Liverpool®

Annual Report 2016

Transformational
times

Liverpool Tampico

$100,441*

total revenue

4.3 million credit customers

Pottery Barn Polanco

* Figures in million pesos

Relevant facts

* Figures in million pesos

Galerias Atizapán

$16,051*
EBITDA

$10,191*
net profit

Liverpool Tampico

$100,441*
total revenue

4.3 million credit customers

Pottery Barn Polanco

* Figures in million pesos

Financial highlights

Operations	2016	2015	%var	2014	2013	2012
Number of stores	**118**	108	9.3%	101	96	93
Number of shopping centers	**25**	25	0.0%	24	22	19
Credit customers	**4,364,874**	3,954,716	10.4%	3,767,900	3,485,210	3,118,995

Results	2016	2015	%var	2014	2013	2012
Total revenue	**100,441,536**	91,292,889	10.0%	81,213,589	74,105,444	66,246,504
Revenue from Retail Division	**87,897,130**	79,242,312	10.9%	70,067,517	65,715,987	58,777,686
Revenue from Real Estate Division	**3,179,298**	3,020,831	5.2%	2,707,054	2,579,680	2,115,854
Revenue from Credit Division	**9,365,108**	9,029,746	3.7%	8,439,018	5,809,777	5,352,964
Operating profit	**13,406,391**	12,655,307	5.9%	11,113,306	10,836,082	10,306,076
Net profit	**10,191,128**	9,210,729	10.6%	7,763,480	7,701,930	7,197,700
EBITDA	**16,050,911**	14,870,389	7.9%	13,023,604	12,536,327	11,768,983
EBITDA margin	**16.0%**	16.3%	-1.8%	16.1%	16.9%	17.8%
Profit per share	**7.59**	6.86	10.7%	5.78	5.73	5.36

* Figures in thousand of Mexican pesos, except EBITDA margin and Profit per share.

Relevant facts

* Figures in million pesos

Galerias Atizapán

$16,051*

EBITDA

$10,191*

net profit

Letter from the Chairman of the Board

To the Shareholders,

During 2016, Liverpool fulfilled its investment plan by opening ten new stores, starting up the Morelia Telephone Call Center (Spanish acronym, CAT), integrating sales channels through an enhanced version of our e-commerce site, all while confronting a complicated global environment in which our currency underwent volatility.

During the referenced year, total revenues reached Ps. 100,441 million, while net earnings reached Ps. 10,191 million, representing an increase of 10.0% and 10.6%, respectively, over 2015. The investment in capital projects was Ps. 7,958 million.

In July, Liverpool announced its intention to purchase stock (through a public offering) in the capital of Ripley Corp S.A., an important chain of department stores in South America. Should this be achieved, the partnership would provide access to the markets of Chile and Peru, both of which show good indications of growth and profitability.

Also, in August, we reported the acquisition of the Suburbia clothing stores in Mexico, operation which enables us, in a focused and separated way from Liverpool, to serve a rapidly expanding market.

Both of the aforementioned transactions are subject to their respective official authorizations.

Plans for 2017 include the opening of eleven stores: four Liverpool stores; seven Fábricas de Francia stores; a large shopping center, Galerias Tlaxcala; the beginning of work for the development of a modern Logistics Center located in the State of Mexico at the "Arco Norte" highway; and boosting the momentum of our *Omnicanal* strategy.

Today, Liverpool already has the resources with which to finance these projects and, as always, we will continue to observe our conservative policy of financial stability, as well as the special care of our credit portfolio.

Finding, attracting, forming and retaining our personnel, as well as our organizational development, are a maximum priority. We will continue to strengthen our human structure, methodically and systematically.

In these constantly changing times, we wish to reiterate our most sincere recognition and appreciation to our shareholders, collaborators, tenants, suppliers, financial institutions, business partners and clients for their unwavering confidence.

Sincerely,

Max David
Chairman of the Board of Directors
Mexico City; March 2, 2017

Report from the Chief Executive Officer

The year 2016 was highly volatile, presenting important challenges for business in Mexico. In this environment, Liverpool, focused on its customer service, invested in the training of its sales force, both in products and in service techniques, reaching more than 85% of all our collaborators, with an average of 39 hours invested in each associate. We improved the Internet page with various components such as inventory in real time and by making the follow-up friendlier for our customers, enabling them to trace their purchase orders. The Click & Collect module and processes were improved, in which our clients have demonstrated their clear preference in the way they shop. Thanks to all of these improvements, we grew our income by 10.0% and the Company's net results of operations, by 10.6% in comparison with 2015. We placed special emphasis on the control of expenses, which increased by 10.0% over 2015. We had a slight increase of 21 base points in the commercial margin; the services area showed an increase of 28.3% in insurance profits; results of operations also reflect a significant exchange gain. We had a complicated year in the private label credit card, in which the overdue portfolio deteriorated by 43 base points in comparison with the closing of 2015. The overdue portfolio of the Premium Card, however, improved by 49 points for the same period.

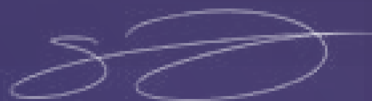
This year, Liverpool made it clear that it believes in Mexico's future, with a record high in store openings of ten new units and by closing a negotiation for the purchase of Suburbia, the approval of which is currently being analyzed by the corresponding authorities. For the group, Suburbia represents the opportunity of entering into new markets, serving a segment of clients to whom we had not had the opportunity of attending with our current formats. In the real estate area, we began the improvement and remodeling of the Perisur and Galerias Monterrey shopping malls, as well as of the stores in those malls, in addition to Liverpool Satelite. We completed the expansion of Galerias Atizapan and began the expansion of Galerias Merida.

Our conservative and responsible philosophy in handling our finances continues to be one of the organization's cornerstones. We have no significant debt in currencies other than the Mexican peso, and the control of expenses is again a fundamental matter for 2017, in which our commitment with the Country continues. In addition to the integration of Suburbia, we plan to have another record year, with the opening of 11 new stores, a shopping center, and the beginning of what will be the Company's most important logistics center.

In Liverpool, our focus and the sole reason for our being are our clients, whose loyalty we greatly appreciate. Our Net Promoter Score (NPS) increased from 87.4 in 2015, to 89.9 in 2016. While this fills us with satisfaction, we know that there is still much room for improvement, particularly in the *Omnicanal* process, in which achieving the total integration of our various channels and points of contact with the client will be a priority for 2017.

To be able to meet our goals for service, we know that we must have the best collaborators, which now number more than 60,000. We continue to be committed to their training, in addition to establishing a new work philosophy and culture focused on the Company's total alignment. We appreciate the commitment and dedication of our collaborators, shareholders and suppliers. We are convinced that only with excellent people can we serve our clients correctly, to continue to play an important role in their lives.

Sincerely,



Graciano Guichard G.
Chief Executive Officer
December 31, 2016

The Board of Directors’ Report to the Shareholders’ Meeting

Transformation

118
stores at the
end of the year

NEW

Liverpool is experiencing changing times which have become important avenues of growth that define the course of our business and project us towards the future.

This year stood out for having the largest number of inaugurations in the chain's history, with ten new locations. We opened four large Liverpool stores: Monterrey La Fe and Hermosillo, to bring us closer to new developments within the greater metropolitan areas; another in Tampico, a city that is undergoing constant renewal; and finally, Liverpool Zamora, a city in which we are present for the first time.

Focusing on a new segment of consumers, Fábricas de Francia also continued to expand, by opening six new stores. The Los Mochis, Tecamac and Nicolas Romero stores are reaching new areas within current markets, and we began to offer the services of this chain in Uriangato, Tijuana and Tuxtepec.

Our operations continue to undergo constant renewal, seeking more comfort and service for the client, as well as a permanent differentiation. To this end, *Experiencia Gourmet* (Gourmet Experience) was incorporated into Liverpool Monterrey Centro, Atizapan, Pachuca and Parque Delta.

The Sfera boutiques offer their clients comfortable and fashionable apparel that enables our most demanding young shoppers to find their own style. Having opened six new locations during the year, we now have 39 Sfera shops.

We continue to develop the Williams Sonoma (Williams Sonoma, Pottery Barn, PB Kids, PB Teen and West Elm) boutiques, a concept that offers high quality novelty products for the home, along with a high level of service and a unique shopping experience. We opened 14 new stores this year, reaching a current total of 25 locations.

Sfera now has 39 boutiques, having opened six new locations during the year.

Fábricas de Francia Tecamac

42
distribution centers

Huehuetoca Distribution Center

With Beauty Experience (BX), we have created a space that offers a complete beauty experience, with the best brands and devoted to those busy shoppers who have lots to do and little time to do it in, who want professional recommendations for services that can be conveniently obtained and enjoyed all in one same place inside the store.

In line with our trend to innovate and to stay at the cutting edge of the market, we have refreshed the traditional candy shop, expanding the range of our business, and making the shopping experience more enjoyable for all of our customers, with *Mi Dulce Experiencia* (My Sweet Experience), we also initiated the Pick & Mix concept.

The gourmet culture is a growing trend, with the first opening in Liverpool Interlomas in 2011, *Experiencia Gourmet* (Gourmet Experience) placed itself at the forefront of this concept with its innovation, quality and service. By the end of 2016, we had 13 *Experiencia Gourmet* spaces in different stores, as well as 72 restaurants in operation.

600,000
Liverpool Premium Cards

BX Liverpool Insurgentes

Pick & Mix Liverpool Polanco

The Liverpool and Fábricas de Francia credit cards are the primary means of payment in our stores, granting exclusive access to a large range of sales and customer service. To date, we have more than 3.7 million card holders.

The Liverpool Premium Card, which numbers more than 600,000 cards, reflected solid growth during the year. This exclusive card permits our clients to expand their shopping experiences to an unlimited number of options throughout the world. Nonetheless, we have practiced caution when granting new credits, staying alert to negative signals in the economy.

We are constantly refreshing the image and the services of our 25 shopping centers. The remodeling and expansion works in Perisur, Galerias Atizapan, Monterrey, Merida and Plaza Satelite moved forward according to plan during the year, incorporating a large variety of entertainment, gastronomic and commercial options that will attract an increasing number of visitors.

We celebrated 15 years of offering comprehensive protection for the family through our insurance plans, reaching a record number of two million active clients. Our programs are recognized in the market for their focus on service, as well as the support of the best insurance companies.

We have 42 distribution centers and warehouses that form part of our logistics system located in Mexico, through which we delivered more than three million products, purchased through the various sales channels, to our clients' homes. During the year, we announced the construction of a logistics center, which will be essential to our growth; the center will cover the entire country and is designed to provide overall support to the *Omnicanal* (integrated shopping experience) strategy.

The partnership in Regal Forest, company dedicated to the commercialization of furniture and home appliances, continues to develop. This year witnessed the opening of store number 1,000, and operations were begun in Curacao, Bonaire and St. Maarten, with presence in 24 countries of Central and South America and the Caribbean. www.unicomer.com

72 restaurants in operation

By the end of 2016 *Experiencia Gourmet* had 13 spaces in different stores.

Liverpool Zamora

Building the future

We are constantly analyzing different profitable growth alternatives that place the Company in a unique position, always keeping the economic development and market potential in mind.

During this year, we announced the intention to enter into a partnership with Ripley Corp S.A. and to purchase Suburbia, both unique opportunities that fit squarely into the strategy we have established and carried out in a disciplined manner, consisting of focusing the actions on the client, growing in businesses with which we are familiar, and generating value for our investors.

Ripley Corp S.A. represents a partnership that generates added value. Its lines of business are parallel to those of Liverpool, with 70 department stores, 13 shopping malls, and consumer credit options in Chile and Peru. At year-end, a request had been made to the Chilean Bank and Financial Institutions Superintendence, for its approval to carry out this operation.

The acquisition of Suburbia represents the acceleration of our strategy to have a different operation focused on a different market. This chain occupies a leading position in a segment that is expanding due to the solidity of its brand, its extensive geographical presence through 122 stores situated throughout Mexico, as well as a portfolio of recognized private label brands. The stores, purchases, commercial planning, product design, marketing and supply chain operating divisions, along with its distribution center, will be incorporated as part of this transaction. We have submitted the corresponding formal request for approval to the Federal Economic Competition Commission in Mexico.

Render of our new Call Center (CAT) in Morelia

Interconnection

The boost to the *Omnicanal* platform constitutes one of the cornerstones of our sustainable and profitable growth strategy, being the spearhead in providing our clients with the possibility of instantly satisfying their needs, and using their preferred means.

Paying attention to the consumer's preferences, purchasing habits and lifestyle, we launched an updated version of the Internet shopping site during the year. This website incorporates tools with information in real time on the availability of articles by location, as well as the follow-up on the status of the order and the estimated delivery date. We also offer such services as travel packages, insurance, the downloading of books and flower delivery. This is a reflection of our efforts in recent years to remain at the forefront and to incorporate the virtual channels with the traditional brick-and-mortar stores. liverpool.com.mx had more than 119 million hits in 2016.

