - The bases were modified for identifying when payments for the termination of a work relationship actually meet post-employment benefits or when they are termination benefits.

- **Post-employment benefits** - Among others, the following were modified: the accounting recognition of multi-employer plans; government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition of the Service Cost of Past Periods (SCPP) and of the Early Settlement of Obligations (ESO).

- **Remeasurements -** In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of the plan's profits and losses (PPL); therefore, they are recognized as accrued and recognized directly in Other Comprehensive Income ("OCI"), requiring their recycling to the period's net profit or loss under certain conditions.

- **Plan Asset Ceiling (PA) -** Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.

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- **Recognition in profit or loss of PM, SR and gains or losses from Early Settlement of Obligations (ESO)** - In post-employment benefits, the totality of the Service Cost of Past Periods (SCPP) of Plan Modifications (PM), Staff Reductions (SR) and the gains or losses from Early Settlement of Obligations (ESO) are immediately recognized in profit or loss.

  Discount rate - Establishes that the discount rate of Defined Benefit Obligations (DBO) is based on investment grade corporate bond rates (deep market) and, in their absence, on government bond rates.

- **Termination benefits -** Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

2016 FRS Improvements

In December 2015, CINIF issued the document referred to as "2016 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

FRS B-7 "Business acquisitions"- FRS B-7 clarifies that acquisitions of entities under common control are not part of the scope of this FRS, regardless of how the amount of the consideration was determined. This revision is effective for years beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

FRS C-1 "Cash and cash equivalents" and FRS B -2 "Statement of cash flows"-These modify the definition of cash and cash equivalents to agree with the definitions established in the international financial reporting standards (IFRS) and changes the term "investments available on demand" to "highly-liquid financial instruments". It also stipulates that cash on the initial and subsequent recognition should be valued at fair value, which is face value, cash equivalents should be valued at fair value on initial recognition and highly-liquid financial instruments should be valued based in the provisions of the standard for financial instruments, in accordance with the purpose for which each type of instrument is maintained. These revisions are effective for years beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

Management estimates that the effects of the new FRS and the 2015 improvements to FRS will be immaterial.