a) Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financing Reporting Standards (IFRS), effective as at 31 December 2015, as issued by the International Accounting Standards Board (IASB).

The preparation of the Company's consolidated financial statements in accordance with IFRS requires the use of critical estimates and assumptions that affect the reported amounts of certain assets and liabilities, and revenue and expenses. It also requires management to exercise judgment in how it applies the Company's accounting policies.

The Company's functional and reporting currency is the Mexican peso.

b) Consolidation

The accompanying consolidated financial statements include the accounts of Telesites and those of the subsidiaries over which the Company exercises significant control. The financial statements of the subsidiaries have been prepared for the same reporting period and following the same accounting policies as those of the Company. Most of the companies operate in the telecommunications sector or provide services to companies related to these activities. All intercompany balances and transactions have been eliminated on consolidation.

The operating results of the subsidiaries were included in the Company's consolidated financial statements as of the month following their incorporation.

A description of the Company's main investments in its subsidiaries as at 31 December 2015 is as follows:

Company name	% equity interest as at 31 December 2015	Country	Date of first consolidation	Type of operations
Intermediate holding company				
Promotora de Sites, S.A. de C.V.	**99.99%**	Mexico	October 2015	Intermediate holding company
Telesites Internacional, S.A. de C.V.	**99.99%**	Mexico	November 2015	Intermediate holding company
Infrastructure				
Operadora de Sites Mexicanos, S.A. de C.V.	**99.99%**	Mexico	January 2015	Infrastructure
Services				
Demonsa, S.A. de C.V.	**99.99%**	Mexico	January 2015	Services

c) Revenue recognition

Rental income

The Company recognizes its revenue from passive infrastructure rentals as it accrues based on the terms of each lease agreement. Rent charged for infrastructure is reviewed and increased based on the National Consumer Price Index (NCPI) and the amount of rent is generally determined based on the specific characteristics of the location of the leased passive infrastructure.

d) Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates. The Company based its assumptions and estimates on the best available information at the time the consolidated financial statements were prepared. However, the existing circumstances and assumptions about future events may change due to changes in the market or circumstances that are beyond the Company's control. Such changes are reflected in the estimates and their effects are shown in the financial statements as they occur.

These assumptions mainly refer to the following:

- Useful life estimates of items of property and equipment
- Allowance for doubtful accounts
- Impairment in the value of long-lived assets
- Fair value of financial instruments
- Employee benefits

e) Financial assets and liabilities

Financial assets and liabilities that are within the scope of International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement, generally include investments in financial instruments, debt and equity instruments, accounts receivable and other accounts receivable, loans and financing, accounts payable and accrued liabilities.

Financial assets and liabilities are initially measured at fair value, plus directly attributable transactions costs, except for those designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are subsequently measured based on their classification into one of the following categories: (i) at fair value through profit or loss; (ii) held-to-maturity or available-for-sale; or (iii) loans and receivables.

The Company's financial assets consist of cash and cash equivalents, accounts receivable and other assets.

The Company's financial liabilities are classified as either: i) financial liabilities measured at fair value through profit or loss, or ii) financial liabilities measured at amortized cost.

The Company's financial liabilities consist of short and long-term debt, accounts payable and accrued liabilities, and related party payables. The Company's debt under its issuances of structured notes (certificados bursátiles) is recognized as a financial liability measured at amortized cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, (i) there is a currently enforceable legal right to offset the recognized amounts; and (ii) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's-length market transactions; reference to the current fair value of another financial instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The hierarchy used for determining fair values is as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Variables other than the quoted prices included in level 1 that are observable for assets or liabilities, either directly (prices) or indirectly (price derivatives); and

Level 3. Variables used for assets or liabilities that are not based on observable market data (unobservable variables).

Note 10 provides an analysis of the fair values of the Company's financial instruments.

f) Cash and cash equivalents

Cash in banks earns interest at floating rates on daily account balances. Cash equivalents are represented by short-term deposits made for terms ranging from one to three days, and which bear interest at rates common for each type of short-term investment. These investments are stated at cost plus accrued interest, which is similar to their market value.

g) Property and equipment, net
The Company's property includes passive infrastructure, which includes non-electronic components used in telecommunications networks, including masts, towers and poles. These fixed assets are measured at fair value using the revaluation model specified in IAS 16, Property, Plant and Equipment. Company management periodically reviews the stated amounts of the Company's fixed assets whenever it believes that there is a significant difference between the carrying amount of an asset and its fair value. Depreciation is determined on fair values on a straight-line basis over the estimated useful lives of the assets starting at the time the assets are available for use.

The Company's equipment is carried at cost, net of accumulated depreciation, in accordance with IAS 16, Property, Plant and Equipment. Depreciation is determined on carrying amounts on a straight-line basis over the estimated useful lives of the assets starting in the first month after they are available for use.