Sales made by electronic means increased by 61% during the year. The preference for the Click & Collect modality, comprised of the merchandise being delivered to the store for pick-up after being ordered by Internet, currently accounts for 30% of the total sales made through this channel. The growth in this last option is the result of the adaptation to the modern consumer's lifestyle, with the consumer selecting the purchase by digital means, with the flexibility of having the merchandise in the place most suitable to him or her.

Social media networks have also become fundamental tools of communication for our times. Liverpool clearly understands this phenomenon and has defined its social media platforms based on what is most important to us – our customer service – by complying with the objective of adapting to new markets. Our accounts are essentially a means of attention, lifestyle and communication of promotions. During 2016, the publications received more than 565 million hits, which is 116% higher than the prior year. The number of persons who join the Liverpool community on social media networks is on the rise; by the end of 2016, we had 4.1 million followers, a 51% increase over 2015.

The salesforce tablet project provides the shopper with greater speed in paying for his/her merchandise, locating articles the customer is looking for, by offering a more extensive catalog than what is available on the sales floor.

Fashion Fest: 15 years and 30 seasons of representing fashion in Mexico. This year, models Emily DiDonato, Hannah Davis and Sara Sampaio, headed the events.

In November of 2016, we started up operations in the new CAT (call center) Morelia, which now has the latest technology and contact center processes, thereby improving our customer service, while optimizing operating costs. This center is capable of attending to more than 3.5 million calls per year; it is equipped to employ differently abled persons and represents a platform for future growth.

Fashion Fest: 15 years and 30 seasons of representing fashion in Mexico. This year, models Emily DiDonato, Hannah Davis and Sara Sampaio, headed the events, presenting state-of-the-art trends with articles and concepts available on line and in our stores.

The Christmas season began with the second annual Bolo (Liverpool's Teddy bear mascot) Parade on Mexico City's main boulevard, Paseo de la Reforma; the parade was attended by 250,000 people. In our stores, Santa and his elves worked together with the parents to share the letters delivered to them by the little ones, and if they wished, by sending their illusions straight to their homes in a timely manner.

15 years
and 30 seasons of Fashion Fest

Service-oriented talent

15

years of Liverpool University (UVL)

All of our activities, which are focused on satisfying our clients, are carried out within a work environment that promotes the development of our personnel, favoring the quality of life, the focus on values and the code of ethics.

We have established initiatives focused on aligning the entire organization towards one common goal –customer service. Various portals and platforms facilitate communication, transparent management of training, performance and learning, all in favor of strengthening and developing the knowledge that unites our associates.

This year, Liverpool University (UVL) celebrates fifteen years of showing our sound commitment to education and growth; to date, the University has offered more than 650 programs, with more than 90,000 participants. Aware of the importance of leadership in reaching objectives and in the foundation of our culture, during 2016, a total of 715 executives attended the Leadership Workshop, more than 2,600 people have attended this Workshop since its beginning. The initiative, *Experto 21* (Expert 21) was launched in May, its objective being to form collaborators in their respective areas of responsibility, in 21 days of training. In view of the importance of the contents for the sales areas, more than 27,000 associates have attended these courses.

The coherence of our actions is fundamental to our institutional values; with this in mind, the Sistema de Información Confidencial (SIC) (Confidential Information System (Hotline) was reinforced during 2016, with the addition of an evaluation and follow-up committee.

The year 2016 was highlighted by the redefinition of the development and social responsibility programs. We carried out campaigns focused on preserving and improving our associates' well-being, and we initiated the community school-adoption program.

We have established initiatives focused on aligning the entire organization towards one common goal – customer service.

Liverpool Tampico

27,000 associates

attended the initiative *Experto 21* (Expert 21)

This year, Liverpool University (UVL) celebrates 15 years of showing our sound commitment to education and growth.

Operating Summary

Total income for 2016 amounted to Ps.100,441 million, representing an increase of 10.0% over our 2015 income.

In the midst of a challenging consumer environment and with a high basis of comparison, retail sales and services reached a total of Ps. 87,897 million, a growth of 10.9% for total stores, while same-store sales reflected an increase of 7.6%, both in comparison with the prior year.

Credit card income increased by 3.7%; the credit portfolio increased by 5.5%. During the year, 45.2% of commercial sales were made through financing provided by the Company.

Income from activities related to the leasing of commercial spaces recorded an increase of 5.2% in comparison with the prior year, reaching a total of Ps. 3,179 million. Occupancy levels remained constant, at levels of 96%.

Operating expenses increased by 10.0% during the year, as a result of the Company's growth.

The EBITDA (earnings before interest, taxes, depreciation and amortization) for the year recorded Ps. 16,051 million, for a growth of 7.9% when compared to 2015.

Expenses for financing and related concepts were affected during the year by increased levels of debt, and the volatility of the peso/dollar exchange rate. Net financial expense in 2016 was Ps. 259 million including an exchange gain of Ps. 750 million.

Income taxes amounted to Ps. 3,673 million, representing a 12.6% increase over the prior year. Other taxes withheld and paid, import taxes and duties as well as contributions to the IMSS (Mexican Social Security Institute), SAR (Savings Retirement Fund) and INFONAVIT (Federal Workers' Housing Fund) amounted to Ps. 9,831 million.

Net earnings reached Ps. 10,191 million, for an increase of 10.6% over the prior year.

So as to finance our expansion plans and due dates, this year we placed a bond for US$ 750

million in international markets, maturing in ten years. We have complete coverage in Mexican pesos for the principal and for the interest, as well as a fixed interest rate.

Dividends

The General Shareholders' Meeting held on March 3, 2016 declared a dividend of Ps. 1,288 million on the 1,342,196,100 shares representing the Company's capital stock.

Final Considerations

This year will be remembered for several significant events in the development of our Company: a record level of openings of ten Liverpool and Fábricas de Francia stores; the consolidation of the electronic platform key to the Omnicanal strategy; the start-up of operations of the CAT (call center) in Morelia; the announcement of the investment for the new Logistics Center located in the "Arco Norte" highway; the communication of the intention of the partnership with Ripley Corp S.A., as well as the acquisition of Suburbia; and, most importantly, for having been able to successfully deal with the difficult conditions in the markets.

We appreciate the support of our shareholders and the preference of our clients, suppliers, tenants and collaborators during yet another year in which Liverpool continued to demonstrate profitable growth.

Sincerely,

The Board of Directors
Mexico City; December 31, 2016

Liverpool Tampico

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
Member, Executive Committee

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

Jorge Salgado[2,3]
Independent Consultant and Chairman of the Audit and Societary Practices Committee

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

Pedro Velasco[2,3]
Partner Emeritus and Board Member, Santamarina y Steta, S.C.

Juan Miguel Gandoulf[2,3]
Director, Sagnes Constructores, S.A. de C.V.

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

Ricardo Guajardo[2]
Consultant

Graciano Guichard M.[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]
Corporate Manager, Servicios Liverpool, S.A. de C.V.

Luis Tamés[2]
Independent Businessman

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

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

Executive Committee

Graciano Guichard G.
Chairman

Santiago de Abiega
Max David
Miguel Guichard
Enrique Güijosa
Ernesto Ynestrillas

Norberto Aranzábal
Secretary

Patrimony Board

Enrique Brémond
Chairman

Juan David
Member of the Board

Juan Guichard
Member of the Board

Magdalena Michel
Member of the Board

Madeleine Brémond
Alternate Board Member

Monique David
Alternate Board Member

Magdalena Guichard
Alternate Board Member

Bertha Michel
Alternate Board Member

Alejandro Duclaud
Secretary

Honorary Chairman

Enrique Brémond

Honorary Board Members

José Calderón
J. Claudio Montant
Pedro Robert

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

Independent auditors' report

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

Opinion

We have audited the consolidated financial statements of El Puerto de Liverpool, S. A. B de C. V, and subsidiaries ("the Company") comprising the consolidated balance sheet at December 31, 2016 and the consolidated statements of comprehensive income, changes in stockholders´equity and cash flows for the year then ended, as well as the notes to the consolidated financial statements which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board "IFRS".

Basis of Opinion

We have conducted our audit in accordance with International Standards on Auditing "ISA". Our liability in accordance with these standards is described later in the "Responsibilities of the Auditors in Relation to the Audit of the Consolidated Financial Statements" section of this report. We are independent of the Company In accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants AC, together with the ethical requirements that are applicable to our audits of consolidated financial statements in Mexico, and have complied with the rest of our ethical responsibilities in accordance with those requirements and said Code. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Audit Key Issues

The key audit issues are matters that, according to our professional judgment, have been the most important issues in our audit of the consolidated financial statements for the current period. These issues have been considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on them, therefore, we do not express a separate opinion on these issues.

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T: (55) 5362 6000, www.pwc.com/mx

Audit key issue

Provision for impairment of loan portfolio.

As mentioned in Note 3.3.2 to the financial statements, the Company records accounts receivable "loan portfolio", related to loans granted to customers for purchases of merchandise, goods and services using the credit cards granted to them by the company. At the end of each period, the company evaluates the estimated recoverability of the loan portfolio, and records a provision for impairment when the loans exceed 90 days past due, and considers, in addition, an individual analysis of each account, a behavioral evaluation the portfolio and the seasonality of the business.

We have focused on this item in our audit due to the importance of the balance of accounts receivable amounting to $ 32,436,849 representing one of the most important assets of the Company because accounts receivable are exposed to credit risk, which is considered when estimating the provision for impairment.

In particular, we have focused our audit efforts on the methodology used to determine the provision for impairment of the loan portfolio, which considers, among other factors, the age of the portfolio, the risks of late payment and the history of cancellations and the historical trends of the assumptions mentioned.

As our audit addressed the issue

We have evaluated and considered the controls established by the Company for the evaluation and approval of the credit requests as well as the operation of the customer's credit limits.

We evaluated and considered the methodology implemented by the Company in order to estimate the impairment provision for accounts receivable.

We obtained the aging report from the Company's system, which we evaluated the effectiveness of the Information Technology General Controls. For a sample of customers we reperformed its classification in order to evaluate its aging.

We evaluated the historical performance of the write offs for non-recoverable balances and their consideration in the impairment provision, to assess whether the assumptions in previous years could be considered very optimistic.

We selected a sample of clients and evaluated whether during the year they had delay in monthly payments. We met with management to evaluate the consideration of these delay trends in determining the provision; additionally, we compared it with the historical trends.

We recalculated the provision for a sample of customers with an overdue greater than 90 days, taking into account the aging of each balance, the delay risk on payments and the likelihood of write offs.

Additional Information

The Company's management is responsible for the additional information submitted. This additional information includes the Annual Report presented to the National Banking and Securities Commission (including the consolidated financial statements and our audit opinion), which will be issued after the date of this report.

This additional information is not included in our opinion on the consolidated financial statements and we will not express any audit opinion thereon.

However, in connection with our audit of the Company's consolidated financial statements, our responsibility is to read this additional information when it becomes available and to assess whether such information is materially inconsistent with our consolidated financial statements or our knowledge acquired through our audit, or appears to contain a material error for other circumstances. When we read the additional information that we have not yet received, we must issue the declaration on the Annual Report required by the CNBV, and if we detect that there is a material error in the CNBV, we must communicate it to those in charge of the Company's government.

Responsibilities of the Administration and those Responsible for the Government of the Company in relation to the Consolidated Financial Statements

The Company's management and subsidiaries are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for the internal control it deemed necessary to enable the preparation of consolidated financial statements free of material misstatement, whether for fraud or error.

In preparing the consolidated financial statements, Management is responsible for evaluating the Company's ability to continue as a going concern; Disclose, as the case may be, matters relating to business in progress and use the business accounting base in progress, unless the Administration intends to liquidate the Company or cease operations, or there is no alternative more realistic than doing so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Responsibilities of the Auditors in relation to the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, whether for fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but it does not guarantee that an audit performed in accordance with ISA will always detect a material error, when it exists. Errors may be due to fraud or error and are considered material if individually or in aggregate form can reasonably be expected to influence the economic decisions that users make based on the consolidated financial statements.

- During an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism. Also,
- We identify and evaluate the material error risks in the consolidated financial statements, whether for fraud or error, design and apply audit procedures to respond to such risks, and obtain audit evidence sufficient and adequate to support our opinion. The risk of not detecting a material error resulting from fraud is higher than one that results from unintentional error, as fraud may involve collusion, forgery, deliberate omissions, intentionally misleading statements or circumvention of internal controls.
- We obtain an understanding of the internal control relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the ownership of the accounting policies applied and the reasonableness of the accounting estimates and the corresponding information disclosed by the Administration.
- We evaluate whether it is appropriate for the Administration to use the business presumption in progress to prepare the consolidated financial statements and whether, based on the audit evidence obtained, there is material uncertainty regarding events or conditions that generate significant doubt about the ability to The Company to continue as a going concern. If we conclude that there is material uncertainty, it is required that we draw attention in our audit report to the corresponding information disclosed in the consolidated financial statements or, if those disclosures are inadequate, that we express a modified opinion. Our findings are based on audit evidence obtained to date from our audit report. However, future events or conditions may cause the Company to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosed information, and whether the consolidated financial statements represent the underlying transactions and events and achieve a fair presentation.
- We obtain sufficient and adequate audit evidence regarding the financial information of the entities or business activities that make up the economic group to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and audit of the consolidated financial statements. We are solely responsible for our audit opinion.

