





24  
shopping  
malls



101  
stores in  
57 cities



3.8 million  
customers



# Financial Highlights

<i>Operations</i>	2014	2013	% var	2012	2011
Number of stores	101	96	5.2%	93	84
Number of shopping centers	24	22	9.1%	19	16
Customers	3,767,000	3,485,210	8.1%	3,118,995	2,903,472
<i>Results</i>					
Total revenue	81,027,231	74,105,444	9.3%	66,246,504	58,656,809
Revenue					
from Retail Division	72,122,743	65,715,987	9.7%	58,777,686	52,348,382
Revenue					
from Real-estate Division	2,734,524	2,579,680	4.0%	2,115,854	1,731,041
Revenue					
from Credit Division	6,169,964	5,809,777	6.2%	5,352,964	4,557,386
Operating profit	11,113,306	10,836,082	2.6%	10,306,076	9,227,815
Net profit	7,763,480	7,701,930	0.8%	7,197,700	6,543,365
EBITDA	13,023,604	12,536,327	3.9%	11,768,983	10,510,561
EBITDA margin	16.1%	16.9%	-4.7%	17.8%	17.9%
Profit per share	5.78	5.73	0.9%	5.36	4.88

\* Figures in thousand of mexican pesos, except EBITDA and Profit per share.

525  
thousand m<sup>2</sup>  
of GLA



1.5  
million m<sup>2</sup>  
of selling  
space



Toluca



## *Letter from the Chairman of the Board To the Shareholders,*

The year 2014 was a very good one for the group. In the month of October, we opened Liverpool Toluca, our chain's one-hundredth store. During that same period, we invested Ps. 4,970 million in opening five new locations, two shopping centers and 42 specialty boutiques.

Last year's results reflected a 9.3% increase in total revenues as compared to the prior year; these figures were obtained in spite of a highly competitive and very sluggish economic environment. Net profit at the year-end reached Ps. 7,763 million.

The Company's on-going development and its long-term strategy brought about new businesses and profitable growth. During 2015, Liverpool will open three new stores under this format, five Fábricas de Francia, and will also bring more and better benefits in the mobile platform, permitting the commercial offering of merchandise, product categories and services.

The effort to continue to find and develop personnel with great potential will continue to be a priority.

During the year, Mr. Jorge Salgado, our CEO, reached retirement age and retired after 20 years of service. We appreciate his effort, creativity, integrity and dedication during those years. The Board of Directors appointed Mr. Graciano Guichard as the Company's new CEO.

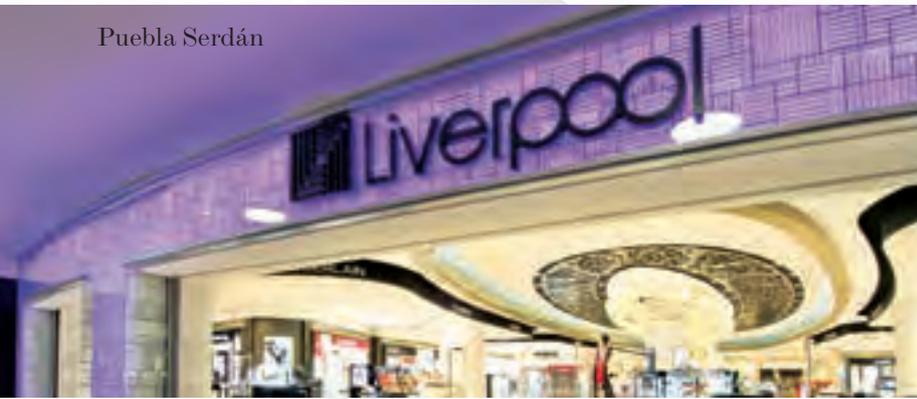
Once again, we express our appreciation to our shareholders, associates, board members, suppliers, tenants, financial institutions, business partners and clients for granting us their trust and support in times that will continue to change and that will demand more and different ways to strengthen our operations and to integrate new options for sales and purchases.

Sincerely,

A handwritten signature in black ink, appearing to be 'Max David'.

**Max David**  
Chairman of the Board of Directors

*Mexico City, March 5, 2015*



## *Letter from the Chief Executive Officer*

The year 2014 was yet another year of expansion for Liverpool. As part of our strategy for profitable growth, we added a total of five new stores this year, for a 6.0% increase in our commercial space. During this process, we reached a milestone in our Company's history. We opened our one-hundredth store!

It is also important to mention that after twelve years without opening any Fábricas de Francia stores, in 2014, we restarted the growth of this brand by opening two stores in the Mexico City metropolitan area. Our objective is to increase our presence with a format that generates value by offering articles at moderate prices. We also opened 42 boutiques of international brands in several shopping centers, to reach 86 at the year-end.

We made progress in the development of the omni-channel strategy, by integrating all of our sales, logistics and communications platforms with our clients in an orderly fashion. The growing presence of the virtual channels with new functionalities and improvements in variety, as well as their operation and ease of use, has been added to the commercial offering represented by the stores. Two shopping malls were opened in the Cities of Toluca and Puebla, providing the Company with an additional 14.1% of rentable space in the evermore important real estate business.

The credit card operations continue to expand and to improve its productivity. We ended the year with 3.8 million clients, representing a portfolio of Ps. 28,695 million pesos for a 1.8% increase over the prior year, while income from this activity increased by 6.2%.

As a result of all of the above, our expenses also increased significantly. However, at the same time, income grew, resulting in an increased market share, while we improved the solidity of the balance by reducing the Company's net debt. This will permit us to continue to invest in our growth in a sound and productive manner.

During 2014, after twenty years of service to the Company, I reached retirement age. Those were years of expansion and consolidation for the Company, and years of personal and professional growth for me. Now, new and very capable hands are taking over the reins, for which we can look to the future with optimism.

To the shareholders, Board of Directors, suppliers, tenants and to each and every one of our collaborators, my most sincere appreciation.

Sincerely,



Jorge A. Salgado M.  
Chief Executive Officer

*December 31, 2014*

*The Board of Directors' Report  
to the Shareholders Meeting*

# *From Adaptability to Integration*

Times of adaptability. New business platforms, channels, ways of attending the client, technologies aimed at providing better service, and the opening of new stores all integrate to generate unequalled shopping experiences, thanks to the better understanding of the client and of a forceful commercial offering that reaches more Mexican homes and families.





101  
stores in  
57 cities

Puebla Serdán



Our business model is based on disciplined growth, with low levels of leverage. At the end of 2014, the Company's net debt ratio was 0.6.

During the year, we reached a milestone in Liverpool's history, by having 101 stores in operation. We added five new stores in 2014 in the Mexico City metropolitan area, Querétaro and Puebla, arriving at a total sales area of 1.5 million square meters.

Also, using new designs and enhanced functionality of shopping centers integrated to our department stores, we opened two new *Galerías* shopping malls in the Cities of Toluca and Puebla, thereby reaching 24 units, representing 523 thousand square meters of rentable spaces and 2,300 tenants, to offer experiences, lines of business and entertainment to a larger number of clients.

Our consumer credit services consolidate as an attractive option integrated into the commercial offering with strict screening and granting standards, permitting us to maintain a healthy portfolio. At the year-end closing, non-performing loans over 90 days represented 4.0% of the total portfolio.

New shopping mall *Galerías Serdán* in Puebla.





Experiencia Gourmet  
in our 100th store,  
Liverpool Toluca.



# *Integrating more and improved categories of products*

Globalization has favored the commercial opening, bringing with it, the possibility of integrating more alternatives of products, categories and brands at competitive prices in line with the consumers' evolution.





86  
boutiques at  
the year-end





During 2014, we expanded the variety of our products, with lines such as Carter's, the Disney Collection and Destination Maternity, among others, as well as with merchandise from domestic suppliers, to meet client preferences and to promote recurrent purchases. We also increased the variety of clothing and sporting goods, offering a new and wider selection in the stores.

The growing segment of specialized retail provides us with a new opportunity to set

ourselves apart. Our operations in that sector have introduced proposals of renowned prestige. At the end of 2014, we had 86 boutiques in shopping malls throughout Mexico, such as: Aéropostale, Banana Republic, Gap, Chico's, Etam, Cole Haan, P.S. from Aéropostale, in addition to our association with Sfera, which continues to evolve nicely.

The incessant search for profitable growth through Fábricas de Francia, a commercial concept focused on the emerging classes, permitted us to open two stores in the Lago de Guadalupe and in the Central Marketplace (Central de Abastos) in the Mexico City metropolitan area.

The Experiencia Gourmet concept, now available in the new stores in Querétaro, Toluca and Puebla, now has ten spaces in operation at the national level. During 2014, this concept was awarded the *Carlos Anderson Restaurant Business Merit* award, for innovation.



