DYNAMIC growth

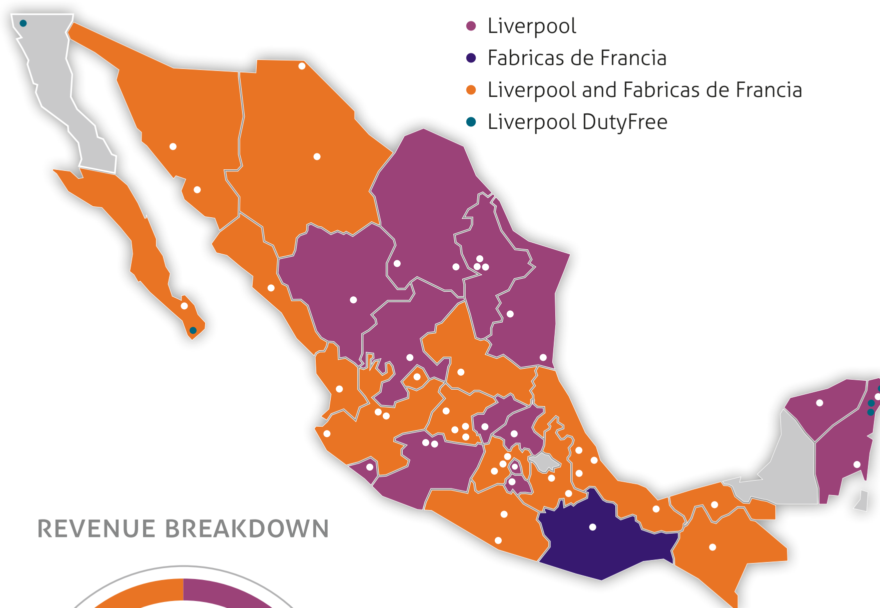
DYNAMIC growth

Long-term vision and operating stability guarantee the Company's permanence. Even in variable and, at times, unpredictable times such as these, we have been able to grow our profits. Thanks to our focus on our customers, with whom we seek to establish strong and lasting ties, we have developed the market knowledge necessary to situate us closer to their centers of activity and lifestyles, to determine and anticipate their needs by offering them the merchandise they prefer and to understand their consumer habits, so as to provide them with the best shopping experience that encourages them to return to Liverpool time and time again.

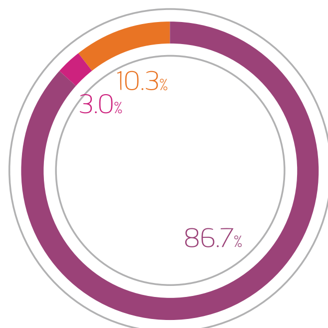
This perspective is reflected in all that we do and in the decisions we make: consistency, discipline, creativity, the focus on profitability, and long-term execution. Without a doubt, these elements will permit us to continue our **dynamic growth. <**

QUICK READ

WHERE WE OPERATE



REVENUE BREAKDOWN



- Retail
- Real-estate
- Credit

Liverpool is the largest department store chain in Mexico. Through personalized customer service and a broad assortment of products and services driven to diverse lifestyles, we create shopping experiences for the whole family. <

HIGHLIGHTS

(Figures in millions of pesos)

$58,657 total revenue

$10,511 EBITDA

$6,543 net profit

RETAIL DIVISION

- 90 department stores
- 1.3 million square meters of selling space
- Presence in 53 cities of the Mexican Republic
- More than 120 departments per store

CREDIT DIVISION

- 2.9 million credit card holders
- Most relevant non banking credit card in Mexico
- 4 different types of credit cards: Liverpool, Fabricas de Francia, Liverpool Premium Card & Galerias Fashion Card

REAL-ESTATE DIVISION

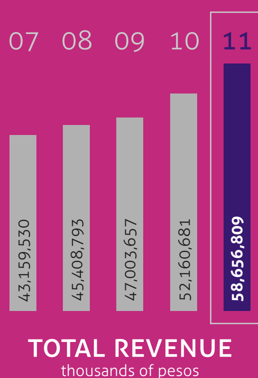
- 16 shopping centers
- 325 thousand square meters of gross leasing area
- Over 1,500 tenants
- High average occupancy rates

FINANCIAL HIGHLIGHTS

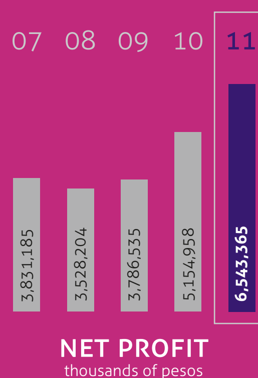
Figures at December 31, 2007 are expressed in thousands of Mexican pesos with purchasing power of December 2007.
Figures at December 31, 2011, 2010, 2009 and 2008 are expressed in historical thousands of Mexican pesos at the date.

	2011	2010	%VAR	2009	2008	2007
Operations						
Number of stores	90	85	5.9%	79	78	71
Number of shopping centers	16	16	–	16	13	11
Own brand credit cards	2,903,472	2,700,597	7.5%	2,585,539	2,690,037	2,517,597
Results						
Total revenue	58,656,809	52,160,681	12.5%	47,003,657	45,408,793	43,159,530
Revenue from Retail Division	52,348,382	46,730,797	12.0%	43,350,823	41,343,413	39,377,415
Revenue from Real-estate Division	1,731,041	1,551,745	11.6%	1,427,838	1,405,786	1,263,299
Revenue from Credit Division	4,577,386	3,878,139	18.0%	2,224,996	2,659,594	2,518,816
Operating profit	9,227,815	7,727,110	19.4%	5,497,338	5,462,553	5,959,315
Net profit	6,543,365	5,154,958	26.9%	3,786,535	3,528,204	3,831,185
EBITDA	10,510,561	8,940,378	17.6%	6,883,441	6,525,681	6,852,649
EBITDA margin	17.9%	17.1%	4.5%	14.6%	14.4%	15.9%
Profit per share	4.88	3.84	27.1%	2.82	2.63	2.85

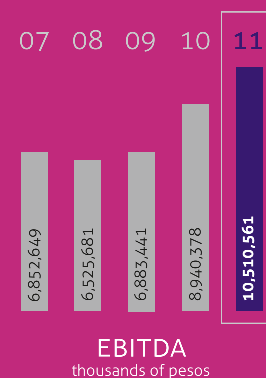
The financial information for fiscal years 2007, 2008 and 2009 is expressed under Mexican GAAP. The financial information for fiscal years 2010 and 2011 is expressed under IFRS. Thereby, the financial information is non comparable.



TOTAL REVENUE
thousands of pesos



NET PROFIT
thousands of pesos



EBITDA
thousands of pesos

12.5
percent growth
total revenue

17.9
percent margin
EBITDA

The main economic indicators of the company were **favorable** during 2011. <

LETTER FROM THE CHAIRMAN OF THE BOARD

To the Shareholders,

We now find ourselves immersed in an era in which globalization assumes a major role and affects the business world in never-before-seen ways and at lightning speed. Our bonds with our customers are our primary objective, to which end we have concentrated on transforming the operations in our stores, shopping malls, credit cards, logistics and other services, to permit us to have even closer ties with the people with whom we do business.

In doing so, the Company obtained positive results; we reached total income of **$58,657** million pesos, for a net profit of **$6,543** million pesos.

New designs, initiatives, services, merchandise, technologies and lifestyles combine together harmoniously to provide our customers with an enjoyable and complete shopping experience, as well as to anticipate their needs. All of these attributes have become reality in the Liverpool Interlomas store, which we opened last November, and we will continue to grow this tendency. We have also entered into the different channels that have brought us closer to our customers, thanks to mobility, and we shall continue to make innovations along these lines, in order to capture the attention of growing markets.

The development of our associates continues to be one of our top priorities; we strive to strengthen our bonds and to share our business vision with them, so that together, we can surpass our customers' expectations with regards to our service.

Our Country's economic and social environment has been helpful in encouraging sustainable geographical expansion, and we are confident that the recovery of purchasing power, along with proper financing, will permit a larger number of persons to have access to our business. To this end, we shall continue to develop our plans for growth, congruent with Mexico's development; we will open eight new stores and three new shopping malls during 2012.

Once again, all of us here at Liverpool stress our commitment with the Mexican family at large, which has distinguished us as its most trusted shopping destination for many, many years. We wish to express our appreciation to our shareholders for their support; to our associates for their commitment and dedication; to Mr. Jose Calderon, our CEO, who retired in 2011 after 42 years of service; to our suppliers and tenants for their continued participation; and most of all, to our customers and friends. Thank you so much for permitting Liverpool to have such dynamic growth.

Sincerely,

Max David
Chairman of the
Board of Directors

March 8, 2012

LETTER FROM THE CHIEF EXECUTIVE OFFICER

During 2011, Liverpool's plans for expansion were realized when we opened five stores that reinforce the Company's presence and fulfill its objective to serve yet a greater number of customers.

We were able to grow our same-store sales, surpassing Mexico's economic growth, thanks to the merchandising strategy and the extension of the granting of consumer credit, in addition to proper controls over inventories and operating expenses. All of the aforementioned permitted Liverpool to obtain total income of **$58,657** million pesos, which is **12.5%** more than the prior year, as well as an operating profit of **$9,228** million pesos, which is **19.4%** higher than in the year 2010.

These results were based on a strategy aimed at offering our clientele personalized service through many different channels that brought us closer to our customers.

In Liverpool, we present a wide range of products manufactured by our more than **4,500** domestic suppliers; we then proceed to complement these products with imported articles. Also, in view of the importance of the Far East in our supply chain, we recently opened an office in that region, through which to intensify relationships and develop exclusive programs.

One of our focal points this year was the management of the shopping malls, whose value proposal is centered on entertainment and the diversity of lines of business. This has permitted us to create attractive options alongside the department stores, which encourage more frequent visits by our customers, as well as their loyalty to our retail facilities.

The granting of consumer credit has been a determinant factor in the growth of total income. During the year, the more than 2.9 million Liverpool, Fabricas de Francia, *Liverpool Premium Card* and *Galerías Fashion Card* cardholders totaled a credit portfolio of **$20,759** million pesos, to remain in their position as the Company's most important source of payments.

The expansion plan for the *Liverpool Premium Card* at the national level, carried out during the year, attracted an increase in the number of cardholders, as well as in the balance of the respective portfolio. This card is a useful tool for knowing the customer's needs when they make purchases in places other than Liverpool.

Year after year, the hard work and dedication of each and every one of us who form part of Liverpool translate into new stores, formats, concepts, designs, merchandise and services, all focused on providing personalized attention to the customer, in anticipation of its needs.

I reached retirement age during the current year, thereby culminating my 42-year career in this exceptional organization. I wish to thank all those who supported me during my time at the Company and I sincerely hope that Liverpool's course of growth and profitability continues for many, many years to come.

Sincerely,

José Calderón
CEO

DYNAMIC expansion

During 2011, we fortified the markets in which we already have presence, and we arrived in new cities, as well. Our operations now cover **53 cities** in the Mexican Republic, enabling us to serve a very significant number of families. <

At date, we have 90 stores in three different formats - Liverpool, Fabricas de Francia, and Liverpool Duty Free. During the year, we opened five new stores: Tlaquepaque, Guadalajara, Jalisco; La Paz, Baja California Sur; San Luis Potosi, in the State of San Luis Potosi; Interlomas in the State of Mexico; and a Duty Free store in Playa del Carmen, Quintana Roo.

5
new stores
during 2011

Interlomas, Tlaquepaque and San Luis Potosi strengthen the Company's imprint in their respective cities and encourage more frequent visits by being located closer to the customer. <

1.3

million square meters of retail sale space

Liverpool La Paz benefits from the bustling activity and development of this city, and the second unit of the Liverpool Duty Free format in Playa del Carmen complements the retail facilities, to aptly serve this rapidly growing tourist destination. With all of the above, the sales area reached 1.3 million square meters, which is 8.0% more than in 2010.

The expansion and remodeling of our stores is one of our most important strategies for keeping the Company's image fresh and up to date. Each location is unique and adapts to the characteristics of specific markets, maintaining its individuality while conserving the familiarity and ambience so characteristic of Liverpool. During the year, we continued to work on the expansion of the Liverpool Insurgentes, Tampico, Metepec and Puebla stores. <

325,000 square meters of gross leasing area in 16 shopping malls

Liverpool Interlomas offers a brand new modern and comfortable design for our customers.

DYNAMIC differentiation

The Company has strong ties with the Mexican family. As the very reason for our being, the customers demand that we appreciate their preferences and that we address such differences through **personalized attention and a vast array of products and services.** <

In Mexico, the socio-economic pyramid in the middle class is growing; we expect this trend to continue in coming years. We have performed the necessary market research to know the people we serve very well, and this understanding allows us to anticipate their interests and to respond to the diversification of lifestyles, to our consumers' habits and to the way they shop through different channels.

2.9
million
cardholders

The commercial offer of the Liverpool Card is complemented in the Insurance and Special Services Centers located in each store, where solutions tailored to the needs of each customer are provided through different plans, coverages and assistance. <

8.2% of our sales correspond to our private labels

The market position of our private labels has evolved favorably, by offering appealing options in fashion and quality. At date, 8.2% of our sales correspond to our private brands; we continue to develop new proposals that increase the value offered.

We transformed the concept of food in Mexico's department stores, by incorporating the recently created "Gourmet Experience" in Liverpool Interlomas. In an area divided into diverse gastronomic worlds, we offer a broad variety of foods in a park-like setting, in pleasant and relaxing surroundings.

The Liverpool credit card offers personal and mobile attention, as well as attractive financing plans. During 2011, we introduced the new *Galerias Fashion Card*, promoted in the Company's 16 shopping malls, which offers special benefits to a new group of customers. <

4,500
domestic
suppliers

We keep ourselves at the forefront of worldwide trends, by offering distinctive merchandise. These spaces, dedicated to new products, are exhibited under the image of **"What's In"**, to attract the customer's attention.

Our values, creativity and infrastructure constitute the pillars of our **business platform.** <

Through our values, we align objectives and strategies, thanks to institutions such as Liverpool's Virtual University, which encourages the development of our associates' personal, professional and technical skills.

DYNAMIC platform

4,500
LVU graduates up-to-date

The migration of the IT system for the supply chain will speed up the receiving and delivery of merchandise. Also, the Interlomas store is now equipped with mobile client-service terminals that will bring important benefits with regards to service and speed. <

45

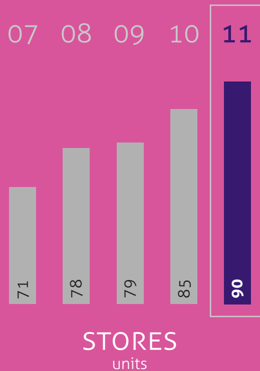
thousand associates

Liverpool strives to make sure it offers a work environment that encourages the collective creativity and management of know-how to create communities that bring the different teams together to work towards the same goal.

With respect to the infrastructure, during 2011, we undertook an important migration of the IT system for the supply chain, which will speed up the receiving and delivery of merchandise. During this first stage, three of our warehouses now operate under this new platform.

The high frequency of visits to liverpool.com.mx and galerias.com websites is palpable; these websites continue to add new information to bring the customer nearer to the stores and shopping malls. The virtual community that has been built is significant; it encourages more contact and accessibility.

The business model that has been developed is based on the interaction among stores, credit cards, shopping malls and ever-increasing mobility, thereby creating synergies in benefit of Liverpool's clientele. <



Our personnel's sense of belonging to the Company is reflected in the average seniority of seven years, as well as in the low levels of turnover.

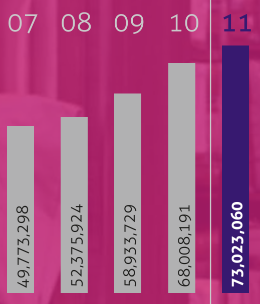
DYNAMIC performance

Our vision, focused on the long term, contributes to maintaining profitable growth. <

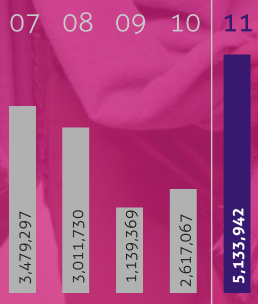
We have aligned strategies thanks to balanced score card systems that facilitate the identification of the indicators most relevant for the organization, that effectively communicate to all of our collaborators, the initiatives required to achieve our goals.

90
stores

The operating discipline has been able to succeed in keeping expenses at optimal levels with respect to total income, representing 25.1% of such income, which is an efficiency of 50 base points with respect to the prior year. <



TOTAL ASSETS
thousands of pesos



CAPEX
thousands of pesos

0.8

times debt with cost to EBITDA

The contracting of long-term liabilities with staggered due dates and low interest rates help to reduce the pressure on cash flow and also strengthen the Company's financial position.

Liverpool's association with *Regal Forest* is ongoing; the acquisition of the *Artefacta* chain in Ecuador was agreed during the year, thereby extending our presence to new countries.

The Company's credit portfolio management is able to maintain low levels of uncollectable accounts, due to the application of credit scores that facilitate the granting process. At the close of 2011, the reserves for bad debts more than 90 days old reached $1,174 million pesos that represents 5.7% of the total portfolio.

The Company's business and financial acumen has resulted in the application of different models that separate the customers and group them according to their profile. This enables us to anticipate the customer's needs and to adapt our products and services accordingly. <

Logistic systems enable us to handle merchandises properly

Based on an analysis of our customers' behavior, we create specific promotions that make them feel special, and at the same time, we increase our sales.

OPERATING SUMMARY

Results

Total income reached $58,657 million pesos, for a 12.5% increase over the prior year.

As a result of the improvement in income, jobs and primary macro-economic variables, department store sales amounted to $52,348 million pesos, for a 12.0% growth in total stores, and an 8.6% growth in same-store sales.

Credit card income totaled $4,577 million pesos, an increase of 18.0% over the year 2010. We now have 2.9 million cardholders, and 49.2% of the sales were made with our cards, which are the most important source of payment for the Company.

At the end of the year, the balance of accounts overdue by more than ninety days amounted to 3.1% of the total portfolio, reflecting a favorable level to continue granting consumer credit.

Real estate income grew by 11.6% over the prior year, reaching $1,731 million pesos. Shopping mall management bases its value proposal on a mixture of lines of business that attracts a large number of visitors to an environment favorable to entertainment and shopping. The average rate of occupancy was 94.0%.

Selling, general and administrative expenses presented a growth of 9.9% over the year 2010.