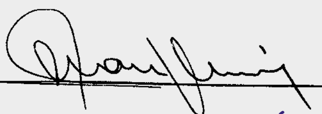
We communicate to the Audit Committee, among other issues, the scope and timing of the audit and the significant findings of the audit, as well as any significant deficiencies in internal control that we identified in the course of our audit.

We also provide the audit committee with a statement stating that we have met the applicable ethics requirements for independence and we communicate to you all relationships and other matters that could reasonably influence our independence and, if applicable, the applicable safeguards.

Among the issues communicated to the Audit Committee, we identified those that were most significant in the audit of the consolidated financial statements of the current period and which are therefore the key audit issues. We describe these issues in our audit report unless legal or regulatory provisions prohibit disclosure or, in extremely rare circumstances, we determine that an issue should not be reported in our report because the adverse consequences of doing so would be expected to outweigh the benefits of public interest.

The name of the partner in charge of the Company's audit is Antonio Mansilla Ávila.

PricewaterhouseCoopers, S. C.



C.P.C. Antonio Mansilla Ávila
Audit Partner
Mexico City, February 28, 2017

Report of the audit and societary practices committee

Mexico City; February 17, 2017

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

We, the undersigned, designated to form the Company's Audit and Corporate Practices Committee, do hereby present the report on 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 General Shareholders' meeting held on March 3, 2016, appointed Mr. Jorge Antonio Salgado Martínez as President of the Audit and Corporate Practices Committee for the year 2016.

II. In regards to the audit:

a) We reviewed the external audit plan and the professional services proposal accepted by management and recommended that the Board of Directors appoint the firm, PricewaterhouseCoopers, as the independent auditor to audit the financial statements of the Company and those of its Subsidiaries, corresponding to the year ended December 31, 2016.

b) We evaluated that the Company has both the internal and external mechanisms in place, that afford reasonable assurance of compliance with all applicable Laws and Regulations.

c) We reviewed the Company's accounting record policies, as well as the impact thereof, on the financial statement figures at December 31, 2016 and 2015, obtaining assurance that the financial information is presented correctly.

d) We examined the organization and functioning of the Company's Internal Audit Department; we read its annual report of activities for the year 2016, the significant findings, and its audit plan for the year 2017.

e) We verified that the Company has operating procedures, policies and systems in place, that allow us to consider that it has a proper internal control and accounting records environment.

f) We became familiar with the degree of the Company's compliance with the Best Corporate Practices Code recommended by the Mexican Stock Exchange, per the report with information at December 31, 2015, filed on June 30, 2016.

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

h) We reviewed the consolidated financial statements at December 31, 2016, the notes thereto, and the audit report thereon, 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, 2016.

j) We became familiar with the observations and recommendations of the External Auditors, related to the examination of the consolidated financial statements at December 31, 2015.

k) We reviewed the statistics of the transactions reported to the authorities in compliance with the regulations for the prevention of money laundering.

III. On the matter of corporate practices:

a) We consider that the performance of senior management has been appropriate and efficient, taking into account the circumstances under which they have performed their duties.

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

c) We performed an overall review of the criteria of assignment of the comprehensive remunerations of the Company's directors; we consider such remunerations to be reasonable and in line with market conditions.

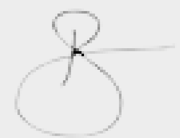
As a result of the activities carried out by this Committee, and in accordance with the opinion of the Company's Independent Auditors, we hereby recommend that the Board of Directors submit the financial statements of El Puerto de Liverpool, S.A.B. de C.V. and Subsidiaries at December 31, 2016, in the terms in which such statements have been prepared and presented by the Company's management, to the Shareholders' General Assembly, for the approval of the latter.

Sincerely,

The Audit and Corporate Practices Committee

Juan Miguel Gandoulf

Jorge Salgado



Pedro Velasco

Consolidated balance sheets

(Notes 1, 2 and 3)
(Thousands of pesos)

	Note	December 31, 2016	2015
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	7	$ 25,574,230	$ 8,583,219
Loan portfolio - Net	8	23,557,486	22,762,580
Value added tax recoverable - Net		2,922,699	1,319,231
Other accounts receivable - Net	9	1,092,800	916,278
Inventories	10	16,127,451	13,849,931
Prepaid expenses		1,908,003	1,304,704
Total current assets		71,182,669	48,735,943
NON - CURRENT ASSETS:			
Long - term loan portfolio - Net	8	8,879,363	7,981,563
Other accounts receivable - Net	9	224,759	210,664
Derivative financial instruments	11	4,028,255	1,516,534
Investments in associates	12	7,681,280	6,481,281
Investment properties - Net	13	17,594,019	16,305,027
Property, furniture and equipment - Net	14	35,463,511	31,924,823
Intangible assets - Net	15	2,666,831	2,321,350
Deferred income tax	22.2	679,924	207,695
Employee benefits-Net	19	-	164,020
Total		**$ 148,400,611**	**$115,848,900**
Liabilities			
CURRENT LIABILITIES:			
Suppliers		$ 19,106,919	$ 15,210,743
Creditors		6,678,495	5,881,751
Provisions	16	3,333,634	2,665,966
Senior notes	18	2,100,000	-
Deferred income		1,927,445	1,760,558
Income tax		1,052,249	724,583
Total current liabilities		34,198,742	26,243,601
Long - term bank borrowings	17	921,456	921,456
Long - term Senior notes	18	27,550,370	13,174,610
Derivative financial instruments	11	31,802	102,050
Employee benefits-Net	19	787,231	526,405
Deferred income tax	22.2	3,162,404	3,173,552
Total liabilities		66,652,005	44,141,674
Stockholders' equity			
Capital stock	23	3,374,282	3,374,282
Retained earnings:			
Prior years'		64,696,231	57,016,510
For the period		10,191,128	9,210,729
Capital reserves	23.2	3,483,220	2,100,449
Stockholders' equity attributable to parent company		81,744,861	71,701,970
Non-controlling interests		3,745	5,256
Total stockholders' equity		81,748,606	71,707,226
Total		**$ 148,400,611**	**$115,848,900**

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

Consolidated statements of comprehensive income, expenses by function

(Notes 1, 2 and 3)
(Thousands of pesos, except earnings per share)

	Note	Year ended on December 31, 2016	2015
Operating revenue:			
Net sales of merchandise	2.22	$ 87,463,880	$ 78,547,671
Interest income from customers		9,365,108	9,029,746
Leasing of investment property		3,179,298	3,020,831
Services and others		433,250	694,641
Total revenue		100,441,536	91,292,889
Costs and Expenses:			
Cost of sales		60,107,806	54,148,772
Administrative expenses		26,927,339	24,488,810
Total costs and expenses	21	87,035,145	78,637,582
Operating income		13,406,391	12,655,307
Finance costs		(1,344,225)	(970,015)
Finance income		335,426	259,016
Foreign exchange - net		749,801	(167,534)
Share of profits of associates	12	715,672	699,290
Profit before income tax		13,863,065	12,476,064
Income taxes	22	3,673,460	3,263,165
Consolidated net income		10,189,605	9,212,899
Other items comprising comprehensive income:			
Components of comprehensive income to be subsequently reclassified to the income statement			
Cash flow hedges- Net of income tax		652,371	(19,482)
Translation effect of investment in associates - net		730,400	612,150
Components of comprehensive income not to be subsequently reclassified to the income statement			
Actuarial loss on post-employment benefits obligations- Net of income tax	19	(242,488)	93,368
Consolidated comprehensive income		$ 11,329,888	$ 9,898,935
Net income attributable to:			
Owners of the parent		$ 10,191,128	$ 9,210,729
Non-controlling interests		(1,523)	2,170
		$ 10,189,605	$ 9,212,899
Basic and diluted earnings per share	23.4	$ 7.59	$ 6.86
Comprehensive income attributable to:			
Owners of the parent		$ 11,331,399	$ 9,896,857
Non-controlling interests		(1,511)	2,078
		$ 11,329,888	$ 9,898,935
Basic and diluted earnings per share		$ 8.44	$ 7.37

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

Consolidated statements of changes in stockholders' equity

(Notes 1, 2, 3 and 23)
(Thousands of pesos; except dividends paid)

	Capital stock	Retained earnings	Capital reserves	Total stockholders' equity attributable to the owners of the controlling co.	Non controlling equity	Total stockholders' equity
Balance at January 1, 2015	$ 3,374,282	$58,010,229	$1,507,781	$ 62,892,292	$ 3,178	$ 62,895,470
Comprehensive income						
Net income	-	9,210,729	-	9,210,729	2,170	9,212,899
Actuarial loss on post-employment benefits-Net of income tax	-	93,460	-	93,460	(92)	93,368
Translation effect of investment in associates - net	-	-	612,150	612,150	-	612,150
Cash Flow hedges, Net of income tax	-	-	(19,482)	(19,482)	-	(19,482)
Total comprehensive income	-	9,304,189	592,668	9,896,857	2,078	9,898,935
Transaction with owners:						
Dividends paid at $0.82 pesos per share	-	(1,087,179)	-	(1,087,179)	-	(1,087,179)
Total transactions with stockholders	-	(1,087,179)	-	(1,087,179)	-	(1,087,179)
Balance at December 31, 2015	3,374,282	66,227,239	2,100,449	71,701,970	5,256	71,707,226
Comprehensive income						
Net income	-	10,191,128	-	10,191,128	(1,523)	10,189,605
Actuarial loss on post-employment benefits-Net of income tax	-	(242,500)	-	(242,500)	12	(242,488)
Translation effect of investment in associates - net	-	-	730,400	730,400	-	730,400
Cash Flow hedges, Net of income tax	-	-	652,371	652,371	-	652,371
Total comprehensive income	-	9,948,628	1,382,771	11,331,399	(1,511)	11,329,888
Transaction with owners:						
Dividends paid at $0.96 pesos per share	-	(1,288,508)	-	(1,288,508)	-	(1,288,508)
Total transactions with stockholders	-	(1,288,508)	-	(1,288,508)	-	(1,288,508)
Balance at December 31, 2016	$ 3,374,282	$74,887,359	$3,483,220	$ 81,744,861	$ 3,745	$ 81,748,606

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

Consolidated cash flow statements

(Notes 1, 2 and 3)
(Thousands of pesos)

	Note	Year ended on December 31, 2016	2015
Operations			
Profit before income tax		$ 13,863,065	$ 12,476,064
Adjustment from items not implying cash flows:			
Depreciation and amortization included in costs and expenses		2,644,521	2,215,082
Provision for impairment of loan portfolio	8	2,337,642	1,959,842
Share of profit of associates	12.2	(715,672)	(699,290)
(Gain) on sale of investment properties		(11,578)	(58,651)
(Gain) on sale of property, furniture and equipment		(57,512)	(28,712)
Net cost for the period of labor obligations	19	84,526	18,162
Interest earned		(4,754,420)	(4,445,309)
Accrued interest expense		1,338,235	970,015
		865,742	(68,861)
(Increase) decrease in:			
Interest earned from customers		4,780,945	4,442,729
Short - term loan portfolio		(3,159,073)	(3,670,142)
Inventories		(2,277,520)	(2,095,467)
Value added tax recoverable		(1,603,468)	(232,029)
Other accounts receivable		(176,522)	(185,767)
Prepaid expenses		(603,299)	(343,794)
Long - term loan portfolio		(897,800)	(336,256)
Other long-term accounts receivable		(14,095)	(12,255)
Increase (decrease) in:			
Suppliers		3,896,176	2,260,756
Provisions		667,668	760,210
Deferred income		166,887	135,938
Creditors		327,609	494,212
Employee benefits paid		97,832	188,188
Tax recovery		-	3,784
Taxes paid		(3,678,173)	(4,748,610)
Net cash flows provided by operating activities		12,255,974	9,068,700
Investment activities			
Gain on investments		246,071	259,016
Acquisition of property, furniture and equipment - Net	14	(5,701,018)	(3,011,333)
Acquisition of investment property - Net	13	(1,356,248)	(1,166,856)
Sale of property, furniture and equipment		124,768	100,855
Sale of investment properties		84,847	193,457
Investment in new IT developments	15	(900,941)	(694,894)
Net cash flows provided by investment activities		(7,502,521)	(4,319,755)
Cash surplus to be used in financing activities		4,753,453	4,748,945
Financing activities			
Dividends paid	23.1	(1,288,366)	(1,087,179)
Interest paid		(1,020,240)	(970,015)
Issurance of senior notes		14,546,164	-
Net cash flows provided by financing activities		12,237,558	(2,057,194)
Increase in cash and cash equivalents		16,991,011	2,691,751
Cash and cash equivalents at beginning of year		7,759,790	5,933,384
Exchange loss on cash and cash equivalents		823,429	(41,916)
Cash and cash equivalents at end of year		$ 25,574,230	$ 8,583,219

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

Notes to the consolidated financial statements

December 31, 2016 and 2015
(Thousands of pesos, unless otherwise specified)

Note 1- General information:

El Puerto de Liverpool, S.A. B. de C.V. and subsidiaries ("the Company" or "Group") 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 on the Mexican Stock Exchange and has an important presence in Mexico City and in 30 of the 32 states on Mexico. At December 31, 2016, the Company operated a total 122 department stores, 83 under the name of Liverpool, 35 under the name Fábricas de Francia, 4 Duty Free stores and 88 specialized boutiques. In 2016, ten new stores started operations, 4 with the Liverpool format: (Monterrey, Nuevo León, Tampico, Tamaulipas, Hermosillo, Sonora and Zamora Michoacan), and six with the Fábricas de Francia format: (los Mochis in Sinaloa, Tijuana in Baja California, two in State of México, (Nicolás Romero and Tecámac), Tuxtepec in Oaxaca and Uriangato in Guanajuato; and 20 specialty boutiques. In 2015, seven new stores started operations, 2 with Liverpool format; Coacalco y Tlalnepantla, State of México, and five with the Fábricas de Francia format: Chimalhuacan, Zumpango, Texcoco, State of México, Cuautla in Morelos, and Salamanca in Guanajuato; and 24 specialty boutiques.