The Company periodically reviews the residual values, useful lives and depreciation methods of its fixed assets and adjusts them prospectively where appropriate at the end of each reporting period, in accordance with IFRS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income or other operating expenses when the asset is derecognized.

Depreciation rates are as follows:

Passive infrastructure	6.25% and 5%
Automotive equipment	20%
Other equipment	10%

The carrying amount of property and equipment is reviewed annually whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows), is less than its net carrying amount, the difference is recognized as an impairment loss.

As at 31 December 2015, there were no indicators of impairment in the values of the Company's fixed assets.

h) Impairment in the value of long-lived assets
The Company assesses at each reporting date whether there is an indication that its long-lived assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of an asset's fair value less costs to sell and its 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired, and its carrying amount is written down to its recoverable amount, and the loss is immediately recognized in profit or loss.

The depreciation and amortization expense for future periods is adjusted to the new carrying amount during the remaining useful life of the related assets. Recoverable amounts are determined for each individual asset, unless the asset generates cash inflows that are closely dependent on the cash flows generated by other assets or group of assets (cash generating units).

i) Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset or assets.

- Operating leases
Leases in which the Company does not transfer substantially all of the risks and rewards inherent to the ownership of the asset are classified as operating leases. Payments made under operating lease agreements are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

j) Provisions, contingent liabilities and commitments
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost.

Contingent liabilities are recognized only when it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation. Also, contingencies are recognized only when they generate a loss.

k) Asset retirement obligation
The Company records a reserve for the decommissioning costs associated with the sites where its passive infrastructure is located. Decommissioning costs are measured at the estimated fair values of the asset costs expected to be incurred to settle the Company's obligation to decommission the assets. These fair values are determined using estimated cash flows, and asset retirement costs are capitalized as part of the carrying amounts of the related assets. Estimated cash flows are discounted at a pre-tax rate that reflects the risks associated with the asset retirement obligation. Reversals of previous discount rates are recognized in profit or loss as a financing cost as incurred. Estimated future decommissioning costs are reviewed annually and are revised when needed. Changes in future cost estimates or discount rates are recognized as an increase or a decrease in the carrying amount of the asset.

l) Employee benefits
The Company annually recognizes the liability for seniority premiums based on independent actuarial calculations applying the projected unit credit method, using financial assumptions net of inflation. The latest actuarial calculation was prepared on 31 December 2015.

The Company creates a provision for the cost of compensated absences, such as paid annual leave, which is recognized using the accrual method.

m) Employee profit sharing
Current employee profit sharing is presented as part of operating expenses in the statement of comprehensive income.

n) Income tax
Current income tax is recognized as a current liability, net of prepayments made during the year.

Deferred income tax is calculated using the asset and liability method established in IAS 12, Income Taxes.

Deferred income tax is calculated using the asset and liability method, based on the temporary differences between financial reporting and tax values of assets and liabilities at the reporting date.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

o) Earnings per share
Earnings per share are determined by dividing net income for the year by the weighted-average number of shares outstanding attributable to ordinary equity holders of the parent during the year. The calculation of the weighted average number of shares outstanding in 2015 excludes treasury shares.

p) Statement of cash flows
The statement of cash flows reports the cash generated and used by the Company during the year. It first shows the Company's income before income tax, followed by its cash flows resulting from operating activities, then its cash flows resulting from investing activities, and lastly its cash flows resulting from financing activities.

For the year ended 31 December 2015, the statement of cash flows was prepared using the indirect method.

q) Concentration of risk
The main financial instruments used to fund the Company's operations are comprised of bank loans, lines of credit, accounts payable and related party payables. The Company holds several financial assets, such as cash and cash equivalents, accounts receivable, related party receivables and other current assets that are directly related to its business.

The main risks associated with the Company's financial instruments are cash flow risk and market, credit and liquidity risks. The Company performs sensitivity analysis to measure potential losses in its operating results based on a theoretical increase of 100 basis points in interest rates. The Board of Directors approves the risk management policies that are proposed by the Company's management.

Credit risk is the risk that the counterparty will default on its payment obligations with the Company. The Company is also exposed to market risks associated with fluctuations in interest rates.

Financial assets which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, short-term deposits and debt financial instruments. The Company's policy is designed to not restrict its exposure to any one financial institution.

The Company continuously monitors its customer accounts and a portion of the Company's surplus cash is invested in time deposits in financial institutions with strong credit ratings.

r) Statement of comprehensive income presentation

Costs and expenses shown in the Company's statement of comprehensive income are presented based on a combination of their function and their nature, which provides a clearer picture of the components of the Company's operating income, since such classification allows for comparability of the Company's financial statements with those of other companies in its industry.

Operating income is recognized in the statement of comprehensive income, since it is an important indicator used for evaluating the Company's operating results. Operating income consists of ordinary revenues and operating costs and expenses.

An analysis of the Company's other income is as follows:

		2015
Sale of scrap	Ps.	3,402
Changes in estimates underlying the asset retirement obligation		434,722
	Ps.	438,124