MOVING ON

ANNUAL REPORT 2010


FIRMLY

Corporate Profile

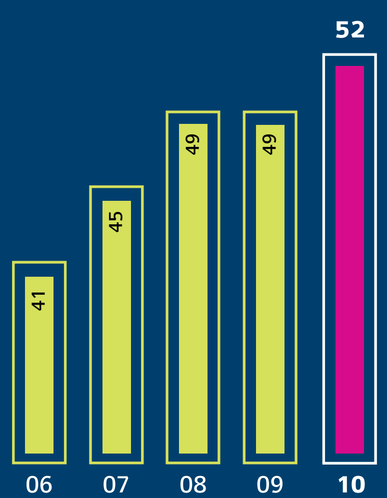
Liverpool is the Mexican department store chain with the broadest coverage throughout the country.

The combination of a wide commercial offering, exciting shopping experience, solid infrastructure and focus on profitability allows us to serve the customer and retain their preference.

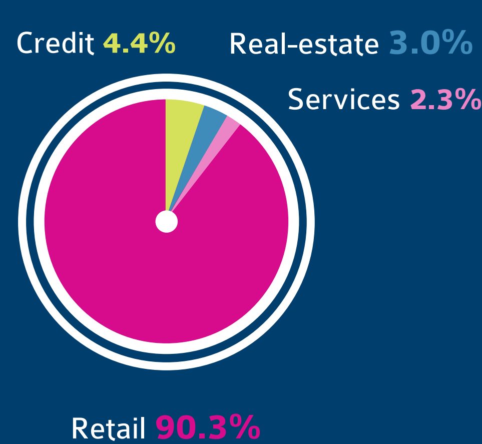
30 states

52 cities

Cities with presence



Revenue breakdown



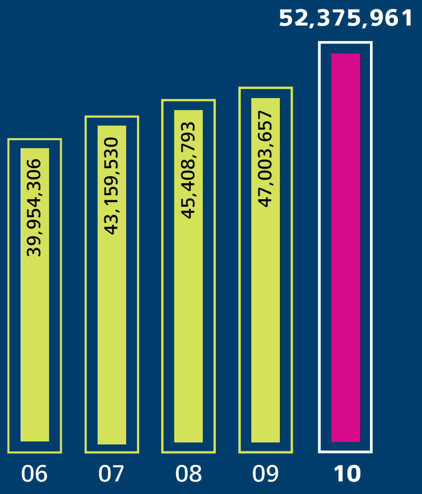
We continued to grow in 2010, arriving at a grand total of 85 stores in operation. Our plan for openings for this and coming years is based on the strict control over expenses, due diligence in the granting of credit, and discipline in the organization's financial operations, all of which allow us to continue to expand Liverpool's businesses.

FINANCIAL HIGHLIGHTS

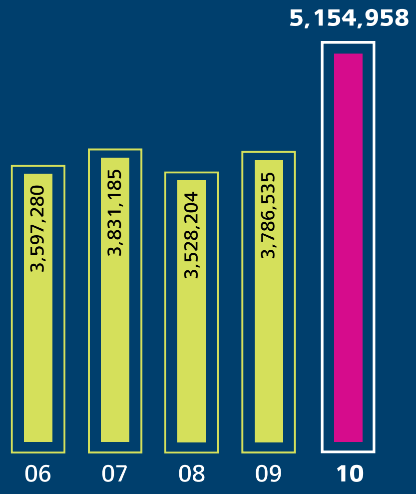
	2006	2007	2008	2009	**2010**	**[1]CAGR**
Operations						
Number of stores	64	71	78	79	**85**	7.4%
Number of shopping centers	9	11	13	16	**16**	15.5%
Own brand credit cards	2,171,288	2,517,597	2,690,037	2,585,539	**2,636,046**	5.0%
Income statements						
Total revenue	39,954,306	43,159,530	45,408,793	47,003,657	**52,375,961**	7.0%
Revenue from Retail Division	36,731,844	39,377,415	41,343,413	43,350,823	**48,527,620**	7.2%
Revenue from Real-estate Division	1,131,297	1,263,299	1,405,786	1,427,838	**1,551,745**	8.2%
Revenue from Credit Division	2,091,165	2,518,816	2,659,594	2,224,996	**2,296,596**	2.4%
Operating profit	5,300,754	5,959,315	5,462,553	5,497,338	**7,357,820**	8.5%
Net profit	3,597,280	3,831,185	3,528,204	3,786,535	**5,154,958**	9.4%
EBITDA	6,112,742	6,852,649	6,525,681	6,883,441	**8,749,482**	9.4%
EBITDA margin (%)	15.3	15.9	14.4	14.6	**16.7**	2.2%
Profit per share	2.68	2.85	2.63	2.82	**3.84**	9.4%

Figures ar December31, 2007 and 2006 are expressed in thousands of Mexican pesos with purchasing power of December 2007.
Figures at December31, 2010, 2009 and 2008 are expressed in historical thousands of Mexican pesos at the date.
[1]CARG: Compositive Average Growth Rates.

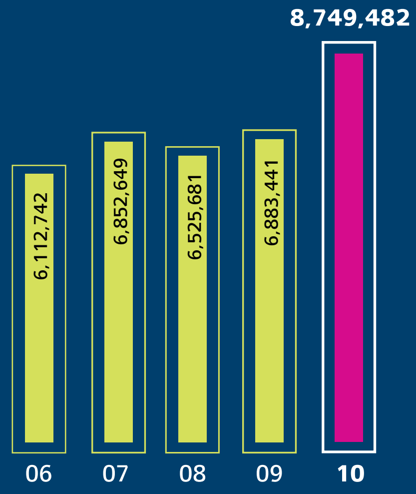
Total revenue



Net profit



EBITDA




Liverpool
Liverpool

LETTER FROM THE CHAIRMAN OF THE BOARD

To the Shareholders;

The proper administration of Mexico's public finances, the creation of new jobs, and a recovery in the consumer's level of confidence were all factors that favored Liverpool during 2010. We achieved an 11.4% increase in consolidated income –to reach a total of $52,376 million pesos, with a net profit of $5,155 million pesos– for a 36.1% growth over the prior year.

The six new stores that opened their doors during the current year represent yet one more opportunity for us to serve our clients and to offer a more extensive range of articles and services for the entire family, thereby offering it an exciting shopping experience.

One of our most significant achievements during 2010 was having entered into an agreement for a 50% equity share in Regal Forest. This company is focused on the marketing of electrical appliances and furniture in Central America and the Caribbean, and has strong activity in consumer credit. With this operation, we expanded new horizons.

Education is a priority for Liverpool; the successful model of the Liverpool Virtual University, which has functioned for more than ten years now, places us in the position of being an organization that is committed to the well-being of its personnel and their families, as well as of society in general, in addition to strengthening the constant improvement in the Company's operations.

Liverpool shares in the concept of sustainable awareness and contributes to it primarily by caring for the environment. The expansion of green areas, the saving of energy, fuel and water, and the introduction of biodegradable packaging are only a few of the measures we shall continue to encourage in the future.

The Company has important projects planned for 2011, including the opening of six new stores, the construction of two shopping malls that will open their doors in 2012, the expansion of our iconic Liverpool Insurgentes store in Mexico City, the intensive use of new sales channels such as internet and telephone sales, and finally, closer communication with our clients through the use of social networks.

Liverpool was able to make all of the aforementioned achievements during the year, thanks only to our shareholders, the effort and creativity of our associates, the active participation of our suppliers and tenants, and above all, thanks to our clients' preference. Thanks to you all; certain of your continued support, we will continue to grow our profitable operations.

Sincerely,

Max David
Chairman of the Board
March 10, 2011

LETTER FROM THE CHIEF EXECUTIVE OFFICER

The year 2010 brought the opportunity of continuing with our expansion plans, which will enable us to reach yet a larger number of clients. This development is based on the focus on personalized service which, by establishing long-lasting ties with the client, translates into frequent visits to the store. The six units opened during the year confirm Liverpool's commitment to offer an exciting shopping experience to an ever-growing number of clients.

Many were the factors that permitted us to achieve positive results during the year; these included the proper management of inventories, due care in granting credits, and strict control over expenses.

Thanks to the aforementioned factors, Liverpool's consolidated income rose to $52,376 million pesos, for an increase of 11.4% over the prior year. Real estate income from the 16 shopping centers increased by 8.7%, thanks to our tenants' improved business perspective, and also thanks to a higher average occupancy rate, which was 94.7% this year, as compared to 90.5% the prior year.

The management of inventories, a critical factor in having the appropriate supply of merchandise, permits any necessary transfers among the stores and affords us the opportunity of moving a larger number of articles, by placing them where they are most likely to be sold.

Another factor that supported results was the prudence exercised in the granting of credits through Liverpool's store-brand credit cards. Several steps were taken that permitted the significant reduction in delinquent payment rates, and as a result, the income derived from these transactions was $2,297 million pesos, or 3.2% more than the prior year.

Control over operating expenses continued to be a priority, resulting in favorable behavior during 2010, with an increase of only 4.8% in comparison to the prior year.

Net profits concluded the year at levels of $5,155 million pesos, for a 36.1% improvement over the prior year. Stockholders' equity grew by 13.4%, as a result of the increase in the retained earnings account.

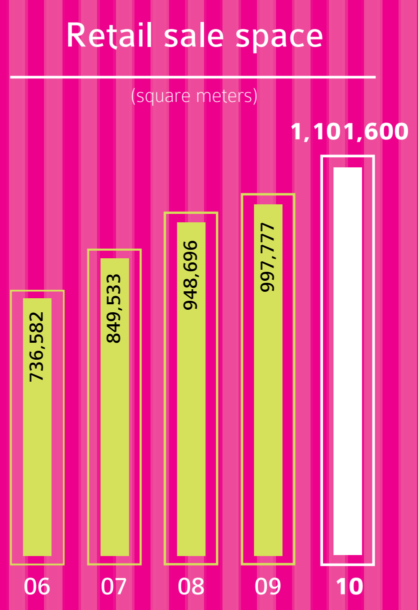
The year 2010 was undoubtedly one of positive results for Liverpool, during which not only the Company's operations were strengthened, but expansion activities were also renewed, enabling us to envision a panorama conducive to reaching new achievements and continuing to move steadily forward.