The Company grants its customers financing through the "Liverpool Credit Card", with which customers can make purchases at exclusively at Company stores. Additionally, the Company offers 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.

Additionally, the Company is a partner, stockholder or co-owner of shopping malls and holds an interest in 25 different malls, through which it leases commercial space to tenants engaged in a broad number of businesses. In 2015, one new shopping malls started operations "Galerias" Polanco.

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

Mario Pani 200
Col. Santa Fe, Cuajimalpa
05348 Ciudad de México

Note 2 - Summary of significant accounting policies:

The 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 Companies traded on the Mexican Stock Exchange, as issued by the National Banking and Securities Commission on January 27, 2009, the Company is required to prepare its financial statements using IFRS as the regulatory framework for accounting purposes.

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for cash and cash equivalents and cash-flow hedges which are both 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 annual profits, as well as by contracting short and long-term credit lines, while respecting the debt ceiling approved by the Board of Directors. The Company's financial structure allows the Company to take on debt, despite its investments in capital expenditures carried out annually to increase the Company's total sales space by opening new stores and shopping malls. Interest payments are covered more than 9 times by operating income, which is an objective established by the Board of Directors. Taking into account the possible variations in operating performance, the Company believes its budget and projections allow it to operate with its current level of financing and meet all debt obligations. The Company is currently in compliance with its payment obligations and all debt covenants.

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 going-concern basis.

2.1.2 Changes in accounting policies and disclosures

New standards, amendments and interpretations issued and outstanding as of January 1, 2016, and which were adopted by the Company, which had no significant impact on the presentation of the consolidated financial statements:

- IAS 1 - Classifies disclosures in relation to 1) Determination of materiality, 2) Grouping of subtotal items and presentation, 3) Accounting policies and 4) Guide on the financial statement structure (adjusting the format of its financial statements to their measurement in particular circumstances and the need of its users).
- IAS 16 or IAS 38 - Classify that the use of income-based methods is not appropriate for the calculation of depreciation or amortization, since it is not based on the consumption of economic benefits.
- IAS 19 - It is clarified that the determination of the discount rate is with reference to the currency in which the benefits are agreed upon and paid.

The Company is in the process of assessing the impact of the following standards issued but not outstanding at January 1, 2015, in the consolidated financial statements:

1. IFRS 9 "Financial Instruments and related amendments to other standards." IFRS 9 replaces the classification and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" one model that initially has two classification categories: amortized cost and fair value.

   The classification of debt assets will be conducted by the business model in the state to manage the financial assets and the characteristics of contractual cash flows of financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for obtaining contractual cash flows, and b) the contractual cash flows of the instrument merely represent payments of principal and interest.

   The rest of the debt and equity instruments, including investments in debt instruments and complex capital should be recognized at fair value.

   All movements in financial assets go through the income statement, except for equity instruments that are not held for sale, which can be recorded in the income statement or reservations (without being able subsequently recycled to the income statement).

   For financial liabilities that are measured at fair value, entities need to recognize part of the changes in fair value that are due to changes in credit risk in other comprehensive income instead of the income statement.

   The new rules for hedge accounting (issued in December 2014) align hedge accounting with management practices common risks. As a rule, it will be easier to apply hedge accounting. The new standard also introduces additional disclosure requirements and presentation changes.

   In December 2015, the IASB made further to the rules of measurement and classification changes and introduced a new model of deterioration. With these modifications, IFRS is complete. The changes introduced:

   - A third category of measurement (fair value through other comprehensive income [ORI]) for certain financial assets that are equity instruments.

- The main elements to be evaluated by the company is new model of expected credit losses that involves a 3-step approach for financial assets which pass through the three stages by switching their credit quality. The stage gives you as an entity measures impairment losses and applying the method of effective interest rate. A simplified approach allowed for financial assets that do not have significant financial component (eg. Accounts receivable). On initial recognition, entities recorded the day one losses equal to expected credit losses of 12 months (or the life of the expected credit losses for accounts receivable), unless such assets are considered impaired credit .

For financial periods beginning before February 1, 2016, entities may choose early application of IFRS 9 by the following:

- The credit risk requirements for financial liabilities.
- Classification and measurement requirements for financial assets and liabilities and hedge accounting.

  This amendment is effective from January 1, 2018.

2. IFRS 15 “Revenue from contracts with customers and related amendments to other standards.” The IASB issued a new standard for revenue recognition. It replaces IAS 18 contracts covering goods and services and covering IAS 11 construction contracts.

   The new standard is based on the principle that revenues are recognized when control of the good or service is transferred to the customer - so the notion of control replaces the current notion of risks and benefits.

   The main changes or effects in the adoption of this Standard are expected to consist of the financial component, because the company within its operations with its customers has the benefits of selling in the long term to months without interest (12 or 18 months) and changes in the Standard contain modification in the registration and determination in this type of transactions.

   A five steps process should be applied before revenue can be recognized:

   - Identify customer contracts.
   - Identify the separate performance obligation.
   - Determine the transaction price in the contract.
   - Allocate the transaction price to each performance obligation, and
   - Recognize revenue when it meets each performance obligation.

   Key changes to the current practice:

   - The revenue can be recognized before the current rules if the consideration varies for any reason (eg. Incentives, rebates, performance fees, royalties, successful outcome, etc.). Should be recognized minimums if they are not at risk reversed.
   - The point at which revenue can be recognized can vary, part of the revenues are now recognized at a point in time at the end of a contract may have been recognized over the term of the contract and vice versa.
   - There are specific rules on new licenses, warranties, nonrefundable prepayments, consignment agreements, to name a few.
   - As with any new standard, additional disclosures are required.

   These accounting changes may have effects on business practices in relation to systems, processes and controls, bonuses and compensation plans, contracts, tax planning and communication with investors.

   Entities have the option to complete retrospective or prospective application with additional disclosures. This amendment is effective from January 1, 2018.

   The company has decided not to adopt this standard in advance.

3. Accounting for the acquisition of interests in joint ventures - Amendments to IFRS 11. The amendments to IFRS 11 clarifies the accounting for acquisitions of interests in joint ventures where operating activities constitute a business. Require an investor to apply the principles of accounting for business combinations when acquires stake in a joint venture that is a business.

This includes:

- Measure identifiable assets and liabilities at fair value.
- Send to costs acquisition costs.
- Recognize deferred income taxes, and
- Recognize the residual as goodwill and annual impairment testing.

  Existing shares in joint ventures are not premeasured at the acquisition of additional shares, considering that control is maintained.

  The amendments also apply when a business is formed and an existing business is contributed. This amendment is effective from January 1, 2016.

4. Classification of acceptable methods of depreciation and amortization - Amendments to IAS 16 and IAS 38. The amendments clarify that the method of depreciation or amortization based on income is generally not appropriate.

   The IASB amended IAS 16 “Property, plant and equipment” to clarify that an income-based method should not be used to calculate depreciation of items of PP&E.

   IAS 38 “Intangible Assets” now includes a rebuttable presumption that the amortization of intangible assets based on income is inappropriate, this presumption can be overcome if the intangible asset is expressed as a measure of income (i.e., when the measure of income is the determining asset value) factor, or it can be shown that the income and consumption of the economic benefits generated by the assets are highly correlated. This modification is effective from of January 1, 2016.

5. Additionally, IFRS 16 “Leases” was issued in January 2016. It will result in almost all leases being recognised on the balance sheet (applicable to the lessee), as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The company is in the process of reviewing impacts that will have this material change. The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

2.1.3 Recent Developments

Suburbia

On August 10, 2016, the company reached an agreement with Wal-Mart de México, S.A.B. de C.V., or Wal-Mex, to acquire its apparel retail business in Mexico under the brand Suburbia, which includes (i) 100.0% of the equity interests in four legal entities, (ii) the intellectual property rights of the “Suburbia” brand and its private labels, (iii) 119 stores, of which seven are located in properties that the company will acquire from Wal-Mex, 78 are located in properties leased from third parties and 34 are located in properties leased from Wal-Mex, (iv) Wal-Mex’s apparel operating division for stores, purchases, commercial planning, product design, marketing and procurement (CATMex), and (v) a distribution center located in a property leased from a third party. The closing of the transaction is subject to approval by the Federal Competition Commission (COFECE) and to other customary conditions for this type of operations.

Suburbia is a relevant retail chain in Mexico with over 45 years of experience in the market. Its 119 stores are located in 30 out of 32 states in Mexico, including Mexico City. Suburbia offers a broad selection of quality products for value conscious customers. A significant portion of Suburbia’s commercial offer includes its private labels such as “Weekend,” “Contempo,” “Non Stop,” “La Mode” and “Metropolis.”

The company agree to pay an all-cash purchase price of approximately $15,700 million (subject to customary adjustments for this type of transactions), including the assumption of the indebtedness under capital leases in an amount equal to $1,400 million. Prior to the closing of this transaction, the acquired entities will distribute to its current shareholders, in the aggregate, an amount equal to $3,300 million via dividends and capital reductions. The acquisition of Suburbia will be financed with a combination of cash on hand and long-term indebtedness for which the company already have commitments from different financial institutions.

In addition, the company will enter into a transition services contract with Wal-Mex for management, financial and accounting services, as well as information technology processes, all of which will ensure the continuity of the Suburbia’s operations. This agreement will remain effective for the 12 months following the closing of this acquisition.

Suburbia represents an attractive opportunity to expand the company consumer base and enhance the company multi-format strategy. With the integration of Suburbia’s stores, the company expects to significantly strengthen the company presence in the central region of Mexico. This transaction represents one of the most important acquisitions in the company’s history, and one more step in the company growth strategy to consolidate the company platform and reaffirm the company position as the leading omni-channel department store chain in Mexico.

Ripley

On July 5, 2016, the company entered into the Partnership Agreement with Inversiones R Matriz Limitada, Inversiones Familiares Sociedad Colectiva Civil, Inversiones R III Limitada, and International Funds Limitada, all entities owned or controlled by FCV (Calderón Volochinsky) family.

Pursuant to the Partnership Agreement, the company agreed, directly or indirectly, to make a cash tender offer for all of the outstanding fully paid in common shares of Ripley at a purchase price of 420 Chilean pesos, ($ 11.96 Mexican pesos) per share, which represents a 25.5% premium to the price of the share immediately before the announcement of the transaction and 51.0% to the average price of the twelve months prior to such date. The offer is conditioned to the acquisition of share representing at least 25.5% of Ripley's outstanding shares at the time of the offer and other customary conditions for this type of transactions, including without limitation, absence of governmental orders or actions that limiting or prohibiting the consummation of the transaction, no conflicts with laws and agreements, the accuracy of the representations and warranties of the other parties to the Partnership Agreement, absence of material adverse change (as such term is defined in the Partnership Agreement) and delivery of necessary governmental approvals.

The Partnership Agreement includes certain provisions that will become effective only if the tender offer is consummated pursuant to the terms of the Partnership Agreement, including, without limitation, the following restrictions on the transfer of the shares of Ripley: (i) for a period of two years as of the date of the Partnership Agreement, the Calderón Volochinsky family shall, in the aggregate, hold at least 50.0% of the capital stock of Ripley, (ii) for a period of five years as of the date of the Partnership Agreement, each of the Calderón Volochinsky family, in the aggregate, and us shall hold at least 25.1% of the capital stock of Ripley, (iii) rights of first offer and (iv) tag along rights. In addition, under the Partnership Agreement the company has granted to the Calderón Volochinsky family a put option to sell all of their shares representing the capital stock of Ripley at any time following the fifth anniversary of the Partnership Agreement.

The acquisition is still subject to regulatory approval (including the approval of the Chilean Superintendence of Banks and Financial Institutions) (Superintendencia de Bancos e Instituciones Financieras).

2.2 Consolidation

a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The balances and unrealized profits or losses in intercompany operations are eliminated in the consolidation process. When necessary, accounting policies have been modified in subsidiary entities in order to be consistency with the policies adopted by the Company.