Operating profits increased by 19.4% with respect to the prior year, to reach the amount of $9,228 million pesos.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to $10,511 million pesos, representing 17.9% of total income, an improvement of 80 base points over the year 2010.

The results of financing remained stable in comparison to the prior year. The amount of $2,250 million pesos corresponding to debt certificates listed as **LivepolCB06** was amortized during the year.

After this amortization, the debt with a cost to the Company totaled $8,921 million pesos, which was 20.1% less than the prior year. The debt to EBITDA ratio was 0.8 times, versus 1.2 times the prior year.

As a result of the foregoing, the net profit totaled $6,543 million pesos at the year-end.

Sustainability

With regards to social responsibility, we have established steps that cover the quality of life in the Company, ties with the community and the care of the environment.

In the area of health, we support the PrevenIMSS program (IMSS being the initials of the Mexican Social Security Institute), which encourages the prevention and detection of illnesses in all of our work centers, thereby reinforcing the personal care of our associates. We also installed the Health City program in our corporate facilities, through which various medical studies were performed, to promote a healthier lifestyle.

Liverpool was recognized as a "Great Place to Work™" company, which corroborates the high quality of life promoted by the Company.

Liverpool's Virtual University is the platform that promotes our personnel's development; at date, more than 4,500 graduates from its different programs have strengthened their skills and knowledge.

Dividends

The Shareholders' Meeting held on March 10, 2011, declared a dividend in the amount of $725 million pesos on the 1,342,196,100 shares representing the Company's capital stock.

Final Considerations

And now, we conclude a year that propels the Company towards future growth and development. The personalized attention, the introduction of new concepts and the proximity of more segments thanks to mobility allow us to serve our customers better and to provide them with a unique and different shopping experience.

During the year being reported, Mr. Jose Calderon reached retirement age. We wish to express our sincere appreciation for his invaluable contributions to the Company during his more than 42 years of service.

This Board appointed Mr. Jorge Salgado as our new Chief Executive Officer; we are confident that under his guidance, Liverpool will continue to grow and develop in the same way as it has in recent years.

At the end of this year of achievements and goals reached, we wish to thank our shareholders for their trust, our suppliers and tenants for their participation and support, all of our associates for their hard work in creating a more profitable Liverpool, and above all, our customers for keeping us in the position of their favorite shopping destination, thereby permitting Liverpool to grow dynamically.

Sincerely,

The Board of Directors
Mexico City, December 31, 2011

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

Enrique Brémond S. [1]
Administrator, Victium, S.A. de C.V.

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

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

Pedro Velasco [2,4]
Partner, Santamarina y Steta, S.C.
Chairman of the Audit and Societary Practices Committee

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

Armando Garza Sada [2]
Chairman, Alfa, 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.

Guillermo Simán [2]
Vicepresident, Grupo Unicomer

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

Maximino Michel G. [1]
Manager, 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
Jorge Salgado
Héctor Guzmán
Eduardo Flores
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 auditor's report

Mexico City, February 29, 2012

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

Report on the consolidated financial statements
We have audited the consolidated financial statements of El Puerto de Liverpool, S.A.B. de C.V. and subsidiaries, which comprise the consolidated balance sheet at December 31, 2011 and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the year then ended, as well as a summary of the main accounting policies and other explanatory notes.

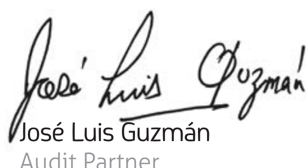
Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for the internal control structure considered by Management to be necessary to allow for ensuring that the consolidated financial statements are free of material misstatement, whether due to fraud or error.

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

An audit consists of applying procedures to obtain audit evidence to support the balances and disclosures contained in the consolidated financial statements. The procedures applied are determined on the basis of the auditor's judgment and include an assessment of the risk of material errors in the consolidated financial statements, either due to fraud or error. In conducting this risk assessment, the auditor considers the Company's internal control relevant for preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing whether or not the accounting principles applied are appropriate and the accounting estimates used by management are reasonable, as well as an evaluation of the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the accompanying consolidated financial statements 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, 2011, and their consolidated results of operation and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).



José Luis Guzmán
Audit Partner

PricewaterhouseCoopers, S. C., Mariano Escobedo 573, Colonia Rincón del Bosque, C.P. 11580 México, Distrito Federal
T: +52 (55) 5263 6000 F: +52 (55) 5263 6010 www.pwc.com/mx

Report of the audit and societary practices committee

Mexico, Federal District February 17, 2012

To the Board of Directors of
El Puerto de Liverpool, S.A.B. de C.V.

We, the undersigned, appointed to form the Company's Audit and Societary Practices Committee, do hereby submit the report on the activities developed, in compliance with article 43 of the Mexican Securities Act.

We held four sessions of the Committee, at which the following points, among others, were addressed:

I. **The Company's regular shareholders' meeting held on March 10, 2011 appointed Mr. Pedro Velasco Alvarado to the position of president of the Audit and Societary Practices Committee for year 2011.**

II. **With respect to the audit:**

a) We evaluated the external audit plan and the professional services proposal accepted by management and recommended to the Board of Directors that it appoint the firm, PricewaterhouseCoopers, through its audit partner, public accountant Jose Luis Guzman Ortiz, as independent auditor to audit the financial statements of the Company and of its Subsidiaries for the fiscal year ended December 31, 2011.

b) We evaluated that the Company has the both the internal and external mechanisms that guarantee compliance with the laws and regulations applicable thereto.

c) We were informed with regards to the changes in the Company's accounting policies derived from the early adoption of the International Financial Reporting Standards (IFRS), as well as with respect to their impact on the financial statement figures at December 31, 2011 and 2010, obtaining assurance that the financial information is presented properly.

d) We followed up on the organization and functioning of the Company's Internal Audit Department; we heard its annual report on activities for year 2011, the relevant findings and its audit plan for year 2012.

e) We evaluated the fact that the Company has the systems, policies and operating procedures that permit us to consider it to have an adequate internal control and accounting records environment.

f) We were informed as to the degree of the Company's compliance with the Best Corporate Practices Code recommended by the Mexican Stock Exchange, in accordance with the report with information at December 31, 2010, filed on June 30, 2011.

g) We were informed with regards to the lawsuits and litigations in process, as well as with regards to those already concluded.

h) We reviewed the consolidated financial statements at December 31, 2011, the notes thereto, and the audit report on such financial statements, issued by the independent auditors.

i) We were informed as to the status of the reserves and estimates included in the financial statements at December 31, 2011.

j) We were informed as to the observations and recommendations of the independent auditors, related to the examination of the consolidated financial statements at December 31, 2011.

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

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

III. With regards to societary practices:

a) We consider that senior management's performance has been adequate and efficient, considering the circumstances under which they have carried out their duties.

b) We were informed as to the transactions with related parties, evaluating that their amounts are not significant in connection with the Company's operations and that they correspond to market conditions.

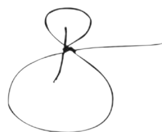
c) We were informed in general terms, as to the criteria of assignment of the comprehensive remunerations paid to the directors on behalf of the Company. We consider these payments to be reasonable and that they correspond to market conditions.

As a result of the activities developed by this Committee, as well as of the opinion of the Company's independent auditors, the financial statements of El Puerto de Liverpool, S.A.B. de C.V. and Subsidiaries at December 31, 2011 are hereby submitted to the Regular Shareholders' Meeting for their approval, in the terms in which such statements have been prepared and presented by the Company's management.

Sincerely,

The Audit and Societary Practices Committee

Luis Tames


Pedro Velasco

Juan Miguel Gandoulf

Consolidated balance sheets

December 31, and 2011 and 2010 and January 1, 2010
(Thousands of pesos)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents	7	**$ 2,565,515**	$ 6,825,518	$ 6,665,425
Short - term loan portfolio – net	8	**15,990,126**	14,647,442	13,175,416
Value added tax recoverable – net		**919,275**	783,034	588,846
Other accounts receivable – net	9	**850,984**	639,214	757,729
Inventory	11	**10,109,023**	8,080,900	6,277,832
Prepaid expenses	2.29	**502,599**	366,036	422,704
Total current assets		**30,937,522**	31,342,144	27,887,952
Non - current assets:				
Long - term loan portfolio - net	8	**4,768,474**	3,987,858	2,802,270
Long - term other accounts receivable - net	9	**158,646**	128,895	115,531
Derivative financial instruments	10	**240,100**	170,662	93,300
Investment in shares of associated companies	12	**3,568,978**	3,295,974	613,896
Intangibles - net	15	**927,142**	745,622	674,824
Investment properties - net	13	**10,102,793**	8,721,059	7,936,468
Property, furniture and equipment - net	14	**22,319,405**	19,615,977	18,806,538
Employee benefits	19	**–**	–	2,950
Total		**$ 73,023,060**	$ 68,008,191	$ 58,933,729
Liabilities and stockholders' equity				
Current liabilities:				
Short – term loans from financial institutions	17	**$ –**	$ –	$ 792,857
Short – term unsecured notes	18	**–**	2,250,000	700,000
Suppliers		**9,583,759**	8,443,000	7,030,776
Provisions	16	**1,392,432**	1,319,358	980,537
Deferred income	2.24	**1,338,544**	1,169,104	1,001,872
Creditors		**4,146,979**	3,862,921	2,868,259
Income tax payable	23.2	**138,149**	363,112	144,139
Total current liabilities		**16,599,863**	17,407,495	13,518,440
Long - term loans from financial institutions	17	**921,456**	921,456	921,456
Long - term unsecured notes	18	**8,000,000**	8,000,000	7,250,000
Derivative financial instruments	10	**357,999**	268,416	109,714
Employee benefits	19	**254,918**	170,065	132,414
Deferred income tax	23.2	**3,621,420**	3,660,089	3,783,562
Total liabilities		**29,755,656**	30,427,521	25,715,586
Stockholders' equity:				
Capital stock	24	**3,374,282**	3,374,282	3,374,282
Retained earnings:				
Prior years'		**32,912,068**	28,481,896	25,285,927
For the period		**6,543,365**	5,154,958	3,786,535
Capital reserves	24	**436,272**	568,948	770,182
Stockholders' equity attributable to owners of the controlling company		**43,265,987**	37,580,084	33,216,926
Non-controlling interest		**1,417**	586	1,217
Total stockholders' equity		**43,267,404**	37,580,670	33,218,143
Total		**$ 73,023,060**	$ 68,008,191	$ 58,933,729

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

Consolidated statements of income, expenses by function

For the years ended December 31, 2011 and 2010
(Thousands of pesos)

	Note		December 31, 2011		2010
Operating revenue:					
Net sales of merchandise	2.23	**$**	**50,881,125**	$	45,511,625
Interest earned from customers	2.23		**4,577,386**		3,878,139
Leasing of investment property	2.23		**1,731,041**		1,551,745
Services	2.23		**1,467,257**		1,219,172
Total revenue			**58,656,809**		52,160,681
Costs and Expenses:					
Cost of sales	21		**34,932,775**		31,290,876
Administration expenses	21		**14,700,673**		13,333,591
Total costs and expenses			**49,633,448**		44,624,467
Other income - net	22		**204,454**		190,896
Operating income			**9,227,815**		7,727,110
Financing costs	18		**(847,293)**		(898,778)
Return on investments	7		**227,312**		269,825
Foreign exchange fluctuation - net			**(7,669)**		79,197
Equity in the results of associated companies	12		**304,727**		140,134
Pre-tax income			**8,904,892**		7,317,488
Taxes	23		**2,360,947**		2,162,803
Consolidated net income			**6,543,945**		5,154,685
Other items comprising comprehensive income:					
Valuation of financial instruments contracted for cash flow hedging	10	**$**	**(20,145)**	$	(81,340)
Actuarial losses of employee benefits			**(112,280)**		(120,252)
Consolidated comprehensive income		**$**	**6,411,520**	$	4,953,093
Net income attributable to:					
Owners of controlling company		**$**	**6,543,365**	$	5,154,958
Non-controlling interest			**580**		(273)
		$	**6,543,945**	$	5,154,685
Basic and diluted earnings per share	24	**$**	**4.88**	$	3.84
Comprehensive income attributable to:					
Owners of controlling company		**$**	**6,410,689**	$	4,953,724
Non-controlling interest			**831**		(631)
		$	**6,411,520**	$	4,953,093
Basic and diluted earnings per share		$	**4.78**	$	3.69

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

Consolidated statements of changes in stockholders' equity

At December 31, 2010 and 2010 and January 1, 2010
(Thousands of pesos)

	Capital stock	Retained earnings	Capital reserves	Total stockholders' equity attributable to the owners of the controlling co.	Non controlling equity	Total stockholders' equity
Balances at January 1, 2010	$ 3,374,282	$ 29,072,462	$ 770,182	$ 33,216,926	$ 1,217	$ 33,218,143
Comprehensive income:						
Net income		5,154,958		5,154,958	(631)	5,154,327
Actuarial losses			(119,894)	(119,894)		(119,894)
Valuation of derivative financial instruments	–	–	(81,340)	(81,340)	–	(81,340)
Total comprehensive income	–	5,154,958	(201,234)	4,953,724	(631)	4,953,093
Transactions with owners:						
Dividends paid at $0.44 per share	–	(590,566)	–	(590,566)	–	(590,566)
Balances at December 31, 2010	3,374,282	33,636,854	568,948	37,580,084	586	37,580,670
Comprehensive income:						
Net income		6,543,365		6,543,365	831	6,544,196
Actuarial losses			(112,531)	(112,531)		(112,531)
Valuation of derivative financial instruments	–	–	(20,145)	(20,145)	–	(20,145)
Total comprehensive income	–	6,543,365	(132,676)	6,410,689	831	6,411,520
Transactions with owners:						
Dividends paid at $0.54 pesos per share	–	(724,786)	–	(724,786)	–	(724,786)
Balances at December 31, 2011	**$ 3,374,282**	**$ 39,455,433**	**$ 436,272**	**$ 43,265,987**	**$ 1,417**	**$ 43,267,404**

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

Consolidated cash flows statements

December 31, 2011 and 2010
(Thousands of pesos)

	December 31, 2011	December 31, 2010
Operations		
Pre-tax income	$ **8,904,892**	$ 7,317,488
Adjustment from items not implying cash flows:		
Depreciation and amortization included in costs and expenses	**1,282,746**	1,213,268
Provision for impairment of loan portfolio	**953,242**	597,374
Equity in income of associated companies	**(304,727)**	(140,134)
Profit on sale of investment properties, furniture and equipment	**(18,548)**	(593)
Net cost for the period of labor obligations	**70,416**	53,329
Derivative financial instruments, realized portion		
Interest earned	**(3,025,212)**	(2,566,421)
Accrued interest expense	**847,294**	898,778
	(194,679)	55,601
(Increase) decrease in:		
Interest earned from customers	**2,790,641**	2,265,483
Short - term loan portfolio	**(2,288,668)**	(2,024,923)
Inventory	**(2,028,123)**	(1,803,068)
Value added tax recoverable	**(136,242)**	(194,188)
Other accounts receivable	**(222,722)**	85,476
Prepaid expenses	**(136,563)**	56,668
Long - term loan portfolio	**(780,616)**	(1,185,588)
Other long-term accounts receivable	**(29,751)**	(13,364)
Deferred income	**101,380**	167,232
Suppliers	**1,140,759**	1,412,224
Creditors	**312,708**	622,048
Taxes paid	**(2,613,576)**	(1,944,630)
Provisions	**72,894**	526,063
Employee benefits paid	**(58,403)**	(56,900)
Net cash flows provided by operating activities	**(3,876,282)**	(2,087,467)
Investment activities		
Return on investments	**227,312**	269,825
Acquisition of property, furniture and equipment	**(3,752,208)**	(1,687,671)
Sale of property, furniture and equipment	**34,829**	15,431
Acquisition of investment property	**(1,381,734)**	(929,396)
Investment in associated companies	**–**	(2,541,944)
Investment in new IT developments	**(400,054)**	(275,867)
Net cash flows provided by investment activities	**(5,271,855)**	(5,149,622)
Cash (insufficiency) surplus to be used in financing activities	**(437,924)**	136,000
Financing activities		
Issuance of unsecured notes	**–**	3,000,000
Dividends paid	**(724,786)**	(590,566)
Loans repaid	**(2,250,000)**	(1,492,857)
Interest paid	**(847,293)**	(892,484)
Net cash flows provided by financing activities	**(3,822,079)**	24,093
(Decrease) increase in cash and cash equivalents	**(4,260,003)**	160,093
Cash and cash equivalents at beginning of year	**6,929,737**	6,778,909
Exchange fluctuations of cash	**(104,219)**	(113,484)
Cash and cash equivalents at end of year	$ **2,565,515**	$ 6,825,518

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

Notes to the consolidated financial statements

December 31, 2011 and 2010 and January 1, 2010
(Thousands of pesos, unless otherwise specified)

NOTE 1 - GENERAL INFORMATION:

El Puerto de Liverpool, S.A. B. de C.V. and subsidiaries (hereinafter the Company) operate a chain of department stores, founded in 1847, engaged in selling a broad variety of products such as clothes and accessories for men, women and children, household articles, furniture, cosmetics and other consumer products. The Company is registered with the Mexican Securities Market and has an important presence in the Federal District (Mexico City) and in 30 states in Mexico. At December 31, 2011, the Company operated a total 84 department stores, 61 under the name of Liverpool, 23 under the name Fábricas de Francia, aside from 6 Duty Free stores and 24 specialized boutiques. In 2010, five new stores started up operations: Monterrey, Nuevo León; Morelia, Michoacán; Zacatecas, Zacatecas; Orizaba, Veracruz and Ciudad Victoria, Tamaulipas; and one Duty Free in Cancún, Quintana Roo; whereas in 2011, four new stores started up operations: Interlomas, Ciudad de México; La Paz, Baja California Sur, San Luis Potosí, San Luis Potosí and Tlaquepaque, Jalisco, as well as one Duty Free in Playa del Carmen, Quintana Roo.

The Company grants its customers financing through the "Liverpool Credit Card", with which customers can make purchases at Company stores exclusively. Additionally, the Company operates the "Liverpool Premium Card (LPC)", with which cardholders can acquire goods and services at both stores and boutiques pertaining to the chain, and at any establishment affiliated to the VISA system worldwide. During 2011, the Company began handling a third card denominated "Galerías Fashion Card", which closely resembles the LPC.

Additionally, the Company manages, is a partner, stockholder or coowner of commercial centers and holds an interest in 16 of them known as "Galerías", through which it leases commercial space to tenants engaged in a broad number of businesses.