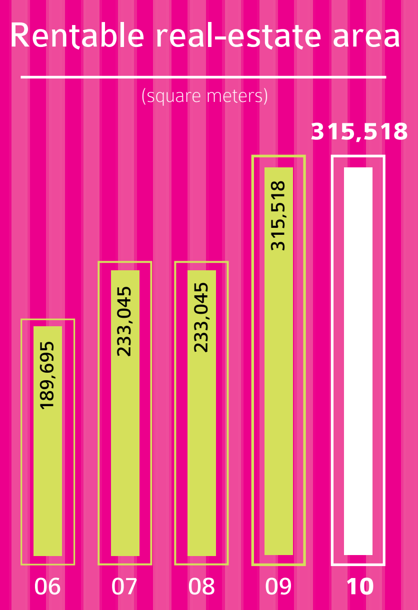
Sincerely,

José Calderón
Chief Executive Officer

EXPANDING THE SCOPE

OF OUR RETAIL OFFERINGS

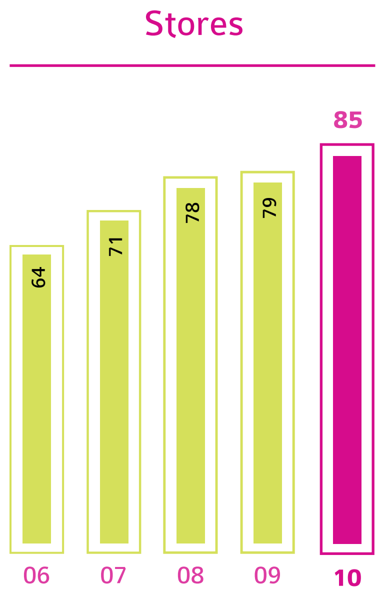




Our offering of products and services is addressed to an ample segment of Mexico's population. Through the different store formats, we are able to increase our presence and meet the needs of a larger number of clients.

During the year, we opened three new stores in Mexican cities in which we were already present: Monterrey, Morelia and Cancun. We built new units in Orizaba, Ciudad Victoria and Zacatecas. At the year-end, we had 85 stores in 52 cities throughout the Country, 57 in the Liverpool format, 23 Fabricas de Francia, and five Liverpool Duty Free establishments.

We are convinced that personalized attention, the new stores and formats are the drivers of the development necessary for Liverpool's continued and profitable growth.



1.1 million square meters of retail sale space and **315,000** square meters of rentable real-estate area

PLACING EMPHASIS

UPON AN EXCITING SHOPPING EXPERIENCE

35,254

associates

We attract the client's attention by using two key elements –the proper selection of merchandise and services, and personalized attention. We also offer a balance among the different lines of merchandise in our stores, which permits us to address our clients' multiple lifestyles and to always offer them something new and attractive.

We constantly renew the decoration and layout of our different departments, so as to create a comfortable atmosphere conducive to shopping, to stay abreast of the latest trends, and be in a position to satisfy the client's needs and interests.

In addition to the aforementioned, our associates are committed to offering top-level personalized attention using their knowledge of the articles and services they sell, excellent presentation, and cordial treatment to our clients.

Our customers are the very reason for our being; this is why we strive to keep their preference by making their visits to Liverpool both pleasant and gratifying –elements that encourage us to continue to develop new shopping experiences.

SUSTAINING DEVELOPMENT

IN A SOUND INFRASTRUCTURE

10

officially recognized courses given in the Liverpool Virtual University (LVU)

4,462

LVU graduates from 2000 to 2010

We have developed a business platform supported by three pillars: values, development of knowledge, and infrastructure.

The Liverpool Virtual University (UVL) has made significant contributions to our people's personal and professional growth, by developing programs that promote talent and provide them with valuable tools in strategic matters such as customer service, the handling of merchandise, and specific abilities designed to support the growth of sales and services.

The UVL encourages the values of our associates as it situates us as a company concerned with the constant development of its people, as well as of the environment.

We also have a state-of-the-art logistical network that permits us to make more than one million home deliveries correctly and on time every year.

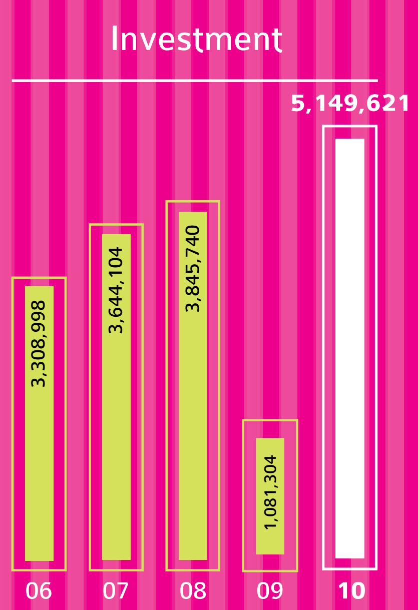
The on-going investment in information systems constitutes a strategic factor for the taking of reliable and timely decisions, thereby paving the way for continued and solid progress.

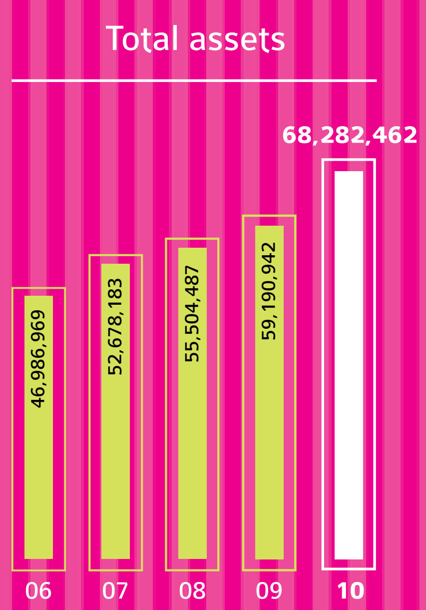
1million

home deliveries

FOCUS ON PROFITABLE MANAGEMENT,

FINANCIAL STRENGTH AND GROWTH





The focus on profitability is based on the proper management of merchandise. During the year, we were able to expand the margins, thanks to three factors: timely restocking, quick turnaround time in the transfer of articles, and a larger share of Liverpool's own store brands.

The resupplying of articles is fundamental to having stores well stocked with merchandise appropriate to each season. Our suppliers' response in the delivery of orders of different goods contribute to the aforementioned.

In turn, the transfer of merchandise among stores balances the inventories, resulting in a larger number of units moved.

The acceptance of our own store brands has grown to the point that they are now positioned as an alternative of quality and style at a fair price, resulting in higher levels of sales.

The strength of Liverpool's financial position is the reflection of a sound structure that supports the strategy of profitable growth. This is accomplished, thanks to the strict discipline that favors dynamic development, by utilizing low levels of indebtedness.

OPERATING SUMMARY

Results

Liverpool recorded consolidated income of $52,376 million pesos, an increase of 11.4% over the prior year. As a result of the renewed consumer dynamism, total sales in the **Retail Division** grew by 12.0% over 2009, reaching $48,528 million pesos.

Same-store sales behaved favorably, growing by 10.8% as compared to the prior year.

The different sales channels, such as the portal for on-line purchases and questions at **www.liverpool.com.mx**, have become useful tools for our customers, facilitating their access to the merchandise without having to leave home.

The incorporation of different services also constitutes a factor of differentiation and offers elements to complement the shopping experience.

These services include: travel agencies; insurance offices; gift tables; the sale of air time for cell phones; the installation and personalized confection of furniture, equipment and decoration in general; alterations and tailoring; restaurant and prepared foods; the extension of warranties; and home deliveries.

The **Sfera** specialty stores also obtained favorable results during 2010, increasing their sales by 14.0% with respect to the prior year. The ten units in operation are located in Mexico's principal shopping malls, as an alternative source of fashion and quality for the young people's market.

Operating expenses were controlled thanks to discipline and the control over disbursements, increasing by only 4.8% over the prior year.

Credit income increased by 3.2% as compared to 2009, while a 29.7% reduction was observed in the rate of the credit portfolio overdue by more than 90 days, which was situated at 2.7%.

During the year, the number of credit cards grew by 2.0%, and the share of sales made with the store's own card increased from 50.8%, to 51.4%.

The **Galerías** brand has positioned itself as a synonym of variety and quality in the malls, attracting and ever larger number of visitors. Consequently, the retail occupancy has evolved very favorably, and as a result, the related real-estate income increased by 8.7% during the year. The portal, **www.galerias.com** is a useful tool that encourages our tenants to provide the visitor with extensive, clear and orderly information that is easily accessible.

Earnings before interest, taxes, depreciation and amortization were recorded at $8,749 million pesos, for an increase of 27.1% as compared to 2009.

Taxes were paid at the effective profit rate of 25.8%, in the amount of $5,891 million pesos during the year.

Net profits, which amounted to $5,155 million pesos at the close of 2010, represented an increase of 36.1% over the year 2009.

The management strategy based upon control addresses and aligns the steps towards the perspectives most relevant for the organization: customer service; the development of human capital; the improvement of internal processes; and financial profitability.

Financial position

The Company's cash position at the close of 2010 was $6,825 million pesos, for a growth of 2.4% in comparison with the prior year.

The credit portfolio balance closed the year at $18,635 million pesos, which was 16.6% higher than in 2009.

The bonds known as Livepol 10 and Livepol 10U were placed in the debt market during the year. The two instruments amounted to $3,000 million pesos, with which the total debt at the year-end closing is $11,171 million pesos. The debt service coverage ratio improved during the year, changing from 1.4 times in 2009, to 1.3 times in 2010.

Sustainable development

In Liverpool, we are aware of our responsibility as corporate citizens, and to that end, we have developed a series of initiatives related to the quality of life within the Company, business ethics, the Company's relationship with the community, and the care and preservation of the environment.

With regards to the quality of life within the Company, we have taken surveys related to the associates' satisfaction with the organization and we have applied learning programs through the Liverpool Virtual University. We have provided orientation with respect to retirement, support in transportation to the corporate offices, the organization of sports tournaments and a plan for our Liverpool family's overall well-being, which includes conferences on different subjects.

Also during the year, an agreement was signed with the Mexican Social Security Institute, to encourage the prevention, detection and control of diseases, as well as to strengthen the personnel's health habits in all of the work centers. Different talks were given, vaccination campaigns were applied, and information was distributed; thanks to the associates' participation, the number of sick days was reduced by 4.6% as compared to the prior year.

We also encouraged business values through a code of ethics and standards, "Liverpool Culture" campaigns, and clear and transparent information.

The steps taken to connect the Company with the community sensitize personnel to help their fellow associates affected by natural disasters; these measures also constitute a principle of solidarity.

Lastly, with regards to caring for the environment, the Company carried out several informative campaigns to educate our associates and create awareness of the importance of recycling and reusing materials. We also introduced biodegradable plastic bags, changed the faucets in the sinks in the restrooms, and took steps to save fuel and energy, in addition to introducing the sale of articles that do not harm the environment.