The following is a summary of the Company's interest in subsidiaries at December 31, 2016 and 2015:

Company	Shareholding %	Activity
Operadora Liverpool, S. A. de C. V.	100%	Sub-holding of Distribuidora Liverpool, S. A. de C. V. and other companies that operate the department stores.
Bodegas Liverpool, S. A. de C. V. y Almacenadora 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.
Nine real estate companies	99.93%	Development of real-estate projects, mainly shopping malls.

Additionally, the Company consolidates two trusts over which it has control on the basis of the indicators mentioned in IFRS 10 "Consolidated Financial Statements". These are described in Note 13 to the consolidated financial statements.

b. Associates

Associates are all those entities over which the Company exercises significant influence, but not control. Usually, associates are those of which the Company holds between 20% and 50% of the voting rights. Investments in associates are recorded by the equity method and are initially recognized at cost. The Company's investment in associates 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 associates 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". Post-acquisition 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 in the entity, 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. The associated companies' accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

2.3 Segment information
Segmental information is presented to be consistent 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 re-measured. The profits and losses resulting from such transactions and from other conversion at the exchange rates in effect at the year-end close of all monetary assets and liabilities denominated in foreign currency are recognized as exchange fluctuations under foreign exchange (loss) gain - net in the statement of comprehensive income.

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

a. Loans and accounts receivable
Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments and which are not quoted on an active market. They are classified as current assets, except for those maturing in over 12 months, which are classified as non-current assets.

b. Financial assets held at fair value that affect profit and loss
Financial assets held at fair value that affect profit and loss are financial assets that are held for sale. A financial asset could be classified under such category only if it's acquired mainly with the purpose of selling in the short term. Derivative financial instruments are also classified as held for sale unless they are designated as cash flow hedges. Financial Assets held for sale are classified as current if they are expected to be recovered within a period of less than twelve months; otherwise, they will be classified as a non-current.

2.5.2 Recognition and measurement
a. Investments in highly liquid government bonds with a maturity of less than 28 days, they are included cash and cash equivalents. These assets are stated at fair value and value fluctuations are recorded in the results of the period.

b. 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 of these receivables is expected in a year or less, these loans are classified as current assets; otherwise, they are shown as non-current assets.

c. 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.

d. Loans and accounts receivable are no longer recognized when the rights to receive cash flows from investments mature or are transferred and the Company has transferred all the risks and benefits arising from ownership. If the Company does not transfer or substantially retain all the risks and benefits inherent to ownership and continues to retain 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 that has been transferred, the Company continues to recognize the financial asset, as well as a liability for the resources received.

2.6 Impairment of non-financial assets
2.6.1 Assets carried at amortized cost
At the end of every reporting period, the Company evaluates whether there is objective 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 (a 'loss event') 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. This provision is done according to an 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 re-measured 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 cash flow hedge, 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 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 non-current 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 matures 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

Cash and cash equivalents include available cash, deposits in checking accounts, and bank deposits in foreign currency and short-term investments. These short-term investments are highly liquid securities that mature in less than 28 days and are not subject to material 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. They are included in the statement of income as "Finance Income". Cash equivalents are mainly represented by investments in government instruments. See Note 7.

2.9 Inventories

Inventories are recorded at the lower of cost or its net realizable value. Cost of sales includes the cost of merchandise, plus costs related to importation, freight, handling, shipment, and storage at customs and at distribution centers, less the value of the returns. The net realization value is the selling price estimated in the normal course of operations, less sales costs. 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's loss prevention programs and control procedures, shrinkage has been immaterial.

2.10 Investment properties

Investment properties are real property (land and buildings) held to obtain economic benefits through collection of rent or for the capital gains, 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 their 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 the Company's stores are recorded as property, furniture and equipment, in the statement of financial position. See Note 13.

Depreciation is calculated by the straight-line method to distribute the cost 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

2.11 Property, furniture and equipment

The items comprising property, furniture and equipment are recognized at their historical cost, less depreciation and impairment losses. 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 2.12).

Expansion, remodeling and improvement costs represent an increase in capacity and so they are recognized as an extension of the useful life of goods are they 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 progress represent stores under construction and includes investments and costs directly attributable to the startup of operations. These investments are capitalized upon opening the store and depreciation is computed from that point.

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

Buildings:

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

Other assets:

Operating, communications and security equipment	10 years
Furniture and equipment	10 years
Computer equipment	3 years
Transportation equipment	4 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 are reviewed and adjusted, if necessary, at the date of each statement of financial position. See Note 14.

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 2.14.

Gains 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 services income and other.

2.12 Borrowings Costs

Borrowing costs directly attributable to the acquisition and construction 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 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, 2016 and 2015, 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, qualified as requiring a construction period longer than a year.

2.13 Intangible assets

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 use;
- 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 the development of the program for its use; 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 and expensed as they are incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

The costs incurred in the development of software recognized as assets are amortized over their estimated useful lives, which fluctuate between five (licenses and fees) and ten years (New IT developments). They are included in the statement of income as administrative expenses. See Note 15.

2.14 Impairment of non-financial 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 (cash-generating units). Non-financial assets subject to write-offs due to impairment are valued at each reporting date to identify possible reversals of the impairment.

2.15 Accounts payable

Accounts payable are obligations of 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 shown as non-current liabilities.

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

2.16 Bank borrowings and issuance of senior notes

Loans from financial institutions and issuance of senior notes are initially recognized at fair value, net of costs incurred in the transaction. This 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 that a part of or the entire loan is likely to be received.

2.17 Cancellation of financial liabilities

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

2.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of cash flows to settle the obligation and the amount can be estimated reliably required. The amount recognized as a provision is the best estimate on the reporting period, the expenditure required to settle the present obligation, the payment is made by the amount assessed rationally, the Company has to pay to settle the obligation to end of the reporting period under review, or to transfer it to a third party at that time. See Note 16.

2.19 Income tax

The income tax comprises currently-payable 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.

Deferred income tax is recognized on temporary differences arising from comparing the book and tax values of all assets and liabilities of the Group. However, deferred tax liabilities are not recognized if it arises from initial recognition of goodwill; nor deferred income tax is recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the year and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.

The charge corresponding to taxes on profits currently payable is calculated according to the tax laws approved as of the balance sheet date in Mexico and in the countries in which the Company's associates operate and generate a taxable base. Management periodically evaluates their tax positions with respect to tax refunds as tax laws are subject to interpretation. According to this assessment as of December 31, 2016 and 2015, there are no uncertain positions.

The deferred tax asset, tax-on-profits, is only recognized to the extent future tax benefits are likely to be achieved and can be applied against any temporary differences in liabilities.

The deferred tax on profits is generated on the basis of the temporary differences between investments in subsidiaries and associates, except when the Company can control when those temporary differences will be reinvested and the temporary difference is unlikely to be reinvested in the foreseeable future.

The balances of deferred asset and liabilities, tax-on-profits, are offset when there is a legal right to offset current tax assets against current tax liabilities and when the deferred tax-on-profit assets and liabilities relate to the same tax entity, or different tax entities where the balances are to be settled on a net basis. See Note 22.

2.20 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 also has defined benefit plans. 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 remeasurements arising from adjustments based on the experience and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive-income items in the period in which they arise.

b. The plans in Mexico generally expose the Company to actuarial risks, including investment risk, interest rate risk, longevity risk and risk of salary, according to the following:

Investment risk: The rate of return expected for the funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long-term government bonds; if the return on assets is less than the fee, this will create a deficit in the plan. Currently the plan has a balanced investment in fixed income instruments and actions. Due to the long term nature of the plan, the Company considers it appropriate that a reasonable portion of the plan assets are invested in equities to leverage the yield generated by the fund, taking at least an investment in government instruments 30% stipulated in the Law on Income Tax.

Interest Rate Risk: A decrease in the interest rate increase plan liabilities; volatility in rates depends exclusively on the economic environment.

Longevity risk: The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants. An increase in life expectancy of plan participants increased liabilities.

Risk salary: The present value of the defined benefit obligation is calculated by reference to future wages of participants. Therefore, an increase in expectation of salary increase participants plan liabilities.

c. 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 completion of certain goals established for each officer at the beginning of the year. The Company has set up a reserve of $276,525 at December 31, 2016 ($286,670 at December 31, 2015), that is included in Note 16 within Bonds and Compensation paid to employees.

d. 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.

e. Other benefits granted to employees

The Company grants certain benefits to employees that leave the Company either by termination or voluntary decision after 20 years of service. 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.

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

The Company recognizes and pays compensation in the first of the following dates: a) the Company may not withdraw the offer of those benefits and b) when the Company recognizes the costs of restructuring that is within the scope of IAS 37 and involves payment termination benefits.

2.21 Capital stock

Common shares are classified as capital.

2.22 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 above.

a. Sale of merchandise

Revenues from sales of goods is recognized when the customer purchases in stores or by phone and internet, and takes possession of the property, at the time of delivery of the goods. About half of merchandise sales are settled by customers with the cards operated by the Company, and the remainder is paid in cash or through bank debit and credit cards.

In accordance with IAS 18 "Revenue", the cash received from promotions involving interest free sales on credit for a determined number of months 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 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 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 e-wallet or a credit to the customer's bank credit card, if the purchase was made in cash or with external cards, respectively. In the Company's experience, returns on sales are not material with respect to total sales, therefore, the Company does not set up a reserve in this regard.

b. E-wallets and gift certificates

- E-wallets

The Company offers promotions, some of which involve benefits granted to its customers represented by e-wallets, the value of which is referred to a percentage of the selling price. E-wallets 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 e-wallets from revenue. In the Company's historical experience, the likelihood of customers using e-wallets accounts that have been inactive for 24 months is very low. Therefore, e-wallets showing these characteristics are cancelled, with a credit to sales, 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; whether partially or entirely, through the acquisition of merchandise, recognizing revenue in the same amount. In the Company's historical experience, the likelihood of customers using gift certificates that have been inactive for 24 months being is remote. Therefore, certificates with these characteristics are cancelled against service 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 late payment interest is not accrued once the credit has remained past due for 90 days.

Income from the recovery of previously-cancelled credit is recorded as service income.

d. Lease revenue

The Company's policy for recognition of operating lease revenue is described in Note 2.25.1

e. Services and other

Income stemming from service agreements is determined as follows:

- Commission income from the sale of insurance policies 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.

2.23 Deferred income

The Company records deferred income arising from different transactions in which cash was received, and in which the conditions for revenue recognition described in paragraph 2.22, b) have not been met. Deferred revenue is shown separately in the statement of financial position.

2.24 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.

2.25 Leases

Leases are classified as capital leases when the terms of the lease transfer all the risks and benefits inherent in the property to the lessee. All other leases are classified as operating leasing.

2.25.1 Lessor

Rent income pertaining to the Company's Investment Property is recognized by the straight-line 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 straight-line method over the term of the lease. The Company has no assets leased through capital leasing plans.

2.25.2 Lessee

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

2.26 Earnings per share

Basic earnings per ordinary share are calculated by dividing the holding interest by the weighted average of ordinary shares outstanding during the period. Earnings per diluted share are determined by adjusting the holding interest and ordinary shares, under the assumption that the entity's commitments to issue or exchange the Company's own shares would be realized. Basic earnings are the same as diluted earnings due to the fact that there are no transactions that could dilute earnings. See Note 23.

2.27 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 to the cost of sales in the period in which they are received.

2.28 Prepaid payments

The Company recognizes prepaid payments for television advertisement and insurance premiums. Those amounts are recorded at the value that was contracted and are recorded in income when the advertisements are broadcasted and on a straight line basis for insurance premiums. Contracts for television advertisement and insurance policies are less than 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

3.1 Real estate risk

The Company owns department stores and either owns or co-owns 25 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. 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. 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 rent-related uncollectible 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. The Company's policies require that quotes be obtained by three different financial instruments in order to guarantee the best rates on derivative contracts.

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, sensitivity analysis are conducted of the different variables and effectiveness testing is conducted to determine the book treatment of the derivative financial instrument, once contracted.

3.2.1 Exchange rate risk

Except as mentioned in note 18, the Company has not contracted financing in foreign currencies; 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 20% of total purchases.

At December 31, 2016 and 2015, the Company's exposure to exchange rate risks amounted to US$535,031, €2,043 and US$353,483, €15,671, respectively. In the event of a 20% increase in the exchange rate of the peso to the US dollar, the Company's loss would approximate $210,915 and $184,502. The 20% represents the sensitivity rate used when the exchange risk is reported internally to the Operations Committee, and represents Management's assessment of possible changes in exchange rates. The sensitivity analysis includes only those monetary items not yet settled that are 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 not hedged the cash flows that it receives from this investment.