The Company's domicile and main place of business is:

Mario Pani 200
Col. Santa Fe,
México, D.F.
C.P. 05109

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Following is a summary of the main accounting policies applied in preparing the consolidated financial statements. These policies have been applied consistently in each of the years presented, unless otherwise specified.

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB). In accordance with the changes to the Rules for Public and Other Companies traded on the Mexican Securities Market, issued by the National Banking and Securities Commission on January 27, 2009, as from 2012, the Company is required to prepare its financial statements using IFRS as the regulatory framework for accounting purposes.

The Company opted for early adoption of IFRS as from January 1, 2011; which means that these are the Company's first consolidated financial statements prepared in accordance with IFRS issued by the IASB.

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB, subject to certain transition exemptions and exceptions disclosed in Note 28. The Company has applied consistently the accounting policies used in the preparation of its opening statement of financial position under IFRS at January 1, 2010 over all periods presented, as if those policies had been in use. Note 28 discloses the transition impact to IFRS in the financial position and results of the Company, including the nature and the effect of significant changes in the accounting policies used in the consolidated financial statements for the year ended on December 31, 2010 prepared under Mexican Financial Reporting Standards (NIF by its Spanish acronym).

The Company early adopted IAS 19 (revised) – "Employee Benefits". The application of this standard is required for periods beginning on January 1, 2013, however early adoption is allowed.

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for the exemptions applied by the Company disclosed in Note 28, and except for the cashflow hedge measured at fair value.

Preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The areas involving a greater degree of judgment or complexity or the areas in which the assumptions and estimates are significant for the consolidated financial statements are described in Note 4.

2.1.1. Going concern
The Company meets its working capital needs through reinvestment of a significant portion of its annually generated profits, as well as by contracting short and longterm credit lines, but respecting the debt ceiling approved by the Board of Directors. The Company's financial structure has allowed for operating with liquidity, despite the important investments in capital goods carried out annually to expand the sales floor through opening of new stores and shopping malls. Interest payment is covered more than 8 times by operating income and is one of the objectives established by the Board of Directors. Taking into account the possible variations in operating performance, the Company's budget and projections show it is able to operate with its current level of financing. The Company is up to date with its payment obligations, and is in compliance with its obligations to do and not to do established under financing agreements.

Management expects the Company to secure the resources necessary to continue operating as a going concern in the foreseeable future. Consequently, the consolidated financial statements were prepared on a goingconcern basis.

2.1.2. Changes in policies and disclosures
New standards, changes and interpretations issued but not in effect as from January 1, 2011, and which have not been adopted by the Company.

- IAS 1 (amended) "Presentation of financial statement". This modification requires that the entity separates the elements presented in other comprehensiveincome items into two groups, based on whether or not then can be recycled to income in the future. Elements not to be recycled must be presented separately from those that can be recycled in the future. Entities having decided to present the elements of other comprehensiveincome items before taxes must show the taxes related to the two groups presented. The modification is applicable for periods as from July 1, 2012.

- IFRS 9 "Financial instruments" addresses classification, recognition and measurement of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010. This standard partially replaces IAS 39 "Financial Instruments: Recognition and Valuation" on matters related to classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified in either of the following two categories: assets measured at fair value and those measured at their amortized cost. The determination must be on the amount of the initial recognition of said assets. The classification depends on the business model used by the entity in handling its financial instruments and the contractual characteristics of the instruments' cash flows. For financial liabilities, the standard has retained most of the requirements of IAS 39. The main change is that if the fair value option is used, the valuation effect related to own credit risk must be recognized as part of comprehensive income or loss, unless it gives rise to an accounting mismatch. The Company expects to adopt this standard on January 1, 2015. IASB intends to extend IFRS 9 during 2011 and 2012 to add new requirements so as to cancel financial instruments, impairment and hedge accounting, so that by the end of 2012, IFRS 9 will completely replace IAS 39.

- IAS 27 (modified) "Individual Financial Statements" establishes the standards applicable to investments in subsidiary and associated companies, and joint ventures, when an entity opts or is required by local regulations to present nonconsolidated financial statements. This standard does not specify which entities are to produce individual financial statements available for public use, and applies to entities preparing individual financial statements in accordance with IFRS. Individual financial statements are those presented by a controlling company, an investor with joint control or significant influence, on which investments are recognized at cost as per IFRS 9 "Financial Instruments". This modified standard is mandatory as from January 1, 2013.

- IAS 28 (modified) "Investments in Associated Companies and Joint Ventures" prescribes the requirements for applying the equity method for investments in associated companies and joint ventures. The standard replaces the prior version of IAS 28 "Investments in Associated Companies" and is mandatory as from January 1, 2013.

- IFRS 10 "Consolidated Financial Statements" establishes the principles for presentation and preparation of consolidated financial statements, when an entity controls one or more entities, based on any of the items currently considered. This new standard modifies the definition of the control principle and provides additional guidelines for the determination of control for more complex situations. The standard replaces IAS 27 "Consolidated and Individual Consolidated Financial Statements" and SIC 12 "Consolidation Special Purpose Entities". This standard is mandatory as from January 1, 2013.
- IFRS 11 "Joint Ventures" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 "Disclosure of Interest in Other Entities" requires disclosure of information that allows the users of financial information to evaluate the nature and risk related to their interest in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet vehicles, aside from the effects of said interests on their financial position and performance, as well as on their cash flows. This standard is mandatory as from January 1, 2013.
- IFRS 13 "Fair Value Measurement" provides a definition for fair value and establishes, in a single standard, the framework for measuring said fair value and the requirements for disclosure of said measurements. This standard is applicable when other IFRS require or allow for fair value measurement, except for transactions under the scope of IFRS 2 "Sharebased Payments", IAS 17 "Leases", measurements closely resembling fair value, but which are not considered as such, as well as the net realization value under the scope of IAS 2 "Inventories" or the value in use in IAS 36 "Impairment of Longlived Assets". This standard is mandatory as from January 1, 2013.
- IFRS 7 "Financial Instruments". This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposure relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.
- IFRS 1 "First time Adoption of IFRS". These amendments include two changes. The first replaces references to a fixed date of January 1, 2004 with the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs' for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendments are effective as from July 1, 2011.
- IAS 12 "Income taxes" currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment Property". This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income Taxes" – recovery of revaluated non – depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

The Company is currently in the process of evaluating the impact of these standards on its financial statements. There are no other additional standards, changes or interpretations that although mandatory, could have a material impact on the Company's financial information.

2.2. Consolidation

a. Subsidiaries

The subsidiaries are all those entities (including special purpose entities) with respect to which the Company has the power to govern their operating and financial policies, generally because it holds more than half of its voting shares. The existence and effects of the potential voting rights currently exercisable or convertible are considered in evaluating whether or not the Company controls another entity. The subsidiaries consolidated from the date on which control thereof was transferred to the Company and cease to consolidate from the date on which said control is lost. In accordance with SIC 12 "Consolidation Special Purpose Entities", special purpose entities (SPE) consolidate when the substance of the relationship between the Company and the SPE indicates that they are controlled by the Company.

The balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. The subsidiary companies' accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

Following is a summary of the Company's interest in subsidiaries at December 31, 2011, 2010 and at January 1, 2010:

Company	Shareholding %	Activity
Operadora Liverpool, S. A. de C.V.	100%	Subholding of Distribuidora Liverpool, S. A. de C.V. and other companies that operate the department stores.
Bodegas Liverpool, S. A. de C.V.	99.99%	Storage and distribution of merchandise.
Servicios Liverpool, S. A. de C.V.	99.99%	Advisory and administrative services provided to the Company's subsidiaries.
7 real estate companies	99.93%	Development of realestate projects, mainly shopping malls.

Additionally, the Company consolidates three trusts over which it has control on the basis of the indicators mentioned in IAS 27 "Consolidated Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". These trusts are described in Notes 8 and 13 to the consolidated financial statements.

c. Associated companies

The associated companies are all those entities over which the Company exercises significant influence, but not control. Usually, associated companies are those of which the Company holds between 20% and 50% of the voting shares. Investments in associated companies are recorded by the equity method and are initially recorded at cost. The Company's investment in associated companies includes goodwill (net of any accumulated impairment loss, if any) identified at the time of the acquisition.

The Company's equity in the profits or losses following acquisition of associated companies is recognized in the statement of income and its equity in the comprehensive results of an associated company, following its acquisition, is recognized in the Company's "Other comprehensive results". Postacquisition accrued movements are adjusted against the book value of the investment. When the Company's equity in the losses of an entity equals or exceeds its interest therein, including any unsecured account receivable, the Company does not recognize a greater loss, unless it has incurred obligations or has made payments on behalf of the associated company.

The associated companies' accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

2.3. Information per segment

Information per segment is presented consistently with the internal reports provided to the Operations Committee, which is the body responsible for making operating decisions, of assigning the resources and evaluating the operating segments' yield.

2.4. Foreign currency transactions

a. Functional and presentation currency

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which the entity operates (the "functional currency").

The Company's currency reporting for preparation of the consolidated financial statements is the Mexican Peso, which in turn is the functional currency of El Puerto de Liverpool, S.A.B. de C.V. and of all its subsidiaries

b. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rates in effect on the transaction or valuation dates, when the items are remeasured. The exchanges profits and losses resulting from said transactions and from conversion, at the exchange rates in effect at the yearend close, of monetary assets and liabilities denominated in foreign currency are recognized as exchange fluctuations under financing cost in the statement of income.

2.5. Financial assets

2.5.1 Classification

The Company classifies its financial assets as loans and accounts receivable, and to fair value through profit and loss. Classification depends on the intended purpose of the financial assets. Management determines the classification of its financial assets at the date of the initial recognition thereof.

Loans and accounts receivable are nonderivative financial assets allowing for fixed or determinable payments and which are not quoted in a deep market. They are shown as current assets, except for those maturing in over 12 months as from the closing date of the period reported, which are classified as noncurrent assets.

2.5.2. Recognition and measurement

a. Loans and receivables

Accounts receivable comprise loans granted by the Company to its customers to acquire goods and services at its department stores or establishments affiliated to the VISA system. If recovery thereof is expected in a year or under, said loans are classified as current assets; otherwise, they are shown as noncurrent assets.

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost, using the effective interest rate method, less the reserve for impairment.

Loans and accounts receivable are no longer recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership thereof. If the Company does not transfer or substantially retain all the risks and benefits inherent to ownership and continues retaining control of the assets transferred, the Company recognizes its equity in the asset and the related obligation with respect to the amounts it would be required to pay.

If the Company substantially retains all the risks and benefits inherent to ownership of a financial asset transferred, the Company continues recognizing the financial asset, as well as a liability for the resources received.

b. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are investments in highly liquid government bonds maturing at terms of under 28 days. These assets are stated at fair value and value fluctuations are recorded in the results of the period.

2.6.. Impairment of nonfinancial assets

2.6.1 Assets valued at their amortized cost

At the end of every reporting period, the Company evaluates whether or not there is evidence of impairment of a financial assets or group of financial assets. Impairment of a financial asset or group of financial assets and the impairment loss are recognized only if there is objective evidence of impairment resulting from one or more events occurred after initial recognition of the asset and the loss event or events have an impact on the estimated cash flows of the financial asset that can be reliably estimated.

The Company records a provision for impairment of its loan portfolio, when receivables surpass 90 days due with no payment, increasing the balance of this provision, according to the individual assessment of each account and the results of the evaluation of the portfolio's behavior and the seasonality of the business. The increases to this provision are recorded as administrative expenses in the statement of income. The methodology used by the Company in determining the balance of this provision has been applied consistently during at least the last ten years and has historically been sufficient to cover the losses pertaining to the following twelve months arising from irrecoverable loans. See Note 3.3.2.

2.7. Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date on which the derivative financial instrument agreement was entered into and are subsequently remeasured at their fair value. The method for recognizing the profit or loss of changes in fair value of derivative financial instruments depends on whether or not they are designated as hedges, and if so, on the nature of the item being hedged. The Company has only contracted cash flow hedge derivative financial instruments.

At the outset of the transaction, the Company documents the relationship between the hedging instruments and the items covered, as well as the objectives thereof and Risk Management's strategy to back its hedging transactions. The Company periodically documents whether or not the derivative financial instruments used in hedging transactions are highly effective in hedging the cash flows of the items hedged.

The fair value of the derivative financial instruments used as hedging instruments is disclosed in Note 10. The total fair value of the derivative financial instruments used as hedging instruments is classified as a noncurrent asset or liability when maturity of the remaining hedge amount is more than twelve months, and is classified as a current asset or liability when the remaining hedge amount is under twelve months.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is recognized in the income statement.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is applied to comprehensive income. The profit or loss related to the ineffective portion is immediately applied to the statement of income as other expenses or income.

2.8. Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents include available cash, deposits in checking accounts, bank deposits in foreign currency and shortterm investments in highly liquid securities, easily converted to cash, maturing at terms of under 28 days as from the date of acquisition and subject to immaterial risks of changes in value. Cash is shown at its nominal value and cash equivalents are valued at fair value. Fluctuations in value are applied to income for the period. Cash equivalents are mainly represented by investments in government instruments. See Note 7.

2.9. Inventory stock

Inventory stock is recorded at the lower of cost or its net realization value. Cost includes the cost of merchandise, plus costs related to importation, freight, handling, shipment, storage at customs and at distribution centers, less the value of the respective returns. The net realization value is the selling price estimated in the normal course of operations, less costs estimated to conduct the sale. The cost is determined by the average cost method.

Physical inventory counts are conducted periodically at the stores, boutiques and distribution centers and inventory records are adjusted to the results of physical inventory counts. Historically, due to the Company has implemented loss prevention programs and control procedures, shrinkage has been immaterial. See Note 11.

2.10. Investment properties

Investment properties are real property (land and buildings) held to obtain economic benefits through collection of rent or to obtain the increase in value, and are initially valued at cost, including transaction costs. After their initial recognition, investment properties continue to be valued at cost, less accumulated depreciation and impairment losses, if any.

The Company owns shopping malls that house own department stores, as well as commercial space it leases to third parties. In such cases, only the portion leased to third parties is considered as Investment Property and own stores are recorded as property, furniture and equipment, in the statement of financial position.

The estimated remaining useful economic life of the main components of Investment Property is as follows:

Shell and core stage of construction	75 years
Structural work	75 years
Fixed facilities and accessories	35 years

2.11. Property, furniture and equipment

The items comprising property, furniture and equipment are recognized at their historical cost, less depreciation and impairment losses thereof. The historical cost includes expenses directly attributable to the acquisition of these assets and all expenses related to the location of assets at the site and in the conditions necessary for them to operate as expected by Management. For qualified assets, the cost includes the cost of loans capitalized in accordance with the Company's policies. See Note 2.13.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of goods are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The carrying amount of replaced assets is derecognized when they are replaced, recording the entire amount in the income statement.

Works in process represent stores under construction and include investments and costs directly attributable to startup of operations. These investments are capitalized upon opening the store and depreciation thereof is computed as from that point.

Land is not depreciated. Depreciation of other assets is calculated by the straightline method to distribute the cost thereof at its residual value over their remaining useful lives, as follows:

Shell and core stage of construction	75 years
Structural work	75 years
Fixed facilities and accessories	35 years
Operating, communications and security equipment	10 years
Furniture and equipment	10 years
Computer equipment	3 years
Leasehold improvements	Over the term of the lease agreement

The Company assigns the amount initially recorded with respect to an element of property, furniture and equipment, in its different significant parts (components) and depreciates separately each of those components.

The residual values and useful life of the Company's assets and reviewed and adjusted, if necessary, at the date of each statement of financial position.

The book value of an asset is written off at its recovery value if the book value of the asset is greater than its estimated recovery value. See Note 2.15.

Profits and losses from the sale of assets are due to the difference between income from the transaction and the book value of the assets. They are included in the statement of income as "Other income (expenses)".

2.12. Leasehold improvements

Improvements to leaseholds and commercial space in which the Company acts as lessee are recognized at their historical cost less the respective depreciation. Depreciation of leasehold improvements is calculated by the straightline method based on the term of the lease agreement.

2.13. Cost of loans

The costs of loans directly attributable to the acquisition, construction or production of qualified assets, which constitute assets requiring a substantial period of time up until they are ready for use or sale are added to the cost thereof during that time, until such time as they are ready for use or sale.

Income obtained from the temporary investment of specific loans not yet used on qualified assets is deducted from the cost of loans eligible for capitalization.

At December 31, 2011 and 2010, and January 1, 2010, there was no capitalization of comprehensive financing income, due to the fact that during those periods, there were no assets that, according to the Company's policies, qualify for requiring a construction period longer than a year.

2.14. Intangibles

Activities involved in the development of computer systems and programs include the plan or design and production of a new or substantially improved software or computer system. Expenses pertaining to the development of computer programs are only capitalized when they meet the following criteria:

- It is technically possible to complete the computer program so that it is available for us;
- Management intends to complete the computer program and use it;
- The Company has the capacity to use the computer program;
- It can be proven that the computer program will generate future economic benefits;
- The Company has the technical, financial and other resources necessary to conclude development of the program for its use or sale; and
- Expenses related to the development of the computer program can be reliably measured.

The licenses acquired for use of programs, software and other systems are capitalized at the value of the costs incurred for their acquisition and preparation for their use. Other development costs failing to meet these criteria and research expenses, as well as maintenance expenses are recognized as expenses as they are incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Costs incurred in the development of computer programs recognized as assets are amortized on the basis of their estimated useful lives, provided they do not exceed five years.

2.15. Impairment of nonfinancial assets

Non financial assets subject to depreciation are subject to impairment testing. Impairment losses correspond to the amount at which the book value of the asset exceeds its recovery value. The recovery value of assets is the greater of the fair value of the asset less costs incurred for its sale and its value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels at which they generate identifiable cash flows (cashgenerating units). Nonfinancial assets subject to writeoffs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

2.16. Accounts payable

Accounts payable are payment obligations on goods or services acquired from vendors in the normal course of operations. Accounts payable are classified as current liabilities if the payment is to be made within a year or less (or in the normal cycle of business operations if it is greater). Otherwise, they are show as noncurrent liabilities.

Accounts payable are initially recognized at fair value and subsequently remeasured at their amortized cost, using the effective interest rate method.

2.17. Loans from financial institutions and issuance of unsecured notes

Loans from financial institutions and issuance of unsecured notes are initially recognized at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at its amortized cost. Differences, if any, between the funds received (net of transaction costs) and the redemption value are recognized in the statement of income during the period of the financing, using the effective interest rate method.