Through the aforementioned measures, Liverpool seeks to make its associates aware of environmental issues and to encourage them to take part in the steps Liverpool takes in favor of a better planet.

Dividends

The Shareholders' Meeting held on March 11, 2010 declared a dividend of $591 million pesos on 1,342,196,100 shares representing the Company's capital stock.

Final considerations

At the end of a year in which the recovery of the consumer's trust begins to be apparent, Liverpool continues with its plan to offer a great shopping experience, enhanced by personalized service, to an even larger number of customers. We shall continue to be heedful of the worldwide economic environment, to anticipate opportunities and to continue to expand our retail offerings to the client.

We shall also continue to act responsibly with respect to the Company's financial position, so as to be prepared to make any advisable decision, with respect to profitability.

Once again, we wish to express our most cordial appreciation to our shareholders for their trust, to our suppliers and tenants for their active participation, to our associates for their commitment, and to our clients for their preference, making it possible for Liverpool to continue to expand and develop in benefit to all.

Sincerely,
The Board of Directors
Mexico City, December 31, 2010

BOARD OF DIRECTORS

Max David [1]
Chairman

Madeleine Brémond S. [1]
Vice Chairman
Director of Orion Tours, S.A. de C.V.

Miguel Guichard [1]
Vice Chairman
Chairman, Executive Committee

Henri Bremond S. [1]
Administrator, Tobanis, S.A. de C.V.

José Calderón Muñoz de Cote [3]
CEO, El Puerto de Liverpool, S.A.B. de C.V.

Juan David [1]
Deputy Director of Promotion, Banco Invex, S.A. de C.V.

Pedro Velasco [2,4]
Partner, Santamarina y Steta, S.C.

Juan Miguel Gandoulf [2,4]
Director, Sagnes Constructores, S.A. de C.V.

Armando Garza Sada [2]
Chairman, Alfa Corporativo, S.A.B. de C.V.

Ricardo Guajardo [2]
BBVA Bancomer Board Member

Graciano Guichard [1]
Director, M. Lambert y Cía. Sucs., S.A. de C.V.

Luis Francisco Javier Mallet [2] †
Director, BGL, S.A. de C.V.

Esteban Malpica [2]
Directing Partner, Praemia, S.C.

Maximino Michel G. [1]
Director, Servicios Liverpool, S.A. de C.V.

Luis Tamés [2,4]
Independent Businessman

Ignacio Pesqueira
Secretary
Partner, Galicia Abogados, S.C.

Norberto Aranzábal
Deputy Secretary
Legal Director, Servicios Liverpool, S.A. de C.V.

[1] Patrimony Board Member
[2] Independent Board Member
[3] Related Board Member
[4] Audit Committee Member

EXECUTIVE COMMITTEE

Miguel Guichard
Chairman
Miguel Bordes
José Calderón
Max David
Eduardo Flores
Héctor Guzmán
Jorge Salgado
Norberto Aranzábal
Secretary

PATRIMONY BOARD

Enrique Brémond
Co-Chairman

Max Michel
Co-Chairman

Juan David
Member of the Board

Juan Guichard
Member of the Board

Madeleine Brémond
Alternate Board Member

Monique David
Alternate Board Member

Magdalena Guichard
Alternate Board Member

Magdalena Michel
Alternate Board Member

Alejandro Duclaud
Secretary

HONORARY PRESIDENTS

Max Michel
Enrique Brémond

HONORARY BOARD MEMBERS

J. Claudio Montant
Pedro Robert
Agustín Santamarina
Hugo Lara

Independent auditors' report

Mexico City, March 2, 2011

To the Stockholders' Meeting of
El Puerto de Liverpool, S.A.B. de C. V.

We have audited the consolidated balance sheets of El Puerto de Liverpool, S.A.B. de C. V. and subsidiaries at December 31, 2010 and 2009, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the standards of financial information used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Puerto de Liverpool, S.A.B. de C. V. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations, their changes in stockholders' equity and their cash flows for the years then ended in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers, S.C.

José Luis Guzmán
Audit Partner

Report of the Audit and Societary Practices Committee

Mexico City, January 27, 2011
To the Board of Directors of El Puerto de Liverpool, S. A. B. de C. V.

We, the undersigned, appointed to form part of the Audit and Societary Practices Committee, do hereby submit the following report on the activities developed, in compliance with article 143 of the Mexican Securities Market Act.
We held four sessions of the referenced Committee, at which the following points (among others) were addressed:

I. The Company's General Shareholders' Meeting held on March 11, 2010, appointed Mr. Juan Miguel Gandoulf to the position of Chairman of the Audit and Societary Practices Committee for fiscal year 2010.

II. With respect to the audit:

a) The external audit plan and the professional services proposal accepted by Management were evaluated; it was recommended that the Board of Directors designate the firm, PricewaterhouseCoopers, through its audit partner, Certified Public Accountant, Mr. Jose Luis Guzman Ortiz, as the external auditor to audit the financial statements of the Company and its Subsidiaries, corresponding to the fiscal year ended December 31, 2010.

b) It was determined that the Company has the internal and external mechanisms that guarantee the compliance with the Laws and Regulations that are applicable to it.

c) The changes in the application of accounting principles and the policies for the recording of accounts followed by the Company, as well as their impact on the financial statement figures at December 31, 2010 and 2009, were reported, obtaining assurance of the fact that the aforementioned principles and policies are duly expressed in the presentation of the financial information.

d) Follow-up was given to the organization and functioning of the Company's Internal Audit Department; its annual report on activities carried out and important findings detected in 2010 was heard, as was its plan for the audit of fiscal year 2011.

e) It was determined that the Company has the operating systems, policies and procedures that permit considering that it has an adequate internal control and accounting records environment.

f) The level of the Company's adherence to the Best Corporate Practices Code, recommended by the Mexican Stock Exchange, was reported, in accordance with the information at December 31, 2009, filed on June 30, 2010.

g) We were informed as to the lawsuits and litigations in progress, as well as with respect to the results of those already concluded.

h) We reviewed the consolidated financial statements at December 31, 2010, the notes thereto, and the audit report thereon, issued by the External Auditors.

i) We were informed as to the status of the reserves and estimates included in the financial statements at December 31, 2010.

j) We were informed with regards to the observations and recommendations of the External Auditors, related to the examination of the consolidated financial statements at December 31, 2010.

k) We were informed as to the activities for the prevention of money laundering associated with the credit card known as the Liverpool Premium Card (VISA).

l) We were informed with respect to the activities carried out by Management for the analysis of the requirements of the International Financial Reporting Standards.

III. With respect to societary practices:

a) With regards to the performance of Senior Management, we consider that such performance has been adequate and efficient, considering the circumstances under which such procedures have been carried out.

b) We were informed as to the transactions with related parties, evaluating that their amounts are not significant with respect to the Company's operations, and also that such transactions adhere to market conditions.

c) The overall criteria of assignment of the comprehensive remunerations paid to the members of the Organization's Senior Management were reported to us. We consider these remunerations to be reasonable and in conformity with market conditions.

As a result of the activities developed by this Committee, and of the opinion of the Company's External Auditors, we hereby recommend to the Board of Directors that the financial statements of El Puerto de Liverpool, S.A.B. de C.V. and its Subsidiaries at December 31, 2010, in the terms prepared and presented by the Company's Management, be submitted to the General Shareholders' Meeting for its approval.

Sincerely,
The Audit and Societary Practices Committee

Pedro Velasco **Juan Miguel Gandoulf** **Luis Tamés**

Consolidated balance sheets

(Figures expressed in thousands of Mexican pesos, as explained in Note 2)

	December 31,	
ASSETS	**2010**	2009
CURRENT ASSETS:		
Cash and cash equivalents (Note 5)	**Ps 6,825,518**	Ps 6,665,425
Loan portfolio - Net (Note 6)	**14,647,442**	13,175,416
Inventories - Net (Note 7)	**8,080,900**	6,277,832
Other accounts receivable	**1,551,143**	1,462,106
Prepaid expenses and other	**366,037**	422,704
	31,471,040	28,003,483
Long-term loan portfolio - Net (Note 6)	**3,987,858**	2,802,270
Property, furniture and equipment - Net (Note 8)	**28,337,034**	26,743,006
Other assets - Net (Note 9)	**4,486,530**	1,642,183
Total assets	**Ps 68,282,462**	Ps 59,190,942
LIABILITIES AND STOCKHOLDERS´ EQUITY		
CURRENT LIABILITIES:		
Suppliers	**Ps 8,443,000**	Ps 7,030,776
Sundry creditors and accrued liabilities	**6,399,812**	5,004,947
Short-term debt (Note 10)	**2,250,000**	1,492,857
Income tax payable	**363,112**	144,139
	17,455,924	13,672,719
LONG-TERM LIABILITIES:		
Long-term debt (Note 10)	**8,921,456**	8,171,456
Derivative financial instruments (Note 11)	**268,416**	109,714
Deferred income tax (Note 15)	**3,660,089**	3,783,562
Employee benefits (Note 13)	**157,500**	116,835
Total liabilities	**30,463,385**	25,854,286
STOCKHOLDERS´ EQUITY (Note 14):		
Capital stock	**6,595,397**	6,595,397
Reserve for acquisition of own shares	**467,432**	467,432
Fair value of derivative financial instruments (Note 11)	**(190,003)**	(108,663)
Retained earnings:		
Of prior years	**25,790,707**	22,594,738
For the year	**5,154,958**	3,786,535
	30,945,665	26,381,273
Total majority interest	**37,818,491**	33,335,439
Minority interest	**586**	1,217
Total stockholders´ equity	**37,819,077**	33,336,656
Total liabilities and stockholders´ equity	**Ps 68,282,462**	Ps 59,190,942

The accompanying nineteen notes are an integral part of these consolidated financial statements.