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

Thousands of US dollars:	December 31, 2016	2015
Monetary assets	US$ 565,641	US$ 15,942
Monetary liabilities	(1,100,672)	(369,425)
Net passive position	US$ (535,031)	US$ (353,483)
Equivalent in pesos	$ (11,032,007)	$ (6,097,122)

Thousands of Euros:	December 31, 2016	2015
Monetary assets	€ 9,717	€ 1,296
Monetary liabilities	(11,760)	(16,967)
Net passive position	€ (2,043)	€ (15,671)
Equivalent in pesos	$ (44,491)	$ (294,416)

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

	February 28 2017	December 31 2016
US dollar	$ 20.4163	$ 20.6194
Euro	$ 21.8056	$ 21.7741

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. Bank borrowings and long-term issues of senior notes are subject to both fixed and variable interest rates and expose the Company to the risk of variability in interest rates, and thus variability its cash flows. Bank borrowings 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 is to hedge most of its bank borrowings and issuances of senior notes and its preference is to maintain fixed interest rates for its debt. However, fixed to variable interest rate swaps are also contracted on a temporary basis to streamline financial costs when market rates allow it. The main reason for using derivative financial instruments is to better predict the cash flows that the Company will pay to meet its contractual obligations. With these interest-rate 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. 93% of the debt is fixed rate and the remaining part is a variable rate. 100% of the variable rate debt is covered by derivatives financial instruments.

The Company continuously analyzes its exposure to interest rates. A number of different interest rate scenarios are evaluated such as, 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, 2016 and assuming the following:

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

The other items comprising comprehensive income for the year ended December 31, 2016 and 2015 would have increased by $155,690 and $130,418 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 11 to the consolidated financial statements.

3.2.3. Inflation risk

At December 31, 2016, the Company had financing denominated in Investment Units (UDIs, the monetary unit linked to inflation in Mexico). The Company contracted a swap to hedge against exposure to the risk that the value of the issuance of senior notes could be affected by the increase in the inflation rate in Mexico. 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 $66,324 and $57,315, respectively.

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 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.

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 not used of approximately $22,850,000 as well as overdraft lines of credit to give the Company immediate access to short-term 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:

	Between 1 months and 1 year	Between 1 and 5 years	More than 5 years
December 31, **2016**			
Vendors and creditors	$ 29,119,048	$ -	$ -
Senior notes and contractual interests	4,139,863	11,365,989	27,407,474
Bank borrowings	85,788	964,350	-
Standby letters	1,056,608		
Derivative financial instruments	-	31,802	-
	$ 34,401,307	$ 12,362,141	$ 27,407,474

	Between 1 months and 1 year	Between 1 and 5 years	More than 5 years
December 31, 2015			
Vendors and creditors	$ 23,758,460	$ -	$ -
Senior notes and contractual interests	884,543	8,836,018	8,276,758
Bank borrowings	86,979	1,051,567	-
Standby letters	413,130	794,467	68,994
Derivative financial instruments	-	102,050	-
	$ 25,143,112	$ 10,784,102	$ 8,345,752

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.

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 has a risk management system for the loan portfolio, whose main components include: 1) the risk of default and loss, 2) the operational risk, which includes the information security, technology infrastructure and processes and procedures, both in-store 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 4) the risk of fraud.

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 late-payment interest begins. Based on the evaluation of certain variables, late-payment risks of the accounts in default and the actions to be taken on those accounts are determined. The following actions are taken on accounts in default: telephone calls to customers, sending of letters and home visits, among others. 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 loans made, as well as restricting credit limits of current customers. Given the Company's line of business, there are no real guarantees related to accounts receivable. The best way to represent the maximum exposure to credit risk is the carrying value of accounts receivable.

Financial institutions and counterparties in derivative operations

Cash surpluses are invested in credit institutions with a high credit rating such as in government instruments and counterparties in derivative operations are high credit quality financial institutions. It should be mentioned that none of the Company's derivative financial instruments require the Company to keep cash deposits in margin accounts to guarantee these operations.

3.4 Fair value estimate

The financial instruments in the statement of financial position are recorded at fair value based on the following hierarchy.

- Level 1 fair values are derived from prices quoted (not adjusted) in active markets for identical liabilities or assets.
- Level 2 fair values are 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 values are derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

December 31, 2016	Book value	Level 1	Level 2	Level 3
Assets arising from hedge derivative financial instruments	$ 4,028,255	$ -	$ 4,028,255	$ -
Cash and cash equivalents	12,336,687	12,336,687	-	-
Liabilities arising from hedge derivative financial instruments	(31,802)	-	(31,802)	-
Total	$ 16,333,140	$ 12,336,687	$ 3,996,453	$ -

December 31, 2015	Book value	Level 1	Level 2	Level 3
Assets arising from hedge derivative financial instruments	$ 1,516,534	$ -	$ 1,516,534	$ -
Cash and cash equivalents	7,904,161	7,904,161	-	-
Liabilities arising from hedge derivative financial instruments	(102,050)	-	(102,050)	-
Total	$ 9,318,645	$ 7,904,161	$ 1,414,484	$ - .

During the years ended December 31, 2016 and 2015, there were no transfers between levels 1 and 2. The carrying amount of short-term financial instruments is similar to its fair value due to materialize in the short term.

Financial derivative instruments that are classified at level 2, for determining fair value, the pricing model recognized in the financial sphere was used, (estimated future cash flows brought to present value) using available market information to the valuation date. The key assumptions of market inputs used were as follows: a) futures curve US government bonds b) futures curve Mexican government.

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 makes 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 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 in applying the company's accounting policies and that have an significant effect on the amounts recognized in the consolidated financial statements.

4.1.1 Revenue recognition - sales with months without interest

Notes 2.22 a. and c. describe the Company's policies for recording of sales when payment includes months without interest. This implies that the Company's management applies its judgment to identify the discount rate similar to that charged by commercial banks in promotions months interest applicable (the rates used are between 3% and 12%, according to within months of sale) to determine the present value of sales months without 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 structure entities

The Company evaluates the control indicators established by IFRS 10 “Consolidated financial statements” for consolidation of the trusts in which the Company has no ownership; however, the activities, decision making and economic aspects indicate that the Company exercises control.

These trust are described in Note 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 Estimate of useful lives and residual values of property, furniture and equipment

As described in Note 2.14, the Company reviews the estimated useful life and residual values of property, furniture and equipment at the end of every annual period. During this period, it was determined that the life and residual values do not need to be modified, as according to management's assessment, the useful lives and residual values reflect the economic conditions of the Company's operating environment.

4.2.3 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.

4.2.4 Employee benefits

The cost of employee benefits that qualify as defined benefit plans according to IAS 19 (revised) “Employee Benefits” is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates, future salary increases, staff turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are subject to a significant amount of uncertainty.

Note 5 - Category of financial instruments:

December 31, **2016**	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
Financial assets:				
Cash one hand and banks	$ 13,237,543	$ -	$ -	$ 13,237,543
Investments	12,336,687	-	-	12,336,687
Short and long-term loan portfolio	32,436,849	-	-	32,436,849
Other short and long-term accounts receivable	1,317,559	-	-	1,317,559
Derivative financial instruments		-	4,028,255	4,028,255

	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial liabilities:			
Issuance of long-term senior notes	$ -	$ 29,650,370	$ 29,650,370
Long-term bank borrowings	-	921,456	921,456
Suppliers and creditors	-	25,785,414	25,785,414
Derivative financial instruments	31,802		31,802

December 31, 2015	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
Financial assets:				
Cash one hand and banks	$ 679,058	$ -	$ -	$ 679,058
Investments	7,904,161	-	-	7,904,161
Short and long-term loan portfolio	30,744,143	-	-	30,744,143
Other short and long-term accounts receivable	1,126,942	-	-	1,126,942
Derivative financial instruments	-	-	1,516,534	1,516,534

	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial liabilities:			
Issuance of long-term senior notes	$ -	$ 13,174,610	$ 13,174,610
Long-term bank borrowings	-	921,456	921,456
Suppliers and creditors	-	21,092,494	21,092,494
Derivative financial instruments	102,050	-	102,050

Note 6 - Credit quality of financial instruments:

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

	December 31,	
	2016	2015
Accounts receivable		
Counterparties without external risk ratings:		
Group 1 - Customers with Liverpool credit card	$ 25,156,363	$ 24,467,277
Group 2 - Customers with Visa credit card	6,180,174	5,306,995
Total unimpaired accounts receivable	31,336,537	29,774,272
Cash in banks and short-term bank deposits [1]		
AAA	25,551,295	8,563,996
AA	-	-
A	-	-
	25,551,295	8,563,996
Financial assets - derivative financial instruments [2]		
AAA	4,028,255	1,516,534
AA	-	-
	4,028,255	1,516,534
	$ 60,916,087	$ 39,854,802

- 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 sold 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, 2016 and 2015.

Note 7 - Cash and cash equivalents:

	December 31,	
	2016	2015
Cash one hand and banks	$ 13,237,543	$ 679,058
Investments	12,336,687	7,904,161
Total	$ 25,574,230	$ 8,583,219

Note 8 - Short-term and long-term loan portfolio-Net:

	December 31,	
	2016	2015
Current loans	$ 31,336,537	$ 29,774,272
Past due loans	3,616,455	3,189,444
	34,952,992	32,963,716
Provision for impairment of loan portfolio	(2,516,143)	(2,219,573)
	$ 32,436,849	$ 30,744,143
Total short-term	$ 23,557,486	$ 22,762,580
Total long-term	$ 8,879,363	$ 7,981,563

At December 31 2016 and 2015, loan portfolio's fair value is similar to book value.

8.1 Movements in provision for impairment of loan portfolio:

	December 31, 2016	2015
Balance at beginning of year	$ 2,219,573	$ 2,216,048
Impairment provisions	2,337,642	1,959,842
Write-offs	(2,041,072)	(1,956,317)
Balance at end of year	$ 2,516,143	$ 2,219,573

8.2 Aging of past due balances

Accounts receivable at the closing of each year include past due amounts of $3,616,455 and $3,189,444 at December 31, 2016 and 2015. Amounts more than 30 days past due are entirely covered by the impairment provision.

8.3 Aging of past due balances not impaired is as follows:

	December 31, 2016	2015
Up to 1 month	$ 1,357,258	$ 1,227,064
From 1 to 3 months	865,202	741,791
Total	$ 2,222,460	$ 1,968,855

Note 9 - Other accounts receivable - Net:

	December 31, 2016	2015
Short-term accounts receivable:		
Other debtors [1]	$ 1,028,359	$ 794,065
Short - term loans to employees	54,780	121,565
Insurance companies	9,661	648
	1,092,800	916,278
Long-term accounts receivable:		
Long - term loans to employees	224,759	210,664
Total	$ 1,317,559	$ 1,126,942

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

Note 10 - Inventories:

	December 31, 2016	2015
Merchandise for sale	$ 16,127,451	$ 13,849,931

The cost of sales includes, at December 31, 2016 and 2015 $786,735 and $664,556, respectively, related to inventory write-offs.

Note 11 - Derivative financial instruments:

The Company uses hedge derivative financial instruments ("IFD") to reduce the risk of adverse movements in the interest rates of its long-term debt and inflationary increases in Mexico, to reduce the volatility 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:

Assets

	Dates		Interest date		Fair value at December 31,	
Notional amount [1]	Contracting	Maturity	Contracted by IFD	Agreed in the debt	2016	2015
1,000,000	September 2008	August 2018	TIIE + 0.18%	9.36%	$ 58,572	$ 142,279
750,000	June 2010	May 2020	8.48%	4.22%	233,672	113,457
USD$300,000	October 2014	August 2024	6.81%	3.95%	2,860,017	1,260,798
USD$250,000	September 2016	October 2026	8.88%	3.88%	279,092	-
USD$350,000	September 2016	October 2026	8.59%	3.88%	414,335	-
USD$ 50,000	October 2016	October 2026	8.87%	3.88%	54,002	-
USD$ 50,000	October 2016	October 2026	8.76%	3.88%	54,721	-
USD$ 50,000	October 2016	October 2026	8.84%	3.88%	73,844	-
Total					$ 4,028,255	$ 1,516,534
IFD less long-term					(4,028,255)	(1,516,534)
Portion current short-term					$ -	$ -

Liabilities

	Dates		Interest date		Fair value at December 31,	
Notional amount [1]	Contracting	Maturity	Contracted by IFD	Agreed in the debt	2016	2015
1,000,000	April 2009	August 2018	TIIE + 0.18%	7.95%	$ (31,802)	$ (102,050)
IFD les long term					$ 31,802	$ 102,050
Portion current short-term					$ - .	$ - .

[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 12 - Investments in associates:

			Proportion of shareholding and voting power December 31,		Amount December 31,	
Concept	Activity	Place of incorporation and operations	2016	2015	2016	2015
Investment in associated companies (i) and (ii)	Sales	Mexico and Central America	50%	50%	$ 6,900,451	$ 5,739,786
Other investments (iii) In associated	Malls	Mexico	Several	Several	780,829	741,495
					$ 7,681,280	$ 6,481,281

(i) 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. This 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 because the criteria for control 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. with 49% of the capital (the leading department store chain in Spain). This entity operates a chain of 39 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.

