Grupo Sanborns, S.A.B. de C.V. and Subsidiaries

(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Financial Statements for the Years Ended December 31, 2013, 2012 and 2011, and Independent Auditors' Report Dated March 24, 2014

Contents

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505 Piso 28
Colonia Cuauhtémoc
06500 México, D.F.

Tel: + 52 (55) 5080 6000
Fax: + 52 (55) 5080 6001
www.deloitte.com.mx

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO SANBORNS, S.A.B. DE C.V.

We have audited the accompanying consolidated financial statements of Grupo Sanborns, S.A.B. de C.V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2013, 2012 and 2011, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

RESPONSIBILITY OF INDEPENDENT AUDITORS

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's 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 entity's internal control. An audit also includes evaluating 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 consolidated financial statements present fairly, in all material respects, the financial position of Grupo Sanborns, S.A.B. de C.V. and Subsidiaries as of December 31, 2013, 2012 and 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Luis Javier Fernández Barragán
March 24, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2013, 2012 and 2011. (In thousands of Mexican pesos)

	NOTE	2013	2012	2011
ASSETS				
Current assets:				
Cash and cash equivalents	6	**$ 7,714,993**	$ 2,327,855	$ 2,049,562
Accounts receivable, net	7	**9,677,368**	8,856,549	8,451,519
Inventories, net	8	**9,070,572**	8,840,163	8,155,504
Prepaid expenses		**61,060**	50,483	59,486
Total current assets		**26,523,993**	20,075,050	18,716,071
Non-current assets:				
Long-term accounts receivable		**57,500**	69,000	80,500
Property, machinery and equipment, net	12	**9,733,195**	8,808,288	8,811,067
Investment property	13	**1,687,705**	1,477,628	1,477,628
Investment in associates		**1,351**	1,318	1,319
Employee retirement benefits	17	**729,732**	736,531	832,066
Other assets – net		**29,548**	33,702	37,367
Total non-current assets		**12,239,031**	11,126,467	11,239,947
Total assets		**$ 38,763,024**	**$ 31,201,517**	**$ 29,956,018**
LIABILITIES				
Current liabilities:				
Notes payable to financial institutions and current portion of long-term debt	14	**$ -**	$ 2,774,069	$ 25,861
Debt securities	15	**-**	2,498,970	1,347,073
Trade accounts payable		**6,321,806**	5,964,007	5,462,470
Due to related parties	19	**207,315**	250,860	695,191
Other accounts payable and accrued liabilities		**2,465,586**	2,716,854	2,120,210
Provisions	16	**90,548**	86,451	74,708
Direct employee benefits		**390,713**	385,617	352,650
Income tax		**-**	134,696	21,348
Derivative financial instruments	11	**-**	10	21,237
Total de pasivos circulantes		**9,475,968**	14,811,534	10,120,748
Non-current liabilities:				
Deferred income taxes	23	**1,275,641**	1,161,193	1,442,850
Total liabilities		**10,751,609**	15,972,727	11,563,598
STOCKHOLDERS' EQUITY:				
Capital stock		**2,039,678**	1,634,370	1,634,370
Additional paid in capital		**10,896,604**	140,043	140,043
Retained earnings		**13,626,312**	12,183,563	15,116,768
Other comprehensive loss items		**(169,026)**	(180,544)	(46,821)
Controlling interest		**26,393,568**	13,777,432	16,844,360
Non-controlling interest		**1,617,847**	1,451,358	1,548,060
Total consolidated stockholders' equity	18	**28,011,415**	15,228,790	18,392,420
Total liabilities and stockholders' equity		**$ 38,763,024**	**$ 31,201,517**	**$ 29,956,018**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2013 and 2012 (In thousands of Mexican pesos, except for basic earnings per common share data)

	NOTE	2013	2012
Net sales	20	**$ 40,514,434**	$ 39,411,287
Cost of sales	21	**24,426,130**	23,818,767
Gross profit		**16,088,304**	15,592,520
Selling and distribution expenses	21	**8,920,272**	8,644,931
Administrative expenses	21	**1,932,187**	1,841,820
Depreciation and amortization		**677,362**	632,536
Other income, net	22	**(447,743)**	(92,289)
Interest expense		**121,746**	198,240
Interest income		**(369,538)**	(199,842)
Exchange gain		**(106,795)**	(124,633)
Exchange loss		**103,326**	114,413
Effects of valuation of derivative financial instruments		-	(45,134)
Income before income taxes		**5,257,487**	4,622,478
Income taxes	23	**1,709,964**	1,324,580
Consolidated net income for the year		**3,547,523**	3,297,898
Other comprehensive income, net of income tax-:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,688)**	2,468
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain (losses)		**13,206**	(136,191)
Consolidated comprehensive income of the year		**$ 3,559,041**	**$ 3,164,175**
Consolidated net income attributable to:			
Controlling interest		**$ 3,232,549**	$ 2,966,795
Non-controlling interest		**314,974**	331,103
		$ 3,547,523	**$ 3,297,898**
Basic earnings per common share attributable to controlling interest		**$ 1.47**	**$ 1.52**
Weighted average number of shares (‘000)		**2,202,405**	**1,949,692**
Consolidated comprehensive income attributable to:			
Controlling interest		**$ 3,244,067**	$ 2,833,072
Non-controlling interest		**314,974**	331,103
		$ 3,559,041	**$ 3,164,175**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2013 and 2012. (In thousands of Mexican pesos)

	CAPITAL STOCK	ADDITIONAL PAID – IN CAPITAL
Consolidated balances as of December 31,2011	$ 1,634,370	$ 140,043
Dividends paid to controlling interest and non-controlling interest	-	-
Consolidated comprehensive income of the year	-	-
Consolidated balances as of December 31, 2012	1,634,370	140,043
Issuance of common stock	405,308	-
Net stock issuance premium	-	10,756,561
Dividends paid to controlling interest and non-controlling interest	-	-
Consolidated comprehensive income of the year	-	-
Consolidated balances as of December 31, 2013	**$ 2,039,678**	**$ 10,896,604**

See accompanying notes to consolidated financial statements.