Fees incurred to obtain said financing are recognized as transaction costs to the extent part or the entire loan is likely to be received.

2.18. Cancellation of financial liabilities

The Company cancels financial liabilities if, and only if, the Company's obligations are met, cancelled or expired.

2.19. Provisions

Provisions are recognized when the Company has a legal obligation, present or assumed, as a result of past events, likely to require the use of cash flows to settle the obligation and the amount thereof can be reliably estimated.

2.20. Tax on profits

The tax on profits comprises currentlypayable and deferred taxes. The tax is recognized in the statement of income, except when it relates to items applied directly to other comprehensive income or losses or to stockholders' equity. In this case, the tax is also recognized in other items pertaining to comprehensive income or directly to stockholders' equity, respectively.

The tax on profits currently payable is comprised of income tax and flat tax, applied to income for the year in which said taxes were incurred. The tax currently payable is the greater of the two. These taxes are based on tax profits and cash flows for each year, respectively.

The charge corresponding to tax on profits currently payable is calculated as per the tax laws approved at the balance sheet date in Mexico and in the countries in which the Company's associated companies operate and generate a tax base. Management periodically evaluates the position assumed with respect to tax refunds as they relate to situations in which the tax laws are subject to interpretation.

In recognizing deferred taxes, it is determined whether or not, based on financial projections, the Company will incur income tax or flat tax, and the deferred tax is recognized that corresponds to the tax to be paid in each period. Deferred income tax is reserved in its entirety, by the assets and liabilities method, on the temporary differences arising between the tax bases of assets and liabilities and their respective values, as shown in the consolidated financial statements. The deferred tax on profits is determined using the tax rates and laws in effect at the balance sheet date and which are expected to be applicable when the deferred tax on profits asset is realized or the deferred tax on profits liability is paid.

The income tax rate is 30% for 2012, 29% for 2013 and 28% for 2014. The flat tax rate was 17.0% for 2009 and 17.5% as from 2010.

The deferred taxonprofits asset is only recognized to the extent future tax benefits are likely to be obtained against which temporary difference liabilities can be used.

The deferred tax on profits is generated on the basis of the temporary differences of investments in subsidiary and associated companies, except when the possibility that temporary differences will be reinvested is under the Company's control and the temporary difference is unlikely to be reinvested in the foreseeable future.

The balances of deferred taxonprofits assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and when deferred taxonprofit assets and liabilities relate to the same tax entity, or different tax entities where the balances are to be settled on a net basis.

2.21. Employee benefits

a. Pensions and seniority premium

The Company's subsidiaries operate pension plans and seniority premiums that are usually funded through payments to trust funds, based on annual actuarial calculations. The Company has defined benefit and defined contribution plans. A defined contribution plan is a plan under which the Company pays fixed contributions to a fund or trust. The Company has no legal or assumed obligation to pay additional contributions, if the fund has insufficient assets to pay all its employees the benefits related to the services rendered by employees in the prior period or periods. A defined benefit pension plan is a plan that determines the amount of the pension benefits to be received by an employee upon retirement, which usually depends on one or more factors, such as the employee's age, years of service and compensation.

The liability or asset recognized in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets, along with the adjustments arising from unrecognized actuarial profits or losses and the costs of past services. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of defined benefit obligations is determined, discounting estimated cash flows at the interest rates of government bonds denominated in the same currency as that in which the benefits are to be paid, and that have expiration terms that approximate the terms of pension obligations.

Actuarial profits and losses arising from adjustments based on the experience and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensiveincome items in the period in which they arise.

Due to the Company early adopted IAS 19 (revised) "Employee Benefits", the costs of past services were immediately applied to capital reserves on equity. See Note 28.3.1.1.

For defined contribution plans, contributions are recognized as employee benefit expenses when they are paid. Contributions paid in advance are recognized as an asset to the extent it grants the right to its reimbursement in cash or to the reduction of future payments.

b. Annual bonus for retaining executives

Some of the Company's executives receive an annual retainer bonus, calculated as a percentage of their annual compensation and depending on the level of compliance on the goals established for each officer at the beginning of the year. The Company has set up a reserve of $204,891, at December 31, 2011 ($166,963 at December 31, 2010 and $66,344 at January 1, 2010), that is included in Note 16 within Bonds and Compensation paid to employees.

c. Employees' statutory profit sharing and bonuses

The Company recognizes a liability and a bonus expense and employees' statutory profit sharing based on a calculation that considers the profit after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates an assumed obligation.

d. Other benefits granted to employees

The Company grants a benefit to employees that after 20 years of service finish their labor relationship, either for lay off or voluntary decision. In accordance with IAS 19 (revised) "Employee Benefits", this practice constitutes an assumed obligation of the Company with its employees, which is recorded based on annual actuarial studies prepared by independent actuaries. See Note 19.

e. Benefits paid to employees for severance required by the law

This kind of benefits is payable and recorded in the income statement upon termination of the labor relationship with the personnel before the retirement date or when the employees accept a voluntary resignation in exchange of such benefits.

2.22. Capital stock

Common shares are classified as capital.

2.23. Revenue recognition

Income represents the fair value of cash collected or receivable arising from the sale of goods or the rendering of services in the normal course of Company operations. Income is shown net of discounts granted to customers.

The Company recognizes revenue when the related amount can be measured reliably, the entity is likely to receive future economic benefits and the transaction meets the specific criteria for each of the Company's activities, as described ahead.

a. Sale of merchandise

Revenue from the sale of merchandise is recognized when the customer takes possession of the goods at the stores or when the merchandise is delivered at the customer's domicile. Approximately half of merchandise sales are paid for by the customers with the credit cards handled by the Company, and the other half is settled in cash or through bank debit or credit cards.

In accordance with IAS 18 "Revenue", in promotions involving interest free sales on credit for a determined number of months, the cash received is deferred over time and therefore, its fair value can be less than the nominal amount of the sale. In these cases, the Company determines the fair value of the cash to be received, less all future cash flows, using an interest rate determined using as reference, the rate prevailing in the market for a similar instrument.

The difference between the nominal value of the sale at a certain number of months free of interest and the value discounted as per the above paragraph is recognized as interest income. See point c. of this Note.

The Company's policy is to sell a number of products with the right to return them. Customer returns usually involve a change of size, color, etc.; however, in those cases in which the customer definitively wishes to return the product, the Company offers its customers the possibility of crediting the value of the merchandise to their account, if the purchase was made with the Company's own cards, or to return the amount of the purchase in an ewallet or a credit to the customer's bank credit card, if the purchase was made in cash or with external cards, respectively. Accumulated experience shows that returns on sales are not representative with respect to total sales, due to which, the Company does not set up a reserve in this regard.

b. E-wallets

- **E-wallets**

The Company offers promotions, some of which involve benefits granted to its customers represented by ewallets, the value of which is referred to a percentage of the selling price. Ewallets can be used by customers to settle future purchases at the Company's department stores. The Company deducts the amount granted to its customers in ewallets from revenue. In the Company's historical experience, the likelihood of ewallets showing no movements in 24 months being redeemed is remote. Therefore, ewallets showing these characteristics are cancelled, with a credit to sales. At December 31, 2011 and 2010 and January 1, 2010, the value of ewallets issued and not yet redeemed totals $1,338,544, $1,169,104 and $1,001,872, respectively, and is included in the deferred revenue account in the statement of financial position.

- **Gift certificates**

The Company offers its customers gift certificates with no specific expiration date. Upon their sale, gift certificates are recognized in the deferred revenue account in the statement of financial position. This account is cancelled when the customer redeems the gift certificate; wither partially and entirely, through the acquisition of merchandise, recognizing revenue in the same amount.

In the Company's historical experience, the likelihood of gift certificates showing no movements in 24 months being redeemed is remote. Therefore, certificates with these characteristics are cancelled against service income and other operating income.

c. Interest income

In accordance with IAS 18 "Revenue", interest income is recognized by the effective interest rate method. See Note 4.1.1.

Late payment interest is recorded as income as it is earned and recording thereof is suspended after ninety days the credit has remained past due.

Income from the recovery previouslycancelled credit is recorded as service income.

d. Services

Income stemming from service agreements is determined as follows:

- Commission income corresponding to the sale of insurance policies and extended warranties are recorded as income as they are incurred.
- Service income is recognized when the customer receives the benefit of the service, such as: beauty salon, travel agency, opticians or interior design.

e. Lease revenue

The Company's policy for recognition of operating lease revenue is described in Note 2.26.1

2.24. Deferred income

The Company records deferred income arising from different transactions in which cash was received, but in which the conditions for revenue recognition described in paragraph 2.23 have not been met. Deferred revenue is shown separately in the statement of financial position.

2.25. Other accounts receivable

The Company classifies as other accounts receivable all loans or advance payments made to employees and other parties or companies other than the general public. If collection rights or recovery of this amount is realized within 12 months from the period close, they are classified as short term; otherwise, they are shown as long term.

2.26. Leases

Leasing is classified as capital leasing when the terms of the lease transfer all the risks and benefits inherent to the property to the lessees. All other leases are classified as operating leasing.

2.26.1. Lessor

Rent income pertaining to the Company's Investment Property is recognized by the straightline method over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the book value of the leased asset, and are recognized by the straightline method over the term of the lease. The Company has no assets leased through capital leasing plans.

2.26.2. Lessee

Rent payments under operating leasing are charged to income by the straightline method during the term of the lease. Variable rent is recognized as an expense in the period in which it is incurred.

2.27. Earnings per share

Basic earnings per ordinary share are calculated dividing the controlling interest by the weighted average of ordinary shares outstanding during the period. Earnings per diluted share are determined adjusting the controlling interest and ordinary shares, under the assumption that the entity's commitments to issue or exchange own shares would be realized. Basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings. See Note 24.

2.28. Supplier rebates

The Company receives rebates from suppliers as reimbursement of discounts granted to customers. Supplier reimbursements related to discounts granted to customers with respect to merchandise sold are negotiated and documented by the purchasing areas and are credited at the cost of sales in the period in which they are received.

2.29. Prepaid payments

The Company recognizes as prepaid payments those corresponding to advertisement on television and insurance premiums. Those amounts are recorded at the value contracted and are recorded in income when the advertisements are broadcasted and on a straight line basis for insurance premiums. In no event the amounts contracted exceed one year.

NOTE 3 - RISK MANAGEMENT:

The main risks to which the Company is exposed are:

3.1. Real estate risk
3. 2. Market risks
- 3.2.1. Exchange rate risk
- 3.2.2. Interest rate risk
- 3.2.3. Inflation risk

3.3. Financial risks
- 3.3.1. Liquidity risk
- 3.3.2. Credit risk
- 3.3.3. Capital risk

3.1. Real estate risk

The Company has a diversified real estate property base distributed throughout 30 states in Mexico and 52 cities of different sizes. The Company owns 69 department stores and either owns or coowns 16 shopping malls. The Board of Directors is responsible for authorizing the purchase of land and buildings proposed by the Company's real estate area. For every real estate investment, sales are estimated per square meter and the return on the investment to be generated. Real estate activities constitute a source of income through the leasing of approximately 2,000 commercial spaces located in 16 companyowned shopping malls.

Although the value of real property in Mexico is relatively stable, economic development and structural changes in the country are risk factors that could affect the supply and demand of real property, and affect rent levels and the risk of vacant commercial space. Commonly, real property in Mexico is quoted in US dollars, and thus an excessive rise in the exchange rate of the peso to the dollar or in the prices of property available to the Company or in construction materials could limit the Company's plans to expand. The Company has no risk concentration in accounts receivable from lessees, as it has a diversified base and periodically evaluates their payment capacity, especially prior to renewing their lease agreements. It is Company policy to request that lessees deposit, as a guarantee, one or two monthly rent payments prior to taking possession of the commercial space. Additionally, lessees pay a surcharge commonly known as key money. The historical occupancy rate of the Company's commercial space is above 95% and the rentrelated uncollectibility rate has historically remained below 2%, thus the credit risk related to lease agreements is considered low. The Company has insurance that duly covers its assets against the risk of fire, earthquake and other natural disasters. All insurance has been contracted with leading companies in the insurance market.

3.2. Market risks:

The Company's risk management is handled by the Operations Committee, including interest rate risks, the use of hedge derivative financial instruments and investment of treasury surpluses. Company management identifies and evaluates the decisions for hedging the market risks to which it is exposed.

The Company contracts derivative financial instruments to reduce the uncertainty of the return on its projects. The derivative financial instruments contracted are assigned for hedge accounting purposes and are closely linked to the financing contracted by the Company. Company's policies require that derivative financial instruments be quoted from three different financial institutions to guarantee the best market conditions.

The Company's internal control policies require that the representatives of the finance and legal areas conduct an analysis prior to contracting financing or to conducting operations with derivative financial instruments.

In evaluating the use of derivatives, to cover the financing risks, analyses are conducted of the sensitiveness to the different levels of the pertinent variables and effectiveness testing is conducted to determine the book treatment of the derivative financial instrument, once contracted.

3.2.1. Exchange rate risk

The Company has contracted no financing in foreign currencies and has no current plans to contract financing or obtain bank loans in any currency other than in Mexican pesos; however, the Company is exposed to risks related to movements in the exchange rate of the peso to the US dollar and the euro with respect to importations of merchandise mainly from Europe and Asia. Purchases of merchandise in a currency other than the Mexico peso represent approximately 18% of total purchases. At December 31, 2011 and 2010, at the consolidated level, the Company's exposure to exchange rate risks amounted to US$18,441, €2,217 and US$18,131, €4,080, respectively. In the event of a 10% increase in the exchange rate of the peso to the US dollar, the Company's loss would approximate $25,721 and $22,391 ($4,001 and $6,744, respectively for the Euro position), in each of those years. Said 10% represents the sensitivity rate used when the exchange risk is reported internally to the Operations Committee, and represents the management's assessment of possible changes in exchange rates. The sensitivity analysis includes only those monetary items not yet settled denominated in foreign currency at the period close.

Additionally, the Company maintains an investment in Regal Forest Holding (RFH), and the cash flows received from RFH are denominated in US dollars. The risk of conversion is the risk that the variations in exchange rates will cause volatility in the peso value of these cash flows. The Company has contracted no hedging for the flows it receives from this investment.

The Company had the following foreign currency monetary assets and liabilities:

	December 31, 2011	December 31, 2010	January 1, 2010
Thousands of US dollars:			
Monetary assets	**US$ 4,039**	US$ 1,578	US$ 156,506
Monetary liabilities	**(22,480)**	(19,709)	(1,847)
Net (short) long position	**US$ (18,441)**	US$ (18,131)	US$ 154,659
Equivalent in pesos	**$ (257,208)**	$ (223,911)	$ 2,017,326
Thousands of Euros:			
Monetary assets	**€ 4,154**	€ –	€ 528
Monetary liabilities	**(6,371)**	(4,080)	(23,463)
Net short position	**€ (2,217)**	€ (4,080)	€ (22,935)
Equivalent in pesos	**$ (40,007)**	$ (67,442)	$ (431,490)

The exchange rates of the peso to the dollar, in effect at the date of the consolidated financial statements and at the date of the independent auditor's report, were as follows:

	February 29, 2012	December 31, 2011	December 31, 2010	January 1, 2010
US dollar	$ 12.8296	**$ 13.9476**	$ 12.3496	$ 13.0437
Euro	$ 17.0634	**$ 18.0454**	$ 16.5299	$ 18.8136

3.2.2. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the Company's net financing cost. Loans and longterm issues of unsecured notes are subject to both fixed and variable interest rates and expose the Company to the risk of variability in interest rates, thus exposing its cash flows. Loans and debt issuances contracted at fixed rates expose the Company to the risk of drops in reference rates, possibly representing a greater financial cost of the liability. The Company's policy consists of hedging most of its loans and issuances of unsecured notes towards a fixed rate profile; however, fixed to variable interest rate swaps are also contracted on a temporary basis to streamline financial costs when market rates allow it. However, the Company's preference is to maintain fixed interest rates for its debts. The main reason for using derivative financial instruments is to know for certain the cash flows that the Company will pay to meet its contractual obligations. With these interestrate swaps, the Company agrees with other parties to deliver or receive, monthly, the existing difference between the interest amount of variable rates set forth in debt agreements and the interest amount corresponding to fixed rates contracted in derivative financial instruments.

The Company is permanently analyzing 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 these scenarios, the Company calculates the corresponding impact on results or on its financial position.

Sensitivity analysis for interest rates

The following sensitivity analyses have been determined considering the current derivative financial instruments at December 31, 2011 and assuming the following:

If interest rates had been 10 basis points higher and all the other variables remain constant:

The other items comprising comprehensive income for the year ended December 31, 2011 and 2010 would have decreased / increased by $58,818 and $34,534, net of deferred taxes, mainly as a result of the changes in fair value of hedge derivative financial instruments contracted to hedge against exposure to changes in interest rates.

The information corresponding to interest rate derivative financial instruments contracted is shown in Note 10 to the consolidated financial statements.

3.2.3. Inflation risk

At December 31, 2011, the Company has financing denominated in Investment Units (UDIs, the monetary unit linked to inflation in Mexico). The Company has contracted a swap to hedge against exposure to the risk that the value of the issuance of unsecured notes could be affected by the increase in the inflation rate in Mexico. In assuming inflation of 10% or higher in Mexico and maintaining all the other variables constant, the effect on the other comprehensive income items due to exposure of the debt in UDIs, net of deferred taxes, would be a loss of approximately $90,292

3.3. Financial risks

3.3.1. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its fund requirements. Company management has established policies, procedures and authority limits that govern the Treasury function. The Treasury is responsible for ensuring the Company's liquidity and for managing its working capital to guaranty payments to vendors, who finance a significant part of inventory stock, the debt service and fund operating costs and expenses. The Treasury prepares a cash flow daily to maintain the required level of cash available and plan the investment of surpluses. The months with highest operations for the Company and consequently with the highest accumulation of cash are May, July and the last quarter of the year. Most of the Company's investments are made in pesos and small portion in US dollars. The Company finances its operations through a combination of: 1) reinvestment of a significant portion of profits and 2) contracting financing and leasing denominated in pesos. The Company has immediately available credit lines of approximately $8,000,000, as well as overdraft lines of credit to allow for immediately accessing shortterm debt instruments.