12.1 Following is a summary of the combined financial information pertaining to the Company's associates:

	December 31, 2016	2015
Total assets	$ 40,662,017	$ 31,512,011
Total liabilities	28,156,419	21,516,231
Net assets	$ 12,505,598	$ 9,995,780
Equity in net assets of associates	$ 6,252,823	$ 4,545,932
Total income	$ 30,018,507	$ 24,889,063
Net income for the year	$ 1,451,160	$ 1,409,722
Company's equity in profits of associates	$ 715,672	$ 699,290

12.2 The reconciliation of associated companies is as follow:

Balance at January 1, 2015	$ 5,027,798
Translation effect of investment in associates	754,193
Equity method-net	699,290
Balance at December 31, 2015	6,481,281
Translation effect of investment in associates	484,327
Equity method-net	715,672
Balance at December 31, 2016	$ 7,681,280

Note 13 - Investment properties - Net:

	Amount
Balance at January 1, 2015	$ 15,641,205
Acquisitions	1,098,436
Disposals	(168,173)
Depreciation	(266,441)
Balance at December 31, 2015	16,305,027
Acquisitions	1,595,322
Disposals	(54,105)
Depreciation	(252,225)
Balance at December 31, 2016	$ 17,594,019

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 IFRS 10, this Trust was considered a structure entity; therefore, the assets and liabilities pertaining to this trust were consolidated in the corresponding captions.

The fair value of investment properties of the Company at December 31, 2016, and 2015 amounts to $41,168,273 and $41,639,702, respectively, through discounted the key assumptions , used was the projected annual growth of business and the expected useful life, it using an average discount rate of 3.50% (3% in 2015), cataloged level 2.

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

	December 31, 2016	2015
Repairs and maintenance	$ 596,637	$ 596,206
Services contracted	169,909	6,743
Advertising	127,157	119,568
Real estate taxes and water	75,444	63,511
Personnel compensation and benefits	68,053	62,779
Other expenses	6,879	6,551
Electrical power and utilities	4,630	6,396
Travel expenses	3,371	3,672
Rent of equipment	3,117	2,556
Total	$ 1,055,197	$ 867,982

Note 14 - Property, furniture and equipment - Net:

	Land	Buildings	Furniture and equipment	Leasehold improvements	Computer equipment	Transportation equipment	Works in progress	Total
Ending balance								
At December 31, 2016								
Beginning balance	$ 3,576,462	$ 19,961,599	$ 3,851,466	$ 1,921,005	$ 643,551	$ 147,569	$ 1,823,171	$ 31,924,823
Acquisitions	108,497	1,375,475	1,077,528	574,423	362,795	60,594	1,835,760	5,395,072
Disposals	(10,026)	(152,442)	(90,606)	(122,594)	(12,777)	(49,375)	-	(437,820)
Depreciation		(288,627)	(653,887)	(198,621)	(271,418)	(6,011)	-	(1,418,564)
Ending balance	3,674,933	20,896,005	4,184,501	2,174,213	722,151	152,777	3,658,931	35,463,511
At December 31, 2016								
Cost	3,674,933	24,935,540	11,405,311	3,814,063	2,419,689	363,442	3,658,931	50,271,909
Accumulated depreciation		(4,039,535)	(7,220,810)	(1,639,850)	(1,697,538)	(210,665)	-	(14,808,398)
Ending balance	$ 3,674,933	$ 20,896,005	$ 4,184,501	$ 2,174,213	$ 722,151	$ 152,777	$ 3,658,931	$ 35,463,511
Ending balance								
At December 31, 2015								
Beginning balance	$ 3,636,834	$ 19,441,521	$ 3,811,550	$ 1,712,726	$ 536,427	$ 134,930	$ 1,116,295	$ 30,390,283
Acquisitions	80,827	811,748	757,042	429,469	376,694	57,775	706,876	3,220,431
Disposals	(141,199)	(6,072)	(29,699)	(37,935)	(11,449)	(2,064)	-	(228,418)
Depreciation	-	(285,598)	(687,427)	(183,255)	(258,121)	(43,072)	-	(1,457,473)
Ending balance	$ 3,576,462	$ 19,961,599	$ 3,851,466	$ 1,921,005	$ 643,551	$ 147,569	$ 1,823,171	$ 31,924,823
At December 31, 2015								
Cost	3,576,462	23,712,507	10,418,391	3,362,234	2,069,671	352,223	1,823,171	45,314,659
Accumulated depreciation	-	(3,750,908)	(6,566,925)	(1,441,229)	(1,426,120)	(204,654)	-	(13,389,836)
Ending balance	$ 3,576,462	$ 19,961,599	$ 3,851,466	$ 1,921,005	$ 643,551	$ 147,569	$ 1,823,171	$ 31,924,823

The balance of work in progress at the 2016 period close corresponds to sundry projects in which the Company is building stores, and remodeling existing stores.

Note 15 - Intangible assets - Net:

	Licenses and fees	New IT developments	Total
At December 31, 2016			
Investments	$ 195,680	$ 679,370	$ 875,050
Disposals	-	-	-
Amortization	(125,203)	(404,366)	(529,569)
Ending balance	70,477	275,004	345,481
At December 31, 2016			
Cost	1,576,689	4,029,236	5,605,925
Accumulated amortization	(1,006,814)	(1,932,280)	(2,939,094)
Ending balance	$ 569,875	$ 2,096,956	$ 2,666,831

	Licenses and fees	New IT developments	Total
At December 31, 2015			
Investments	$ 74,658	$ 597,651	$ 672,309
Disposals	-	-	-
Amortization	(116,805)	(302,815)	(419,620)
Ending balance	(42,147)	294,836	252,689
At December 31, 2015			
Cost	1,381,009	3,349,865	4,730,874
Accumulated amortization	(881,611)	(1,527,913)	(2,409,524)
Ending balance	$ 499,398	$ 1,821,952	$ 2,321,350

Note 16 - Provisions:

	Bonds and compensation paid to employees	Advertising	Other provisions	Total
At December 31, 2015	$ 1,201,639	$ 219,276	$ 484,840	$ 1,905,755
Charged to income statement	2,671,606	1,228,088	1,577,878	5,477,572
Used during the year	(2,579,194)	(1,085,319)	(1,052,848)	(4,717,361)
At December 31, 2015	1,294,051	362,045	1,009,870	2,665,966
Charged to income statement	2,899,263	1,294,204	1,835,101	6,028,568
Used during the year	(2,835,653)	(1,257,312)	(1,267,935)	(5,360,900)
At December 31, 2016	$ 1,357,661	$ 398,937	$ 1,577,036	$ 3,333,634

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

Note 17 - Bank Borrowings:

	December 31, 2016	2015
Borrowings received by the trust F/789, mentioned in Note 13, from Credit Suisse, payable in June 2018 and bearing a fixed monthly interest rate of 9.31% (1)	$ 921,456	$ 921,456
Long-term liabilities	(921,456)	(921,456)
Less - Current portion	$ -	$ -

(1) At December 31, 2016 and 2015 the fair value of the borrowing received by the Trust F/789 was $955,690 and $937,510, respectively.

Note 18 - Issuance of senior notes:

Maturity	Interest payable	Interest rate	December 31 2016	2015
Mar 2017	Monthly	TIIE at 28 days plus 0.35 points	$ 2,100,000	$ 2,100,000 (2)
Aug 2018	Semiannually	Fixed at 9.36%	1,000,000	1,000,000 (2)
May 2020	Semiannually	Fixed at 4.22%	750,000	750,000 (2)
May 2020	Semiannually	Fixed at 8.53%	2,250,000	2,250,000 (2)
Mar 2022	Semiannually	Fixed at 7.64%	1,900,000	1,900,000 (2)
Oct 2024	Semiannually	Fixed 3.95%	6,185,820	5,174,610 (1)
Oct 2026	Semiannually	Fixed 3.875%	15,464,550	- (3)
			$ 29,650,370	$ 13,174,610
Lower emissions of long-term senior notes			$ (27,550,370)	$ (13,174,610)
Current short-term portion			$ 2,100,000	$ -

Maturities pertaining to the long term portion of this liability at December 31, 2016 are as follows:

Year	Amount
2017	$ 2,100,000
2018	1,000,000
2020	3,000,000
2022	1,900,000
2024	6,185,820
2026	15,464,550
	$ 29,650,370

(*) Issuance of senior notes equivalent to 169,399,100 UDIs.

(2) In September 2014, the Company bid debt securities in the form of notes ("senior notes") for an amount of US $ 300,000. With an interest rate of 3.95% per annum and maturing in 2024. The Securities constitute obligations payable by the Company and have the unconditional guarantee of Distribuidora Liverpool, S. A. de C. V., (subsidiary).

(2) Debt contracted in Mexican pesos.

(3) During September 2016, the Company offered debt securities in the form of Notes in the amount of US $ 750,000, with an interest rate of 3.8875% per annum and maturing in 2026. The Securities constitute obligations payable by the Company and have the unconditional guarantee of Distribuidora Liverpool, S. A. de C. V., (subsidiary).

Values were the subject of a private offering to institutional investors in the United States and other foreign markets under Rule 144A and Regulation S under the Securities Act 1933 of the United States of America (US Securities Act of 1933 as it has been amended to date, the "US Securities Act") and the applicable regulations of the other markets in which such offer was conducted. Finally, the Company has submitted an application for listing of the Securities on the Official List of the Irish Stock Exchange (Official List of the Irish Stock Exchange).

Debt convenants from senior 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, 2016 and 2015 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 11.

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

	December 31,			
	2016		2015	
Maturity date	Book Value	Fair value	Book Value	Fair value
Mar 2017	$ 2,100,000	$ 2,100,901	$ 2,100,000	$ 2,104,798
Aug 2018	1,000,000	1,027,059	1,000,000	1,100,695
May 2020	750,000	969,316	750,000	909,850
May 2020	2,250,000	2,287,757	2,250,000	2,425,493
Mar 2022	1,900,000	1,845,979	1,900,000	1,961,309
Oct 2024	6,185,820	5,925,706	5,174,610	5,063,925
Oct 2026	15,464,550	14,338,731	-	-
	$ 29,650,370	$ 28,495,449	$ 13,174,610	$ 13,566,070

Note 19 - Employee benefits:

The value of employee benefit obligations at December 31, 2016 and 2015, amounted to $787,231 and $362,385, are as follows:

	December 31,	
	2016	2015
Pension plans	$ (216,304)	$ 164,020
Seniority premium	(133,798)	(105,270)
Other employee benefits	(437,129)	(421,135)
	$ (787,231)	$ (362,385)

The net cost for the period for the years ended on December 31, 2016 and 2015, is as follows:

	December 31,	
	2016	2015
Pension plans	$ (18,235)	$ (78,036)
Seniority premium	40,071	33,415
Other employee benefits	62,690	62,783
	$ 84,526	$ 18,162

The significant actuarial assumptions in nominal and real terms are as follows:

	December 31,	
	2016	2015
Discount rate	9.00%	8.00%
Inflation rate	3.50%	3.50%
Salary growth rate	4.75%	4.75%

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

	Fair value of plan assets at December 31,	
	2016	2015
Debt instruments	$ 248,016	$ 664,228
Equity instruments	504,606	476,304
	$ 752,622	$ 1,140,532

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.

Note 20 - Balances and transactions with related parties:

During 2016 and 2015, 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 $14,526 and $11,022 in 2016 and 2015 respectively. At December 31, 2016 and 2015 there were no outstanding balances for these items.

During 2016 and 2015, the Company contracted corporate travel services for its employees with Orion Tours, S. A. de C. V. ("Orión"), whose General Director is Vice-Chairman of the Company's Board of Directors. These services were contracted using market conditions. Fees paid to Orion for these services totaled $66,940 and $63,311 in 2016 and 2015 respectively. At December 31, 2016 and 2015 there were no balances pending to be paid for these items.