RETAINED EARNINGS	TRANSLATION EFFECTS OF FOREIGN OPERATIONS	ACTUARIAL (LOSSES) GAIN	TOTAL CONTROLLING INTEREST	NON-CONTROLLING N INTEREST	TOTAL STOCKHOLDERS' EQUITY
$ 15,116,768	$ (10,432)	$ (36,389)	$ 16,844,360	$ 1,548,060	$ 18,392,420
(5,900,000)	-	-	(5,900,000)	(427,805)	(6,327,805)
2,966,795	2,468	(136,191)	2,833,072	331,103	3,164,175
12,183,563	(7,964)	(172,580)	13,777,432	1,451,358	15,228,790
-	-	-	405,308	-	405,308
-	-	-	10,756,561	-	10,756,561
(1,789,800)	-	-	(1,789,800)	(148,485)	(1,938,285)
3,232,549	(1,688)	13,206	3,244,067	314,974	3,559,041
$ 13,626,312	**$ (9,652)**	**$ (159,374)**	**$ 26,393,568**	**$ 1,617,847**	**$ 28,011,415**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012. (In thousands of Mexican pesos)

	2013	2012
Cash flows from operating activities:		
Consolidated net income	**$ 3,547,523**	$ 3,297,898
Adjustments not requiring (providing) cash:		
Income tax recognized in earnings	**1,709,964**	1,324,580
Depreciation and amortization	**704,052**	660,181
Loss on sale of property, machinery and equipment	**24,412**	58,885
Gain arising on changes in fair value of investment properties	**(210,077)**	-
Interest income	**(369,538)**	(199,842)
Actuarial gain (losses)	**13,206**	(136,191)
Interest expense	**121,746**	198,240
	5,541,288	5,203,751
Items related to operating activities:		
(Increase) decrease in:		
Accounts receivable	**(820,819)**	(405,030)
Inventories	**(230,409)**	(684,659)
Prepaid expenses	**(10,577)**	9,003
Other assets	**4,121**	3,665
Long-term accounts receivable	**11,500**	11,500
Net assets projected for future benefits	**6,799**	95,535
Increase (decrease) in:		
Trade accounts payable	**357,799**	501,537
Due to related parties	**(43,545)**	(444,331)
Other accounts payable and accrued liabilities	**(251,268)**	596,645
Provisions	**4,097**	11,743
Direct employee benefits	**5,096**	32,967
Income taxes paid	**(1,730,212)**	(1,492,889)
Derivative financial instruments	**(10)**	(21,227)
Net cash flows generated by operating activities	**2,843,860**	3,418,210
Cash flows from investing activities:		
Purchase of property, machinery and equipment	**(1,675,212)**	(748,891)
Sales of property, machinery and equipment	**21,841**	32,604
Interest received	**369,538**	199,842
Net cash flows used in investing activities	**(1,283,833)**	(516,445)
Cash flows from financing activities:		
Issuance of common stock	**11,161,869**	-
Issuance (payment) of debt securities	**(2,498,970)**	1,151,897
Borrowings	**-**	2,748,208
Payment of borrowings and long-term debt	**(2,774,069)**	-
Interest paid	**(121,746)**	(198,240)
Dividends paid	**(1,938,285)**	(6,327,805)
Net cash flows provided by (used in) financing activities	**3,828,799**	(2,625,940)
Effects of exchange rate changes on cash and cash equivalents	**(1,688)**	2,468
Net increase in cash and cash equivalents	**5,387,138**	278,293
Cash and cash equivalents at beginning of the year	**2,327,855**	2,049,562
Cash and cash equivalents at end of the year	**$ 7,714,993**	**$ 2,327,855**

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013, 2012 and 2011
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1. Activities

Grupo Sanborns, S.A. de C.V. ("Grupo Sanborns") and Subsidiaries (the "Entity") is a subsidiary of Grupo Carso, S.A.B. de C.V. ("Grupo Carso"). The Entity is the owner of a group of companies manily domiciled in Lago Zurich Núm. 245 Hoor 7, Colonia Ampliación Granada in Mexico City, Postal Code 11529 and is primarily engaged in the operation of retail stores and restaurants, including a department storechains, fashion boutiques, Sanborns stores, the distribution and sale of latest generation Apple products, a network for the sale of recorded music and videos, a chain of luxury department stores, distribution of regional cosmetics and perfumes, a chain of traditional Mexican restaurants, a chain of industrial cafeterias and the management and leasing of two shopping malls.

The detail of each of the Entity's subsidiaries and their primary activities is set out in Note 4c.