Consolidated statements of income

(Notes 1 and 2)
(Figures expressed in thousands of Mexican pesos, as explained in Note 2, except for the earnings per share figures, which are expressed in pesos)

	Year ended December 31, 2010	2009
Total operating revenue (Notes 2a. and 3d.)	**Ps 52,375,961**	Ps 47,003,657
Cost of sales (Note 3e.)	**30,423,211**	27,569,859
Other operating costs (Note 2a.)	**178,394**	178,394
Total operating costs	**30,601,605**	27,748,253
Gross profit	**21,774,356**	19,255,404
Operating expenses:		
Sales, administrative and general expenses (Note 3q.)	**13,203,268**	12,550,357
Depreciation and amortization	**1,213,268**	1,207,709
	14,416,536	13,758,066
Operating income	**7,357,820**	5,497,338
Other income - Net	**190,896**	335,741
Comprehensive financing cost:		
Interest expense	**(720,384)**	(735,449)
Yield on investments in securities	**269,825**	253,388
Exchange gain - Net	**79,197**	73,435
	(371,362)	(408,626)
Equity in the income of associated companies (Note 9)	**140,134**	(12,761)
Income before taxes	**7,317,488**	5,411,692
Taxes on profits (Note 15)	**2,162,803**	1,624,938
Consolidated net income for the year	**Ps 5,154,685**	Ps 3,786,754
Whereof:		
Majority interest	**Ps 5,154,958**	Ps 3,786,535
Minority interest	**(273)**	219
	Ps 5,154,685	Ps 3,786,754
Earnings per share (Note 3v.)	**Ps 3.84**	Ps 2.82

The accompanying nineteen notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2010 and 2009
(Figures expressed in thousands of Mexican pesos, as explained in Note 2)

	Capital stock	Reserve for acquisition of own shares	Fair value of derivative financial instruments	Retained earnings	Minority interest	Total
Balances as of January 1, 2009	Ps 6,595,397	Ps 467,432	Ps (8,247)	Ps 23,131,617	Ps 769	Ps 30,186,968
Dividends declared				(536,879)		(536,879)
Comprehensive income (Notes 3u. and 14c.)			(100,416)	3,786,535	448	3,686,567
Balances as of December 31, 2009	6,595,397	467,432	(108,663)	26,381,273	1,217	33,336,656
Dividends declared				(590,566)		(590,566)
Comprehensive income (Notes 3u. and 14c.)			(81,340)	5,154,958	(631)	5,072,987
Balances as of December 31, 2010	**Ps 6,595,397**	**Ps 467,432**	**Ps (190,003)**	**Ps 30,945,665**	**Ps 586**	**Ps 37,819,077**

The accompanying nineteen notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

(Figures expressed in thousands of Mexican pesos, as explained in Note 2)

	Year ended December 31, 2010	2009
Operating activities:		
Income before taxes on profits	**Ps 7,317,488**	Ps 5,411,692
Items related to investing activities -		
Depreciation and amortization	**1,213,268**	1,207,709
Allowance for doubtful accounts	**597,374**	907,070
Allowance for inventory losses	**544,465**	502,003
Net cost for the year of labor obligations	**156,327**	134,851
Income from sale of property, furniture and equipment	**(593)**	(3,284)
Participation in associates	**(140,134)**	12,761
Interest receivable	**(2,566,421)**	(2,478,385)
Items related to financing activities -		
Interest payable	**898,778**	913,844
Items related to investing and financing activities	**703,064**	1,196,569
Interest charged to customers	**2,265,483**	2,218,038
Increase in loan portfolio and other accounts receivable	**(3,332,587)**	(241,387)
Recoverable taxes	**19,675**	132,409
Increase in creditors and other accounts payable	**1,244,399**	89,273
Decrease (increase) in prepaid expenses	**56,667**	(53,945)
(Increase) decrease in inventories	**(2,347,533)**	47,096
Increase in suppliers	**1,412,224**	990,830
Decrease in income tax for the period	**(147,379)**	(968,193)
Increase in deferred income tax	**8,522**	5,905
Taxes on profits paid	**(1,928,446)**	(512,813)
Net cash flows from operating activities	**(2,748,975)**	1,707,213
Investing activities:		
Interest charged	**269,825**	253,389
Sale of property, furniture and equipment	**15,431**	60,755
Investments in shares	**(2,541,944)**	(685)
Unamortized expenses and other assets	**(275,868)**	(268,254)
Acquisition of property, furniture and equipment	**(2,617,065)**	(1,139,369)
Net cash flows used in investing activities	**(5,149,621)**	(1,094,164)
Financing activities:		
Issuance of debt instruments	**3,000,000**	700,000
Derivative financial instruments	**-**	(15,812)
Dividends paid	**(590,566)**	(536,879)
Interest paid	**(878,440)**	(929,131)
Payments of short and long-term debt	**(1,492,857)**	(1,585,714)
Net cash flows from financing activities	**38,137**	(2,367,536)
Net increase in cash and cash equivalents	**160,093**	4,853,774
Balance at beginning of year	**6,665,425**	1,811,651
Balance at end of year	**Ps 6,825,518**	Ps 6,665,425

The accompanying nineteen notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

December 31, 2010 and 2009
(Figures expressed in thousands of Mexican pesos, as explained in Note 2)

NOTE 1 - PRINCIPAL OPERATIONS:
El Puerto de Liverpool, S.A.B. de C. V. and its subsidiaries (hereinafter the Company) is a chain of department stores founded in 1847, engaged in selling a wide array of products, such as clothes and accessories for men, ladies and children; home appliances, furniture, cosmetics and other consumer products. The Company is well positioned in Mexico City and in the 31 states of Mexico. At December 31, 2010, the Company operated a total of 85 department stores, 57 under the name of Liverpool, 23 under the name of Fábricas de Francia, 5 Duty Free stores and 27 specialized boutiques. In 2010, five new stores began operations in Monterrey, Nuevo León; Morelia, Michoacán; Zacatecas, Zacatecas; Orizaba, Veracruz and Ciudad Victoria, Tamaulipas, and a Duty Free in Cancun, Quintana Roo.

A significant portion of the Company's sales were made on credit, since the Company offers its customers a card that can be used solely to make purchases at its various stores ("Liverpool Credit Card"), as well as a credit card that allows its customers to acquire goods and services at its stores or outside the stores at the various establishments affiliated worldwide to the VISA system ("Liverpool Premium Card"). In 2010 and 2009, the amount of sales made with the Liverpool Credit Card comprised 51.4% and 50.8%, respectively, of total sales.

Additionally, the Company is engaged in constructing and operating shopping malls that draw in a larger number of potential customers for the department stores. At December 31, 2010, the Company operated 16 shopping malls.

Following is a description of the main subsidiaries that have been consolidated:

Company	Principal operations	Percentage of shareholding
Operadora Liverpool, S. A. de C. V.	Sub-holding of the group that owns the shares of Distribuidora Liverpool, S. A. de C. V. and other subsidiaries engaged in operating the Group's department stores.	100.00%
Bodegas Liverpool, S. A. de C. V.	Warehousing and distribution of goods to the Group's companies	99.99%
Servicios Liverpool, S. A. de C. V.	Rendering of advisory and management services to the Group's companies	99.99%
7 Real-estate companies	Development of real-estate projects, particularly shopping centers, whose premises are leased to third parties	99.93%

Additionally, the Company consolidates three trusts over which it has control, as defined in MFRS B-8 "Consolidated or Combined Financial Statements". Those trusts are described in Notes 6, 8 and 10 to the consolidated financial statements.

NOTE 2 - BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS:
The accompanying consolidated financial statements at December 31, 2010 and 2009, comply with Mexican Financial Reporting Standards (MFRS) issued by the Mexican Financial Reporting Standards Board (MFRSB).

Hereinafter, when general reference is made to MFRS, it is understood that they cover both the standards issued by the MFRSB and those issued by the Accounting Principles Board of the Mexican Institute of Public Accountants that have not been amended, superseded or repealed by MFRS and that were adopted by the MFRSB. However, when specific reference is made to any of the documents comprising the MFRS, they will be referred to their original name, i. e., MFRS or statement, as the case may be.

a. Statement of income
The Company prepares the consolidated statement of income based on functional classification, which basically separates cost of sales from the other costs and expenses. Additionally, to facilitate analysis of its financial position, the Company considers it necessary to show the operating income separately in the statement of income, since this is a common disclosure practice of the industry to which the Company belongs.

As a result of Management's analysis developed to properly reconcile income vs costs and expenses incurred, as from 2010 the Company groups items comprising its main source of income under a caption called total operating revenue. This caption includes interest earned from customers on credit lines offered by the Company, which was previously classified under comprehensive financing income. Likewise, as from 2010, interest paid by the Company as part of its portfolio securitization program described in Notes 6 and 10 was reclassified from comprehensive financing cost and was included as other operating costs. The 2009 financial statements were reclassified for comparative purposes.

Following is an analysis of the Company's total income arising from operations. See Notes 3d. and 16:

	Year ended December 31,	
	2010	2009
Net sales of merchandise	**Ps 47,308,448**	Ps 42,248,673
Interest earned from customers	**2,296,596**	2,224,996
Income from real property	**1,551,745**	1,427,838
Service income and other income arising from operations	**1,219,172**	1,102,150
	Ps 52,375,961	Ps 47,003,657

b. Effects of inflation

According to the provisions of MFRS B-10 "Effects of Inflation", the Mexican economy is not in an inflationary environment, since there has been cumulative inflation of less than 26% in the most recent three-year period (the threshold for defining whether an economy should be considered inflationary); therefore, as of January 1, 2008, was discontinued further recognition of the effects of inflation on the financial information. Consequently, the figures of the accompanying financial statements at December 31, 2010 and 2009, are stated in historical Mexican pesos modified by the cumulative inflation effects on the financial information recognized up to December 31, 2007.

The inflation rates are shown below:

	December 31,	
	2010	2009
Annual inflation	**4.40%**	3.57%
Cumulative inflation in the last three years	**15.19%**	14.48%

MFRS B-15 "Foreign currency conversion"

The guidelines of MFRS B-15 require entities to identify their recording, reporting and functional currencies. The Company concluded that its functional and reporting currency is the Mexican peso, since its sales prices, financing, furniture and equipment, lease agreements and most of its costs are expressed in that currency, aside from the fact that it uses the Mexican peso as its recording currency to comply with its legal, fiscal and securitization obligations.

The financial statements of Regal Forest Holding Co. Ltd., an associated company as from 2010 located in El Salvador, with subsidiaries operating in 18 countries of Central America and the Caribbean, use different recording currencies, and are prepared in conformity with International Financial Reporting Standards (IFRS) with the US dollar as the functional and reporting currency. See Notes 3m., 9 and 19.

New MFRS effective as of January 1, 2010 applicable to the Company

Effective January 1, 2011 MFRS C-1 "Cash and cash equivalents" went into effect. This MFRS was adopted by the Company in preparing its financial statements, and establishes standards on the accounting treatment and disclosure of cash, restricted cash and cash equivalents available for sale, and also introduces new terminology to make it consistent with other MFRS previously issued. This standard supersedes Statement C-1 "Cash", effective up to December 31, 2009.

In addition, in 2010 the statement C-3 "Accounts receivable" was amended, and now requires long-term accounts receivable with no stated interest to be stated at their present value. The adoption of this standard did not have a significant impact on the Company's financial position and results of operations.