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

	December 31,	
	2016	2015
Short-term benefits	$ 28,958	$ 39,205
Post - retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	- .
Total	$ 28,958	$ 39,205

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,	
	2016	2015
Cost of merchandise	$ 58,201,179	$ 52,574,718
Cost of distribution and logistics	1,906,627	1,574,054
Personnel compensation and benefits	11,133,712	10,109,489
Services contracted	3,787,312	3,403,823
Depreciation and amortization	2,616,018	2,086,042
Provision for impairment of loan portfolio	2,337,642	1,959,842
Repairs and maintenance	1,877,482	1,779,286
Leases	1,172,568	940,569
Electrical power and utilities	686,721	695,906
Other (1)	3,315,884	3,513,853
Total	$ 87,035,145	$ 78,637,582

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

Personnel compensation benefits are comprised as follows:

	December 31, 2016	2015
Salary and bonds	$ 8,947,444	$ 8,228,438
Commissions paid to sales staff	1,973,150	1,682,240
Other payments	213,118	198,811
	$ 11,133,712	$ 10,109,489

Note 22 - Income Tax:

22.1 The income tax is comprised as follows

	December 31, 2016	2015
Income tax	$ 4,161,336	$ 3,648,242
Deferred income tax	(487,876)	(385,077)
	$ 3,673,460	$ 3,263,165

22.2 The deferred tax balance is composed as follows

Deferred income tax asset:	December 31, 2016	2015
Tax loss carry-forwards	$ 118,407	$ 123,077
Provision for impairment of loan portfolio	999,152	872,743
Provisions	1,362,830	1,018,983
Inventories	169,019	148,004
Other items	76,538	26,754
	2,725,946	2,189,561
Deferred income tax liability		
Real estate and property,furniture and equipment	3,624,548	3,829,595
Investment in associates	452,617	401,921
Other items	1,184,125	981,265
	5,261,290	5,212,781
Deferred income tax	2,535,344	3,023,220
Asset tax recoverable	(52,864)	(57,363)
Total	$ 2,482,480	$ 2,965,857

Deferred tax assets and liabilities are analyzed as follows:

	December 31, 2016	2015
Deferred tax asset:		
Deferred tax asset recoverable over the following 12 months	$ 2,725,946	$ 2,189,561
Deferred tax asset recoverable after 12 months	-	-
	2,725,946	2,189,561
Deferred tax liability:		
Deferred tax liability payable within the following 12 months	476,284	323,537
Deferred tax liability payable after 12 months	4,785,006	4,889,244
	5,261,290	5,212,781
Asset tax recoverable	(52,864)	(57,363)
Deferred tax liability (net)	$ 2,482,480	$ 2,965,857

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

	Unamortized tax losses	Provisions, for impairment of loan portfolio	Provisions	Property furtine and equipment	Investement in associates	Inventory	Other	Total
At January 1,2015	$ 277,214	$ 822,117	$ 467,595	$ (3,910,128)	$ (356,246)	$ 105,911	$ (814,760)	$ (3,408,297)
Charged / credited to the Statement of income	(154,137)	50,626	551,388	80,533	(45,675)	42,093	(139,751)	385,077
At December 31, 2015	$ 123,077	$ 872,743	$ 1,018,983	$ (3,829,595)	$ (401,921)	$ 148,004	$ (954,511)	$ (3,023,220)
Charged / credited to the Statement of income	$ (4,670)	$ 126,409	$ 343,847	$ 205,047	$ (50,696)	$ 21,015	$ (153,076)	$ 487,876
At December 31, 2016	$ 118,407	$ 999,152	$ 1,362,830	$ (3,624,548)	$ (452,617)	$ 169,019	$ (1,107,587)	$ (2,535,344)

At December 31, 2016, the Company has unamortized tax loss carry-forwards for income tax purposes, to be indexed in the year in which they are applied, for a restated amount of:

Year	Amortizable tax loss carry-forwards
2017	$ 68
2019	3,221
2020	17,978
2021	11,633
2022	12,987
2023	15,139
2024	256,989
2025	490
2026	698
2027	74,236
	$ 393,439

In determining deferred income tax at December 31, 2016 and 2015, the Company applied to temporary differences, the applicable rates according to their estimated date of reversal.

22.3 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	
	2016	2015
Pre - tax income	$ 13,863,065	$ 12,476,064
Statutory rate	30%	30%
Income tax at statutory rate	4,158,919	3,742,819
Plus (less) effects of taxes of the following items:		
Non deductible expenses	157,959	218,999
Non taxable income	(85,483)	(22,017)
Annual inflation adjustment	(72,492)	(37,987)
Share of profit of associates	(214,701)	(209,787)
Investment property, furniture and equipment - net	(257,985)	(144,073)
Other permanent items	(12,757)	(284,789)
Income tax in the income statement	$ 3,673,460	$ 3,263,165
Effective income tax rate	26%	26%

22.4 Applicable tax rates

In October 2013 the Chamber of Mexican Parliament, passed major reforms to our tax framework effective on January 1, 2014. Main changes in tax laws and the impact it will have on our operations are described below:

In 2002, the Income Tax Law in effect at that time was repealed and a new one was issued. Under this new tax law, income could be accumulated under installment sales, rather than when collected. The above scheme allowed the company to accumulate tax amounts actually received and beginning with this new tax law, the Company will now have to pay the tax from the time of sales, regardless of when collected, which will impact the cash flow of the Company because the tax must be paid even if the cash is not collected (as in a credit card transaction). Regarding the installment sales made until December 31, 2013, the tax authorities gave companies three years to pay the amounts that would be accumulated in 2014, 2015 and 2016.

The current tax law eliminates the immediate deduction of fixed assets and limits deductions to pension contributions, exempt wages, car leasing and social security contributions. Eliminating these deductions, especially the immediate deduction of fixed assets, will also impact the cash flow that the Company will allocate to the payment of taxes. Now, the Company can no longer rapidly deduct investments in new stores, remodels and other assets, but the Company must do so within normal limits established in the new Income Tax Law, which are significantly longer.

This law also modifies the procedure for determining the tax base for the Employees' Profit Sharing ("PTU"). The Company does not anticipate a significant impact from this change.

An income tax rate beginning in 2014 was also established in the tax law of 30%, in contrast to the previously stated rates of 30%, 29% and 28% for 2013, 2014 and 2015, respectively.

Also, the October 1, 2007 flat tax was repealed in these tax reforms; however, the Company did not recognized any current or deferred flat tax and therefore the repeal had no effect in the financial statements of the Company.

The Company also appealed to the Law on Cash Deposits which had no effect on the results of the Company because this tax is credited against the income tax payable.

Note 23 - Stockholders' equity:

23.1 Capital stock at December 31, 2016 and 2015, is comprised of the follows:

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

The Board of Directors approved March 3, 2016 the payment of dividends from the income tax earnings ("CUFIN") in the amount of $1,288,508, which was paid $778,392 on May 27 and $509,974 remainder, October 14 the same year, through the Society for the Securities Depository.

The Board of Directors approved March 5, 2015 the payment of dividends from the income tax earnings ("CUFIN") in the amount of $1,087,179, which was paid $657,676 on May 29 and $429,503 remainder, October 16 the same year, through the Society for the Securities Depository.

In accordance with IAS 29 "Hyperinflation", an entity must recognize the effects of inflation in the financial information when an economy accumulates 100% inflation 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.

The company has a control group of non public investors made up of approximately of 10 person owning 80,897,219 shares of series-1 and 11,314,218 shares of series C-1 a total of 6.87% of all outstanding shares. Additionally, the societies and the trust mention below own approximately 79% of all outstanding shares of series-1 common stock as of December 31, 2016 and 2015.

Shareholder	Number of Shares of Common Stock	Percentage Ownership of Common Stock (%)
Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex-Trust No. 15228-3	278,772,661	20.8
Banco INVEX, S.A., Institución de Banca Múltiple, INVEX Grupo Financiero-Trust No. 0327	217,169,450	16.2
UBS-ZURICH	123,165,000	9.2
Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex-Trust No. 504288-5	109,114,664	8.1
Banco INVEX, S.A., Institución de Banca Múltiple, INVEX Grupo Financiero-Trust No. 0387	101,169,450	7.5
BBVA Bancomer Servicios, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer-Trust No. 25078-7	76,047,567	5.7
Pictet Bank & Trust Limited	59,617,452	4.4
Scotiabank Inverlat S. A., Institución de Banca Múltiple-Trust No. 11033735	36,839,656	2.7
Pictec and Cie	5,617,040	0.4
Citiacciones Flexible, S. A. de C. V. Sociedad de Inversión de Renta Variable	13,761,238	1.0
Banco Credit Suisse (México), S. A., Institución de Banca Múltiple	1,880,072	0.1
Others	319,041,850	23.9
Total	1,342,196,100	100%

23.2 Capital reserves

Capital reserves are comprised as follows:

	December 31, 2016	2015
Reserve for translation effect	$ 1,583,647	$ 853,247
Legal reserve	582,500	582,500
Reserve for acquisition of own shares	467,432	467,432
Investment reserve	94,319	94,319
Reserve for valuation of derivative financial instruments	755,322	102,951
	$ 3,483,220	$ 2,100,449

23.3 The reconciliation of the reserve for valuation of derivative financial instruments is as follow

At December 31, 2015	$ 122,433
Charged to income	(19,482)
At December 31, 2016	102,951
Charged to income	652,371
At December 31, 2016	$ 755,322

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 in order to meet the legal reserve until funds in reserve reaches 20% of the capital stock. The legal reserve can be capitalized, but must not be distributed unless the Company is dissolved, and the difference must be made up if the reserve falls below 20% of capital stock for any reason.

23.4 The balances of the tax accounts of stockholders' equity are:

	December 31, 2016	2015
Capital contributions account	$ 38,157,605	$ 32,579,214
After-tax earnings account (CUFIN)	89,602,140	77,893,053
Reinvested after tax earnings account (CUFINRE)	133,764	129,416
Total	$ 127,893,509	$ 110,601,683
Average weighted number of ordinary shares to determine the basic earnings per share at December 31, 2016 and 2015	1,342,196,100	1,342,196,100

23.5 Tax provisions related to stockholders' equity

Dividends are free of income tax if paid out from the After Tax Earnings Account (CUFIN). Any dividend paid in excess of 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 2016. 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 the flat tax for the period. Dividends paid from previously taxed earnings are not subject to any tax withholdings or additional taxes.

In the event of a capital reduction, any excess of stockholders' equity over the capital contributions account is given the same tax treatment as dividends.

Note 24 - Contingencies and commitments:

24.1 Contingencies

The Company is party to a number of lawsuits and claims arising from the normal course of its operations. Management does not expect these lawsuits will have a significant adverse effect on its consolidated financial statements.

24.2 Commitments

The Company has granted stand-by letters to certain vendors in the amount of $1,056,608 ($1,276,591 in 2015). These letters are used by the vendors to obtain the financing required to satisfy production requests 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.

During November 2016, the company entered into a credit line agreement with Banamex, SA, which has not been used at the date of the consolidated financial statements, in the amount of $10,000,000, which will be used for the acquisition of Suburbia; as mentioned in note 2.1.3, such acquisition is in the process of being approved by COFECE.

24.3 Capital investments

The Company has entered into a number of agreements with third parties, for the acquisition of real property, in connection with which $152,061 ($315,427 in 2015) has yet to be settled uder the terms established in the contracts.

Note 25 - Operating leases:

25.1 The Company as lessee

The Company has entered into a number of operating lease agreements for 29 stores, 4 Duty Free and 75 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 terms are between one and five years. All operating lease agreements for more than 5 years contain clauses for a review of market rent every five years. The Company does not have an option to buy the space leased at the date of expiration of the lease terms.

The following table summarizes the lease expenses recognized in:

	December 31, 2016	December 31, 2015
Fixed rent	$ 383,477	$ 343,639
Variable rent	415,744	345,718
	$ 799,221	$ 689,357

The following table summarizes the minimum annual payments stipulated in lease agreements entered into at terms of over one year:

	Amount
Up to 1 year	$ 387,772
From 1 to 5 years	2,326,634
Over 5 years	2,908,292
Total minimum payments agreed	$ 5,622,698

25.2 The Company as lessor

Operating leases are related to the leasing of commercial space. The lease periods range from one to five years. All operating lease agreements for more 5 years contain clauses for the 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,	
	2016	2015
Fixed rent	$ 2,053,465	$ 1,995,818

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
Up to 1 year	2,108,019
From 1 to 5 years	6,348,107
Over 5 years	5,163,390
Total minimum payments agreed	$ 13,619,516

Note 26 - 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 in 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.

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 account for 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 co-owns, manages and leases commercial space located in shopping malls throughout Mexico. This segment is engaged in the design, expansion and remodeling of stores, shopping malls and other facilities.

26.1 Income and results per segment

The Company reports its results for each 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. The following is an analysis of income and results per segment to be reported:

December 31, 2016	Commercial	Real property	Consolidated
Net revenue	$ 97,262,238	$ 3,179,298	$ 100,441,536
Costs and expenses	(85,584,861)	(1,450,284)	(87,035,145)
Operating income	11,677,377	1,729,014	13,406,391
Financing costs, gain on investments, exchange fluctuations and results of associated companies	-	-	456,674
Income tax	-	-	(3,673,460)
Consolidated net income	$ 11,677,377	$ 1,729,014	$ 10,189,605

December 31, 2015	Commercial	Real property	Consolidated
Net revenue	$ 88,272,058	$ 3,020,831	$ 91,292,889
Costs and expenses	(77,394,354)	(1,243,228)	(78,637,582)
Operating income	10,877,704	1,777,603	12,655,307
Financing costs, gain on investments, exchange fluctuations and results of associated companies	-	-	(179,243)
Income tax	-	-	(3,263,165)
Consolidated net income	$ 10,877,704	$ 1,777,603	$ 9,212,899

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 consolidated 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 viewed at the Group level and not within the reporting segments. As a result, this information is not shown in each reporting segment. Operating income is the key performance metric for management, which is reported on a monthly basis to the Operations Committee.

26.2 Geographic information

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

Note 27 - Authorization of issuance of consolidated financial statements:

The consolidated financial statements were authorized for issuance on February 17, 2017 by the Board of Directors, and are subject to approval by the stockholders meeting.

Information for investors

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The 2016 Annual Report may include certain expectations regarding the results of Liverpool, S. A. B. de C. V. and its Subsidiaries. All such projections, which on the judment 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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