Experiencia Gourmet concept, was awarded the *Carlos Anderson Restaurant Business Merit* award, for innovation.



Fáblicas de Francia  
Lago de Guadalupe,  
one of our two  
openings of this  
brand in 2014.

ENTRANDO A  
MULTIMEDIA

# *Generating purchase* options

Generating new purchase options involves offering the client increased interaction among products, to promote sales, as well as to schedule the different seasons and events in accordance with what our clients think and expect from us.



+380,000  
sku's  
available in  
store





# FASHION FEST

OTOÑO / INVIERNO

Rosie Huntington

The Company's image and its presence in the media have become stronger. Only a few months after its launching, *Liverpool* magazine has become one of the most widely circulated magazines in the country. With media such as this, we increase the number of opportunities of being close to more clients.

received the *EFFIE Award* for best in its class, and it also increased toy sales on line, as well as the number of visits to the website.

The growing popularity of our leading, flagship fashion event, the *Liverpool Fashion Fest*, has come full circle upon becoming a TV program in which we exhibit the world-wide tendencies of design and fashion. The program is transmitted in prime time on a Mexican television network.

The on-going investment to intensify internet sales offers the client a growing number of articles available on line and by telephone and new ways to pay, including debit cards and reductions in home-delivery times, all with the trust, security and service that characterize us.

We launched the *Liverpool* magazine.

The Christmas campaign, *The Best Toy Store*, through which we strengthened the variety, image and ease of access to this type of articles,

We changed the environments of the stores, with frequent remodeling so as to offer new and improved spaces. During 2014, we invested nearly Ps. 400 million in different remodeling projects.



The Christmas campaign, *The Best Toy Store*, received the *EFFIE Award*.



The on-going strategy of omni-channel operations integrates sales, logistics and communication platforms with our customers.





# Integrated *work teams*

Each one of the contacts that the client has with Liverpool must be unique, special and pleasant. To this end, we formed motivated well-trained work teams to promote personalized service.





The development of personnel and talent is encouraged through employer/employee interaction, based on creativity and respect. The transmission and permanence of such values are reinforced through channels such as the Liverpool Virtual University.

The on-going education of our people and their families is made possible by the more than 1,800 courses imparted in our Liverpool Virtual University. We prioritize the improvement in the quality of life and the opportunities of developing our people.

Life, career and succession plans are key to taking advantage of future opportunities. This is why, for many years, the Company has supported its people's potential by focusing on multifunctional and integrated work teams.

Strengthening talent is an area that involves all of us, with our constant participation and quest for developing people who are adept at meeting new challenges, to assure that their ability to change is as constant as is their learning.

As a result of the foregoing, and for the third year in a row, Liverpool was named one of the best companies to work for in Mexico, and first in the retail sector, highlighting the commitment of our people and reflecting the long-term joint effort of our management and collaborators' teams to know and anticipate our clients' needs.

The transmission and permanence of our values are reinforced through channels such as the Liverpool Virtual University.



## Operating summary

At the end of 2014, total income amounted to Ps. 81,027 million, which surpasses the one recorded in 2013 by 9.3%.

The income from retail sales and services reached Ps. 72,123 million, for an increase of 9.7% in total stores and 6.2% in same stores, both compared to the prior year.

Customer financing income grew by 6.2%, while the portfolio also increased by 1.8%. At the year-end, 48.2% of the commercial sales were made through financing provided by the Company.

Income from the leasing of commercial spaces increased by 6.0% compared to the prior year, for a total of Ps. 2,735 million.

Operating expenses increased by 12.7% during the year as a result of the Company's growth, and to the initiatives mentioned in this document, as well as to the increase in reserves for non-performing loans debts.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to Ps. 13,024 million, for a growth of 3.9% as compared to 2013.

Financing expenses were affected during the fourth quarter of the year, by the volatility of the peso/dollar exchange rate, originating an increase in this caption, of 10.8% over the prior year.

Income taxes amounted to Ps. 2,797 million, for an increase of 3.6% over the prior year.

Net profits reached Ps. 7,763 million, for an increase of 0.8% over the prior year.

The association with Regal Forest, a company of renowned prestige in Central and South America and the Caribbean, specialized in furniture, electronics and home appliances, continues on its positive course and continues to generate value.

At the end of the year, our CEO, Mr. Jorge Salgado, reached retirement age and left the Company. The Board of Directors wishes to express special recognition and appreciation to Mr. Salgado for his career in Liverpool and for the Company's development during the time he occupied that position. The Board of Directors named Mr. Graciano Guichard as the Company's new CEO.



Puebla Serdán

## *Sustainability*

The more efficient use of resources, combined with the offer of environmentally friendly products and materials has been fundamental for Liverpool and its sustainable growth.

Our commitment with the environment is reflected through a series of activities, one of the most important being the reduction of the use of paper, client statements being sent electronically; the use of LED luminaries, the re-use and recycling of water through ten water treatment plants in different locations, reforestation, landscaping and care of wildlife in the areas in which we open our stores, as well as the use of biodegradable materials in all of our bags and packaging.

## *Final considerations*

All of our efforts are focused on satisfying our clients. We continue to introduce omni-channel platforms that generate expanded shopping experiences and make us more aware of what the client expects and wants of us.

We appreciate our clients' preference, as well as the support of our shareholders, suppliers, tenants and collaborators during yet another year in which Liverpool continued to grow profitably and in which we reached 101 operational stores.

Sincerely,

The Board of Directors  
*Mexico City, December 31, 2014*

## Board Of Directors

**Max David<sup>1</sup>**  
Chairman

**Madeleine Brémond S.<sup>1</sup>**  
Vice Chairman  
Director of Orion Tours, S.A. de C.V.

**Miguel Guichard<sup>1</sup>**  
Vice Chairman  
Chairman, Executive Committee

**Enrique Brémond S.<sup>1</sup>**  
Administrator, Victium, S.A. de C.V.

**Jorge Salgado<sup>3</sup>**  
CEO of El Puerto de Liverpool, S.A.B. de C.V.

**Juan David<sup>1</sup>**  
Director, Banco Invea, S.A. de C.V.

**Pedro Velasco<sup>2,4</sup>**  
Partner, Santamarina y Steta, S.C.  
Chairman of the Audit and  
Societary Practices Committee

**Juan Miguel Gandouf<sup>2,4</sup>**  
Director, Sagnes Constructores, S.A. de C.V.

**Armando Garza Sada<sup>2</sup>**  
Chairman, Alfa, S.A.B. de C.V.

**Ricardo Guajardo<sup>2</sup>**  
Consultant

**Graciano Guichard<sup>1</sup>**  
Director, M. Lambert y Cía. Sucs., S.A. de C.V.

**Guillermo Simán<sup>2</sup>**  
Vicepresident, Grupo Unicomer

**Esteban Malpica<sup>2</sup>**  
Directing Partner, Praemia, S.C.

**Maximino Michel G.<sup>1</sup>**  
Corporate Manager, Servicios Liverpool, S.A. de C.V.

**Luis Tamés<sup>2,4</sup>**  
Independent Businessman

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

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

1 Patrimony Board Member  
2 Independent Board Member  
3 Related Board Member  
4 Member of the Audit Committee

## Executive Committee

Miguel Guichard  
Chairman

Miguel Bordes  
Max David  
Jorge Salgado  
Graciano Guichard G.  
Norberto Aranzábal  
Secretary

## Patrimony Board

Enrique Brémond  
Co-Chairman

Max Michel  
Co-Chairman

Juan David  
Member of the Board

Juan Guichard  
Member of the Board

Madeleine Brémond  
Alternate Board Member

Monique David  
Alternate Board Member

Magdalena Guichard  
Alternate Board Member

Magdalena Michel  
Alternate Board Member

Alejandro Duclaud  
Secretary

*Honorary Chairmen*

Max Michel  
Enrique Brémond

*Honorary Board Members*

J. Claudio Montant  
Pedro Robert  
José Calderón

# Independent auditor's report



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

## Report on the consolidated financial statements

We have audited the consolidated financial statements of El Puerto de Liverpool, S.A.B. de C.V. and subsidiaries, which comprise the consolidated balance sheet at December 31, 2014 and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

The Management of the company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor's judgment including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the company preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes valuating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of El Puerto de Liverpool, S.A.B. de C.V. and subsidiaries at December 31, 2014, and their consolidated results of operation and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

**José Luis Guzmán**  
Audit Partner

*Mexico City, February 16, 2015*

# *Report of the audit and societary practices committee*

*Mexico, D.F., February 13, 2015*

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

We, the undersigned, appointed to form part of the Audit and Societary Practices Committee, do hereby submit the report on activities performed, in compliance with article 43 of the Securities Market Act.