2. Significant event for the year

On February 8, 2013, Grupo Sanborns made a public offering of its common shares for $11,348,631 in Mexico and other international markets. Of this amount, 40.5% was placed on foreign markets, with the remaining 59.5% placed in Mexico. Considering over-allotment, this placement involved 17.2% of Grupo Sanborns' common stock. The proceeds received by this offering will be primarily used to fund the expansion plan and renovate existing stores and restaurantes of Grupo Sanborns (Sears, Sanborns and iShop), and for other corporate purposes such as the repayment of financing and working capital. This transaction increased the net stock premium for the amount of $10,756,561.

3. Basis of presentation

A. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS'S) AFFECTING AMOUNTS REPORTED AND/OR DISCLOSURES IN THE FINANCIAL STATEMENTS

In the current year, the Entity has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Entity has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to the IFRS 7 have been applied retrospectively. As the Entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Entity has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 e IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces those parts of IAS 27, Consolidated and Separate Financial Statements which deal with consolidated financial statements and SIC (Interpretations of International Accounting Standards)-12, Consolidation - Special-Purpose Entities. IFRS 10 changes the definition of control in such a way that an investor has control over an entity when: a) it has power over the Entity, b) it is exposed to or has the rights to the variable returns from its involvement with the investee and c) it has the hability to use its power to affect its returns. All three of these criteria must be meet for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operational policies of an entity, in order to obtain benefits from its activities. Additional guidance was included in IFRS 10 to explain when an investor has control over an investee. Some guidance in IFRS 10 deals with whether an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Entity.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The Entity has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Entity has not made any new disclosures required by IFRS 13 for the 2012 comparative period Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

B. NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, Financial Instruments

Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date of IFRS 9 and Transition Disclosures

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities

Amendments to IAS 32, – Offsetting Financial Assets and Financial Liabilities

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net (loss) income.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Entity's management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.

- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

- Measure and evaluate performance of substantially all of its investments on a fair value basis.

The Entity's management does not anticipate that the investment entities amendments will have any effect on the Entity's consolidated financial statements as the Entity is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Entity's management estimates that the application of these amendments to IAS 32 will not have a significant impact on the Entity's consolidated financial statements as the Entity does not have any financial assets and financial liabilities that qualify for offset.

4. Significant accounting polices

A. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

B. BASIS OF MEASUREMENT

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and investment properties recognized at fair value at the end of each reporting period, as explained in the accounting policies described below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

C. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Grupo Sanborns and its subsidiaries controlled by it. Control is achieved when the Grupo Sanborns:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When Grupo Sanborns has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. Grupo Sanborns considers all relevant facts and circumstances in assessing whether or not the Grupo Sanborns voting rights in an investee are sufficient to give it power, including:

- The size of the Grupo Sanborns holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Grupo Sanborns, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Grupo Sanborns has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Grupo Sanborns, obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Grupo Sanborns accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

The ownership percentages over the capital stock of its subsidiaries as of December 31 are show below:

		OWNERSHIP %		
		DECEMBER 31	DECEMBER 31	DECEMBER 31
SUBSIDIARY	ACTIVITY	2013	2012	2011
Sanborn Hermanos, S.A. and Subsidiaries ("Sanborns")	Operation of department, gift, and record stores and restaurants under the Sanborns brand	99.94	99.94	99.94
Sears Operadora México, S.A. de C.V. ("Sears") and Subsidiaries	Operation of department stores under the Sears brand	84.94	84.94	84.94
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiaries	Operation of computer and record stores, restaurants and coffee shops under the Ishop, Mix-up and Sanborns Café brands	99.96	99.96	99.96
Operadora de Tiendas Internacionales, S.A. de C.V. and Subsidiary	Operation of department stores under the Saks Fifth Avenue brand	100.00	100.00	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V. y Subsidiarias	Boutiques operator and subholding	100.00	100.00	100.00
Grupo Sanborns Internacional, S.A. and Subsidiaries	Sanborns store in Panama	100.00	100.00	100.00
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti")	Sanborns and Sears stores in El Salvador	100.00	100.00	100.00
Comercializadora Dax, S.A. de C.V. and Subsidiary	Operation of department stores under Dax brand	100.00	100.00	100.00
Prestadora de Servicios Loreto y Cuicuilco, S.A. de C.V.	Personnel services provided to shopping mall	100.00	100.00	100.00
Grupo Inmobiliario Sanborns, S.A de C.V.	Sale, lease or sublease of fixed assets.	100.00	-	-
C.E.G. Sanborns, S.A de C.V.	Generation and supply of electricity.	100.00	-	-
C.E.G. Sanborns Satélite, S.A de C.V.	Generation and supply of electricity.	100.00	-	-
C.E.G. Sanborns Tezontle, S.A de C.V.	Generation and supply of electricity.	100.00	-	-
C.E.G. Sanborns Monterrey, S.A de C.V.	Generation and supply of electricity.	100.00	-	-
C.E.G. Sanborns Perisur, S.A de C.V.	Generation and supply of electricity.	100.00	-	-

i) Changes in the Entity ownership interests in existing subsidiaries

Changes in the Entity ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of Grupo Sanborns.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

ii) Seasonality

Historically the Entity has experienced seasonal patterns of sales in stores due to increased consumption activity during the Christmas and New Year period, in the months of May and June, because of Mother's Day and Father's Day, respectively, and at the start of the school year in September. During these periods they promote products such as toys or winter clothes, and school utensils and articles during the back-to-school period. By contrast, they suffer from a drop in sales in July and August. The Entity seeks to reduce the effect of seasonality in its results through commercial strategies such as agreements with suppliers, competitive pricing and intensive promotion, for which reason its impact in the statements of comprehensive income and of financial position is insignificant.