Financial statement authorization

The accompanying consolidated financial statements and the notes thereto were authorized for issuance on January 28, 2011, by the Company's Board of Directors.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Following is a summary of the most significant accounting policies, which have been consistently applied in the reporting years, unless otherwise indicated.

a. Consolidation -

All significant balances and transactions carried out among the consolidated companies have been eliminated for consolidation purposes. Consolidation was carried out based on the figures of each of the subsidiaries, including the special purpose entities (SPE). See Notes 1, 6, 8 and 10.

b. Cash and cash equivalents -

Cash equivalents include bank deposits, foreign currencies and other similar highly liquid securities. Cash also includes deposits in transit pertaining to sales transactions made with external credit and debit cards. See Note 5.

Investments in securities and other contracts generating a financial asset or liability are recorded based on their intended use, using three different classifications: a) held for trading purposes; b) available for sale, and c) to be held to maturity.

Securities held for trading purposes are stated at their net realization value, on the basis of their fair value, recognizing any changes in valuation in income for the year.

Securities available for sale are those intended, since the time of the investment, for trading in the medium term and on dates prior to their maturity. The effects of changes in valuation are recognized under comprehensive income and transferred them to the statement of income when sold.

Securities held to maturity are those which, at the time of the investment, are intended to be held until their maturity, and are recorded at their acquisition cost plus interest earned. Interest on these securities is applied to income for the year.

If there is sufficient evidence that the securities show signs of impairment, the book value is adjusted with charge to income for the period.

c. Loan portfolio and allowance for doubtful accounts -

The Company offers its customers a wide array of credit plans, ranging from three to forty-eight months. The balance of long-term accounts receivable excluding interest is expressed at present value in conformity with the requirements of Statement C-3 "Accounts receivable". The balance of the loan portfolio account comprises amounts actually made available to customers plus interest accrued not yet collected, less the allowance for doubtful accounts. Credit is considered to qualify as overdue portfolio in the amount of the unpaid balance after ninety days of not receiving payment of the respective installments.

The Company constantly monitors recovery of its portfolio based on a variety of mathematical tools and models, considering different factors that affect the historical aging trends of the portfolio, the history of cancellations and future performance projections, including unemployment rate trends in Mexico. The Company increases the balance of the allowance for doubtful accounts based on the results of the assessment of portfolio behavior and the seasonality of the business. Increases in the allowance for doubtful accounts are recorded under sales, administrative and general expenses in the statement of income. The methodology used by the Company to determine the allowance for doubtful accounts consists of reserving twice the balances of customers with payments overdue more than ninety days, without including the respective value added tax. Accounts receivable more than 120 days old are cancelled against the allowance for doubtful accounts, and the necessary procedures are initiated to recover those amounts through legal means with the help of external law firms. That method is based on the Company's best estimate and on the experience that amounts thus determined have been historically sufficient to cover possible uncollectible amounts loaned. See Note 6.

d. Revenue recognition -

Sales of merchandise

Revenue from sales of merchandise is recorded in income when the customer takes possession of the goods or when the merchandise has been delivered to the customer at his/her domicile and consequently the risks and benefits of those goods have been transferred and the Company retains no control thereover.

Discounts offered to customers and returns made are deducted from sales.

Credit cards

Interest income from sales on credit may derive from: a) promotions denominated "Ventas a meses sin intereses" (sales in installments subject to zero interest), where interest is implicit in the sales price, or b) the Revolving Plan, where interest and financial charges are generated from the use by customers of the Liverpool Credit Card or the Liverpool Premium Card.

In recording "Meses sin intereses" plans, the Company separates the sales amount into two components: 1) sale of merchandise and 2) the imputed interest, as required by IAS 18 "Revenue". The value of the merchandise is recorded as income, as described above, and the imputed interest, determined by the effective interest method, is recorded as interest as earned.

Interest income arising from the Revolving Plan offered by the Company to its customers or arising from other financing arrangements is recorded using the effective interest method described in the preceding paragraph.

Penalty interest is recorded as income as it is incurred, but recording is suspended after payment is ninety days overdue.

Income arising from the recovery of loans previously cancelled is recorded under service income and other income arising from operations. See Note 2a.

Commissions
Commission income relates to the sale of insurance policies, and extended guarantees are recorded as income over the period covered.

Leases
Lease income is recorded as it accrues and it is shown as income from real property. The Company records an allowance for doubtful accounts on lessee rents after payment is ninety days overdue.

Gift certificates
The Company offers its customers gift certificates with no expiration dates. No income is recorded at the time gift certificates are sold and instead a liability is recorded. This liability is cancelled when customers redeem the gift certificate partially or wholly through the purchase of merchandise, at which time income for that amount is recognized. Liabilities for gift certificates not redeemed by the respective holders are included in sundry creditors and accrued liabilities in the consolidated balance sheet for a total of Ps184,200 at December 31, 2010 (Ps153,645 at December 31, 2009). The Company's historical experience shows that gift certificates with no movement after 24 months are unlikely to be redeemed. Therefore, such certificates are cancelled against service income and other income arising from operations.

Services
Service income is recorded when the customer receives the benefits of the services, such as beauty salon, travel agency, optician or interior design.

e. Inventories and cost of sales -
Merchandise inventories are valued at cost or market value, whichever is lower, determined by the moving average cost method. The cost of sales is recorded at historical cost and covers the cost of the merchandise, plus the costs of importation, freight, maneuvers, shipping, storage at customs houses and distribution centers; cost of sales is reduced by the value of returned items.

f. Allowance for inventory losses and shrinkage -
The Company records an allowance for estimated inventory losses and shrinkage, which is deducted from the value of the inventory. Physical inventory counts are carried out periodically at the department stores, boutiques and distribution centers, and inventory records are adjusted to the results of the physical counts, at which time actual missing inventories and inventory shrinkage are recorded. Historically, differences between estimated inventory losses and actual data have been immaterial. The Company has implemented loss prevention programs and control procedures to minimize these losses. On the basis of the foregoing, Management considers that the recorded allowance is sufficient to cover any related losses. See Note 7.

g. Property, furniture and equipment -
The property, furniture and equipment are expressed as follows: i) acquisitions subsequent to January 1, 2008, at their historical cost, and ii) acquisitions made through December 31, 2007, at their restated value determined by applying National Consumer Price Index (NCPI) factors up to December 31, 2007 to their acquisition costs. See Note 8.

The acquisition or construction cost of the property, furniture and equipment requiring a substantial period of time to be ready for use includes: the acquisition cost and the capitalization of the comprehensive financing cost accrued in such period and attributable to the acquisition or construction. Values thus determined do not exceed the estimated recovery value.

Expenses incurred for opening new department stores, such as hiring or relocating personnel, promotions, advertising and other costs are charged to income for the year under sales, administrative and general expenses.

Investments in remodeling department stores and shopping malls are capitalized, provided they increase the useful life of the property, and are depreciated over the same period as the buildings and construction. Maintenance and repair expenses that do not increase the useful life of the property are charged to income in the year in which they are incurred.

Depreciation is calculated on the values of property, furniture and equipment by the straight-line method over the estimated useful life of the assets.

The Company periodically evaluates the value in use of its property, furniture and equipment to determine whether or not there is indication of impairment.

h. Leasehold improvements -
Leasehold improvements are amortized by the straight-line method based on monthly balances as from the date of capitalization over the minimum compulsory term of the respective agreements and the extension periods allowed. See Note 8.

i. Investment in shares -

The investment in shares of associated companies is valued by the equity method. The Company's equity in the income of its associated companies appears separately in the consolidated statement of income. Other investments over which the Company has no significant influence for decision-making purposes are valued at acquisition cost and those acquired before December 31, 2007 are recorded at cost inflation-indexed through that date. See Note 9.

j. Intangible and other assets -

These assets are recognized in the balance sheet provided they are identifiable, are expected to provide future economic benefits and the Company has control over such benefits. Intangible assets with an indefinite useful life are not amortized but are subject to annual impairment tests. Intangible assets with a defined life are amortized systematically, based on the best estimate of their useful life in terms of the expected future economic benefits. They are also subject to impairment tests when there is indication of possible impairment. See Note 9.

Other assets comprise mainly investments in information systems, development of new information technology projects and acquisition of software licenses. Those investments are amortized at a 20% annual rate.

k. Derivative financial instruments -

Derivative financial instruments contracted by the Company in respect of the interest rates to which its debt is subject are recorded in the balance sheet as assets or liabilities at fair value. The fair value is determined on the basis of recognized market prices and, when not listed in a market, it is determined through valuation techniques accepted in the financial environment. See Note 11.

The changes in fair value of these derivative financial instruments are recognized temporarily in comprehensive income under stockholders' equity, and they are reclassified to income when the position that they cover expires or is liquidated. Any ineffective portion is immediately recognized in income under comprehensive financing cost.

Certain derivative financial instruments, although contracted for hedging purposes from an economic perspective, may be designated as held for trading purposes because they do not meet all the requirements established in the accounting regulations. In that case, the accounting treatment would change to record the fluctuations in the fair value of these derivative instruments immediately in comprehensive financing cost.

l. Employee benefits -

Direct benefits (salary, overtime, vacation, holidays, etc.) are recognized in income as they accrue and the corresponding liabilities are expressed at their nominal value, due to their short-term nature.

Termination benefits due to reasons other than restructuring (severance payments, seniority premium, etc.), as well retirement benefits (pension, seniority premium, etc.), are recognized based on actuarial studies carried out by independent experts using the projected unit credit method. See Note 13.

The net cost for the period of each employee benefit plan is recognized as an operating expense in the period in which it accrues, including amortization of the labor cost of past services and the actuarial gain or loss of previous periods. The labor cost of past services and the actuarial gains or losses not yet amortized are amortized over a five-year period.

m. Transactions in foreign currency -

Transactions in foreign currency are recorded at the exchange rate in effect on the date said transactions are carried out. The assets and liabilities in foreign currency are valued in Mexican pesos at the exchange rate in effect as of the date of the financial statements. The exchange differences arising between the transaction date and the settlement date, or the balance sheet date, are applied to income for the year, and are presented under comprehensive financing cost. See Note 4.

The financial statements of Regal Forest Holding Co., Ltd are prepared on the basis of MFRS in effect and are converted to Mexican pesos as follows:

- Assets and liabilities at December 31, 2010, at the closing exchange rate, which was Ps12.3496.
- Stockholders' equity, at historical exchange rates.
- Income, costs and expenses for 2010, at the average exchange rate of Ps12.5856.