We held four Committee meetings, during which we addressed the following points, among others:

- I.** The Company's General Stockholders' Meeting held on March 6, 2014, appointed Mr. Pedro Velasco as President of the Audit and Societary Practices Committee for 2014.
- II.** With regards to the audit:
  - a) We evaluated the external audit plan and the professional services proposal accepted by management, and recommended to the Board of Directors that they designate the firm, PricewaterhouseCoopers, through its audit partner, Mr. José Luis Guzman Ortiz, as the independent auditor to audit the financial statements of the Company and its Subsidiaries, corresponding to the year ended December 31, 2014
  - b) We considered that the Company has the internal and external mechanisms that guarantee compliance with the laws and regulations applicable to it.
  - c) We were informed with regards to the Company's accounting principles, as well as their impact on the financial statement figures at December 31, 2014 and 2013, assuring that they the financial information is reported correctly.
  - d) We followed up on the organization and functioning of the Company's Internal Audit Department; we heard its annual report of activities for 2014, the relevant findings and its audit plan for 2015.
  - e) We determined that the Company has the operating systems, policies and procedures to consider that it has an appropriate internal control and accounting records environment.
  - f) We were informed as to the Company's level of compliance with the Best Corporate Practices Code recommended by the Mexican Stock Exchange, per the information reported at December 31, 2013, filed on June 30, 2014.
  - g) We were informed as to lawsuits and litigations in process, and the results of those already concluded.
  - h) We reviewed the consolidated financial statements at December 31, 2014, 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, 2014.

- j) We were informed as to the observations and recommendations of the independent auditors, related to the audit of the consolidated financial statements at December 31, 2013.
- k) We were informed as to the statistics of transactions reported to the authorities in compliance with the rules on the prevention of money laundering.

**III.** With regards to societary practices:

- a) We consider that senior management's performance has been adequate and efficient, considering the circumstances under which such management has carried out its duties.
- b) We were informed as to the transactions with related parties, determining that the terms and conditions in which such transactions were carried out are in conformity with market conditions.
- c) We were informed in general terms, as to the criteria of assignment of the total remunerations paid to the Company's directors. We consider such remunerations to be reasonable and to adjust to market conditions.

As a result of the activities carried out by this Committee, and of the opinion expressed by 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, 2014 to the Stockholders' Meeting for its approval, in the terms in which such statements have been prepared and submitted by the Company's management.

Sincerely,

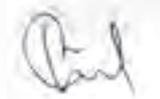
The Audit and Societary Practices Committee



**Juan Miguel Gandoulf**



**Pedro Velasco**



**Luis Tamés**

# Consolidated balance sheets

December 31, 2014 and 2013  
(Thousands of pesos)

	Note	2014	December 31, 2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	7	\$ 5,891,468	\$ 1,618,060
Loan portfolio - net	8	21,049,700	21,436,709
Value added tax recoverable - net		1,087,202	1,043,057
Income tax recoverable	23	-	814,611
Other accounts receivable - net	9	730,511	597,059
Inventories	11	11,754,464	11,421,969
Derivative financial instruments	10	-	7,759
Prepaid expenses	2.28	960,909	617,387
<b>Total current assets</b>		<b>41,474,254</b>	<b>37,556,611</b>
<b>Non - current assets:</b>			
Long - term loan portfolio - net	8	7,645,307	6,744,558
Other accounts receivable - net	9	198,409	141,132
Derivative financial instruments	10	800,127	312,114
Investments in associates	12	5,027,798	4,616,854
Intangible assets - net	15	2,068,661	1,793,911
Investment properties - net	13	15,641,205	14,233,786
Property, furniture and equipment - net	14	30,390,283	29,054,263
Employee benefits-net	19	192,213	483,675
<b>Total</b>		<b>\$ 103,438,257</b>	<b>\$ 94,936,904</b>
<b>Liabilities and stockholders' equity</b>			
<b>Current liabilities:</b>			
Suppliers		\$ 12,949,987	\$ 11,454,374
Provisions	16	1,905,755	1,282,636
Deferred income	2.23	1,624,620	1,541,032
Creditors		5,161,021	5,189,318
Bank borrowings	17	-	2,011,128
Senior notes	18	-	4,000,000
Income tax	23	1,879,462	-
Derivative financial instruments	10	-	147,983
<b>Total current liabilities</b>		<b>23,520,845</b>	<b>25,626,471</b>
Long - term bank borrowings	17	921,456	921,456
Long - term Senior notes	18	12,422,420	8,000,000
Derivative financial instruments	10	118,350	120,599
Employee benefits-net	19	441,616	355,459
Deferred income tax	23.2	3,347,149	5,085,587
<b>Total liabilities</b>		<b>40,771,836</b>	<b>40,109,572</b>
<b>Stockholders' equity:</b>			
Capital stock	24	3,374,282	3,374,282
Retained earnings:			
Prior years'		50,258,797	42,645,852
For the period		7,763,480	7,701,930
Capital reserves	24	1,266,684	1,102,919
<b>Stockholders' equity attributable to parent company</b>		<b>62,663,243</b>	<b>54,824,983</b>
Non-controlling interests		3,178	2,349
<b>Total stockholders' equity</b>		<b>62,666,421</b>	<b>54,827,332</b>
<b>Total</b>		<b>\$ 103,438,257</b>	<b>\$ 94,936,904</b>

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

# Consolidated statements of comprehensive income, expenses by function

For the years ended December 31, 2014 and 2013  
(Thousands of pesos, unless earnings per share)

	Note	2014	December 31, 2013
<b>Operating revenue:</b>			
Net sales of merchandise	2.22	\$ 69,623,101	\$ 63,528,386
Interest income from customers	2.22	6,169,964	5,809,777
Leasing of investment property	2.22	2,734,524	2,579,680
Services	2.22	2,499,642	2,187,601
<b>Total revenue</b>		<b>81,027,231</b>	<b>74,105,444</b>
<b>Costs and Expenses:</b>			
Cost of sales	21	48,193,962	44,134,370
Administrative expenses	21	21,906,321	19,430,810
<b>Total costs and expenses</b>		<b>70,100,283</b>	<b>63,565,180</b>
Other income - net	22	186,358	295,818
<b>Operating income</b>		<b>11,113,306</b>	<b>10,836,082</b>
Finance costs	18	(1,164,789)	(1,088,892)
Finance income	7	201,761	181,983
Foreign exchange (loss) gain - net		(84,589)	(38,236)
Share of profits of associates	12	495,850	510,011
<b>Profit before income tax</b>		<b>10,561,539</b>	<b>10,400,948</b>
Income taxes	23	2,797,179	2,698,115
<b>Consolidated net income</b>		<b>7,764,360</b>	<b>7,702,833</b>
<b>Other items comprising comprehensive income:</b>			
Cash flow hedges	10	163,765	66,404
Other movements in equity		20,411	52,157
Actuarial loss on post-employment benefits obligations		(109,447)	66,666
<b>Consolidated comprehensive income</b>		<b>\$ 7,839,089</b>	<b>\$ 7,888,060</b>
<b>Net income attributable to:</b>			
Owners of the parent		\$ 7,763,480	\$ 7,701,930
Non-controlling interests		880	903
		<b>\$ 7,764,360</b>	<b>\$ 7,702,833</b>
<b>Basic and diluted earnings per share</b>	24	<b>\$ 5.78</b>	<b>\$ 5.73</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent		\$ 7,838,260	\$ 7,887,738
Non-controlling interests		829	322
		<b>\$ 7,839,089</b>	<b>\$ 7,888,060</b>
<b>Basic and diluted earnings per share</b>		<b>\$ 5.84</b>	<b>\$ 5.87</b>

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

# Consolidated statements of changes in stockholders' equity

At December 31, 2014 and 2013  
(Thousands of pesos)

	Capital stock	Retained earnings	Capital reserves	Total stockholders' equity attributable to the owners of the controlling co.	Non controlling equity	Total stockholders' equity
Balance at December 31, 2012	\$ 3,374,282	\$ 45,116,886	\$ 1,036,515	\$ 49,527,683	\$ 2,027	\$ 49,529,710
Comprehensive income						
Net income		7,701,930		7,701,930	903	7,702,833
Actuarial gains loss on post-employment benefits obligations		67,247		67,247	(581)	66,666
Other movements in equity		52,157		52,157		52,157
Cash Flow hedges	-	-	66,404	66,404	-	66,404
Total comprehensive income	-	7,821,334	66,404	7,887,738	322	7,888,060
Transactions with owners:						
Dividends paid at \$1.93 pesos per share	-	(2,590,438)	-	(2,590,438)	-	(2,590,438)
Total transactions with stockholders	-	(2,590,438)	-	(2,590,438)	-	(2,590,438)
Balance at December 31, 2013	3,374,282	50,347,782	1,102,919	54,824,983	2,349	54,827,332
Comprehensive income						
Net income	-	7,763,480	-	7,763,480	880	7,764,360
Actuarial loss on post-employment benefits	-	(109,396)	-	(109,396)	(51)	(109,447)
Other movements in equity	-	20,411	-	20,411	-	20,411
Cash Flow hedges	-	-	163,765	163,765	-	163,765
Total comprehensive income	-	7,674,495	163,765	7,838,260	829	7,839,089
Balance at December 31, 2014	\$ 3,374,282	\$ 58,022,277	\$ 1,266,684	\$ 62,663,243	\$ 3,178	\$ 62,666,421