The following table shows the contractual maturities of the Company's financial liabilities according to the expiration periods. The table was prepared on a cash flow basis without discounting, from the first date on which the Company will be required to pay. The table includes interest and the main cash flows.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
December 31, 2011				
Issuance of unsecured notes	**$ 196,639**	**$ 566,892**	**$ 6,805,512**	**$ 4,754,841**
Loans from financial institutions	**21,446**	**64,342**	**343,150**	**1,093,031**
Derivative financial instruments	**–**	**–**	**255,141**	**102,858**
Standby letters	**167,371**	**–**	**–**	**–**
Vendors and creditors	**9,726,660**	**5,443,252**	**129,959**	**–**
	$ 10,112,116	**$ 6,074,486**	**$ 7,533,762**	**$ 5,950,730**
December 31, 2010				
Issuance of unsecured notes	$ 218,066	$ 2,821,849	$ 7,119,040	$ 5,195,794
Loans from financial institutions	21,446	64,342	343,150	1,178,819
Derivative financial instruments	–	–	208,580	59,836
Standby letters	167,371	–	–	–
Vendors and creditors	6,729,234	6,913,759	217,524	–
	$ 7,136,117	$ 9,799,950	$ 7,888,294	$ 6,434,449

3.3.2. Credit risk

Credit risk is the risk of the Company suffering losses as a result of customers defaulting on payments, financial institutions in which it maintains investments or the counterparties with which derivative financial statements are contracted.

Loan portfolio

The Company's accounts receivable are comprised of loans granted to our customers through the use of credit cards issued by the Company to purchase merchandise, goods and services at our stores or at establishments affiliated to the Visa system. The Company handles a wide variety of credit pans, the most common of which are: 1) Budget; 2) sales at Months without Interest (MSI for its acronym in Spanish), and 3) the Fixed Payment Plan. In the Budget Plan, an average monthly balance is determined, based on which interest is generated. In the MSI Plan, the card holder makes fixed payments at a 0% interest rate, whereas with the Fixed Payment Plan, the customer pays the same amount for an established term at the same interest rate as that of the Budget Plan. In the Fixed Payment Plan, a deferral option is periodically granted, whereby the customer purchases on a particular date, to begin paying at a later day with fixed payments that already include interest. Under the MSI Plan, the Company offers its customers the possibility of refinancing their monthly payments, allowing for paying only 10% thereof and transferring the remaining balance to the Budget Plan, with which interest begins to be generated. Loan terms fluctuate from 6, 13 and occasionally to 18 months.

Due to the fact that Company sales are made to the general public, there is no risk concentration on one particular customer or group of customers. The Company's target market is mainly represented by the segment of the population located in socioeconomic levels A, B, and C.

The Company has a risk management system for the loan portfolio, whose main components include: 1) the risk of default and loss, involved in the process for granting loans, authorization of purchase transactions and collections management; 2) the operational risk, which includes the information security, technology infrastructure and processes and procedures, both instore and corporate, of the Credit Management; 3) the regulatory risk, which includes aspects related to compliance with the provisions issued by the Consumer Advocacy Agency and, with respect to the Liverpool Premium card, the regulation for preventing money laundering and those established by the National Protection and Defense of Financial Services Users Commission (Condusef for its Spanish acronym); and 4) the risk of fraud, which comprises the prevention, analysis and detection, recovery and solution. These activities include, among others, a transactional analysis of cardholders' behavior patterns, contracting of antifraud insurance, managing of plastics, implementation of a safe web portal and use of automated detection systems.

Credit application forms are evaluated and approved through automated procedures using parameterized scorecards (grading factors) determined by the Company, both for applicants with credit experience in the credit bureau, and for those with none. Scorecard performance is reviewed periodically and, as required, evaluation of the credit application forms is complemented with a telephone check and visit to corroborate the veracity of the information provided by the applicant. Initial credit limits are also calculated individually and automatically by the Company's system and are periodically monitored by the corporate credit department to increase or decrease them based on the cardholder's record. The Company has a process in place for review of its customer's credit quality, for early identification of potential changes in payment capacity, prompt corrective decision taking and determination of current and potential losses.

Through automated systems, monthly account cutoffs are conducted and any accounts failing to show the requirement payment are detected. Accounts not receiving payment are immediately blocked to prevent the balance from continuing to grow and the automated computation of latepayment interest begins. Based on the evaluation of certain variables, latepayment risks of the different accounts showing default and the actions to be taken are determined, which include the following: telephone calls to customers, sending of letters and telegrams, home visits, etc. Accounts showing no payment after 150 days are automatically assigned to collection agencies to take over collection efforts, and accounts showing more than 240 days default are written off.

The Company permanently monitors recovery of its portfolio based on a broad range of tools and mathematical models, as well as considering a number of factors that include historical trends of portfolio aging, record of cancellations and future expectations of performance, including trends in unemployment rates in Mexico. In times of economic crisis and with high unemployment indexes, the Company restricts approval of applications and credit, as well as extending of credit limits of current customers. Given the Company's line of business, there are no real guarantees related to accounts receivable.

Financial institutions and counterparties in derivative operations

Cash surpluses are invested in credit institutions with a high credit rating, in government instruments with high availability also, the counterparties in derivative operations are high credit quality financial institutions. It should be mentioned that none of the agreements signed to operate derivative financial instruments establish an obligation for the Company to keep cash deposits in margin accounts to guarantee these operations.

3.3.3. Capital risk

The Company's objective is to safeguard its capability to continue operating as a going concern, so as to maintain a financial structure that will optimize the cost of capital and maximize stockholders' yields. The Company's capital structure comprises the debt, which includes financing contracted via issuance of unsecured notes and bank loans, cash and cash equivalents, and stockholders' equity, that includes subscribed capital, retained earnings and reserves. Historically, the Company has invested substantial

resources in capital goods to expand its operations, through reinvesting earnings. The Company has no established policy for decreeing dividends; however, the dividend payment approved annual has represented 15% of the majority net income for the immediately prior year.

The Board of Directors has established the following rules for management of financial and capital risks.

- The debt with cost must not exceed 13% of total assets.
- The Company's total contracted debt must be denominated in pesos.
- All debts must be subject to a fixed interest rate.

All these rules were complied with at December 31, 2011 and 2010 and at January 1, 2010.

Management annually reviews the Company's capital structure when it presents the budget to the Board of Directors and the stockholders. The Board of Directors verifies that the level of indebtedness planned does not exceed the established limit.

3.4. Fair value estimate

The financial instruments recorded at fair value in the statement of financial position are classified on the basis of the manner of obtaining its fair value.

- Level 1 fair value derived from prices quoted (not adjusted) in active markets for identical liabilities or assets.
- Level 2 fair value derived from indicators different from the quoted prices included in Level 1, but that include indicators that are observable directly to quoted prices or indirectly, that is to say, derived from these prices; and
- Level 3 fair value derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

	Book value	Level 1	Level 2	Level 3
December 31, 2011				
Assets arising from hedge derivative financial instruments	**$ 240,100**	**$ –**	**$ 240,100**	**$ –**
Cash and cash equivalents	**1,790,293**	**1,790,293**	**–**	**–**
Liabilities arising from hedge derivative financial instruments	**(357,999)**	**–**	**(357,999)**	**–**
Total	**$ 1,672,394**	**$ 1,790,293**	**$ (117,899)**	**–**
December 31, 2010				
Assets arising from hedge derivative financial instruments	$ 170,662	$ –	$ 170,662	$ –
Cash and cash equivalents	6,422,823	6,422,823	–	–
Liabilities arising from hedge derivative financial instruments	(268,416)	–	(268,416)	–
Total	$ 6,325,069	$ 6,422,823	$ (97,754)	$ –
January 1, 2010				
Assets arising from hedge derivative financial instruments	$ 93,300	$ –	$ 93,300	$ –
Cash and cash equivalents	4,447,135	4,447,135	–	–
Liabilities arising from hedge derivative financial instruments	(109,714)	–	(109,714)	–
Total	$ 4,430,721	$ 4,447,135	$ (16,414)	$ –

During the years ended December 31, 2011 and 2010, there were no transfers between levels 1 and 2.

NOTE 4 - CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES:

In applying the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions on the book figures of assets and liabilities. The related estimates and assumptions are based on historical experience and other factors considered to be relevant. Actual results could differ from those estimates.

Estimates and underlying assumptions are analyzed on a regular basis. The reviews of book estimates are recognized in the review period or future periods, if the review affects both the current period and subsequent periods.

4.1. Critical accounting judgments

Following is a summary of the most essential judgments, aside from those that involve estimates (see Note 4.2) made by management during in applying the entity's accounting policies and that have an significant effect on the amounts recognized in the consolidated financial statements.

4.1.1. Revenue recognition sales at months without interest

Notes 2.23 a. and c. describe the Company's policies for recording of sales at months without interest. The above implies that Company management applies its judgment to identify the interest rate applicable to calculate the present value of sales at months with no interest. To determine its discounted cash flows, the Company uses an imputed interest rate, taking into account the rate that can best be determined between: i) the rate prevailing in the market for a similar instrument available to Company customers with a similar credit rating, or ii) the interest rate that equals the nominal value of the sale, duly discounted, at the cash price of the merchandise sold.

In making its judgment, management considered the interest rates used by the main banking institutions in Mexico to finance programs of sales at months without interest.

4.1.2. Consolidation of special purpose entities

The Company evaluates the control indicators established by SIC 12 "Consolidations Special purpose entities", for consolidation of the trusts in which the Company has no shareholding; however, the activities, decision making and economic aspects indicate that the Company exercises control there over.

These trusts are described in Notes 8 and 13 to the consolidated financial statements.

4.2. Key sources of uncertainty in estimates

Following are the key sources of uncertainty in the estimates made at the date of the statement of financial position, and that represent a significant risk of leading to an adjustment to the book values of assets and liabilities during the following financial period.

4.2.1. Provision for impairment of loan portfolio

The methodology applied by the Company in determining the balance of this provision is described in Note 2.6.1. Also, see Note 8.

4.2.2. Determination of tax on profits

For the purpose of determining deferred taxes, the Company must make tax projections to determine whether or not the Company is to incur flat tax or income tax, and thus consider the tax incurred as the base for determining deferred taxes.

4.2.3. Estimate of useful lives and residual values of property, furniture and equipment

As described in Note 2.15, the Company reviews the estimated useful life and residual values of property, furniture and equipment at the end of every annual period. During the period, it was not determined that the life and residual values must be modified, as according to management's assessment, the useful lives and residual values reflect the economic conditions of the Company's operating environment.

4.2.4. Fair value of derivative financial instruments

As mentioned in Note 2.7, the Company determines the value of its derivative financial instruments using valuation techniques usually used by the counterparties with which it maintains current operations, and which require judgments to develop and interpret fair value estimates in using assumptions based on the existing market conditions at each of the dates of the consolidated statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Company could use in a real market exchange. The use of estimation methods could result in amounts different from those shown at maturity.

4.2.5. Employee benefits

The cost of employee benefits that qualify as defined benefit plans as per IAS 19 (modified) "Employee Benefits" is determined using actuarial valuations. An actuarial valuation involves assumptions with respect to discount rates, future salary increases, personnel turnover rates and mortality rates, among others. Due to the longterm nature of these plans, such estimations are subject to a significant amount of uncertainty.

NOTE 5 - CATEGORY OF FINANCIAL INSTRUMENTS:

	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
December 31, 2011				
Financial assets:				
Cash one hand and banks	**$ 775,222**			**$ 775,222**
Investments		**$ 1,790,293**		**1,790,293**
Short and long-term loan portfolio	**20,758,600**			**20,758,600**
Other short and long-term accounts receivable	**1,009,630**			**1,009,630**
Derivative financial instruments			**$ 240,100**	**240,100**

	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial liabilities:			
Issuance of long-term unsecured notes	**$ 357,999**	**$ 8,000,000**	**$ 8,357,999**
Long-term loans from financial institutions		**921,456**	**921,456**
Suppliers and creditors		**13,730,738**	**13,730,738**

	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
December 31, 2010				
Financial assets:				
Cash one hand and banks	$ 402,695			$ 402,695
Short and long-term loan portfolio	18,635,300			18,635,300
Other short and long-term accounts receivable	768,109			768,109
Derivative financial instruments			$ 170,662	170,662
Investments		$ 6,422,823		6,422,823

	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial liabilities:			
Issuance of short-term unsecured notes		$ 2,250,000	$ 2,250,000
Issuance of long-term unsecured notes	$ 268,416	8,000,000	8,268,416
Long-term loans from financial institutions		921,456	921,456
Suppliers and creditors		12,305,921	12,305,921

	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
January 1, 2010				
Financial assets:				
Cash one hand and banks	$ 2,218,290			$ 2,218,290
Short and long-term loan portfolio	15,977,686			15,977,686
Other short and long-term accounts receivable	873,260			873,260
Derivative financial instruments			$ 93,300	93,300
Investments		$ 4,447,135		4,447,135

	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial liabilities:			
Current portion of long-term loans from financial institutions		$ 792,857	$ 792,857
Current portion of issuances of unsecured notes		700,000	700,000
Issuance of long-term unsecured notes	$ 109,714	7,250,000	7,359,714
Long-term loans from financial institutions		921,456	921,456
Suppliers and creditors		9,899,035	9,899,035

NOTE 6 - CREDIT QUALITY OF FINANCIAL INSTRUMENTS:

The credit quality of the financial assets that are neither pastdue or impaired is assessed with respect to the external risk ratings, if any, or based on historical information of indices of counterparty default.

	December 31,		January 1,
	2011	2010	2010
Accounts receivable			
Counterparties without external risk ratings:			
Group 1 - Customers with Liverpool credit card	**$ 18,032,357**	$ 17,084,000	$ 14,830,664
Group 2 - Customers with Visa credit card	**1,556,794**	457,232	363,537
Total unimpaired accounts receivable	**19,589,151**	17,541,232	15,194,201
Cash in banks and short-term bank deposits [1]			
AAA	**2,548,804**	6,810,820	6,652,517
AA	**2,164**	–	–
A	**–**	–	–
	2,550,968	6,810,820	6,652,517
Financial assets - derivative financial instruments [2]			
AAA	**185,244**	170,662	93,300
AA	**54,856**	–	–
	240,100	170,662	93,300
	$ 22,380,219	$ 24,522,714	$ 21,940,018

- Group 1 For the Company, loans granted through the Liverpool credit card represent a lesser risk due to the fact that its use is sporadic and seasonal and is restricted to the products commercialized at Company stores.
- Group 2 The Visa credit cards operated by the Company imply a different risk level, due mainly to the fact that they can be used at a broad number of establishments, allow their holders to draw cash from ATMs and are intended for continuous use.

[1] The rest of cash equivalents in the balance sheet correspond to cash on hand.

[2] The Company does not consider there are risk factors arising from default on counterparty obligations, due to which, it has not been necessary to set up reserves in this regard at December 31, 2010 and 2011.

NOTE 7 - CASH AND CASH EQUIVALENTS:

	December 31,		January 1,
	2011	2010	2010
Cash one hand and banks	**$ 775,222**	$ 402,695	$ 2,218,290
Investments	**1,790,293**	6,422,823	4,447,135
Total	**$ 2,565,515**	$ 6,825,518	$ 6,665,425

NOTE 8 - SHORT-TERM AND LONG-TERM LOAN PORTFOLIO:

	December 31, 2011	2010	January 1, 2010
Current loans	**$ 19,589,151**	$ 17,541,232	$ 15,194,201
Past due loans	**2,343,169**	2,106,000	1,971,735
	21,932,320	19,647,232	17,165,936
Provision for impairment of loan portfolio	**(1,173,720)**	(1,011,932)	(1,188,250)
	$ 20,758,600	$ 18,635,300	$ 15,977,686
Total short-term	**$ 15,990,126**	$ 14,647,442	$ 13,175,416
Total long-term	**$ 4,768,474**	$ 3,987,858	$ 2,802,270

8.1. Movements in provision for impairment of loan portfolio:

	December 31, 2011	2010	January 1, 2010
Balance at beginning of year	**$ 1,011,932**	$ 1,188,250	$ 1,693,125
Impairment provisions	**953,242**	597,374	907,070
Write-offs	**(791,454)**	(773,692)	(1,411,945)
Balance at end of year	**$ 1,173,720**	$ 1,011,932	$ 1,188,250

8.2. Aging of past due balances

Accounts receivable at the closing of each year include past due amounts of $2,233,169 and $$2,106,000 at December 31, 2011 and 2010. Amounts more than 30 days past due are entirely covered by the impairment provision.

8.3. Portfolio securitization program

In December 2006, the Company established a fiveyear program for securitization of its portfolio on a revolving and established the Trust No. F/600 which issued unsecured notes described in Note 18. In accordance with IAS 27 and SIC 12, this Trust was considered as a special purpose entity, over which the Company has control and was therefore consolidated. The amount corresponding to the securitized portfolio, whose collection rights were owned by the Trust totaled $2,545,418 and $2,558,859 at December 31, 2010 and January 1, 2010, respectively. This program matured and was settled in August 2011.

NOTE 9 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2011	2010	January 1, 2010
Short-term accounts receivable:			
GPR Controladora, S. A. de C.V. [1]	**$ 322,136**	$ 306,523	$ 290,710
Other debtors [2]	**307,889**	307,416	450,687
Short - term loans to employees	**121,860**	–	–
Insurance companies	**99,099**	25,275	16,332
	850,984	639,214	757,729
Long-term accounts receivable:			
Long - term loans to employees	**158,646**	128,895	115,531
	158,646	128,895	115,531
Total	**$ 1,009,630**	$ 768,109	$ 873,260

[1] This loan bears interest at the TIIE plus 55 basis points, payable monthly and matured on January 30, 2012, however it was extended up to July 31, of the same year.

[2] Includes accounts receivable to tenants, companies that issue coupons and other recoverable taxes.

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS:

The Company uses hedge derivative financial instruments to reduce the risk of adverse movements in the interest rates of its longterm debt and inflationary increases in Mexico, to ensure certainty of the cash flows to be paid for compliance with its contractual obligations. The main instruments used are interest rate swaps and the positions contracted at the close of each year are as follows:

	Dates		Interest date		Fair value at		
			Contracted	Agreed in	December 31,		January 1,
Notional amount1	Contracting	Maturity	by IFD	the debt	2011	2010	de 2010
					Assets		
$ 1,000,000	September 2008	August 2018	TIIE + 0.18%	9.36%	**$ 185,244**	$ 149,017	$ 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%	**54,856**	21,645	–
					$ 240,100	$ 170,662	$ 93,300
					Liabilities		
$ 2,000,000	March 2008	December 2014	7.47%	TIIE + 0.04%	**$ (115,883)**	$ (90,218)	$ (60,861)
2,000,000	March 2008	December 2014	7.89%	TIIE + 0.04%	**(139,258)**	(118,362)	(34,112)
1,000,000	April 2009	August 2018	TIIE + 0.18%	7.95%	**(102,858)**	(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					**$ (357,999)**	$ (268,416)	$ (109,714)

(1) The notional amounts related to derivative financial instruments reflect the reference volume contracted; however, they do not reflect the amounts at risk as concerns future flows. Amounts at risk are generally limited to the unrealized profit or loss in from valuation to market of those instruments, which can vary depending on changes in the market value of the underlying item, its volatility and the credit rating of the counterparties.