D. CASH AND CASH EQUIVALENTS

Consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash or with a maturity of three months upon its acquisition and are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in results of the period. Cash equivalents are represented by money market funds and short-term bank investments in pesos and U.S. dollars.

E. INVESTMENTS IN ASSOCIATES AND OTHERS

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or controlling or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate. When the Entity's share of losses of an associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Entity, profits and losses resulting from the transactions with the associate are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate that are not related to the Entity.

F. ASSETS AVAILABLE FOR SALE

Long-term assets and groups of assets available for sale are classified as held for sale if their carrying amount will be recoverable through a sale transaction, rather than through continuous use. This condition is regarded as met when the sale is highly probable and the asset (or group of assets for sale) is available for sale immediately in its present condition. Management must be committed to the sale of such assets, which should be expected to qualify for recognition as a completed sale within one year from the date of such classification. They are presented in the statement of financial position as short-term depending on any realization plans, as the case may be, and are recorded at the lower of book value or fair value, less selling costs.

Noncurrent assets classified as available-for-sale are valued at the lower of their previous carrying amount and fair value, less costs to sell.

G. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable considering the amount of sales returns, discounts and other similar discounts or rebates. Revenues are recognized based on the criteria outlined below:

i. **Sale of goods -** The sale of goods is recognized when the inherent risks and rewards are transferred to the customer, provided the respective income can be reliably measured, it is likely that the Entity will receive the economic benefits associated with the transaction, the costs that have been or will be incurred to perform the transaction can be reliably measured, the Entity is not continuously involved in the ownership of the goods and does not retain effective control over them. Generally, revenues recognition coincides with the date on which the goods are delivered and ownership is legally transferred to the customer.

ii. **Finance income on credit sales -** Finance income on credit sales recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks, Dorian's, Mixup and Corpti).

iii. **Services –** Provided are recognized when the service is rendered.

iv. **Rentals –** Is recognized on a straight-line basis as lease services are provided and maintenance fees are collected; these amounts are recognized throughout the period of the lease contract from which they are derived.

H. LOYALTY PROGRAMS FOR CUSTOMERS

Awards are accounted for as a separate component of the initial sale transaction, measured at their fair value and recognized as deferred income in the statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

I. LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

J. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos, using the exchange rates in effect at the end of the period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

The functional and recording currency of Grupo Sanborns and all of its subsidiaries is the Mexican peso, except for foreign subsidiaries whose functional and recording currency are as shown below

ENTITY	CURRENCY IN WHICH TRANSACTIONS ARE RECORDED	FUNCTIONAL CURRENCY
Grupo Sanborns Internacional, S.A. (Panamá)	US Dollar	US Dollar
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	US Dollar	US Dollar

The entities listed above are considered foreign operations under IFRS..

K. EMPLOYEE RETIREMENT BENEFITS AND STATUTORY EMPLOYEE PROFIT SHARING (PTU)

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income, net of deferred tax, based on the net asset or liability recognized in the consolidated statement of financial position, so as to reflect the over- or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the statement of financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred.

L. INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

i. Current tax

Current income taxes, calculated as the higher of the regular Mexican income tax (“ISR”) or the Business Flat Tax (“IETU”), abrogated with effect from January 1, 2014, are recorded in the results of the year in which they are incurred.

The subsidiaries incur income tax and consolidate for tax purposes in Grupo Carso; it has authorization from the Mexican Treasury Department to prepare its income tax on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries, repealed effective January 1, 2014. For its part, the tax provisions of the foreign subsidiaries are determined based on the taxable income of each individual entity.

ii. Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

iii. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

M. INVENTORIES AND COST OF SALES

They are stated at the lower of cost of acquisition and / or construction or net realizable value (estimated selling price less all costs to sell), as follows:

They are valued using the first- in first-out and / or average cost methods depending on the activity of each entity; including the cost of materials, direct costs and an appropriate portion of fixed and variable overhead costs that are incurred in the production of inventory by the Entity. Impairments are reflected as reductions in the carrying amount of inventories.

N. PROPERTY, PLANT AND EQUIPMENT

As of January 1, 2011, property, plant and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), or fair value determined through appraisals for certain items of property, machinery and equipment. Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets which are reviewed yearly; the effect of any change in the accounting estimate is recognized on a prospective basis.

	DEPRECIATION WEIGHTED AVERAGE RATE %
Buildings and leasehold improvements	1.43 to 10
Machinery and equipmen	5
Vehicles	25
Furniture and fixtures	5
Computers	16.7 and 25

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

O. INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Properties which are held as investments mainly include two shopping malls.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

P. OTHER ASSETS

Include mainly guarantee deposits and installation expenses for a new system which is in the testing stage; consequently, they are expected to be amortized once the implementation is concluded.

The costs incurred for the installation of a new system, with regard to a recognized intangible asset, are recorded in the financial statements. However, if the system is engaged in a testing stage, such costs are amortized once the implementation is concluded.