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

# Consolidated cash flow statements

December 31, 2014 and 2013  
(Thousands of pesos)

	2014	December 31, 2013
<b>Operations</b>		
Profit before income tax	\$ 10,561,539	\$ 10,400,948
Adjustment from items not implying cash flows:		
Depreciation and amortization included in costs and expenses	1,910,298	1,700,245
Provision for impairment of loan portfolio	2,161,867	1,640,312
Share of profit of associates	(495,850)	(510,011)
(Gain) Loss on sale of investment properties	(4,889)	45,384
(Gain) on sale of property, furniture and equipment	(54,147)	(69,371)
Net cost for the period of labor obligations	74,189	112,166
Interest earned	(4,168,647)	(3,576,015)
Accrued interest expense	1,164,789	1,088,892
	587,610	431,602
(Increase) decrease in:		
Interest earned from customers	3,940,078	3,388,167
Short - term loan portfolio	(1,748,051)	(5,509,536)
Inventories	(332,495)	(863,722)
Value added tax recoverable	(44,145)	(48,473)
Other accounts receivable	(133,452)	323,295
Income tax recoverable	814,611	(611,169)
Prepaid expenses	(382,561)	(136,483)
Long - term loan portfolio	(900,749)	(354,980)
Other long-term accounts receivable	(57,277)	30,985
Deferred income	83,588	60,718
Suppliers	1,495,613	1,166,305
Creditors	(389,752)	1,011,299
Provisions	623,120	(218,907)
Employee benefits paid	194,035	(571,780)
Tax recovery	178,518	199,555
Taxes paid	(2,834,674)	(2,191,361)
Net cash flows provided by operating activities	11,655,556	6,506,463
<b>Investment activities</b>		
Gain on investments	201,762	181,983
Acquisition of property, furniture and equipment	(2,679,676)	(3,802,540)
Sale of property, furniture and equipment	43,729	50,161
Sale of investment properties	96,195	182,274
Acquisition of investment property	(1,650,234)	(2,146,941)
Investment in new IT developments	(640,427)	(595,262)
Net cash flows provided by investment activities	(4,628,651)	(6,130,325)
Cash surplus to be used in financing activities	7,026,905	376,138
<b>Financing activities</b>		
Bank Borrowings repaid	-	2,011,128
Bank Borrowings paid	(2,011,128)	-
Senior notes paid	(4,000,000)	-
Issurance of senior notes	4,422,420	-
Dividends paid	-	(2,590,438)
Interest paid	(1,164,789)	(1,088,892)
Net cash flows provided by financing activities	(2,753,497)	(1,668,202)
Increase (decrease) in cash and cash equivalents	4,273,408	(1,292,064)
Cash and cash equivalents at beginning of year	1,663,000	2,952,408
Exchange loss on cash and cash equivalents	(44,940)	(42,284)
Cash and cash equivalents at end of year	\$ 5,891,468	\$ 1,618,060

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

# Notes to the consolidated financial statements

December 31, 2014 and 2013

(Thousands of pesos, unless otherwise specified)

## Note 1 - General information:

El Puerto de Liverpool, S.A. B. de C.V. and subsidiaries (“the Company”) operate a chain of department stores, founded in 1847, engaged in selling a broad variety of products such as clothes and accessories for men, women and children, household articles, furniture, cosmetics and other consumer products. The Company is registered 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, 2014, the Company operated a total 101 department stores, 77 under the name of Liverpool, 24 under the name Fábricas de Francia, 5 Duty Free stores and 61 specialized boutiques. In 2014, five new stores started operations, 3 with Liverpool format; Puebla, Puebla; Toluca, Estado de Mexico, Querétaro, Querétaro, and 2 factories with the format of France, in the Estado de México.; and 35 specialty boutiques. Meanwhile in 2013, started four new stores: Mazatlan, Sinaloa; Ciudad del Carmen, Campeche; Tuxpan, Veracruz; Mexicali, Baja California; and 23 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. During 2011, the Company began offering a third card, the “Galerías Fashion Card”, which closely resembles the LPC.

Additionally, the Company is a partner, stockholder or co-owner of shopping malls and holds an interest in 22 different malls, known as “Galerías”, through which it leases commercial space to tenants engaged in a broad number of businesses. In 2014, two new shopping malls started operations, in Puebla, Puebla, and Toluca, State of Mexico. In 2013, three new shopping malls started operations: San Juan del Río, Querétaro; Campeche, Campeche and Mazatlan, Sinaloa.

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

Mario Pani 200  
Col. Santa Fe, Cuajimalpa  
México, D.F.  
C.P.05348

## 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 Company early adopted IAS 19 (revised) - “Employee Benefits”. The application of this standard is required for accounting periods beginning on January 1, 2013, however early adoption is permitted.

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 8 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

The following are new standards, changes and interpretations issued but not in effect as of January 1, 2014.

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

- IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting: These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IAS 36, 'Impairment of assets' on recoverable amount disclosures: This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives: This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRIC 21, 'Levies' This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

The company is in the process of assessing the impact of the following standards issued but not outstanding at January 1, 2014:

- IFRS 2, 'Share based payments', and clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
- IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
- IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IFRS 15, 'Revenue from contracts with customers'. This is the converged standard on revenue recognition. It replaces Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

- IFRS 9 - "Financial instruments" addresses classification, recognition and measurement of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010. This standard partially replaces IAS 39 "Financial Instruments: Recognition and Valuation" on matters related to classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified in either of the following two categories: assets measured at fair value or those measured at their amortized cost. The determination must be on the amount of the initial recognition of those assets. The classification depends on the business model used by the entity in handling its financial instruments and the contractual characteristics of the cash flows of the individual instruments. For financial liabilities, the standard has retained most of the requirements of IAS 39. The major change is in the fair value option used, the valuation effect related to the Company's credit risk must be recognized as part of comprehensive income or loss, unless it gives rise to an accounting mismatch. The Company expects to adopt this standard on January 1, 2018.

## 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. In accordance with IFRS 10 "Consolidated Financial Statements" the Structured entities" (previously called Special purpose entities or "SPE") are consolidated when the substance of the relationship between de Company and the Structured entity indicates that the Company has Control.

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, 2014 and 2013:

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.
7 real estate companies	99.93%	Development of real-estate projects, mainly shopping malls.

Additionally, the Company consolidates a trust over which it has control on the basis of the indicators mentioned in IFRS 10 "Consolidated Financial Statements". This trust is described in Notes 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. Loans and receivables

Accounts receivable comprise loans granted by the Company to its customers to acquire goods and services at its department stores or establishments affiliated to the VISA system. If recovery 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.

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

Loans and accounts receivable are no longer recognized when the rights to receive cash flows from investments 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.

#### b. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are investments in highly liquid government bonds with a maturity of less than 28 days. These assets are stated at fair value and value fluctuations are recorded in the results of the period.

## 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, 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. 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. See Note 11.

## 2.10. Investment properties

Investment properties are real property (land and buildings) held to obtain economic benefits through collection of rent or 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.

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 2.13.

Expansion, remodeling and improvement costs represent an increase in capacity and so they are recognized as an extension of the useful life of goods as they are 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.

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 "Other income (expenses)".

**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, 2014 and 2013, 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 (licences and fees) and ten years. (new IT developments)

**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 estimated by the expenditure required to settle the present obligation at the end of the reporting period under review.

**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.

The income tax currently payable is comprised of the great of the two: the Company's income tax or a flat tax, applied to income for the year in which the taxes were incurred. These taxes are based on taxable profits and cash flows for each year, respectively.

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.

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

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.

## **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 rerevaluations 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 \$322,703 at December 31, 2014 (\$121,334 at December 31, 2013), 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**

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

Revenue from the sale of merchandise is recognized when the customer takes possession of the goods at the stores or when the merchandise is delivered at the customer's domicile. Approximately half of merchandise sales are paid for by the customers with the Company branded credit cards and the other half are settled in cash or through other bank debit or 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. At December 31, 2014 and 2013 the value of e-wallets issued and not yet redeemed totals \$1,624,620, and \$1,541,032, respectively, and is included in the deferred revenue account in the statement of financial position.

**• Gift certificates**

The Company offers its customers gift certificates with no specific expiration date. Upon their sale, gift certificates are recognized in the deferred revenue account in the statement of financial position. This account is cancelled when the customer redeems the gift certificate; 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 and other operating income.