NOTE 11 - INVENTORY STOCK:

	December 31,		January 1,
	2011	2010	2010
Merchandise for sale	**$ 10,109,023**	$ 8,080,900	$ 6,277,832

The cost of sales includes, at December 31, 2011 and 2010 and at January 1, 2010, $621,045, $544,465 and $502,003, respectively, related to inventory write-offs.

NOTE 12 - INVESTMENTS IN SHARES OF ASSOCIATED COMPANIES:

			Proportion of shareholding and voting power December 31,		Amount December 31,	
Concept	Activity	Place of incorporation and operations	2011	2010	2011	2010
Investment in associated companies (i) and (ii)	Sales	Mexico and Central America	**50%**	50%	**$ 3,085,456**	$ 2,861,573
Other investments (iii)	Malls	Mexico	Several		**483,522**	434,401
					$ 3,568,978	$ 3,295,974.

(i) Regal Forest Holding Co. (RFH)

RFH is a private company that operates a chain of stores engaged in the sale of furniture and household appliances, with different formats in Central America, South America and the Caribbean. The Company has a 50% shareholding in RFH, whose acquisition gave rise to goodwill of $757,623, which is included as part of the investment value. The Company does not exercise joint control over RFH due to the criteria is not met. Under IFRS it exercises significant influence over RFH, due to the fact that it owns 50% of the voting rights and is entitled to designate two members of the Board of Directors.

(ii) Moda Joven Sfera México, S. A. de C.V.

In 2006, the Company incorporated an entity in association with El Corte Inglés, S. A. (the leading department store chain in Spain). This entity operates a chain of ten stores in Mexico, specialized in family clothing and accessories under the commercial name Sfera.

(iii) Other investments

Mainly correspond to the Company's equity in the following malls: Angelópolis in the city of Puebla, Plaza Satélite in the state of México and Galerías Querétaro in the city of Querétaro.-

Following is a summary of the combined financial information pertaining to the Company's associated companies:

	December 31, 2011	2010
Total assets	**$ 13,262,329**	$ 9,337,959
Total liabilities	**8,405,854**	5,368,664
Net assets	**$ 4,856,475**	$ 3,969,295
Equity in net assets of associated companies	**$ 2,428,234**	$ 1,984,653
Total income	**$ 7,086,853**	$ 5,419,572
Net income for the year	**$ 416,821**	$ 251,376
Company's equity in profits of associated companies	**$ 304,727**	$ 140,134

NOTE 13 - INVESTMENT PROPERTIES:

	Amount
Balance at January 1, 2010	
Cost	$ 9,173,284
Accumulated depreciation	(1,236,816)
	7,936,468
Acquisitions	923,933
Disposals	–
Depreciation	(139,342)
Balance at December 31, 2010	8,721,059
Acquisitions	1,526,539
Disposals	–
Depreciation	(144,805)
Balance at December 31, 2011	**$ 10,102,793**

Investment properties include shopping malls, works in progress and other land intended for construction of future shopping malls.

In May 2008, the Company sold its interest in the shopping malls in Mérida, Yucatán and Puerto Vallarta, Jalisco to a Trust set up for these purposes. In accordance with SIC 12, this Trust was considered an SPE; therefore, the assets and liabilities pertaining to this trust were consolidated in the corresponding captions.

The fair value of the Company's investment properties at December 31, 2011 totals $19,096,863 ($18,795,809).

Revenue from leasing of investment properties is described in Note 26. At December 31, 2011, the Company holds the following accounts receivable under non cancelable agreements:

	December 31,	
	2011	2010
Up to one year	**$ 1,112,236**	$ 1,007,422
From one year to five years	**4,448,944**	4,029,688
More than five years	**3,753,750**	3,618,177
Total	**$ 9,314,930**	$ 8,655,287

Operating costs directly related to income from the leasing of investment property is comprised as follows:

	December 31,	
	2011	2010
Personnel compensation and benefits	**$ 51,162**	$ 47,983
Advertising	**61,678**	46,039
Real estate taxes and water	**45,918**	40,657
Electrical power and utilities	**13,287**	13,449
Services contracted	**5,792**	7,147
Other expenses	**5,627**	4,440
Travel expenses	**3,175**	2,542
Rent of equipment	**29,955**	25,442
Repairs and maintenance	**277,970**	249,933
Total	**$ 494,564**	$ 437,632

NOTE 14 - PROPERTY, FURNITURE AND EQUIPMENT - NET:

	Land	Buildings and structures	Furniture and equipment	Leasehold improvements	Computer equipment	Transportation equipment	Works in progress	Total
At January 1, **2010**								
Cost	$ 2,827,980	$ 13,586,592	$ 6,006,367	$ 1,801,370	$ 2,396,590	$ 76,414	$ 487,027	$ 27,182,340
Accumulated depreciation	–	(2,269,095)	(3,222,277)	(617,831)	(2,193,342)	(73,257)	–	(8,375,802)
Ending balance	2,827,980	11,317,497	2,784,090	1,183,539	203,248	3,157	487,027	18,806,538
At December 31, **2010**								
Beginning balance	2,827,980	11,317,497	2,784,090	1,183,539	203,248	3,157	487,027	18,806,538
Acquisitions	150,862	875,417	472,880	150,039	104,873	40,301	2,119,293	3,913,665
Disposals	(2,500)	(8,424)	(7,954)	–	(3,275)	(1,144)	(2,220,666)	(2,243,963)
Depreciation	–	(178,469)	(449,601)	(119,012)	(110,140)	(3,041)	–	(860,263)
Ending balance	2,976,342	12,006,021	2,799,415	1,214,566	194,706	39,273	385,654	19,615,977
At December 31, **2010**								
Cost	2,976,342	14,453,585	6,471,293	1,951,409	2,498,188	115,571	385,654	28,852,042
Accumulated depreciation	–	(2,447,564)	(3,671,878)	(736,843)	(2,303,482)	(76,298)	–	(9,236,065)
Ending balance	2,976,342	12,006,021	2,799,415	1,214,566	194,706	39,273	385,654	19,615,977
At December 31, **2011**								
Beginning balance	**2,976,342**	**12,006,021**	**2,799,415**	**1,214,566**	**194,706**	**39,273**	**385,654**	**19,615,977**
Acquisitions	**376,167**	**1,572,152**	**574,589**	**210,504**	**144,330**	**45,777**	**4,326,908**	**7,250,427**
Disposals	**(2,007)**	**–**	**(27,045)**	**(60,226)**	**(7,607)**	**(6,331)**	**(3,560,248)**	**(3,663,464)**
Depreciation	**–**	**(196,305)**	**(471,673)**	**(116,249)**	**(94,726)**	**(4,582)**	**–**	**(883,535)**
Ending balance	**3,350,502**	**13,381,868**	**2,875,286**	**1,248,595**	**236,703**	**74,137**	**1,152,314**	**22,319,405**
At December 31, **2011**								
Cost	**3,350,502**	**16,025,737**	**7,018,837**	**2,101,687**	**2,634,911**	**155,017**	**1,152,314**	**32,439,005**
Accumulated depreciation	**–**	**(2,643,869)**	**(4,143,551)**	**(853,092)**	**(2,398,208)**	**(80,880)**	**–**	**(10,119,600)**
Ending balance	**$ 3,350,502**	**$13,381,868**	**$ 2,875,286**	**$1,248,595**	**$ 236,703**	**$ 74,137**	**$1,152,314**	**$22,319,405**

The balance of work in progress at the 2011 period close corresponds to sundry projects in which the Company is building stores, and remodeling existing stores.

NOTE 15 - INTANGIBLES, NET:

	Licenses and fees	New IT developments	Total
At January 1, **2010**			
Cost	$ 612,268	$ 704,114	$ 1,316,382
Accumulated amortization	(301,242)	(340,316)	(641,558)
Ending balance	311,026	363,798	674,824
At December 31, **2010**			
Investments	100,982	174,886	275,868
Disposals	–	–	–
Amortization	(71,162)	(133,907)	(205,069)
Ending balance	29,820	40,979	70,799
At December 31, **2010**			
Cost	713,250	879,000	1,592,250
Accumulated amortization	(372,405)	(474,223)	(846,628)
Ending balance	340,845	404,777	745,622
At December 31, **2011**			
Investments	**26,535**	**373,519**	**400,054**
Disposals	**–**	**–**	**–**
Amortization	**(84,855)**	**(133,680)**	**(218,535)**
Ending balance	**(58,320)**	**239,839**	**181,519**
At December 31, **2011**			
Cost	**739,785**	**1,252,519**	**1,992,304**
Accumulated amortization	**(457,259)**	**(607,903)**	**(1,065,162)**
Ending balance	**$ 282,526**	**$ 644,616**	**$ 927,142**

NOTE 16 - PROVISIONS:

	Bonds and compensation paid to employees	Other Advertising	provisions	Total
At January 1, **2010**	$ 636,690	$ 38,025	$ 305,822	$ 980,537
Charged to income	1,653,665	777,511	753,077	3,184,253
Used in the year	(1,230,207)	(758,657)	(856,568)	(2,845,432)
At December 31, **2010**	1,060,148	56,879	202,331	1,319,358
Charged to income	1,773,314	848,974	536,170	3,158,458
Used in the year	(1,717,267)	(808,988)	(559,129)	(3,085,384)
At December 31, **2011**	**$ 1,116,195**	**$ 96,865**	**$ 179,372**	**$ 1,392,432**

Other provisions include liabilities for services rendered by consultants and maintenance of stores and offices.

NOTE 17 - LOANS FROM FINANCIAL INSTITUTIONS:

	December 31, 2011	December 31, 2010	January 1, 2010
Bank loan denominated in pesos, with partial maturities from April 2007 to April 2010, at the rate of 10.05%.	**-**	-	$ 400,000
Syndicated loan denominated in pesos, with partial maturities from April 2007 to April 2010, at the 28-day TIIE, plus 55 basis points.	**-**	-	392,857
Loan received by the trust F/789, mentioned in Note 13, from Credit Suisse, payable in June 2018 and bearing a fixed interest rate of 9.31%.	**$ 921,456**	$ 921,456	921,456
	921,456	921,456	1,714,313
Long-term liabilities	**(921,456)**	(921,456)	(921,456)
Less - Current portion	**$ -**	$ -	$ 792,857

At December 31, 2011 and 2010, the fair value of the loan received by the Trust F/789 was $932,625 and $929,167, respectively.

NOTE 18 - ISSUANCE OF UNSECURED NOTES:

Maturity	Interest payable	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Dec 2014	Monthly	TIIE at 28 days plus 0.04 points	**$ 4,000,000**	$ 4,000,000	$ 4,000,000
Jul 2011	Monthly	Fixed at 7.82% [a]	**-**	2,250,000	2,250,000
Aug 2018	Semiannually	Fixed at 9.36%	**1,000,000**	1,000,000	1,000,000
Feb 2010	Monthly	TIIE at 28 days plus 1.50 points	**-**	-	700,000
May 2020	Semiannually	Fixed at 8.48%	**750,000** [*]	750,000 [*]	-
May 2020	Semiannually	Fixed at 8.53%	**2,250,000**	2,250,000	-
			$ 8,000,000	$ 10,250,000	$ 7,950,000

[*] Issuance of unsecured notes equivalent to 169,399,100 UDIs.

[a] Unsecured notes correspond to issuances by Trust F/600 set up to securitize the Company's portfolio. See Note 8.

Maturities pertaining to the long-term portion of this liability at December 31, 2011 are as follows:

Year	Amount
2014	$ 4,000,000
2018	1,000,000
2020	3,000,000
	$ 8,000,000

Issuances of unsecured notes require that the Company and the significant subsidiaries set out in the respective agreements comply with certain restrictions for payment of dividends, mergers, spinoffs, change of business purpose, issuance and sale of capital stock, capital investments and encumbrances. At December 31, 2011 and 2010, the Company was in compliance with the aforementioned conditions.

The Company has contracted a "cross currency swap" on the issuance of unsecured notes denominated in UDIs and interest rate derivative financial instruments on the financings mentioned above. See Note 10.

The fair value of issuances of unsecured notes is as follows:

	December 31,				January 1,	
	2011		2010		2010	
Maturity date	Book value	Fair value	Book value	Fair value	Book value	Fair value
Dec. 2014	**$ 4,000,000**	**$ 3,977,212**	$ 4,000,000	$ 3,938,371	$ 4,000,000	$ 3,834,138
July 2011	**–**	**–**	2,250,000	2,308,427	2,250,000	2,277,495
Aug 2018	**1,000,000**	**1,151,539**	1,000,000	1,081,529	1,000,000	1,009,010
Feb 2010	**–**	**–**	–	–	700,000	700,003
May 2020	**750,000**	**833,761**	750,000	796,566	–	–
May 2020	**2,250,000**	**2,400,995**	2,250,000	2,310,762	–	–
	$ 8,000,000	**$ 8,363,507**	$ 10,250,000	$ 10,435,655	$ 7,950,000	$ 7,820,646

NOTE 19 - EMPLOYEE BENEFITS:

The value of employee benefit obligations at December 31, 2011 and 2010, and as of January 1, 2010 amounted to $254,918, $170,065 and $132,414, is as follows:

	December 31,		January 1,
	2011	2010	2010
Pension plans	**$ 17,733**	$ 13,235	$ –
Seniority premium	**38,582**	22,341	6,200
Other employee benefits	**198,603**	134,489	126,214
	$ 254,918	$ 170,065	$ 132,414

The net cost for the period for the years ended on December 31, 2011 and 2010, is as follows:

	December 31,	
	2011	2010
Pension plans	**$ 20,958**	$ 10,727
Seniority premium	**18,160**	14,358
Other employee benefits	**31,298**	28,244
	$ 70,416	$ 53,329

Pension plans

The economic assumptions in nominal and real terms are as follows:

	December 31,		January 1,
	2011	2010	2010
Discount rate	**7.75%**	7.75%	9.25%
Inflation rate	**3.50%**	3.50%	3.50%
Salary growth rate	**4.75%**	4.75%	4.75%

Net cost for the period is as follows:

	December 31,	
	2011	2010
Service cost	**$ 19,932**	$ 16,708
Interest cost - Net	**1,026**	(311)
Labor cost settlements	**–**	(5,670)
Net cost for the period	**$ 20,958**	$ 10,727

The amount included as (liability) asset in the balance sheets is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Defined benefit obligations	**$ (619,551)**	$ (596,391)	$ (518,887)
Fair value of plan assets	**601,818**	583,156	521,837
Actual situation	**(17,733)**	(13,235)	2,950
Present value of unfunded obligation	**–**	–	–
Unrecognized prior service costs	**–**	–	–
(Liability) asset in the consolidated balance sheet	**$ (17,733)**	$ (13,235)	$ 2,950

The movement in the defined benefit obligation is as follows:

	2011	2010
Beginning balance at January 1	**$ (596,391)**	$ (518,887)
Service cost	**(19,933)**	(11,038)
Interest cost	**(42,558)**	(44,454)
Actuarial gains (losses)	**(26,489)**	(99,960)
Benefits paid	**65,820**	77,948
Ending balance at December 31	**$ (619,551)**	$ (596,391)

The movement in the liability is as follows:

	2011	2010
Beginning balance at January 1	**$ (13,235)**	$ 2,950
Provision for the year	**(20,958)**	(10,727)
Company contributions	**29,027**	58,298
Actuarial losses	**(12,567)**	(65,971)
Adjustment for reclassification of benefits	**–**	2,215
Ending balance at December 31	**$ (17,733)**	$ (13,235)

The movement in plan assets is as follows:

	2011	2010
Beginning balance at January 1	**$ 583,156**	$ 521,837
Return on plan assets	**41,532**	44,765
Company contributions	**29,027**	58,298
Amortization effects of beginning balance	**(25,489)**	(34,410)
Actuarial gains	**13,922**	36,204
Benefits paid	**(40,330)**	(43,538)
Ending balance at December 31	**$ 601,818**	$ 583,156

Principal categories of plan assets at the end of the reporting period are as follows:

	Fair value of plan assets at December 31, 2011	2010
Debt instruments	**$ 274,083**	$ 274,083
Equity instruments	**327,735**	309,073
	$ 601,818	$ 583,156

The expected return on plan assets represents the weighted average expected return for the different categories of plan assets. The Company's assessment of expected yields is based on historical trends and analysts predictions on the market of assets for the life of related obligations.

Seniority premium

Economic assumptions in real and nominal terms are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Discount rate	**7.75%**	7.75%	9.25%
Inflation rate	**3.50%**	3.50%	3.50%
Salary growth rate	**4.75%**	4.75%	4.75%

Net cost for the period is as follows:

	December 31, 2011	December 31, 2010
Service cost	**$ 16,428**	$ 12,867
Interest cost - Net	**1,732**	278
Labor cost	**–**	1,213
Net cost for the period	**$ 18,160**	$ 14,358

The amount included as liability in the consolidated balance sheet is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Defined benefit obligations	**$ (149,382)**	$ (132,997)	$ (104,668)
Fair value of plan assets	**110,801**	110,656	98,468
Actual situation	**(38,581)**	(22,341)	(6,200)
Present value of unfunded obligation	**–**	–	–
Unrecongnized prior service costs	**–**	–	–
Liability in the balance sheet	**$ (38,581)**	$ (22,341)	$ (6,200)

The movement in the net project liability is as follows:

	2011	2010
Beginning balance at January 1	**$ (22,341)**	$ (6,200)
Company contributions	**18,159**	15,220
Provision for the year	**(18,159)**	(14,358)
Actuarial losses	**(16,240)**	(17,003)
Ending balance at December 31	**$ (38,581)**	$ (22,341)

The movement in the defined benefit obligation is as follows:

	2011	2010
Beginning balance at January 1	**$ (132,997)**	$ (104,668)
Service cost	**(16,427)**	(14,080)
Interest cost	**(9,717)**	(9,293)
Actuarial losses	**(8,313)**	(14,866)
Benefits paid	**18,072**	9,910
Ending balance at December 31	**$ (149,382)**	$ (132,997)

The movement in plan assets is as follows:

	2011	2010
Beginning balance at January 1	**$ 110,655**	$ 98,468
Return on plan assets	**7,985**	9,015
Company contributions	**18,159**	15,220
Actuarial (losses) gains	**(7,926)**	1,314
Benefits paid	**(18,072)**	(13,361)
Ending balance at December 31	**$ 110,801**	$ 110,656

Principal categories of plan assets at the end of the reporting period are as follows:

	Fair value of plan assets at December 31, 2011	2010
Debt instruments	**$ 86,424**	$ 81,885
Equity instruments	**24,377**	28,770
	$ 110,801	$ 110,655

The expected return on plan assets represents the weighted average expected return for the different categories of plan assets. The Company's assessment of expected yields is based on historical trends and analysts predictions on the market of assets for the life of related obligations.