Q. IMPAIRMENT OF TANGIBLE ASSETS

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

R. PROVISIONS

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

S. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

– **Financial assets at FVTPL**

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or

- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the Entity is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item. Fair value is determined in the manner described in Note 10.

– **Held-to-maturity investments**
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

– **Financial assets classified as held for sale**
  AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

  Fair value is determined in the manner described in note 10. The gains and losses generated by fair value changes are recognized in other comprehensive income and accrued in the investment revaluation reserve, while excluding impairment losses, interest calculated through the effective interest method and exchange losses and gains, which are recognized in results. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

  Dividends on AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

  The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

– **Loans and receivables**

Loans, accounts receivable from customers and other accounts receivable with fixed or determinable payments which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are valued at their applied cost by using the effective interest method less any impairment.

An allowance for bad debts is recognized in results when the Entity has objective evidence that accounts receivable are impaired. Interest income is recognized by applying the effective interest rate, while excluding short-term accounts receivable when interest recognition is insignificant.

– **Effective interest rate method**

Is a method for calculating the applied cost of a financial instrument and assigning income or financial cost throughout the period in question. The effective interest rate is the rate used to discount estimated future cash flows (including all fees and basis points paid or received and which form an integral part of the effective interest rate, transaction costs and other premiums or discounts during the expected life of the financial instrument (or, when appropriate, during a shorter period) based on the initially recognized net book value of the financial asset or liability.

Interest is recognized based on the effective interest rate for debt instruments other than financial assets classified as FVTPL.

– **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed equity instruments not quoted in an active market are classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulties of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

– **Derecognition of financial assets**

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

ii. Financial liabilities and equity instruments

Classification as debt or equity - Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements

Equity Instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issuance costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Financial liabilities - Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

iii. Other financial liabilities

Other financial liabilities including loans are initially valued at their fair value, net of transaction costs. They are subsequently valued at their applied cost by using the effective interest rate method, while interest expenses are recognized on an effective return basis.

iv. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

T. DERIVATIVE FINANCIAL INSTRUMENTS

In 2011 the Entity contracted financial derivatives for trading and hedging purposes which mature in 2012, with the aim of managing its exposure to risks derived from: a) interest rates and b) exchange rates on debts. Note 11 includes for the detail on financial derivatives. During 2013 the Entity did not contract this type of instrument.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Entity designates certain derivatives either as fair value hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or foreign currency risk hedges of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a long-term asset or liability if the maturity date of the instrument is 12 months or more, and it is not expected to be realized or canceled within those 12 months. Other derivatives are presented as short-term assets and liabilities.

U. HEDGE ACCOUNTING

The Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

V. CASH FLOW HEDGES

At the start of each hedge, the Entity documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Entity will measure the effectiveness of the hedge with regards to offsetting changes to the fair value of the hedged item or the cash flow attributable to the hedged risk.

The Entity recognizes all assets and liabilities resulting from transactions involving derivative financial instruments at fair value in the statement of changes in financial position, regardless of its reason for holding these instruments. Fair value is determined based on the prices reported on recognized markets; however, when they are not quoted on a market, the Entity utilizes valuation techniques accepted by the financial sector. The decision to enter into an economic or accounting hedge is based on an analysis of market conditions and expectations concerning domestic and international economic scenarios.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "operating expenses".

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

W. FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

i. Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the caption “other (income) expense”.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

The debt and equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

ii. Embedded derivatives

The Entity reviews its executed contracts to identify any embedded derivatives which must be separated from the host contract for valuation and accounting purposes. When an embedded derivative is identified in other financial instruments or other contracts (host contracts) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL with changes through income.

An embedded derivative is presented as a long-term asset or liability when the respective hybrid instrument will mature in 12 months or more and when is not expected to be realized or canceled during that 12-month period. Other embedded derivatives are presented as short-term assets or liabilities.

During the reporting period, the Entity did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

X. STATEMENT OF CASH FLOWS

The indirect method is used for presenting cash flows from operating activities, such that the net income is adjusted for changes in operating items not resulting in cash receipts or disbursements, and for items corresponding to cash flows from investing and financing activities. Interest received is presented as an investing activity and interest paid is presented as a financing activity.

Y. EARNINGS PER SHARE

The basic earnings per common share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of common outstanding shares during the year.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity’s accounting policies, which are described in note 4, the Entity’s management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments and key sources of uncertainty in applying the estimations that may have a significant impact on the amounts recognized in the accompanying interim consolidated financial statements are as follows:

A. **INVENTORY AND ACCOUNTS RECEIVABLE ALLOWANCES –** The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, the Entity primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions.(See Notes 7 and 8 for further detail).

B. **PROPERTY, PLANT AND EQUIPMENT –** The Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period, to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. During the years 2013 and 2012, based on detailed analysis of the Entity management modify the useful life of certain components of property, plant and equipment components. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

C. **INVESTMENT PROPERTY –** The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including physical inspection, market and income approaches; the Entity has utilized the physical inspection. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

The valuation techniques used by the Entity were not modified in 2013 and 2012. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

D. **IMPAIRMENT OF LONG-LIVED ASSETS –** The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Value in use calculations require that the Entity determine the future cash flows produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

E. **VALUATION OF FINANCIAL INSTRUMENTS –** The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Note 10 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

F. **CONTINGENCIES –** As the Entity is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising, accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.