**c. Interest income**

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

Late payment interest is recorded as income as it is earned and 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. Services**

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.

**e. Lease revenue**

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

**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 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 24.

## **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
- 3.3.3. Capital risk

## **3.1 Real estate risk**

The Company has a diversified real estate property base distributed throughout 30 states in Mexico and 52 cities of different sizes. The Company owns department stores and either owns or co-owns 24 shopping malls. The Board of Directors is responsible for authorizing the purchase of land and buildings proposed by the Company's real estate area. For every real estate investment, sales are estimated per square meter and the return on the investment to be generated. Real estate activities constitute a source of income by leasing approximately 2,249 commercial spaces located in 24 company-owned shopping malls.

Although the value of real property in Mexico is relatively stable, economic development and structural changes in the country are risk factors that could affect the supply and demand of real property, and affect rent levels and the risk of vacant commercial space. Commonly, real property in Mexico is quoted in US dollars, and thus an excessive rise in the exchange rate of the peso to the dollar or in the prices of property available to the Company or in construction materials could limit the Company's plans to expand. The Company has no risk concentration in accounts receivable from lessees, as it has a diversified base and periodically evaluates their payment capacity, especially prior to renewing their lease agreements. The historical occupancy rate of the Company's commercial space is above 95% and 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 17, 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 18% of total purchases. At December 31, 2014 and 2013, at the consolidated level, the Company's exposure to exchange rate risks amounted to US\$347,879, €12,231 and US\$180,502, €6,452, respectively. In the event of a 10% increase in the exchange rate of the peso to the US dollar, the Company's loss would approximate \$512,823 and \$236,174 (\$21,915, and \$11,620, respectively for the Euro position), in each of those years. The 10% 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,	
	2014	2013
Monetary assets	US\$ 6,842	US\$ 5,107
Monetary liabilities	(354,721)	(185,609)
Net (short) long position	US\$ (347,879)	US\$ (180,502)
Equivalent in pesos	\$ (5,128,223)	\$ (2,361,742)

Thousands of Euros:	December 31,	
	2014	2013
Monetary assets	€ 583	€ 3,883
Monetary liabilities	(12,814)	(10,335)
Net short position	€ (12,231)	€ (6,452)
Equivalent in pesos	\$ (219,158)	\$ (116,200)

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 16, 2015	December 31 2014
US dollar	\$ 14.8605	\$ 14.7414
Euro	\$ 17.0089	\$ 17.9182

#### 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.

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, 2014 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, 2014 and 2013 would have decreased / increased by \$ 118,678 and \$98,975, net of deferred taxes, mainly as a result of the changes in fair value of hedge derivative financial instruments contracted to hedge against exposure to changes in interest rates.

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

**3.2.3. Inflation risk**

At December 31, 2014, 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 \$ 49,316 and \$32,145, 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, who finance a significant part of inventory stock, the debt service and fund operating costs and expenses. The Treasury prepares a daily cash flow report to maintain the required level of cash available and plan the investment of any surpluses. The months with highest operations for the Company and consequently with the highest accumulation of cash are May, July and the last quarter of the year. Most of the Company's investments are made in pesos and small portion in US dollars.

The Company finances its operations through a combination of: 1) reinvestment of a significant portion of profits and 2) contracting financing and leasing denominated in pesos. The Company has immediately available credit lines of approximately \$10,600,000 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.

December 31, 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Issuance of senior notes	\$ 218,106	\$ 666,436	\$ 6,754,101	\$ 10,524,568
Bank borrowings	21,447	65,532	1,138,546	-
Derivative financial instruments	-	-	118,350	-
Standby letters	160,504	725,941	-	-
Vendors and creditors	-	20,016,763	-	-
	\$ 400,057	\$ 21,474,672	\$ 8,010,997	\$ 10,524,568
December 31, 2013	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Issuance of senior notes	\$ 222,148	\$ 4,678,786	\$ 5,755,472	\$ 5,324,465
Bank borrowings	2,034,782	65,532	1,225,525	-
Derivative financial instruments	-	147,983	120,599	-
Standby letters	39,392	452,040	-	-
Vendors and creditors	-	17,926,328	-	-
	\$ 2,296,322	\$ 23,270,669	\$ 7,101,596	\$ 5,324,465

### 3.3.2. Credit risk

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

#### *Loan portfolio*

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

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

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

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

Through automated systems, monthly account cutoffs are conducted and any accounts failing to show the requirement payment are detected. Accounts not receiving payment are immediately blocked to prevent the balance from continuing to grow and the automated computation of 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.

#### *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.

### 3.3.3. Capital risk

The Company's objective is continue operating as a going concern and to maintain a financial structure that will optimize the cost of capital and maximize stockholders' yields. The Company's capital structure is comprised of debt - which includes senior notes and bank borrowings - cash and cash equivalents, and stockholders' equity, which includes subscribed capital, retained earnings and reserves. Historically, the Company has invested substantial resources in capital goods to expand its operations, through reinvesting earnings. The Company has no established policy for issuing dividends; however, the dividend payment approved annual has represented 13% of the majority net income for the immediately prior year.

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

- Debt including issuance costs must not exceed 15% of total assets.
- All debts must be subject to a fixed interest rate.

All these rules were complied at December 31, 2014 and 2013.

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

### 3.4. Fair value estimate

The financial instruments 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, 2014	Book value	Level 1	Level 2	Level 3
Assets arising from hedge derivative financial instruments	\$ 800,127	\$ -	\$ 800,127	\$ -
Cash and cash equivalents	5,321,803	5,321,803	-	-
Liabilities arising from hedge derivative financial instruments	(118,350)	-	(118,350)	-
<b>Total</b>	<b>\$ 6,003,580</b>	<b>\$ 5,321,803</b>	<b>\$ (681,777)</b>	<b>\$ -</b>
December 31, 2013	Book value	Level 1	Level 2	Level 3
Assets arising from hedge derivative financial instruments	\$ 319,873	\$ -	\$ 319,873	\$ -
Cash and cash equivalents	1,014,760	1,014,760	-	-
Liabilities arising from hedge derivative financial instruments	(268,582)	-	(268,582)	-
<b>Total</b>	<b>\$ 1,066,051</b>	<b>\$ 1,014,760</b>	<b>\$ 51,291</b>	<b>\$ -</b>

During the years ended December 31, 2014 and 2013, there were no transfers between levels 1 and 2.

## Note 4 - Critical accounting judgments and key sources of uncertainty in estimates:

In applying the Company's accounting policies, which are described in Note 2, Management 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 entity's accounting policies and that have a 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. The above implies that Company Management applies its judgment to identify the interest rate applicable to calculate the present value of sales at months with no interest. To determine its discounted cash flows, the Company uses an imputed interest rate, taking into account the rate that can best be determined between: i) the rate prevailing in the market for a similar instrument available to Company customers with a similar credit rating, or ii) the interest rate that equals the nominal value of the sale, duly discounted, at the cash price of the merchandise sold.

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

#### 4.1.2. Consolidation 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.

That trust is 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. Determination of tax on profits**

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

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

As described in Note 2.14, 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.

**4.2.4. Fair value of derivative financial instruments**

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

**Note 5 - Category of financial instruments:**

December 31, 2014	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
<b>Financial assets:</b>				
Cash one hand and banks	\$ 569,665			\$ 569,665
Investments		\$ 5,321,803		5,321,803
Short and long-term loan portfolio	28,695,007			28,695,007
Other short and long-term accounts receivable	928,920			928,920
Derivative financial instruments			\$ 800,127	800,127
		Derivatives used for hedging	Other financial liabilities at amortized cost	Total
<b>Financial liabilities:</b>				
Issuance of long-term senior notes			\$ 12,422,420	\$ 12,422,420
Long-term bank borrowings			921,456	921,456
Suppliers and creditors			18,111,008	18,111,008
Derivative financial instruments		\$ 118,350		118,350
December 31, 2013	Loans and accounts receivable	Financial assets through profit and loss	Derivatives used for hedging	Total
<b>Financial assets:</b>				
Cash one hand and banks	\$ 603,300			\$ 603,300
Investments		\$ 1,014,760		1,014,760
Short and long-term loan portfolio	28,181,267			28,181,267
Other short and long-term accounts receivable	738,191			738,191
Derivative financial instruments to short and long term			\$ 319,873	319,873
		Derivatives used for hedging	Other financial liabilities at amortized cost	Total
<b>Financial liabilities:</b>				
Issuance of long-term senior notes			\$ 12,000,000	\$ 12,000,000
Short and long-term bank borrowings			2,932,584	2,932,584
Suppliers and creditors			16,643,692	16,643,692
Derivative financial instruments to short and long term		\$ 268,582		268,582

## 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.

	2014	December 31, 2013
Accounts receivable		
Counterparties without external risk ratings:		
Group 1 - Customers with Liverpool credit card	\$ 22,955,638	\$ 22,779,492
Group 2 - Customers with Visa credit card	4,627,587	4,018,486
Total unimpaired accounts receivable	27,583,225	26,797,978
Cash in banks and short-term bank deposits <sup>1</sup>		
AAA	5,872,516	1,601,126
AA	-	-
A	-	-
	5,872,516	1,601,126
Financial assets - derivative financial instruments <sup>2</sup>		
AAA	800,127	319,873
AA	-	-
	800,127	319,873
	\$ 34,255,868	\$ 28,718,977

<sup>1</sup> The rest of cash equivalents in the balance sheet correspond to cash on hand.