Other employee benefits

Economic assumptions in real and nominal terms are as follows:

	December 31, 2011	2010	January 1, 2010
Discount rate	**7.75%**	7.75%	9.25%
Inflation rate	**3.50%**	3.50%	3.50%
Salary growth rate	**4.75%**	4.75%	4.75%

Net cost for the period is as follows:

	December 31, 2011	2010
Service cost	**$ 22,365**	$ 18,781
Interest cost	**8,933**	9,463
Net cost for the period	**$ 31,298**	$ 28,244

The amount included as liability in the consolidated balance sheet is as follows:

	December 31, 2011	2010	January 1, 2010
Defined benefit obligations	**$ (198,603)**	$ (134,489)	$ (126,214)
Fair value of plan assets	–	–	–
Actual situation	**(198,603)**	(134,489)	(126,214)
Present value of unfunded obligations	**–**	–	–
Unrecognized prior service cost	**–**	–	–
Liability in the consolidated balance sheet	**$ (198,603)**	$ (134,489)	$ (126,214)

The movement in the net projected liability is as follows:

	2011	2010
Beginning balance at January 1	**$ (134,489)**	$ (126,214)
Provision for the year	**(31,298)**	(27,609)
Actuarial losses	**(81,024)**	(36,920)
Benefits paid	**48,208**	56,254
Ending balance at December 31	**$ (198,603)**	$ (134,489)

The movement in the defined benefit obligation is as follows:

	2011	2010
Beginning balance at January 1	**$ (134,489)**	$ (126,214)
Service cost	**(22,365)**	(18,146)
Interest cost	**(8,933)**	(9,463)
Actuarial losses	**(81,024)**	(36,920)
Benefits paid	**48,208**	56,254
Ending balance at December 31	**$ (198,603)**	$ (134,489)

NOTE 20 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During 2011 and 2010, Grupo Financiero Invex, S. A. de C.V. (Invex) provided the Company with pension plan and workers' savings fund administration services, as well as with fiduciary services. Invex and the Company share some stockholders. Fees paid to Invex for these services totaled $1,647 and $1,459 in 2011 and 2010 respectively. At December 31, 2011 and 2010, and at January 1, 2010, there are no balances pending to pay for these items.

During 2011 and 2010, the Company contracted corporate travel services for its employees with Orion Tours, S. A. de C.V., whose General Director is ViceChairman of the Company's Board of Directors. These services were contracted using market conditions. Fees paid to Orion for these services totaled $53,733 and $15,153 in 2011 and 2010 respectively. At December 31, 2011 and 2010, and at January 1, 2010, there are no balances pending to pay for these items.

Compensation for directors and other key members of management during the year was as follows:

	December 31,	
	2011	2010
Short-term benefits	**$ 132,879**	$ 73,805
Post - retirement benefits	**–**	–
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Share based payments	**–**	–
Total	**$ 132,879**	$ 73,805

Compensation paid to directors and key executives is determined by the Operations Committee, based on their performance and market trends.

NOTE 21 - COSTS AND EXPENSES BY NATURE:

The cost of sales and administration expenses are comprised as shown below:

	December 31,	
	2011	2010
Cost of merchandise	**$ 34,004,014**	$ 30,467,173
Cost of distribution and logistics	**928,761**	823,703
Personnel compensation and benefits	**6,404,489**	6,066,973
Services contracted	**1,807,476**	1,596,766
Depreciation and amortization	**1,282,746**	1,213,268
Repairs and maintenance	**1,136,647**	1,013,645
Provision for impairment of loan portfolio	**953,242**	597,374
Leases	**646,108**	599,631
Electrical power and utilities	**620,625**	530,457
Other (1)	**1,849,340**	1,715,477
Total	**$ 49,633,448**	$ 44,624,467

(1) Includes insurance premiums, travel expenses, real estate taxes and other non significant expenses.

Personnel compensation benefits are comprised as follows:

	December 31,	
	2011	2010
Salary and bonds	**$ 5,237,381**	$ 4,971,298
Commissions paid to sales staff	**1,029,383**	957,926
Other payments	**137,725**	137,749
Total	**$ 6,404,489**	$ 6,006,973

NOTE 22 - OTHER INCOME (EXPENSES):

	December 31, 2011	2010
Other income:		
Suppliers' recovery	**$ 39,598**	$ 9,387
VISA commissions earned	**18,663**	7,277
Ticketmaster commissions earned	**11,515**	11,339
Advertising recovery	**16,850**	14,008
Rent of logistic units	**14,791**	7,917
Write off of provisions	**12,000**	20,005
Other	**100,459**	130,154
Total other income	**$ 213,876**	$ 200,087
Other expenses:		
Expenses of merchandise stolen	**$ 9,422**	$ 6,080
Other		3,111
Total other expenses	**$ 9,422**	$ 9,191
Other income (expenses) net	**$ 204,454**	$ 190,896

NOTE 23 - TAXES:

23.1. The tax on profits is comprised as follows:

	December 31, 2011	2010
Income tax	**$ 2,400,439**	$ 2,015,761
Flat tax	**–**	279,037
Deferred income tax	**(44,937)**	(126,550)
Deferred flat tax	**5,445**	(5,445)
	$ 2,360,947	$ 2,162,803

23.2. The deferred tax balance is composed as follows:

	December 31, 2011	2010	January 1, 2010
Deferred income tax asset:			
Unamortized tax losses	**$ 77,600**	$ 131,524	$ 146,240
Provision for impairment of loan portfolio	**421,721**	298,545	499,997
Provisions	**572,555**	488,694	351,831
Other items	**20,523**	34,290	75,328
	1,092,399	953,053	1,073,396
Deferred income tax liability			
Installment sales - Net	**1,251,562**	1,042,341	904,403
Real estate property, property furniture and equipment	**3,059,584**	3,014,358	2,947,879
Investment in shares of associated companies	**116,761**	46,951	–
Inventory	**123,106**	436,463	752,660
Other items	**239,169**	149,392	331,456
	4,790,182	4,689,505	4,936,398
Deferred income tax	**3,697,783**	3,736,452	3,863,002
Asset tax recoverable	**76,363**	76,363	79,440
Total liabilities	**$ 3,621,420**	$ 3,660,089	$ 3,783,562

Deferred tax assets and liabilities are analyzed as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax asset:			
Deferred tax asset recoverable over the following 12 months	**$ 1,092,399**	$ 913,447	$ 995,889
Deferred tax asset recoverable after 12 months	**–**	39,606	77,507
	1,092,399	953,053	1,073,396
Deferred tax liability:			
Deferred tax liability payable within the following 12 months	**1,511,767**	1,357,954	1,564,294
Deferred tax liability payable after 12 months	**3,278,415**	3,331,551	3,372,104
	4,790,182	4,689,505	4,936,398
Asset tax recoverable	**76,363**	76,363	79,440
Deferred tax liability (net)	**$ 3,621,420**	$ 3,660,089	$ 3,783,562

Net movements of deferred tax assets and liabilities during the year are explained as follows:

	Unamortized tax losses	Provision for impairment of loan portfolio	Provisions	Installment sales	Real estate property, furniture and equipment	Investment in associated companies	Inventory	Other	Total
At January 1, **2010**	$ 146,240	$ 499,997	$ 351,831	$ (904,403)	$ (2,947,879)	$ –	$(752,660)	$ (256,128)	$ (3,863,002)
Charged / credited to the statement of income	(14,716)	(201,452)	136,863	(137,938)	(66,479)	(46,951)	316,197	141,026	126,550
At December 31, **2010**	131,524	298,545	488,694	(1,042,341)	(3,014,358)	(46,951)	(436,463)	(115,102)	(3,736,452)
Charged / credited to the statement of income	(53,924)	123,176	83,861	(209,221)	(45,226)	(69,810)	313,357	(103,544)	38,669
At December 31, 2011	**$ 77,600**	**$ 421,721**	**$ 572,555**	**$ (1,251,562)**	**$(3,059,584)**	**$ (123,106)**	**$(123,106)**	**$(218,646)**	**$ (3,697,783)**

At December 31, 2011, the Company has unamortized tax losses for income tax purposes, to be indexed in the year in which they are applied, for a restated amount of:

Year	Amortizable tax loss
2016	$ 55
2018	75,033
2019	57
2020	50,103
2021	123,051
	$ 248,299

In determining deferred income tax at December 31, 2011 and 2010, the Company applied to temporary differences, the applicable rates according to their estimated date of reversal.

23.3. The reconciliation of the legal income tax rate and the effective rate, stated as a percentage of the profit before income tax, is as follows:

	December 31,	
	2011	2010
Pre – tax income	**$ 8,904,892**	$ 7,317,488
Statutory rate	**30%**	30%
Income tax at statutory rate	**2,671,468**	2,195,246
Plus (less) effects of taxes of the following permanent items:		
Non deductible expenses	**5,972**	3,791
Income not taxable	**(216,255)**	(54,757)
Annual inflation adjustment	**79,708**	103,704
Participation in the results of associated companies	**(91,418)**	(42,040)
Investment property, property furniture and equipment - net	**(16,709)**	(164,986)
Other permanent items	**(71,819)**	121,845
Income tax in the income statement	**$ 2,360,947**	$ 2,162,803
Effective income tax rate	**27%**	30%

23.4. Applicable tax rates:

The decree amending, adding to and revoking a number of provisions of the Income Tax Law for 2010 was published on December 7, 2009, and establishes, among others, that the applicable income tax rate from 2010 to 2012 is 30%, 29% for 2013 and 28% as from 2014.

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

Under current tax legislation, the Company must pay the higher of income tax and flat tax annually.

In 2010 and 2009, some of the Group companies determined flat tax in the amount of $279,037 and $46,547, respectively, which exceeded income tax determined. Book and tax projections pertaining to these companies indicate that in the future, some of them will continue paying flat tax and others will pay income tax; therefore, the deferred tax recorded at December 31, 2010 is that corresponding to the tax estimated to be paid in the future.

NOTE 24 - STOCKHOLDERS' EQUITY:

24.1. Capital stock at December 31, 2011, 2010 and January 1, 2010 are comprised as follows:

	Minimum fixed capital
1,144,750,000 Series "1" shares with no par value, entirely subscribed and paid in 197,446,100	$ 269,112
Series "C-1" shares with no par value, entirely subscribed and paid in Cumulative inflation increase at December 31, 1997	3,105,170
Total	$ 3,374,282

At the March 11, 2011 Annual Ordinary General Stockholders' Meeting, the stockholders approved dividends to be paid out of the After Tax Earnings Account (CUFIN for its acronym in Spanish) in the amount of $724,786 ($590,566 in 2010 and $536,879 in 2009), which were paid on May 6, 2011 and October 21, 2011, through the securities depository firm.

In accordance with IAS 29 "Hyperinflation", an entity must recognize the effects of inflation in the financial information when a economy accumulates 100% in a three - year period. Mexico was considered a hyperinflationary economy until 1997, and for that reason the Company recognized all the cumulative inflation effects up to that year.

24.2 Capital reserves

Capital reserves are comprised as follows:

	December 31, 2011	2010	January 1, de 2010
Legal reserve	**$ 582,500**	$ 582,500	$ 582,500
Reserve for acquisition of own shares	**467,432**	467,432	467,432
Investment reserve	**94,319**	94,319	94,319
Actuarial losses of employee benefits	**(505,217)**	(392,686)	(272,792)
Reserve for valuation of derivative financial instruments	**(202,762)**	(182,617)	(101,277)
Total	**$ 436,272**	$ 568,948	$ 770,182

The Company's Stockholders have authorized a reserve for the acquisition of its own shares. The Company must comply with its bylaws and the provisions of the Securities Market Law , in order to acquire its own shares.

According to the Corporations Law, a minimum of 5% must be set aside from net earnings for the period for the legal reserve until it reaches 20% of the capital stock. The legal reserve can be capitalized, but must not be distributed unless the Company is dissolved, and must be made up if it shrinks for any reason.

24.3. The balances of the tax accounts of stockholders' equity are:

	December 31, 2011	2010	January 1, de 2010
Capital contributions account	**$ 26,232,926**	$ 24,746,293	$ 24,295,818
After-tax earnings account (CUFIN)	**46,720,449**	40,408,449	33,913,004
Reinvested after tax earnings account (CUFINRE)	**113,075**	116,522	612,210
Total	**$ 73,066,450**	$ 65,271,264	$ 58,821,032
Average weighted number of ordinary shares to determine the basic earnings per share at December 31, 2011 and 2010		1,342,196,100	

24.4. Tax provisions related to stockholders' equity:

Dividends are free of income tax if paid out from the After Tax Earnings Account (CUFIN). Any excess over the CUFIN is taxable at a rate fluctuating between 4.62% and 7.69%, if paid out from the reinvested CUFIN (CUFINRE). Dividends in excess of the after tax earnings account (CUFIN) are subject to 42.86% tax if paid in 2011. Tax incurred is payable by the Company and may be credited against income tax for the period and for the following two periods or, if applicable, against flat tax for the period. 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 the capital contributions account is accorded the same tax treatment as dividends.

NOTE 25 - CONTINGENCIES AND COMMITMENTS:

25.1. Contingencies

The Company is party to a number of lawsuits and claims arising from the normal course of its operations, which Management does not expect will have a significant adverse effect on its financial position and results of future operations.

25.2. Commitments

The Company has granted Standby letters to certain vendors in the amount of US$12 million. These letters are used by the vendors to obtain the financing required to satisfy production and/or the acquisition of merchandise ordered by the Company. In the event of default by vendors with the financial institutions that granted the financing, the Company would be obligated to settle the aforementioned amount. At the date of issuance of the consolidated financial statements, the Company has not been informed of any default of such vendors.

25.3. Capital investments

The Company has entered into a number of agreements with third parties, for the acquisition of real property, in connection with which $703,235 has yet to be settled, in the terms established in said agreements.

NOTE 26 - OPERATING LEASES:

The Company as lessee

The Company has entered into a number of operating lease agreements for 15 stores, 6 Duty Free and 17 commercial spaces for the boutiques it operates. Additionally, it has entered into lease agreements for tractor trailers and trailers for delivery of merchandise to the stores, and has also acquired computer equipment and servers. The lease periods range from one to five years. All operating lease agreements for more than 5 years contain clauses for review of market rent every five years. The Company has not option to buy the space leased at the date of expiration of the lease terms.

Following are the leasing expenses recognized in 2011 and 2010:

	December 31, 2011	2010
Fixed rent	**$ 178,966**	$ 174,159
Variable rent	**279,847**	243,621
Total	**$ 458,813**	$ 417,780

Following is an analysis of the minimum annual payments stipulated in the lease agreements entered into at terms of over one year:

Year ending December 31,	Amount
2012	$ 306,099
2013	342,831
2014	383,970
2015	430,047
2016 onward	1,625,288
Total minimum payments agreed	$ 3,088,235

Operating leasing is related to the leasing of commercial space. The lease periods range from one to five years. All operating lease agreements for more that 5 years contain clauses for review of market rent every two years. The agreements do not establish the option for tenants to buy the space leased at the date of expiration of the lease terms.

Following is an analysis of lease income:

	December 31, 2011	2010
Fixed rent	**$ 1,112,235**	$ 1,007,742

Following is an analysis of the minimum annual payments agreed with the lessees in the lease agreements entered into at terms of over one year:

Year ending December 31,	Amount
2012	$ 1,185,000
2013	1,239,000
2014	1,288,000
2015	1,333,000
Total minimum payments agreed	$ 5,045,000

NOTE 27 - SEGMENT INFORMATION:

Information per segment is reported on the basis of the information used by the Operations Committee in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis. Income from the Company's segments arises mainly from the sale of products at retail (commercial segment), and from real property activities involving the renting of commercial space (real estate segment).

IFRS 8 requires disclosure of assets and liabilities pertaining to one segment, if measurement is regularly provided to the decision making body; however, with respect to the Company, the Operations Committee only evaluates the performance of the operating segments based on an analysis of income and operating profit, but not of each segment's assets and liabilities.

The income reported by the Company represents income generated by external customers, as there are no intersegment sales.

Commercial segment

Due to the fact that the Company specializes in retail sales of merchandise to the general public, it has no main customers that would concentrate a significant percentage of total sales, and does not rely on a particular product that would represent 10% of consolidated sales. Also, the Company operates with a broad base of different size vendors, and therefore does not rely on any particular vendor as concerns the products it sells.

Real estate segment

The Company owns or coowns, manages and leases commercial space located in shopping malls throughout Mexico. This segment is engaged in the design and realization of expansion and remodeling works for stores, shopping malls and other facilities.

Other Segment

Income from other services such as commissions for insurance, travel agency, etc. is included in this segment.

27.1. Income and results per segment

The Company controls its results for every of the operating segments at the income, costs and expenses, and operating profit level. The other income statement items are not assigned, as they are managed on a corporate level. Following is an analysis of income and results per segment to be reported:

December 31, 2011	Commercial	Real property	Other	Consolidated
Net revenue	**$ 56,925,768**	**$ 1,731,041**	**$ 204,454**	**$58,861,263**
Costs and expenses	**(48,882,474)**	**(750,974)**	**–**	**(49,633,448)**
Operating income	**8,043,294**	**980,067**	**204,454**	**9,227,815**
Financing costs, returns on investments, exchange fluctuations and results of associated companies				**(322,923)**
Tax on profits				**(2,360,947)**
Consolidated net income	**$ 8,043,294**	**$ 980,067**	**$ 204,454**	**$ 6,543,945**

December 31, 2010	Commercial	Real property	Other	Consolidated
Net revenue	$ 50,608,936	$ 1,551,745	$ 190,896	$ 52,351,577
Costs and expenses	(43,934,051)	(690,416)	–	(44,624,467)
Operating income	6,674,885	861,329	190,896	7,727,110
Financing costs, returns on investments, exchange fluctuations and results of associated companies				(409,622)
Tax on profits				(2,162,803)
Consolidated net income	$ 6,674,885	$ 861,329	$ 190,896	$ 5,154,685

The information disclosed in each segment is shown net of eliminations corresponding to transactions conducted between Group companies. Inter-segment results and transactions are eliminated at the total level, forming part of the Group's final consolidation. This form of presentation is the same as that used by management in its periodic review processes of the Company's performance.