The cumulative effect of translation adjustments resulting from converting the Regal Forest Holding Co., Ltd. financial statements to Mexican pesos is included in stockholders' equity. See Note 8.

n. Use of estimates -

Preparation of the financial information in conformity with MFRS requires Management to make certain estimates and consider assumptions that affect the balance sheet figures and the amounts included in the statement of income. It also requires Management to exercise its judgment to make estimates, which means that actual results may differ from these estimates. The main estimates used by the Company are the allowance for doubtful accounts, the allowance for inventory losses, the book value of depreciable assets, deferred tax assets and assets and liabilities for labor obligations.

o. Electronic money card -

The Company frequently makes promotions, some of which involve offering benefits to its customers in the form of electronic money cards, whose value is based on a percentage of the sales price. Electronic money cards may be used by customers to liquidate future purchases at the Company's department stores. The Company's policy is to apply the guidance of IFRIC 13 "Customer Loyalty Programs". Consequently the value of electronic money cards is deducted from total sales in the same way as discounts on sales, and a deferred credit is recorded, which is cancelled when the electronic money cards are redeemed. The Company's historical experience shows that money cards with no movements after 24 months are unlikely to be redeemed. Therefore, such money cards are cancelled with credit to sales. At December 31, 2010, the value of electronic money cards issued for promotions not yet redeemed totaled Ps814,272 (Ps699,361 in 2009) and is included under sundry creditors and accrued liabilities.

p. Vendor rebates -

The Company receives certain rebates from suppliers as a refund of discounts made by the Company to its customers. Supplier reimbursements relating to discounts offered to customers in connection with merchandise sold are negotiated and documented by the procurement department and are directly credited to the final margin in the period in which they are received. If supplier rebates are received before the merchandise is recorded, they are recognized as a reduction in the cost of the merchandise, i. e, in the initial margin.

The Company also receives advertising contributions from its suppliers as reimbursement of costs incurred by the Company to promote their merchandise. Those amounts are recorded as a reduction in advertising expenses.

q. Sales, administrative and general expenses -

Sales, administrative and general expenses include, among others, the following items: personnel compensation, including commissions paid to sales personnel, advertising, lease of premises, electric power, maintenance, technological information, bank commissions on external cards, expenses incurred in opening new stores, insurance and increases in the allowance for doubtful accounts.

r. Deferred income tax and flat tax -

This item is recorded by the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the book and tax values of assets and liabilities, using the rates in effect at the date of the financial statements.

The Company recognized deferred income tax rather than deferred flat tax, since its financial and tax projections indicate that it will essentially pay income tax in the future, rather than flat tax. See Note 15.

s. Deferred Employees' Profit Sharing -

The Company records deferred employees' profit sharing based on the comprehensive asset-and-liability method, provided that payment or application of those amounts is likely to occur in the future.

t. Capital stock and other capital accounts -

These items are expressed as follows: i) movements occurring after January 1, 2008 at historical cost, and ii) movements occurring prior to January 1, 2008 at restated values determined by applying NCPI factors through December 31, 2007 to historical amounts.

u. Comprehensive income -

This item comprises the various items affecting earned surplus in the year, other than dividend payments, and is shown separately in the statement of changes in stockholders' equity. See Note 14c.

v. Earnings per share -

This amount is the result of dividing the net income for the year by the weighted average of shares of the majority interest outstanding during the year.

w. Goodwill -

Goodwill comprises the excess of the purchase price over the fair value of the net assets of Regal Forest Holding Co., Ltd. at acquisition date. It is not amortized but is subject to annual impairment testing in accordance with the guidelines of Statement C-15 "Impairment of long-lived assets". See Note 9.

NOTE 4 - FOREIGN CURRENCY POSITION:

The Company has the following foreign currency monetary assets and liabilities (in thousands of dollars):

	December 31,			
		2010		2009
Assets	**US$**	**1,578**	US$	156,506
Liabilities		**(19,709)**		(1,847)
Net (short) long position	**US$**	**(18,131)**	US$	154,659

The exchange rate used to value the US dollar position at December 31, was Ps12.3496 in 2010 (Ps13.0437 in 2009).

NOTE 5 - CASH AND CASH EQUIVALENTS:

This balance comprises the following:

	December 31,			
		2010		2009
Cash	**Ps**	**402,695**	Ps	2,218,290
Investments available for sale		**6,422,823**		4,447,135
	Ps	**6,825,518**	Ps	6,665,425

NOTE 6 - SHORT AND LONG-TERM LOAN PORTFOLIO:

The short-term loan portfolio is made up as follows:

	December 31,			
		2010		2009
Loan portfolio	**Ps**	**15,659,374**	Ps	14,363,666
Allowance for doubtful accounts		**(1,011,932)**		(1,188,250)
	Ps	**14,647,442**	Ps	13,175,416

The Company has also offered its customers credit lines ranging from thirteen to forty-eight months. The total balance receivable from those customers amounted to Ps3,987,858 at December 31, 2010 (Ps2,802,270 at December 31, 2009).

The movement in the allowance for doubtful accounts is shown below:

	Year ended December 31,			
		2010		2009
Initial balance	**Ps**	**1,188,250**	Ps	1,693,125
Increases		**597,374**		907,070
Write-offs		**(773,692)**		(1,411,945)
Ending balance	**Ps**	**1,011,932**	Ps	1,188,250

Portfolio securitization program

In December 2006, the Company established a five-year program to securitize its portfolio on a revolving basis up to Ps2,250,000. For the purpose of the foregoing, it set up Trust F/600 managed by Banco Invex, S. A., which issued Debt Certificates for the total amount of the program. In accordance with MFRS B-8, this Trust was considered a Special Purpose Entity (SPE) over which the Company has control and it was therefore included in the consolidation. The amount of the securitized portfolio was Ps2,545,418 and Ps2,558,859 at December 31, 2010 and 2009, respectively. See Note 10.

NOTE 7 - INVENTORIES:

This balance comprises the following:

	December 31,			
		2010		2009
Merchandise for sale	**Ps**	**8,272,585**	Ps	6,390,013
Merchandise in transit and other		**191,152**		156,578
Inventory of supplies		**39,366**		132,367
		8,503,103		6,678,958
Allowance for inventory losses		**(422,203)**		(401,126)
	Ps	**8,080,900**	Ps	6,277,832

The movement in the allowance for inventory losses is shown below:

	Year ended December 31, 2010		2009
Initial balance	**Ps 401,126**	Ps	366,209
Increases	**544,465**		502,003
Write-offs	**(523,388)**		(467,086)
Ending balance	**Ps 422,203**	Ps	401,126

NOTE 8 - PROPERTY, FURNITURE AND EQUIPMENT:

This balance comprises the following:

	December 31, 2010	2009	Depreciation rate (%)
Buildings and construction	Ps 20,439,875	Ps 19,236,735	1.33
Furniture and equipment	7,206,895	6,700,078	10
Leasehold improvements	1,951,409	1,801,370	Several
Electronic computer equipment	2,498,738	2,397,140	30
Transportation equipment	115,980	76,823	25
	32,212,897	30,212,146	
Accumulated depreciation	(10,612,224)	(9,612,618)	
	21,600,673	20,599,528	
Land	5,536,550	5,030,111	
Work in progress and advances to suppliers	1,199,811	1,113,367	
	Ps 28,337,034	Ps 26,743,006	

In May 2008, the Company sold to Trust F/789 its rights over the shopping malls located in Mérida (Yucatán) and Puerto Vallarta (Jalisco) for approximately Ps853,000, of which Ps677,000 corresponded, to construction and equipment and Ps176,000 to land. Trust F/789 is managed by Banco Invex, S. A. and was considered an SPE under MFRS B-8; therefore, the value of those assets was consolidated and is included under buildings and land.

The balance of construction work in progress and advances to suppliers at the end of 2010 corresponds to various projects in which the Company and certain subsidiaries are participating to build shopping malls and to remodel stores.

In 2010 and 2009, there was no capitalization of comprehensive financing cost because no new financing was obtained to construct new stores or shopping malls in that period.

NOTE 9 - OTHER ASSETS:

This balance comprises the following:

	December 31, 2010		2009
Investment in shares	**Ps 3,295,974**	Ps	613,896
Acquisition of software licenses - Net	**340,846**		311,026
Expenses pertaining to new information technology developments - Net	**396,474**		363,798
Derivative financial instruments (Note 11)	**170,662**		93,300
Employee benefits (Note 13)	**274,271**		260,163
Other	**8,303**		-
	Ps 4,486,530	Ps	1,642,183

Acquisition of Regal Forest Holding Co., Ltd. (RFH)

RFH is chain of furniture and home appliance outlets that operates more than 460 stores in Central America and the Caribbean. The Company acquired 50% of the capital of RFH and the acquisition gave rise to goodwill of Ps757,623, which is included as part of the value of the Company's investment in RFH.

Moda Joven Sfera México, S. A. de C. V.

In 2006, the Company set up this company in association with El Corte Inglés, S. A. (the leading department store chain in Spain) to operate a chain of ten stores in Mexico specializing in clothes and accessories for all ages under the commercial name of Sfera.

Other investments

This item corresponds mainly to the Company's interest in the trust that development the following shopping malls: 1) Angelópolis in Puebal, 2) Plaza Satélite in the State of Mexico, 3) Galerías Querétaro in Querétaro, and 4) one in Monterrey.

NOTE 10 - SHORT-TERM AND LONG-TERM DEBT:

The Company's debt is analyzed below:

	December 31,	
	2010	2009
Debt certificates	**Ps 10,250,000**	Ps 7,950,000
Notes payable	**921,456**	921,456
Bank loan	**-**	400,000
Syndicated loan	**-**	392,857
Total	**11,171,456**	9,664,313
Less-short term maturity	**2,250,000**	1,492,857
Long-term maturity	**Ps 8,921,456**	Ps 8,171,456

Debt maturities per year are as follows:

	Year ending December 31,	Amount
2011	Ps 2,250,000	
2012	-	
2013	-	
2014	4,000,000	
2015 and thereafter	4,921,456	
	Ps 11,171,456	

Debt certificates

The Company has issued the following debt certificates:

December 31,

Maturity	Interest payable	Interest rate *	2010	2009
December 2014	Monthly	28-day TIIE plus 0.04 points	Ps 4,000,000	Ps 4,000,000
December 2011	Monthly	Fixed 7.82%	2,250,000	2,250,000 **
August 2018	Every six months	Fixed 9.36%	1,000,000	1,000,000
February 2010	Monthly	28-day TIIE plus 1.50 points	-	700,000
June 2020	Every six months	Fixed 8.53%	3,000,000	
			Ps 10,250,000	Ps 7,950,000

* See Note 11.