<sup>2</sup> 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, 2014 and 2013.

- 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.

## Note 7 - Cash and cash equivalents:

	2014	December 31, 2013
Cash one hand and banks	\$ 569,665	\$ 603,300
Investments	5,321,803	1,014,760
Total	\$ 5,891,468	\$ 1,618,060

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

	2014	December 31, 2013
Current loans	\$ 27,583,225	\$ 26,797,978
Past due loans	3,327,830	3,150,296
	30,911,055	29,948,274
Provision for impairment of loan portfolio	(2,216,048)	(1,767,007)
	\$ 28,695,007	\$ 28,181,267
Total short-term	\$ 21,049,700	\$ 21,436,709
Total long-term	\$ 7,645,307	\$ 6,744,558

**8.1. Movements in provision for impairment of loan portfolio:**

	December 31,	
	2014	2013
Balance at beginning of year	\$ 1,767,007	\$ 1,308,691
Impairment provisions	2,166,257	1,640,312
Write-offs	(1,717,216)	(1,181,996)
Balance at end of year	\$ 2,216,048	\$ 1,767,007

**8.2. Aging of past due balances**

Accounts receivable at the closing of each year include past due amounts of \$3,327,830 and \$3,150,296 at December 31, 2014 and 2013. Amounts more than 30 days past due are entirely covered by the impairment provision.

**Note 9 - Other accounts receivable-Net:**

	December 31,	
	2014	2013
<b>Short-term accounts receivable:</b>		
Insurance companies	\$ 29,377	\$ 7,414
Short - term loans to employees	126,544	61,651
Other debtors <sup>1</sup>	574,590	527,994
	<u>730,511</u>	<u>597,059</u>
<b>Long-term accounts receivable:</b>		
Long - term loans to employees	198,409	141,132
Total	\$ 928,920	\$ 738,191

<sup>1</sup> Includes accounts receivable to tenants, companies that issue coupons and other recoverable taxes.

**Note 10 - Derivative financial instruments:**

The Company uses hedge derivative financial instruments to reduce the risk of adverse movements in the interest rates of its 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:

Notional amount <sup>1</sup>	Dates		Interest date		Fair value at December 31,	
	Contracting	Maturity	Contracted by IFD	Agreed in the debt	2014	2013
					Assets	
\$ 1,000,000	September 2008	August 2018	TIEE + 0.18%	9.36%	\$ 170,722	\$ 184,129
US\$ 300,000	October 2014	October 2024	6.81%	3.95%	496,459	-
750,000	June 2010	May 2020	8.48%	4.22%	132,946	127,985
1,000,000	September 2013	January 2014	Libor + 0.04%	TIEE - 0.10%	-	2,668
1,000,000	September 2013	March 2014	Libor + 0.46%	TIEE - 0.15%	-	5,091
	Total				<u>\$ 800,127</u>	<u>\$ 319,873</u>
	IFD less long-term				<u>\$ 800,127</u>	<u>\$ 312,114</u>
	Portion current short-term				<u>\$ -</u>	<u>\$ 7,759</u>
					Liabilities	
\$ 2,000,000	March 2008	December 2014	7.47%	TIEE + 0.04%	\$ -	\$ (69,816)
2,000,000	March 2008	December 2014	7.89%	TIEE + 0.04%	-	(78,167)
1,000,000	April 2009	August 2018	TIEE + 0.18%	7.95%	(118,350)	(120,599)
	Total				<u>\$ (118,350)</u>	<u>\$ 268,582</u>
	IFD less long term				<u>\$ 118,350</u>	<u>\$ 120,599</u>
	Portion current short-term				<u>\$ -</u>	<u>\$ 147,983</u>

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

## Note 11 - Inventories:

	2014	December 31, 2013
Merchandise for sale	\$ 11,754,464	\$ 11,421,969

## Note 12 - Investments in associates:

Concept	Activity	Place of incorporation and operations	Proportion of shareholding and voting power December 31,		Amount December 31,	
			2014	2013	2014	2013
Investment in associated companies (i) and (ii)	Sales	Mexico and Central America	50%	50%	\$ 4,347,663	\$ 3,944,927
Other investments (iii)	Malls	Mexico	Several	Several	680,135	671,927
In associated					<u>\$ 5,027,798</u>	<u>\$ 4,616,854</u>

### (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. (the leading department store chain in Spain). This entity operates a chain of ten stores in Mexico, specialized in family clothing and accessories under the commercial name Sfera.

### (iii) Other investments

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

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

	2014	December 31, 2013
Total assets	\$ 2,539,045	\$ 21,429,320
Total liabilities	17,765,815	15,085,146
Net assets	<u>\$ 7,628,230</u>	<u>\$ 6,344,174</u>
Equity in net assets of associates	<u>\$ 3,814,157</u>	<u>\$ 3,172,074</u>
Total income	<u>\$ 19,118,228</u>	<u>\$ 19,013,027</u>
Net income for the year	<u>\$ 984,060</u>	<u>\$ 1,044,540</u>
Company's equity in profits of associates	<u>\$ 495,850</u>	<u>\$ 510,011</u>

The reconciliation of associated companies is as follow:

Balance at January 1, 2013	\$ 4,007,211
Equity method	609,643
Balance at December 31, 2013	4,616,854
Equity method	410,944
Balance at December 31, 2014	<u>\$ 5,027,798</u>

**Note 13 - Investment properties:**

	Amount
Balance at January 1, 2013	
Cost	\$ 14,033,139
Accumulated depreciation	(1,673,052)
	12,360,087
Acquisitions	2,094,424
Disposals	(60,386)
Depreciation	(160,339)
Balance at December 31, 2013	14,337,786
Acquisitions	1,648,045
Disposals	(39,859)
Depreciation	(200,767)
Balance at December 31, 2014	\$ 15,641,205

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, 2014, and 2013 amounts to \$ 40,303,648 and \$ 35,561,678, respectively, through discounted cash flows using an average discount rate of 2.50% for both years cataloged level 2.

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

	2014	December 31,	2013
Personnel compensation and benefits	\$ 56,812	\$	54,283
Advertising	111,150		82,133
Real estate taxes and water	57,998		57,273
Electrical power and utilities	6,973		16,362
Services contracted	8,180		5,936
Other expenses	5,079		17,012
Travel expenses	3,166		4,007
Rent of equipment	2,386		2,350
Repairs and maintenance	435,755		381,344
Total	\$ 687,499	\$	620,700

**Note 14 - Property, furniture and equipment - net:**

	Land	Buildings	Furniture and equipment	Leasehold improvements	Computer equipment	Transportation equipment	Works in progress	Total
<b>At December 31, 2012</b>								
Cost	\$ 3,416,548	\$ 19,148,628	\$ 7,944,231	\$ 2,330,433	\$ 2,877,287	\$ 201,292	\$ 1,655,239	\$ 37,573,658
Accumulated depreciation	-	(2,863,316)	(4,680,351)	(962,468)	(2,479,558)	(97,402)	-	(11,083,095)
Ending balance	3,416,548	16,285,312	3,263,880	1,367,965	397,729	103,890	1,655,239	26,490,563
<b>At December 31, 2013</b>								
Beginning balance	3,416,548	16,285,312	3,263,880	1,367,965	397,729	103,890	1,655,239	26,490,563
Acquisitions	258,596	1,986,954	971,398	344,472	304,340	38,470	5,053,278	8,957,508
Disposals	(42,734)	(154,487)	(13,560)	(43,282)	(1,447)	(412)	(4,881,537)	(5,137,459)
Depreciation	-	(322,661)	(586,677)	(139,991)	(178,490)	(28,530)	-	(1,256,349)
Ending balance	3,632,410	17,795,118	3,635,041	1,529,164	522,132	113,418	1,826,980	29,054,263
<b>At December 31, 2013</b>								
Cost	3,632,410	20,981,094	8,902,070	2,631,624	3,180,181	239,349	1,826,980	41,393,708
Accumulated depreciation	-	(3,185,976)	(5,267,029)	(1,102,460)	(2,658,049)	(125,931)	-	(12,339,445)
Ending balance	3,632,410	17,795,118	3,635,041	1,529,164	522,132	113,418	1,826,980	29,054,263
<b>At December 31, 2014</b>								
Beginning balance	3,632,410	17,795,118	3,635,041	1,529,164	522,132	113,418	1,826,980	29,054,263
Acquisitions	6,414	1,937,372	803,262	340,013	240,539	59,187	-	3,386,787
Disposals	(1,990)	(11,633)	(14,284)	(937)	(3,344)	(2,025)	(710,685)	(744,898)
Depreciation	-	(279,336)	(612,469)	(155,514)	(222,900)	(35,650)	-	(1,305,869)
Ending balance	3,636,834	19,441,521	3,811,550	1,712,726	536,427	134,930	1,116,295	30,390,283
<b>At December 31, 2014</b>								
Cost	3,636,834	22,906,833	9,691,047	2,970,700	3,417,377	296,512	1,116,295	44,035,598
Accumulated depreciation	-	(3,465,312)	(5,879,497)	(1,257,974)	(2,880,950)	(161,582)	-	(13,645,315)
At December 31, 2014	\$ 3,636,834	\$ 19,441,521	\$ 3,811,550	\$ 1,712,726	\$ 536,427	\$ 134,930	\$ 1,116,295	\$ 30,390,283