Taxes and financing costs are dealt at Group level and not within the reportable segments. As a result, this information is not shown distributed in each reportable segments. Operating income is the key performance indicator for management, which is reported on a monthly basis to the Operations Committee.

27.2. Geographic information

All income obtained from third parties is realized in Mexico and therefore, no information is disclosed per geographic segment.

NOTE 28 - TRANSITION TO IFRS:

As mentioned in Note 2, these are the first of the Company's consolidated financial statements to be prepared in accordance with IFRS.

The accounting policies described in Note 2 have been applied in preparing the financial statements for the period ended on December 31, 2011, as well as in preparing the comparative information presented at December 31, 2010 and in the opening balance sheet under IFRS at January 1, 2010 (date of transition).

In preparing the opening balance sheet under IFRS, the Company has adjusted the amounts previously reported in the financial statements prepared under Mexican financial reporting standards (NIF). Following is an explanation of the impact of the transition from NIF to IFRS on the Company's financial position, results and cash flows.

1. Exemptions and exceptions

1.1. Optional exemptions

IFRS 1 "First-time adoption of IFRS" establishes, for companies adopting IFRS for the first time as their accounting framework, certain exemptions and exceptions with respect to applying IFRS retroactively to the transition date. IFRS 1 establishes optional exemptions and some obligatory exceptions, so as not to apply IFRS retrospectively to the transition date. The exemptions applied by the Company are described as follows:

1.1.1. Fair value as attributed cost

Under IFRS, at the transition date, a company can opt for measurement of an item of property, furniture and equipment or of investment property, at its fair value, and use this value as the attributed cost at that date. In accordance with NIF, the Company initially recognized property, furniture and equipment at cost. Up until December 31, 2007, these items were restated for inflation, applying factors derived from the National Consumer Price Index (NCPI). At the date of transition to IFRS, the Company chose to apply the option to use the book value as per NIF, adjusted to reflect the effects of inflation at December 31, 2007, such as the assumed cost of property, furniture and equipment, as well as of investment property, thus no adjustment was required in the initial statement of financial position.

1.1.2. Employee benefits

The differences in labor obligations under NIF and IFRS are due mainly to valuation of the adjustments in actuarial assumptions. IFRS 1 provides the option of retrospectively applying IAS 19 (revised) "Employee benefits" for recognition of actuarial losses and gains. According to the exemption, the Company opted to recognize the accumulated actuarial gains and losses in place at the transition date in initial capital reserves for all its employee benefit plans.

1.1.3. Exemptions that do not apply to the Company:

IFRS 1 provides the option to apply IFRS 3 "Business combinations" prospectively from the transition date or from a specific date prior to the transition date. This provides an alternative to complete retrospective application, which would require a reassessment of all business combinations prior to the transition date. The Company opted to apply IFRS 3 prospectively, to the business combinations occurring after the transition date; therefore, business combinations occurring prior the transition date are shown in the financial statements as recognized under Mexican NIF.

- Shared - based payments and leases, as accounting standards in Mexico and IFRS are in line.
- Insurance agreements, as this is not relevant for Company operations.
- Investments in subsidiaries, associated companies and joint ventures, as the only statements to be prepared under IFRS are the Company's consolidated financial statements.

- Assets and liabilities of subsidiaries, associated companies and joint ventures, as, except for RFH (associated company), the date for adoption of IFRS by the subsidiaries and associated companies is the same as that for the holding company. In the case of the investment in RFH, its financial statements were already prepared in accordance with IFRS.
- Accumulated conversion differences, as at the transition date, the Company did not have this type of items.
- Compound financial instruments, due to the fact that the Company does not have this type of instruments at the date of transition to IFRS.
- The dismantling-related liabilities included in the cost of land, buildings and equipment, as the Company has no such liabilities.
- Financial and intangible assets recognized in accordance with IFRIC 12 "Service Concession Arrangements", as the Company has no arrangements falling under the scope of IFRIC 12.
- Assigning of financial instruments previously recognized; measurement at fair value of financial assets and financial liabilities in their initial recognition; transfers of assets from customers; cost of loans and cancellation of financial liabilities with equity instruments, as the Company does not have this type of situations.

1.2. Obligatory exceptions
The obligatory exceptions established in IFRS 1 are shown below:

1.2.1. Hedge accounting
IFRS require that at the transition date, hedge operations contracted meet the hedge accounting criteria established in IAS 39 "Financial Instruments: Recognition and measurement". Hedge accounting can only be applied prospectively from the transition date, and retrospectively creating documentation to support a hedge relationship is not allowed. All hedge operations contracted by the Company met the hedge accounting criteria as from January 1, 2010 and are consequently reflected in the Company's financial statements under IFRS.

1.2.2. Reserves
Reserves under IFRS at January 1, 2010 are consistent with those to date set up in accordance with prior Mexican NIF.

1.2.3. Obligatory exceptions not applicable to the Company
The following obligatory exceptions are not applicable to the Company:

- Classification and measurement of financial assets
- De-recognition of financial assets and financial liabilities, and
- Non-controlling interest.

2. Reconciliation of Mexican NIF against IFRS.
IFRS 1 requires that entities reconcile capital, comprehensive income and cash flows corresponding to prior periods. The Company's initial adoption had no impact on its operating cash flows, investment or financing. The following tables show the reconciliations of prior Mexican NIF against IFRS for the respective periods for capital, income and comprehensive income.

3. Notes on reconciliation between Mexican NIF and IFRS.

Reconciliation of capital at January 1, 2010:

Assets	NIF	Note	IFRS adjustments	IFRS
Current assets:				
Cash and cash equivalents	$ 6,665,425			$ 6,665,425
Short - term loan portfolio - net	13,175,416			13,175,416
Value added tax recoverable - net	588,846		–	588,846
Other short-term accounts receivable	757,729			757,729
Inventory	6,277,832			6,277,832
Prepaid expenses	422,704			422,704
Total current assets	27,887,952		–	27,887,952
Non-current assets:				
Long-term loan portfolio - net	2,802,270			2,802,270
Other long-term accounts receivable - net	115,531			115,531
Derivative financial instruments	93,300			93,300
Investment in shares of associated companies	613,896			613,896
Intangibles - net	674,824			674,824
Investment properties - net		3.3.8	7,936,468	7,936,468
Property, furniture and equipment - net	26,743,006	3.3.8	(7,936,468)	18,806,538
Employee benefits	260,163	3.1.1	(257,213)	2,950
Total	$ 59,190,942		$ (257,213)	$ 58,933,729

Liabilities and stockholders' equity	NIF	Note	IFRS adjustments	IFRS
Current liabilities:				
Short – term loans from financial institutions	$ 792,857		$	$ 792,857
Short – term unsecured notes	700,000			700,000
Vendors	7,030,776			7,030,776
Provisions	980,537			980,537
Deferred income		3.3.4	1,001,872	1,001,872
Creditors	3,870,131		(1,001,872)	2,868,259
Income tax payable	144,139			144,139
Total current liabilities	13,518,440			13,518,440
Long – term loans from financial institutions	$ 921,456		$	$ 921,456
Long – term unsecured notes	7,250,000			7,250,000
Derivative financial instruments	109,714			109,714
Employee benefits	116,835	3.1.1, 3.1.2 y 3.1.3	15,579	132,414
Deferred income tax	3,783,562			3,783,562
Total liabilities	25,700,007	3.3.5	15,579	25,715,586
Stockholders' equity:				
Capital stock	6,595,397	3.3.5	(3,221,115)	3,374,282
Retained earnings:				
Of priors years	21,426,101	3.3.5	3,859,826	25,285,927
For the year	3,786,535			3,786,535
Capital reserves	1,681,685	3.1.1, 3.1.2, 3.1.3 y 3.1.5	(911,503)	770,182
Stockholders equity attributable to owners of the controlling company	33,489,718	3.1.1	(272,792)	33,216,926
Non-controlling interest	1,217			1,217
Total stockholders' equity	33,490,935		(272,792)	33,218,143
Total	$ 59,190,942		$ (257,213)	$ 58,933,729

Reconciliation of capital at December 31, 2010:

Assets	NIF	Note	IFRS adjustments	IFRS
Current assets:				
Cash and cash equivalents	$ 6,825,518		$	$ 6,825,518
Short – term loan portfolio - net	14,647,442			14,647,442
Value added tax recoverable - net	783,034			783,034
Short-term other accounts receivable - net	639,214			639,214
Inventory	8,080,900			8,080,900
Prepaid expenses	366,036			366,036
Total current assets	31,342,144			31,342,144
Non-current assets:				
Long-term loan portfolio - net	3,987,858			3,987,858
Other long-term accounts receivable - net	128,895			128,895
Derivative financial instruments	170,662			170,662
Investment in shares of associated companies	3,295,974			3,295,974
Intangibles - net	745,622			745,622
Investment properties - net		3.3.8	8,721,059	8,721,059
Property, furniture and equipment - net	28,337,036	3.3.8	(8,721,059)	19,615,977
Employee benefits	274,271	3.1.1	(274,271)	–
Total	$ 68,282,462		$ (274,271)	$ 68,008,191

Liabilities and stockholders' equity	NIF	Note	IFRS adjustments	IFRS
Current liabilities:				
Short – term loans from financial institutions	–		–	–
Short – term unsecured notes	$ 2,250,000		$	$ 2,250,000
Vendors	8,443,000			8,443,000
Provisions	1,319,358			1,319,358
Deferred income		3.3.4	1,169,104	1,169,104
Creditors	5,032,025	3.3.4	(1,169,104)	3,862,921
Income tax payable	363,112			363,112
Total current liabilities	17,407,495			17,407,495
Long – term loans from financial institutions	921,456			921,456
Long – term unsecured notes	8,000,000	3.3.1		8,000,000
Derivative financial instruments	268,416			268,416
Employee benefits	157,500		12,565	170,065
Deferred income tax	3,660,089			3,660,089
Total liabilities	30,414,956		12,565	30,427,521
Stockholders' equity:				
Capital stock	6,595,397	3.3.5	(3,221,115)	3,374,282
Retained earnings:				
Of priors years	24,516,220	3.3.5	3,965,676	28,481,896
For the year	5,154,958			5,154,958
Capital reserves	1,600,345	3.1.1, 3.1.2, 3.1.3 y 3.3.5	(1,031,397)	568,948
Stockholders' equity attributable to owners of the controlling company	37,866,920		(286,836)	37,580,084
Non-controlling interest	586			586
Total stockholders' equity	37,867,506		(286,836)	37,580,670
Total	$ 68,282,462		$ (274,271)	$ 68,008,191

Reconciliation of comprehensive income at December 31, 2010.

	NIF	Note	IFRS adjustments	IFRS
Operating revenue:				
Net sales of merchandise	$ 47,308,448	3.3.2, 3.3.3. and 3.3.7	$ (1,796,823)	$ 45,511,625
Interest earned from customers	2,296,596	3.3.2	1,581,543	3,878,139
Real estate income	1,551,745			1,551,745
Services	1,219,172			1,219,172
Total revenue	52,375,961		(215,280)	52,160,681
Costs and expenses:				
Cost of sales	30,467,173	3.3.6	823,703	31,290,876
Administration expenses	14,372,574	3.3.6, 3.3.3. and 3.3.7	(1,038,983)	13,333,591
Total costs and expenses	44,839,747		(215,280)	44,624,467
Other income (expenses)			190,896	190,896
Operating income	7,536,214		190,896	7,727,110
Other income (expenses)	190,896	3.3.1	(190,896)	–
Financing costs	(898,778)		–	(898,778)
Return on investments	269,825		–	269,825
Foreign exchange fluctuation	79,197		–	79,197
Equity in the results of associated companies	140,134		–	140,134
Pre - tax income	7,317,488		–	7,317,488
Taxes	2,162,803		–	2,162,803
Consolidated net income	$ 5,154,685		$ –	$ 5,154,685
Other items comprising comprehensive profit:				
Valuation of financial instruments contracted for cash flow hedging	$ (81,340)			$ (81,340)
Actuarial losses of employee benefits	(120,252)		(120,252)	(120,252)
Consolidated comprehensive income	$ 5,073,345		$ (120,252)	$ 4,953,093

3. Notes on reconciliation between Mexican NIF and IFRS

3.1. Employee benefits

3.1.1. Adjustment to pensions and seniority premium obligations

The Company elected to early adopt IAS19 (ammended) "Employee Benefits", which were applied against the capital reserves accumulated net actuarial losses at the transition date for a total of $261,966.

Under IFRS, the Company's accounting policy is to recognize all actuarial gains or losses under other comprehensive income, which totalled $120,252 at December 31, 2010. Under Mexican NIF, the Company applied gains or losses to income throughout the remaining period of service of employees. The effect on the 2010 income statement that would result of reversing the portion of recognized actuarial losses was immaterial, and for that reason, it was not included in the related reconciliation.

3.1.2. Severance liability for personnel dismissal

In accordance with Mexican NIF, the Company recorded a liability for severance as it is estimated to terminate the labor relationship prior to retirement, without there necessarily being a requirement for a prior formal plan. This liability was determined using actuarial calculations. IFRS do not expressly address termination benefits due to causes other than restructuring and consequently do not require recognition of a liability for severance, until such time as the Company is required to pay said obligation to its employees (normally at the date of dismissal). In light of the above, at the transition date, the Company cancelled the liability for this item, which totaled $115,388.

3.1.3. Other employee benefits

Under Mexican NIF, disbursements for dismissal were recorded as they arose in accordance with the labor law. In the event any employee decided to voluntarily retire from the Company, and even though there would not exist any obligation for the Company to give him a severance payment, the Company's culture provides the possibility to grant a payment for those employees exceeding 20 years of service. These payments were recorded once they occurred, but under IFRS, this practice qualifies as an assumed obligation for the Company with its employees, and consequently has to be recorded based on annual actuarial calculations prepared by independent actuaries. At the transition date, this obligation amounted $126,214, and was recorded in retained earnings.

3.2. Retained earnings
Except for reclassified items, all adjustments were applied to retained earnings and capital reserves at January 1, 2010.

3.3. Reclassifications
3.3.1. Other expenses, net
In accordance with IFRS, other expenses and income must form part of operations. For NIF purposes, this line item was presented after operating income. Net reclassification to the statement of income for the year ended December 31, 2010 totaled $190,896.

3.3.2. Sales at months without interest (MSI for its acronym in Spanish) with own card.

IFRS require that income be recorded at the fair value of the consideration received or receivable; therefore, under MSI programs, sales with own card, where the cash flows related to the sale are deferred, the fair value of payments received could be below the nominal value of the consideration. Under this structure, income is calculated as the present value of expected flows, using an imputed interest rate. Due to the adoption of IFRS, the reclassified in its 2010 income statement, the imputed interest originally recorded as part of net sales of merchandise to interest earned form customers, in the amount of $1,581,543.

3.3.3. Commissions charged by banks on sales under MSI programs
As part of the promotional programs established by the Company, part of its sales are conducted at MSI. In this regard, the bank applies a surcharge for the financing granted to the customer. Due to the adoption of IFRS the Company reclassified to revenue the surcharge required by the banks to finance sales at MSI. This concept amounted $313,944 in the year ended 2010.

3.3.4. E - wallets
As mentioned in Notes 2.23, the Company grants ewallets to its customers. The policy followed by the Company under Mexican NIF for recognition of these programs is that the amount of said benefits was recognized as promotional expenses when they were granted to the customer. The liability related to ewallets in place at January 1, and at December 31, 2010 totaled $1,001,872 and $1,169,104, respectively and was reclassified from other accounts payable to deferred income, in light of the fact that this type of plan, as per IFRS, has been considered as part of the measurement of income and not as an operating cost. In accordance with IFRS, these amounts represent an effective decrease in the selling price and not an operating cost.

3.3.5. Effects of inflation applied to equity
Under NIF, capital accounts were restated up until December 31, 2007, by applying factors derived from the NCPI. In accordance with IFRS, the effects of inflation are only recognized when the companies operate in a hyperinflationary economic environment. One of the characteristics of a hyperinflationary environment is when the inflation rate accumulated in a threeyear period is equal or exceeds 100%. In light of the above, at the transition date, the Company eliminated the effects of inflation on the capital stock ($3,221,115) and capital reserves ($638,711) totaling $3,859,826, which were reclassified to retained earnings.

3.3.6. Distribution and logistics costs
Under Mexican NIF, disbursements for these items were considered operating expenses and in accordance with IFRS, are considered as part of the cost of sales. Consequently, in the 2010 statement of income, $823,703 was reclassified from administration expenses to the cost of sales.

3.3.7. Rebates granted to personnel on sales of merchandise
Under Mexican NIF, discounts and rebates granted to personnel were considered under net sales as rebates on sales. In accordance with IFRS, this item is shown under administration expenses as personnel benefits, thus in the 2010 income statement the Company reclassified $98,664 from rebates on sales to administration expenses.

3.3.8. Investment properties
Due to the adoption of IFRS, the Company identified that Real Estate Property must be presented separately from property, furniture and equipment. In light of the above, at the transition date, the Company reclassified $7,936,468 ($8,721,059 in the years ended on December 31, 2010 and 2011) to investment property. Depreciation of both items continued to be recorded in the same line item in the statement of income.

NOTE 29 - AUTHORIZATION OF ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS:
The consolidated financial statements were authorized for issuance on February 17, 2012 by the Board of Directors, and are subject to approval by the Stockholders Meeting.

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The 2011 Annual Report may include certain expectations regarding the results of El Puerto de Liverpool, S.A.B. de C.V. and its Subsidiaries. All such projections, which depend on the judgment of the Company's management, are based on up-to-date, known information; however, expectations may vary as a result of the facts, circumstances and events beyond the control of El Puerto de Liverpool, S.A.B. de C.V. and its Subsidiaries.

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