** These debt certificates relate to issues made by Trust F/600 set up to securitize the Company's portfolio. See Note 6. According to the Trust Agreement, those debt certificates have no specific payment guarantees, real or personal, which means that the holders thereof are unsecured creditors.

Notes payable

Notes payable to Credit Suisse of Ps921,456 refer to the sale of rights to the shopping malls to Trust F/789 described in Note 8.

The issues of debt certificates and the bank loans require that the Company and the significant subsidiaries specified in the respective agreements comply with certain restrictions on the payment of dividends, mergers, spin-offs, changes in business purpose, issue and sale of capital stock, capital investments and liens. At December 31, 2010 and 2009, the Company complied with all of the above conditions.

The Company has contracted cross-currency swaps and interest rate derivative financial instruments for some of the financing mentioned above. See Note 11.

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS:

The Company uses derivative financial instruments (DFI) for hedging purposes, in order to reduce the risk of negative movements in the interest rates of its long-term debt and to know with certainty the exact cash out flows needed to meet its contracted obligations. The main instruments used are interest rate swaps and the positions contracted at December 31 were as follows:

	Date of:		Interest rates:		Fair value at December 31,	
Notional amount	Start	Maturity	Contracted for DFI	Per debt agreement	2010	2009
Assets						
Ps 1,000,000	September 2008	August 2018	TIIE + 0.18%	9.36%	**Ps 149,017**	Ps 82,916
1,000,000	April 2009	August 2018	TIIE + 0.18%	7.95%	-	10,384
750,000	June 2010	May 2020	8.48%	4.22%	**21,645 ***	-
	Total				**Ps 170,662**	Ps 93,300
Liabilities						
2,000,000	March 2008	December 2014	7.47%	TIIE + 0.04%	**Ps (90,218)**	Ps (60,861)
2,000,000	March 2008	December 2014	7.89%	TIIE + 0.04%	**(118,362)**	(34,112)
1,000,000	April 2009	August 2018	TIIE + 0.18%	7.95%	**(59,836)**	-
700,000	February 2009	February 2010	8.34%	TIIE + 1.50%	**-**	(2,048)
400,000	October 2005	April 2010	10.05%	TIIE + 0.55%	**-**	(6,935)
392,857	June 2005	April 2010	9.45%	TIIE + 0.55%	**-**	(5,758)
	Total				**Ps (268,416)**	Ps (109,714)

* Debt contracted in UDIS.

With these interest-rate swaps, the Company agrees with other parties to deliver or receive monthly the difference between the interest amount at contractual fixed rates and the interest amount at variable rates calculated on the basis of the theoretical amounts agreed-upon.

The Company's interest rate risk derives from having loans and long-term debt certificate issues which are subject to variable rates and expose the Company to the risk of variations in interest rates and consequently of cash flows. Loans and debt issues contracted at fixed rates expose the group to the risk of decrease in reference rates, which translates into a higher financial cost of liabilities. The Company's policy is to cover most of its loans and debt certificate issues under a fixed rate perspective; however, it also contracts fixed to variable interest rate swaps.

The Company permanently analyzes its exposure to interest rates. A number of different scenarios are simulated that consider refinancing, renewal of existing positions, alternative financing and hedging. Based on those scenarios, the Company calculates the effect on income or financial position of a +/- 1 or 2 point change in the interest rates.

Risk management

The Company manages its financial risk through its Operation Committee. In accordance with the policies approved by the Board of Directors, Company Management identifies, assesses and hedges the financial risk to which it is exposed. The Board of Directors has approved general written policies regarding financial risk management, as well as policies dealing with specific risks, such as interest rates, use of derivative financial instrument hedges and investment of treasury surpluses.

The fair value of swaps was determined using valuation techniques accepted in the financial environment. These techniques measure the future net cash flows of swaps at present value. At December 31, 2010, the Company recognized a net liability of Ps97,754 (net liability of Ps16,414 in 2009) and a charge to stockholders' equity of Ps81,340 in 2010 (Ps100,416 in 2009).

NOTE 12 - LEASE CONTRACTS:

In carrying out its operations, the Company is both a lessor and a lessee. The Company leases 16 department stores and 17 commercial premises for the boutiques it operates. Those contracts sometimes establish payment of a fixed rent and sometimes a variable rent that includes a percentage of the monthly sales of the establishment.

Following is an analysis of rent expenses:

	Year ended December 31,			
		2010		2009
Fixed rent	**Ps**	**220,118**	Ps	210,651
Variable rent		**243,621**		221,124
	Ps	**463,739**	Ps	431,775

Additionally, the Company signed contracts to lease tracto-trucks and tow trucks to supply merchandise to all its stores and has also leased computer and server equipment.

Following is a summary of the minimum annual rents agreed in lease agreements signed for periods of more than one year:

Year ending December 31,		**Amount**
2011	Ps	267,984
2012		294,782
2013		324,260
2014		356,686
2015 and thereafter		1,298,694
Total minimum lease payments	Ps	2,542,406

NOTE 13 - EMPLOYEE BENEFITS:

The Company has a pension and seniority premium plan to cover obligations established in its labor contracts and in the Mexican Federal Labor Law. There are defined contribution plans in place, as well as defined benefits for employee pensions. This compensation is only payable after an employee has worked at the Company for a specific number of years.

The Company has benefit plans for termination of employment due to causes other than restructuring that are based on actuarial studies prepared by independent experts.

Following is the reconciliation of the initial and final balances of the present value of defined benefit obligations (DBO) for 2010:

	Pensions	**Seniority premium**	**Severance payments**
DBO January 1, 2010	**Ps 518,887**	**Ps 104,668**	**Ps 142,865**
Plus (less):			
Labor cost of current services	16,708	12,867	22,747
Financial cost	44,454	9,293	11,199
Actuarial losses arising in the period	102,174	18,318	47,742
Benefits paid	(43,538)	(9,910)	(56,254)
Reductions	-	1,213	(636)
Anticipated severance payments	(42,295)	(3,452)	2,215
DBO at December 31, 2010	Ps 596,390	Ps 132,997	Ps 169,878

The value of obligations for acquired benefits at December 31, 2010 and 2009, was Ps619,489 and Ps566,243, respectively.

Reconciliation of the fair values of Plan Assets (PA)

Following is the reconciliation of the initial and final balances for 2010 and 2009 of the fair value of employee benefit plan assets:

	Pensions		Seniority premium	
	2010	**2009**	**2010**	**2009**
PA at January 1	**Ps 521,837**	Ps 442,853	**Ps 98,468**	Ps 84,493
Plus (less):				
Expected yield	**48,395**	39,360	**9,015**	7,228
Actuarial gains for the period	**32,574**	37,560	**1,314**	4,075
Company contributions	**58,298**	75,349	**15,220**	13,693
Benefits paid	**(77,948)**	(73,285)	**(13,362)**	(11,021)
PA at December 31	**Ps 583,156**	Ps 521,837	**Ps 110,655**	Ps 98,468

Reconciliation of BDO, PA and Projected Net Assets/Liabilities (PNA/L)

Following is a reconciliation at December 31, 2010 and 2009, of the present value of the DBO and the fair value of PA, and of the PNA/L recorded in the balance sheet:

	Pensions		Seniority premium		Severance payments	
	2010	2009	**2010**	2009	**2010**	2009
Labor assets (liabilities):						
DBO	**Ps (596,390)**	Ps (518,887)	**Ps (132,997)**	Ps (104,668)	**Ps (169,878)**	Ps (142,865)
PA	**583,156**	521,837	**110,655**	98,468	-	-
Funding position	**(13,234)**	2,950	**(22,342)**	(6,200)	**(169,878)**	(142,865)
Less unamortized items:						
Actuarial losses	**171,620**	119,364	**13,247**	3,150	**13,137**	-
Transition liability	**8,490**	12,780	**1,044**	1,603	**361**	27,477
Improvements to plan not yet recognized	**107,395**	125,069	**-**	-	**6,931**	-
Projected net assets (liabilities)	**Ps 274,271**	Ps 260,163	**Ps (8,051)**	Ps (1,447)	**Ps (149,449)**	Ps (115,388)

Net Cost for the Period (NCP)

Following is an analysis of the NCP per type of plan:

	Pensions		Seniority premium		Severance payments	
	2010	2009	**2010**	2009	**2010**	2009
Labor cost of current services	**Ps 16,708**	Ps 16,096	Ps **12,867**	Ps 11,765	**Ps 22,747**	Ps 21,169
Financial cost	**44,454**	46,408	**9,293**	8,277	**11,199**	10,635
Expected yield of plan assets	**(48,395)**	(39,360)	**(9,015)**	(7,228)	**-**	-
Net actuarial loss	**3,706**	10,869	**6,007**	203	**36,927**	4,373
Labor cost of past services	**28,720**	26,560	**561**	573	**19,073**	24,511
Early reductions or liquidations	**-**	-	**2,110**	-	**(635)**	-
Total	**Ps 45,193**	Ps 60,573	**Ps 21,823**	Ps 13,590	**Ps 89,311**	Ps 60,688

The main actuarial assumptions used, stated in absolute terms, as well as discount rates, plan asset yields, salary increase and changes in indexes and other variables, at December 31, 2010, are as shown below:

Inflation rate	3.50%	
Discount rate	7.75%	(Real)
Expected rate of yield on assets	10.00%	(Real)
Salary increase rate	4.75%	(Real)
Minimum salary increase rate	3.50%	(Real)

The value of the DBO, the fair value of PAs and the plan funding position for the last five years are shown below:

	Historical values		Funding position
Year	DBO	PA	of plan
Pensions			
2010	Ps (596,390)	Ps 583,156	Ps (13,234)
2009	(518,887)	521,837	2,950
2008	(519,059)	442,853	(76,206)
2007	(406,093)	521,331	115,238
2006	(492,686)	438,145	(54,541)
Seniority premium			
2010	Ps (132,997)	Ps 110,655	Ps (22,342)
2009	(104,668)	98,468	(6,200)
2008	(95,839)	84,493	(11,346)
2007	(96,215)	89,134	(7,081)
2006	(82,407)	76,864	(5,543)
Severance payments			
2010	Ps (169,878)	Ps	Ps (169,878)
2009	(142,865)	-	(142,865)
2008	(121,603)	-	(121,603)
2007	(142,810)	-	(142,810)
2006	(131,836)	-	(131,836)