The balance of work in progress at the 2014 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
<b>At December 31, 2014</b>			
Investments	\$ 76,365	\$ 564,047	\$ 640,412
Disposals	-	-	-
Amortization	(113,138)	(252,525)	(365,663)
Ending balance	(36,773)	311,522	274,749
<b>At December 31, 2014</b>			
Cost	1,271,154	2,787,411	4,058,565
Accumulated amortization	(764,806)	(1,225,098)	(1,989,904)
Ending balance	\$ 506,348	\$ 1,562,313	\$ 2,068,661
<b>At December 31, 2013</b>			
Investments	\$ 103,365	\$ 491,877	\$ 595,242
Disposals	-	-	-
Amortization	(107,102)	(198,075)	(305,177)
Ending balance	(3,737)	293,802	290,065
<b>At December 31, 2013</b>			
Cost	1,194,790	2,223,363	3,418,153
Accumulated amortization	(651,669)	(972,573)	(1,624,242)
Ending balance	\$ 543,121	\$ 1,250,790	\$ 1,793,911

## Note 16 - Provisions:

	Bonds and compensation paid to employees	Advertising	Other provisions	Total
At January 1, 2013	\$ 961,887	\$ 85,542	\$ 454,114	\$ 1,501,543
Charged to income statement	2,248,225	957,825	926,341	4,132,391
Used during the year	(2,482,473)	(971,537)	(897,288)	(4,351,298)
At December 31, 2013	727,639	71,830	483,167	1,282,636
Charged to income statement	2,528,884	1,097,983	1,003,491	4,630,358
Used during the year	(2,054,884)	(950,537)	(1,001,818)	(4,007,239)
At December 31, 2014	\$ 1,201,639	\$ 219,276	\$ 484,840	\$ 1,905,755

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

## Note 17 - Bank Borrowings:

	2014	December 31, 2013
Borrowings received by the trust F/789, mentioned in Note 13, from Credit Suisse, payable in June 2018 and bearing a fixed interest rate of 9.31% <sup>(1)</sup>	\$ 921,456	\$ 921,456
Bank borrowings in US dollars payable in January 2014 subject and interest rate of TIEE - 0.10% <sup>(2)</sup>	-	1,005,564
Bank borrowings in US dollars payable in March 2014 subject an interest rate of TIEE - 0.15% <sup>(3)</sup>	-	1,005,564
Long-term liabilities	(921,456)	(921,456)
Less - Current portion	\$ -	\$ 2,011,128

<sup>(1)</sup> At December 31, 2014 and 2013 the fair value of the borrowing received by the Trust F/789 was \$931,920 and \$928,832, respectively.

<sup>(2)</sup> At December 31, 2013 the fair value of the borrowing payable in January 2014 was \$ 1,003,506.

<sup>(3)</sup> At December 31, 2013 the fair value of the borrowing payable in March 2014 was \$ 1,000,071.

## Note 18 - Issuance of senior notes:

Maturity	Interest payable	Interest rate	2014	December 31 2013
Dec 2014	Monthly	TIEE at 28 days plus 0.04 points	\$ -	\$ 4,000,000
Oct 2024	Semiannually	Fixed 3.95%	4,422,420	-
Aug 2018	Semiannually	Fixed at 9.36%	1,000,000	1,000,000
May 2020	Semiannually	Fixed at 4.22%	750,000 <sup>(*)</sup>	750,000 <sup>(*)</sup>
May 2020	Semiannually	Fixed at 8.53%	2,250,000	2,250,000
Mar 2017	Monthly	TIEE at 28 days plus 0.35 points	2,100,000	2,100,000
Mar 2022	Semiannually	Fixed at 7.64%	1,900,000	1,900,000
			\$ 12,422,420	\$ 12,000,000
Lower emissions of long-term senior notes			\$ (12,422,420)	\$ (8,000,000)
Current short-term portion			\$ -	\$ 4,000,000

<sup>(\*)</sup> Issuance of senior notes equivalent to 169,399,100 UDIs.

Maturities pertaining to the long term portion of this liability at December 31, 2014 are as follows:

Year	Amount
2017	\$ 2,100,000
2018	1,000,000
2020	3,000,000
2022	1,900,000
2024	4,422,420
	<b>\$ 12,422,420</b>

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, SA 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 covenants 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, 2014 and 2013, the Company was in compliance with the aforementioned conditions.

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

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

Maturity date	December 31,			
	2014		2013	
	Book Value	Fair value	Book Value	Fair value
Dec 2014	\$ -	\$ -	\$ 4,000,000	\$ 4,009,530
Oct 2024	4,422,420	4,347,104	-	-
Mar 2017	2,100,000	2,109,555	2,100,000	2,112,060
Aug 2018	1,000,000	1,124,820	1,000,000	1,153,600
May 2020	750,000	944,028	750,000	793,970
May 2020	2,250,000	2,498,265	2,250,000	2,443,229
Mar 2022	1,900,000	2,026,464	1,900,000	1,960,705
	<b>\$ 12,422,420</b>	<b>\$ 13,050,236</b>	<b>\$ 12,000,000</b>	<b>\$ 12,473,094</b>

## Note 19 - Employee benefits:

The value of employee benefit obligations at December 31, 2014 and 2013, amounted to \$249,403 and \$128,216, are as follows:

	December 31,	
	2014	2013
Pension plans	\$ 192,213	\$ 483,675
Seniority premium	(71,898)	(33,724)
Other employee benefits	(369,718)	(321,735)
	<b>\$ (249,203)</b>	<b>\$ 128,216</b>

The net cost for the period for the years ended on December 31, 2014 and 2013, is as follows:

	December 31,	
	2014	2013
Pension plans	\$ 94,087	\$ (1,518)
Seniority premium	38,174	10,687
Other employee benefits	51,323	35,750
	<b>\$ 183,584</b>	<b>\$ 44,919</b>

### Pension plans

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

	December 31,	
	2014	2013
Discount rate	7.50%	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,	
	2014	2013
Debt instruments	\$ 630,819	\$ 270,171
Equity instruments	446,644	855,541
	\$ 1,077,463	\$ 1,125,712

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 2014 and 2013, 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 \$4,470 and \$3,318 in 2014 and 2013 respectively. At December 31, 2014 and 2013, there were no outstanding balances for these items.