G. **EMPLOYEE BENEFITS AT RETIREMENT –** The Entity uses assumptions to determine the best annual estimate of these benefits. Like the above assumptions, these benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Entity considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of income and other comprehensive income of the period in which any such modification takes place.

6. Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2013	2012	2011
Cash	$ 542,466	$ 582,139	$ 745,103
Cash equivalents			
Banking paper	4,860,000	-	-
Government paper	1,542,478	1,048,724	467,900
Certificates of deposit	738,238	676,836	822,440
Demand deposits in US dollars	30,550	18,004	8,732
Others	1,261	2,152	5,387
	$ 7,714,993	$ 2,327,855	$ 2,049,562

7. Accounts receivable

	2013	2012	2011
Clients	$ 9,791,604	$ 9,036,688	$ 8,599,415
Allowance for doubtful accounts	(328,687)	(328,045)	(330,445)
	9,462,917	8,708,643	8,268,970
Sundry debtors	99,506	92,163	102,280
Due from related parties	14,667	16,748	8,435
Recoverable taxes	100,278	38,995	71,834
	$ 9,677,368	$ 8,856,549	$ 8,451,519

A. CUSTOMERS

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 203 and 206 days at December 31, 2013 and 2012, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $1,117,653 and $703,131 as of December 31, 2013 and 2012, respectively.

B. PAST DUE BUT NOT IMPAIRED

Accounts receivable from customers include amounts that are overdue at the end of the reporting period and for which the Entity has not recognized an allowance for bad debts as there has been no significant change in the customer's credit rating and the amounts in question are still deemed to be recoverable. A summary of customer accounts receivable which are overdue, but are not considered impaired is detailed below:

	December 31, 2013	December 31, 2012	December 31, 2011
Past due more than 90 days	**$ 272,168**	**$ 122,248**	**$ 141,322**

The Entity carries out certain procedures to follow up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Entity's policies, if customer payments are delayed, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Entity implements out-of-court and legal measures to recover the outstanding balance. However, if such measures are unsuccessful, the respective credit line and account are canceled. The Entity has recognized an allowance for doubtful accounts equal to 100% of all uncollectible accounts receivable.

C. RECONCILIATION OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS PRESENTED BELOW:

	December 31, 2013	December 31, 2012
Beginning balance	**$ 328,045**	$ 330,445
Period accrual	**275,895**	286,621
Write offs and cancelations	**(275,253)**	(289,021)
Ending balance	**$ 328,687**	**$ 328,045**

8. Inventories

	December 31, 2013	December 31, 2012	December 31, 2011
Merchandise in stores	**$ 8,970,969**	$ 8,762,282	$ 8,018,928
Allowance for obsolescence and shrinkage inventories	**(311,842)**	(286,953)	(254,600)
	8,659,127	8,475,329	7,764,328
Goods in transit	**301,587**	245,568	262,813
Replacement parts and other inventories	**109,858**	119,266	128,363
	$ 9,070,572	**$ 8,840,163**	**$ 8,155,504**

The Entity recognizes two reserves for possible losses, one for obsolete and slow-moving goods and one for shrinkage.

The allowance for obsolescence and slow-moving inventories is determined based on prior-year experience by store and department, the displacement of goods on the market, their utilization at different locations, fashions and new product models. The Entity analyzes the possibility of increasing this allowance when goods have insufficient displacement.

The goods shrinkage allowance is determined based on the Entity's experience and the results of cyclical physical inventory counts. The Entity adjusts these inventories according to the variable shrinkage percentages of different stores.

A reconciliation of the allowance for obsolete, slow moving and missing inventories is presented below:

	December 31, 2013	December 31, 2012
Beginning balance	$ **286,953**	$ 254,600
Period accrual	**135,032**	80,606
Write offs and cancelations	**(110,143)**	(48,253)
Ending balance	**$ 311,842**	**$ 286,953**

9. Financial risk management

The Entity is exposed to market, operating and financial risks as a result of its use of financial instruments, these include interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by the corporate treasury.

The different financial instrument categories and amounts at December 31, 2013, 2012 and 2011, are detailed below:

	December 31, 2013	December 31, 2012	December 31, 2011
Financial assets			
Cash and cash equivalents	$ **7,714,993**	$ 2,327,855	$ 2,049,562
Accounts receivable	**9,662,701**	8,839,801	8,443,084
• Long-term accounts receivable	**57,500**	69,000	80,500
• Due from related parties	**14,667**	16,748	8,435
Financial liabilities			
At amortized cost:			
• Loans payable to financial institutions	**-**	2,774,069	25,861
• Debt securities	**-**	2,498,970	1,347,073
• Payables to suppliers	**6,321,806**	5,964,007	5,462,470
• Due to related parties	**207,315**	250,860	695,191
• Other payables and accrued liabilities	**2,465,586**	2,716,854	2,120,210
Measured at fair value:			
• Derivative financial instruments	**-**	10	21,237

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

A. **CAPITAL RISK MANAGEMENT –** The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt (mainly the bank loans, in and debt securities and intragroup detailed in Notes 14, 15 and 19) and stockholders' equity (issued capital, capital reserves, retained earnings and non-controlling equity detailed in Note 18). The Entity is not subject to any kind of capital requirement.

Management reviewed monthly its capital structure and borrowing costs and their relation to EBITDA (defined in this c ase as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and shareholders. The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months. See Note 26.