NOTE 14 - STOCKHOLDERS' EQUITY:

a. Capital stock

The capital stock comprises 1,144,750,000 common, nominative, Series "1" Shares and 197,446,100 common, nominative Series "C-1" shares, subscribed and paid in, with no par value, comprising the minimum fixed portion with no withdrawal rights. The capital stock is analyzed as follows:

	Amount
Historical minimum fixed capital	Ps 269,112
Cumulative inflation increment through December 31, 2007	6,326,285
Capital stock at December 31, 2010	Ps 6,595,397

At the Ordinary Annual General Meeting of March 11, 2010, the stockholders approved payment of dividends from the After-Tax Earnings Account in the amount of Ps590,566 (Ps536,879 in 2009). These were paid on May 14, 2010 and on October 22, 2010 through the Sociedad para el Depósito de Valores (Entity for depositing securities).

b. Legal reserve and reinvestment reserve

The net income for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches 20% of paid-in capital stock.

c. Comprehensive income

Comprehensive income is as follows:

	Year ended December 31, 2010		2009	
Consolidated net profit for the year	**Ps**	**5,154,958**	Ps	3,786,535
Change in fair value of derivative financial instruments		**(81,340)**		(100,416)
Net (loss) income of minority interest		**(631)**		448
Comprehensive income	**Ps**	**5,072,987**	Ps	3,686,567

d. Tax provisions pertaining to stockholders' equity

Dividends are free of income tax if paid from the After Tax Earnings Account (CUFIN), and are subject to a rate fluctuating between 4.62% and 7.69%, if paid out of the reinvested CUFIN (CUFINRE). Dividends exceeding the CUFIN are subject to tax equivalent to 38.89% if paid in 2010. This tax is payable by the Company and may be credited against its income tax for the year or the following two years, or against any flat tax paid. Dividends paid from previously taxed earnings are not subject to any tax withholding or additional tax.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter inflation-adjusted in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

At December 31, 2010, the CUFIN balance was Ps40,813,048 and the CUFINRE was Ps108,925.

NOTE 15 - INCOME TAX AND FLAT TAX:

The provisions for taxes on profits were as follows:

	Year ended December 31, 2010		2009	
Income tax currently payable	**Ps**	**2,015,761**	Ps	1,601,056
Flat tax currently payable		**279,037**		46,547
Deferred income tax		**(126,550)**		(22,665)
Deferred flat tax		**(5,445)**		–
	Ps	**2,162,803**	Ps	1,624,938

The reconciliation between the statutory and the effective income tax rates is as follows:

	Year ended December 31, 2010		2009	
Income tax at statutory rate (30% in 2010 and 28% in 2009)	**Ps**	**2,195,247**	Ps	1,515,274
Plus (less) the effect of income tax on:				
Cost of sales		**95,251**		(49,722)
Taxable inventory		**326,320**		318,309
Installment sales - Net		**(425,425)**		233,923
Depreciation		**(244,840)**		(240,585)
Adjustment for inflation - Net		**105,153**		50,328
Tax losses		**(81,534)**		(49,254)
Deductible provisions		**40,349**		(143,228)
Other items - Net		**5,240**		(33,989)
Income currently payable		**2,015,761**		1,601,056
Deferred income tax		**(126,550)**		(22,665)
Net income tax provision for year	**Ps**	**1,889,211**	Ps	1,578,391
		25.8%		29.2%

In 2010, the Company applied tax losses in the amount of Ps271,780.

The Income Tax Law in effect allows tax losses to be offset against future profits arising in the ten years following the year in which they arise, restated on the basis of inflation indexes. At December 31, 2010, certain subsidiaries have unamortized tax losses of Ps463,018, which expire as follows:

Year of expiration		**Restated amount**
2012	Ps	911
2013		1,557
2014		2,589
2015		3,697
2016 and later		454,264
	Ps	463,018

Based on its financial projections, the Company and its subsidiaries determined that the principal tax payable in the future will be income tax, rather than flat tax, and therefore they recorded a deferred income tax liability at December 31, 2010 and 2009, of Ps3,660,089 and Ps3,783,562, respectively, rather than deferred flat tax.

The main temporary differences for which deferred income tax was recorded are analyzed as follows:

		December 31,		
Deferred tax assets		**2010**		2009
Unrealized tax losses	**Ps**	**131,524**	Ps	146,240
Allowance for doubtful accounts		**298,545**		499,997
Provisions for staff expenses		**328,485**		237,165
Other provisions		**160,209**		114,666
Other items		**34,290**		75,328
		953,053		1,073,396
Deferred tax liabilities				
Installment sales - Net		**(1,042,341)**		(904,403)
Property, furniture and equipment		**(3,061,309)**		(2,947,879)
Inventories		**(436,463)**		(752,660)
Other items		**(149,392)**		(331,456)
		(4,689,505)		(4,936,398)
Deferred income tax, net		**(3,736,452)**		(3,863,002)
Asset tax recoverable		**76,363**		79,440
Deferred income tax liability	**Ps**	**(3,660,089)**	Ps	(3,783,562)

The decree amending the Income Tax Law for 2010 establishes, that the applicable income tax rate from 2010 to 2012 is 30%, 29% for 2013 and 28% from 2014 onwards.

Flat tax for 2010 was calculated in applicable subsidiaries at the rate of 17.5% (17% for 2009) on the profit determined on the basis of cash flows. That profit is calculated by subtracting authorized deductions from total income arising from taxable operations. The so-called flat tax credits are subtracted from the foregoing result, as established in current legislation.

In accordance with the current tax legislation, the Company must pay the greater of income tax or flat tax, on an annual basis.

In 2010 and 2009, some companies of the Group determined a flat tax payable of Ps279,037 and Ps46,547, respectively, which exceeded their income tax liability. Book and tax projections indicate that some of these companies will continue paying flat tax, and other companies will pay income tax in the future; therefore, deferred tax recorded at December 31, 2010 corresponds to the tax which each company expects to pay in the future.

NOTE 16 - SEGMENT INFORMATION:

The Company's operations comprise two main segments: department stores (commercial) and real estate leasing (real property).

The Company's Commercial Segment specializes in the sale of retail merchandise to the general public and therefore it has no customers representing a significant percentage of total sales. Although the Company also makes sales to institutions, there is no specific dependence on one customer or group of customers that could pose a risk in the event those customers were lost.

The Company's Commercial Segment has six divisions that cover a broad range of products and services, which are on sale at all of the department stores. This means that there is no dependence on a single business segment. In view of the broad range of products offered by the Company to its customers, it has identified no specific product that could comprise 10% or more of its consolidated sales.

The Company operates with a wide base of suppliers of all sizes, which means that it does not depend on any specific supplier. The Company has commercial relations with a significant number of suppliers; however, there is the risk that a significant supplier may stop supplying certain merchandise to the Company. Following are some of the main suppliers of the Commercial Segment: Sony, Nike, Mattel, Estee Lauder, Hewlett Packard, LG Electronics, Samsung and Gabite.

The Real Property Segment owns or co-owns, manages and leases commercial premises located in important shopping malls in Mexico City and in the rest of Mexico. That segment is engaged in designing and developing expansion and remodeling work at stores, shopping malls and other facilities.

The princpal financial information of those segments is as follows:

	Year ended December 31,			
	2010		2009	
	Commercial	**Real property**	**Commercial**	**Real property**
Net sales	**Ps 47,308,448**	**Ps 1,551,745**	Ps 42,248,673	Ps 1,427,838
Operating income	**Ps 6,476,491**	**Ps 881,329**	Ps 4,987,319	Ps 510,019
Identifiable assets	**Ps 56,376,717**	**Ps 11,905,745**	Ps 47,911,365	Ps11,279,577

Following are the net sales and gross margin of the Commercial Segment classified by type of product and geographic zone:

By type of product:

	Year ended December 31,			
	2010		2009	
	Net sales	**Gross margin**	**Net sales**	**Gross margin**
Big ticket	**Ps 17,553,930**	**Ps 6,189,981**	Ps 15,513,812	Ps 3,610,957
Soft line	**29,754,518**	**10,492,231**	26,734,861	11,067,857
	Ps 47,308,448	**Ps 16,682,212**	Ps 42,248,673	Ps14,678,814

By geographic zone:

Center of the country	**Ps 14,829,956**	**Ps 5,270,634**	Ps 13,671,204	Ps 4,791,259
Interior in various states (except Center)	**32,478,492**	**11,614,603**	28,577,469	9,887,555
	Ps 47,308,448	**Ps 16,885,237**	Ps 42,248,673	Ps14,678,814

NOTE 17 - OPERATIONS WITH RELATED PARTIES:

a. During 2010 and 2009 Grupo Financiero Invex, S. A. de C. V. (Invex), a related party, provided administrative services covering pension plans, employees' savings funds and fiduciary services, to the Company. The related fees paid to Invex amounted to Ps1,459 and Ps1,181 in 2010 and 2009, respectively. At December 31, 2010 and 2009, there were no outstanding balances for these services.

b. Direct and post-retirement benefits paid to relevant directors amounted to Ps73,805 and Ps147,405 in 2010 and 2009, respectively.

NOTE 18 - NEW ACCOUNTING STANDARDS:

In 2010 and 2009, the MFRSB issued the following MFRS and Interpretations that went into effect as from January 1, 2011, except for Interpretation 19 (see Note 20). The Company does not expect that these MFRS and Interpretations will have a material impact on its financial information.

MFRS B-5 "Segment information".
MFRS B-9 "Interim financial information".
MFRS C-4 "Inventories".
MFRS C-5 "Advance payments".
MFRS C-6 "Property, plant and equipment".
MFRS C-18 "Obligations related to retirement and disposition of assets and site restoration".
Interpretation 19 "Changes arising from adoption of IFRS"

NOTE 19 - ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):

As from 2012, the Company will be required to prepare its financial statements in conformity with IFRS, issued by the International Accounting Standards Board, in accordance with the regulatory provisions established by the National Banking and Securities Commission for entities issuing securities in Mexico. The 2011 financial statements must be presented for comparison to the 2012 financial statements prepared on the basis of IFRS.

At the end of August 2010, the MFRSB issued Interpretation 19 "Changes arising from adoption of the IFRS", effective for financial statements issued after September 30, 2010. The purpose behind Interpretation 19 is for companies issuing securities to disclose in their 2010 and 2011 financial statements the date established for adoption of IFRS and the estimated amount of any significant effects resulting from adopting IFRS or, if applicable, the reasons for not preparing this estimate.

The Company has identified certain differences between IFRS and MFRS but it expects there will not be a significant change in its accounting policies, financial position and results of operations. The most significant change will be the degree of detail required by IFRS for financial statement disclosure purposes.

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