During 2014 and 2013, the Company contracted corporate travel services for its employees with Orion Tours, S.A. de C.V., 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 \$53,620 and \$ 66,371 in 2014 and 2013 respectively. At December 31, 2014 and 2013 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,	
	2014	2013
Short-term benefits	\$ 11,000	\$ 51,259
Post - retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
Total	\$ 11,000	\$ 51,259

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,	
	2014	2013
Cost of merchandise	\$ 46,805,812	\$ 42,914,982
Cost of distribution and logistics	1,388,150	1,219,388
Personnel compensation and benefits	9,005,541	8,250,091
Services contracted	2,796,258	2,390,845
Depreciation and amortization	1,910,298	1,700,245
Repairs and maintenance	1,335,852	1,322,163
Provision for impairment of loan portfolio	2,161,867	1,640,312
Leases	778,710	686,824
Electrical power and utilities	823,246	771,380
Other <sup>(1)</sup>	3,094,549	2,668,950
Total	\$ 70,100,283	\$ 63,565,180

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

Personnel compensation benefits are comprised as follows:

	December 31,	
	2014	2013
Salary and bonds	\$ 7,216,216	\$ 6,634,215
Commissions paid to sales staff	1,549,807	1,441,047
Other payments	239,518	174,829
	\$ 9,005,541	\$ 8,250,091

**Note 22 - Other income (expenses):**

	December 31,	
	2014	2013
Other income:		
Suppliers' recovery	\$ 16,058	\$ 8,765
VISA commissions earned	74,903	55,241
Ticketmaster commissions earned	11,466	11,369
Advertising recovery	1,477	21,973
Rent of logistic units	27,277	23,418
Other	231,414	193,550
<b>Total other income</b>	<b>\$ 362,595</b>	<b>\$ 314,316</b>
Other expenses:		
Expenses of merchandise stolen	\$ 10,985	\$ 18,498
Income tax excess	165,252	-
<b>Other income - net</b>	<b>\$ 186,358</b>	<b>\$ 295,818</b>

**Note 23 - Income Tax :**

23.1. The income tax is comprised as follows:

	December 31,	
	2014	2013
Income tax	\$ 4,540,175	\$ 1,809,376
Deferred income tax	(1,742,996)	888,739
	<b>\$ 2,797,179</b>	<b>\$ 2,698,115</b>

23.2. The deferred tax balance is composed as follows:

	December 31,	
	2014	2013
Deferred income tax asset:		
Tax loss carry-forwards	\$ 277,214	\$ 418,919
Provision for impairment of loan portfolio	822,117	700,570
Provisions	467,595	342,028
Inventories	105,911	110,744
Other items	131,381	161,337
	<b>1,804,218</b>	<b>1,733,598</b>

**Deferred income tax liability**

Installment sales - Net	-	1,430,477
Real estate and property, furniture and equipment	3,910,128	4,212,810
Investment in associates	356,246	268,875
Other items	946,141	972,729
	<b>5,212,515</b>	<b>6,884,891</b>
Deferred income tax	3,408,297	5,151,293
Asset tax recoverable	(61,148)	(65,706)
<b>Total liabilities</b>	<b>\$ 3,347,149</b>	<b>\$ 5,085,587</b>

Deferred tax assets and liabilities are analyzed as follows:

	December 31,	
	2014	2013
Deferred tax asset:		
Deferred tax asset recoverable over the following 12 months	\$ 1,783,885	\$ 1,699,909
Deferred tax asset recoverable after 12 months	-	-
	<b>1,783,885</b>	<b>1,699,909</b>

**Deferred tax liability:**

Deferred tax liability payable within the following 12 months	470,656	1,701,000
Deferred tax liability payable after 12 months	4,721,526	5,150,202
	<b>5,192,182</b>	<b>6,851,202</b>
Asset tax recoverable	(61,148)	(65,706)
<b>Deferred tax liability (net)</b>	<b>\$ 3,347,149</b>	<b>\$ 5,085,587</b>

At December 31, 2014, 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
2016	\$ 64
2018	13,742
2019	17,032
2020	11,022
2021	12,743
2022	19,733
2023	570,534
2024	460
	<b>\$ 645,330</b>

In determining deferred income tax at December 31, 2014 and 2013, the Company applied to temporary differences, the applicable rates according to their estimated date of reversal.

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

	2014	December 31, 2013
Pre – tax income	\$ 10,561,539	\$ 10,400,948
Statutory rate	30%	30%
Income tax at statutory rate	3,168,462	3,120,284
Plus (less) effects of taxes of the following items:		
Non deductible expenses	172,281	14,877
Non taxable income	(29,550)	(161,870)
Annual inflation adjustment	43,977	115,895
Share of profit of associates	(148,755)	(153,003)
Investment property, furniture and equipment - net	(217,740)	(183,190)
Other permanent items	(191,496)	(54,878)
Income tax in the income statement	\$ 2,797,179	\$ 2,698,115
Effective income tax rate	26%	26%

#### 23.4 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 recognize 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 24 - Stockholders' equity:

24.1. Capital stock at December 31, 2014, 2013, 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
<b>Total</b>	<b>\$ 3,374,282</b>

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, 2014, December 31, 2013.

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	278,691,361	20.7
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	101,119,450	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	57,137,573	4.3
Scotiabank Inverlat S.A., Institución de Banca Múltiple—Trust No. 11033735	36,839,656	2.7
Pictec and Cie	5,434,000	0.4
Citiacciones Flexible, S.A. de C.V. Sociedad de Inversión de Renta Variable	2,769,555	0.2
Banco Credit Suisse (México), S.A., Institución de Banca Múltiple	2,076,213	0.2
Others	332,631,611	24.8
<b>Total</b>	<b>1,342,196,100</b>	<b>100%</b>

During 2014, were not declared dividends to shareholders (\$979,803 in 2013). On November 15, 2013, the Board of Directors approved the payment of dividends to be paid out of the After Tax Earnings Account (CUFIN) in the amount of \$ 1,610,635 which was paid on December 5th of the same year, through the securities depository firm.

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.

### 24.2 Capital reserves

Capital reserves are comprised as follows:

	2014	December 31,	2013
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	122,433		(41,332)
	<b>\$ 1,266,684</b>	<b>\$</b>	<b>1,102,919</b>

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

At January 1, 2013	
Reserve	\$ (107,736)
Charged to income	66,404
At December 31, 2013	\$ (41,332)
Charged to income	\$ 163,765
At December 31, 2014	\$ 122,433

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.

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

	2014	December 31, 2013
Capital contributions account	\$ 30,277,701	\$ 27,291,660
After-tax earnings account (CUFIN)	65,907,847	57,077,812
Reinvested after tax earnings account (CUFINRE)	126,717	121,750
Total	\$ 96,312,265	\$ 84,491,222
Average weighted number of ordinary shares to determine the basic earnings per share at December 31, 2014 and 2013	\$ 1,342,196,100	\$ 1,342,196,100

#### 24.4. Tax provisions related to stockholders' equity:

Dividends are free of income tax if paid out from the After Tax Earnings Account (CUFIN). Any 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 2014. 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 25 - Contingencies and commitments:

### 25.1 Contingencies

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

### 25.2 Commitments

The Company has granted stand-by letters to certain vendors in the amount of \$886,445. 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.

### 25.3 Capital investments

The Company has entered into a number of agreements with third parties, for the acquisition of real property, in connection with which \$758,851 has yet to be settled under the terms established in the contracts.

## Note 26 - Operating leases:

### The Company as lessee

The Company has entered into a number of operating lease agreements for 17 stores, 5 Duty Free and 24 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:

	2014	December 31,	2013
Fixed rent	\$ 288,220	\$	243,928
Variable rent	291,674		286,638
	\$ 579,894	\$	530,566

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

Year ending December 31,	Amount
2015	\$ 351,721
2016	392,169
2017	437,268
2018 and thereafter	1,637,317
Total minimum payments agreed	\$ 2,818,475

### 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 than 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:

	2014	December 31,	2013
Fixed rent	\$ 1,815,363	\$	1,742,569

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
2015	1,912,034
2016	1,988,515
2017	2,058,113
Total minimum payments agreed	\$ 5,958,662

## Note 27 - Segment information:

Information per segment is reported on the basis of the information used by the Operations Committee in making strategic and operating decisions. An operating segment is defined as a component of an entity 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, as there are no intersegment sales.

### Commercial segment

Due to the fact that the Company specializes in retail sales of merchandise to the general public, it has no main customers that would 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.

### Other Segment

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

#### 27.1. Income and results per segment

The Company 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, 2014	Commercial	Real property	Other	Consolidated
Net revenue	\$ 78,292,707	\$ 2,734,524	-	\$ 81,027,231
Costs and expenses	(69,090,177)	(1,010,106)	-	(70,100,283)
Other Income	-	-	\$ 186,358	186,358
Operating income	9,202,530	1,724,418	186,358	11,113,306
Financing costs, gain on investments, exchange fluctuations and results of associated companies	-	-	-	(551,767)
Income tax	-	-	-	(2,797,179)
Consolidated net income	\$ 9,202,530	\$ 1,724,418	\$ 186,358	\$ 7,764,360

December 31, 2013	Commercial	Real property	Other	Consolidated
Net revenue	\$ 71,525,764	\$ 2,579,680	\$ -	\$ 74,105,444
Costs and expenses	(62,651,722)	(913,458)	-	(63,565,180)
Other Income	-	-	295,818	295,818
Operating income	8,874,042	1,666,222	295,818	10,836,082
Financing costs, gain on investments, exchange fluctuations and results of associated companies	-	-	-	(435,134)
Income tax	-	-	-	(2,698,115)
Consolidated net income	\$ 8,874,042	\$ 1,666,222	\$ 295,818	\$ 7,702,833

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.

#### **27.2. Geographic information**

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

### ***Note 28 - Authorization of issuance of consolidated financial statements:***

The consolidated financial statements were authorized for issuance on February 13, 2015 by the Board of Directors, and are subject to approval by the Stockholders Meeting.

# *Information for investors*

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