The net debt ratio of the Entity is presented below:

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
Loans payable to financial institutions and other	**$ -**	$ 2,774,069	$ 25,861
Debt securities	**-**	2,498,970	1,347,073
Cash and cash equivalents	**7,714,993**	2,327,855	2,049,562
(Cash surplus) Net debt payable to financial financial institutions and / or related parties	**(7,714,993)**	2,945,184	(676,628)
EBITDA	**$ 5,500,202**	**$ 5,225,703**	**$ 4,916,526**
Net debt ratio	**N/A**	**0.56**	**N/A**

B. INTEREST RATE RISK MANAGEMENT – The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. However, it manages this risk through an adequate combination of fixed and variable interest rates and by using interest rate swaps for its customer portfolio.

The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2013 and 2012 would have increased or decreased by approximately $84,432 and $31,833, respectively.

C. EXCHANGE RISK MANAGEMENT – The Company's functional currency is the Mexican peso. Its acquisition of goods through foreign currency transactions represents less than 12% of its total purchases; however, when deemed appropriate, it contracts exchange rate hedges to manage the exchange rate risk. The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period, are as follows (figures in thousands):

	LIABILITIES			ASSETS		
	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
US Dollar	**29,733**	42,131	44,756	**33,405**	41,118	38,096

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a decrease in the value of the Mexican peso of 10% with regard to the US dollar (figures in thousands):

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
Mexican pesos	**4,802**	(1,318)	(9,310)

Credit risk management- The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. La Entidad otorga crédito principalmente a clientes en México, previa evaluación de su capacidad crediticia, la cual constantemente evalúa y da seguimiento como corresponde según las políticas de crédito explicadas en la Nota 7. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by than 1,790,004 customers, which do not represent a concentration of risk The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 10).

D. LIQUIDITY RISK MANAGEMENT – Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity must make payments. The table includes both projected cash flows related to interest and capital on financial debt in the statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate at the end of the period.

The amounts contained in the debt to credit institutions include interest rate instruments and fixed as detailed in Notes 14 and15. If changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period under review, is presented at fair value.

The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets. Additionally, the Entity has access to credit lines with various banks and debt securities programs.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	3 MONTHS	6 MONTHS	MORE THAN 6 MONTHS AND LESS THAN 1 YEAR	TOTAL
AS OF DECEMBER 31, 2013					
Trade accounts payable		**6,214,967**	**106,839**	**-**	**6,321,806**
Due to related parties		**207,315**	**-**	**-**	**207,315**
Total		**$ 6,422,282**	**$ 106,839**	**$ -**	**$ 6,529,121**
DUE TO RELATED PARTIES					
Loans payable to financial institutions	3.55%	$ 2,774,069	$ -	$ -	$ 2,774,069
Debt securities	4.5% y 4.6%	2,498,970	-	-	2,498,970
Trade accounts payable		5,807,111	156,896	-	5,964,007
Derivative financial instruments		10	-	-	10
Due to related parties		250,860	-	-	250,860
Total		**$ 11,331,020**	**$ 156,896**	**$ -**	**$ 11,487,916**
AS OF DECEMBER 31, 2011					
Loans with financial institutions	1.52%	$ 25,861	$ -	$ -	$ 25,861
Debt securities	4.5% y 4.6%	1,347,073	-	-	1,347,073
Trade accounts payable		5,293,478	168,992	-	5,462,470
Derivative financial instruments		21,237	-	-	21,237
Due to related parties		695,191	-	-	695,191
Total		**$ 7,382,840**	**$ 168,992**	**$ -**	**$ 7,551,832**

A. **MARKET RISK** – The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and commodities. The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Swaps interest rate swaps to mitigate the risk of rising financing cost.

- Forward foreign exchange contracts to hedge the exchange rate risk arising on translation of investment in a foreign operation with functional currency different from the Mexican peso.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

10. Fair value of financial instruments

This note provides information about how the Entity determines fair values of various financial assets and financial liabilities.

A. FAIR VALUE OF THE ENTITY'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The fair value of financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Entity could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed are:

- Level 1 of fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 of the fair value measurements are those derived from indicators other than quoted prices included within Level 1 but including indicators that are observable for the asset or liability, either directly or indirectly quoted prices meaning derived from these prices; and

- Level 3 of fair value measurements are those derived from valuation techniques that include indicators for the asset or liability that are not based on observable market data (unobservable indicators).

The amounts of cash and cash equivalents of the Entity, as well as accounts receivable and payable to third parties and related parties, and the current portion of loans from financial institutions and long-term debt approximate their fair value because they short-term maturities. The long-term debt of the Entity are recorded at amortized cost and debt is interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt using quoted market prices or quotations for similar instruments operators. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the dates flow curves intertemporal market and discounting these flows with rates that reflect the risk of the counterparty and the risk of the Entity for the reference period. The fair value of interest rate swaps is calculated as the present value of estimated net cash flows in the future. The fair value of currency futures is determined using quoted forward exchange rates at the date of statement of financial position.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	DECEMBER 31, 2013		DECEMBER 31, 2012	
	CARRYING AMOUNTS	FAIR VALUE	CARRYING AMOUNTS	FAIR VALUE
Financial assets:				
Cash and equivalent cash	**$ 7,714,993**	**$ 7,714,993**	$ 2,327,855	$ 2,327,855
Loans and receivables:				
Accounts receivable	**9,677,368**	**10,355,594**	8,856,549	9,262,046
Accounts and notes payable:				
Notes payable to financial institutions including current portion of long-term debt	-	-	2,774,069	2,774,069
Debt securities	-	-	2,498,970	2,499,366
Trade accounts payable	**6,321,806**	**6,321,806**	5,964,007	5,964,007
Due to related parties	**207,315**	**207,315**	250,860	250,860
Other accounts payable and accrued liabilities	**2,465,586**	**2,465,586**	2,716,854	2,716,854
Derivative instruments non classified or hedge purposes:				
Swap de tasa de interés	-	-	10	10
Total	**$ 8,397,654**	**$ 9,075,880**	**$ (3,020,366)**	**$ (2,615,265)**

No transfers between Level 1, 2 and 3occur during the period.

11. Financial derivative instruments

In the past the Entity had entered into financial derivatives contracts to partially hedge the financial risks generated by exposure to interest rates and exchange rates. These contracts may be classified as an accounting hedge if they comply with hedging criteria; otherwise, they are treated and accounted for as an economic hedge. The decision to take an economic or financial hedge reflects market conditions, the respective expectation thereof at a given date and the domestic and international economic context of the economic indicators which influence the Entity's operations.

	VALUATION AS OF DECEMBER 31			
	LIABILITY	NET INCOME OF THE YEAR	INCOME OF PRIOR YEAR	BALANCES AS OF DECEMBER 31, 2013
Total as of December 31, 2012	**$ (10)**	**$ 10**	**$ -**	**$ (45,075)**
Total as of December 31, 2011	**$ (21,237)**	**$ 21,237**	**$ -**	**$ (191,417)**

12. Property, plant and equipment

Following is a reconciliation between the carrying amount at the beginning and end of the year 2013 and 2012:

	BALANCES AS OF JANUARY 1, 2013	ADDITIONS	RETIREMENTS / DISPOSALS	BALANCES AS OF DECEMBER 31, 2013
Investment:				
Buildings, leasehold improvements and constructions	$ 9,089,000	$ 257,924	$ (84,232)	**$ 9,262,692**
Machinery and equipment	2,038,816	330,059	(26,068)	**2,342,807**
Furniture and fixtures	3,062,884	304,328	(30,936)	**3,336,276**
Vehicles	278,155	61,502	(29,863)	**309,794**
Computers	971,334	63,044	(17,639)	**1,016,739**
Total investment	15,440,189	1,016,857	(188,738)	**16,268,308**
Accumulated depreciation:				
Buildings, leasehold improvements and constructions	(4,138,149)	(364,206)	55,641	**(4,446,714)**
Machinery and equipment	(1,507,007)	(84,843)	7,130	**(1,584,720)**
Furniture and fixtures	(1,949,580)	(164,689)	35,399	**(2,078,870)**
Vehicles	(196,892)	(31,777)	28,034	**(200,635)**
Computers	(831,863)	(58,537)	16,281	**(874,119)**
Total accumulated depreciation	(8,623,491)	(704,052)	142,485	**(9,185,058)**
Subtotal	6,816,698	312,805	(46,253)	**7,083,250**
Land	1,791,817	119,540	-	**1,911,357**
Construction in progress	199,773	538,815	-	**738,588**
Net investment	**$ 8,808,288**	**$ 971,160**	**$ (46,253)**	**$ 9,733,195**

	BALANCES AS OF JANUARY 1, 2012	ADDITIONS	RETIREMENTS / DISPOSALS	BALANCES AS OF DECEMBER 31, 2012
Investment:				
Buildings, leasehold improvements and constructions	$ 8,765,534	$ 408,001	$ (84,535)	$ 9,089,000
Machinery and equipment	1,971,254	93,191	(25,629)	2,038,816
Furniture and fixtures	2,976,423	119,712	(33,251)	3,062,884
Vehicles	268,788	46,946	(37,579)	278,155
Computers	911,517	68,716	(8,899)	971,334
Total investment	14,893,516	736,566	(189,893)	15,440,189
Accumulated depreciation:				
Buildings, leasehold improvements and constructions	(3,796,519)	(362,432)	20,802	(4,138,149)
Machinery and equipment	(1,463,706)	(65,631)	22,330	(1,507,007)
Furniture and fixtures	(1,815,986)	(147,612)	14,018	(1,949,580)
Vehicles	(207,754)	(22,578)	33,440	(196,892)
Computers	(777,749)	(61,928)	7,814	(831,863)
Total accumulated depreciation	(8,061,714)	(660,181)	98,404	(8,623,491)
Subtotal	6,831,802	76,385	(91,489)	6,816,698
Land	1,791,817	-	-	1,791,817
Construction in progress	187,448	12,325	-	199,773
Net investment	**$ 8,811,067**	**$ 88,710**	**$ (91,489)**	**$ 8,808,288**

13. Investment properties

Investment properties are properties held to earn rentals and / or capital gains. The properties that are under construction or development may qualify as investment property.

Investment property acquired and improvements are recorded at cost, including transaction costs related to the acquisition of assets. Investment property acquired in exchange for equity instruments are stated at fair value, as detailed below.

Subsequent to initial recognition, investment properties are measured at fair value. Fair values are determined by independent appraisers.

The gain in fair value is recorded in the “other income” in the income statement during the period in which they occur.

Initial direct costs incurred in negotiating lease leases are added to the carrying amount of investment properties.

An investment property is derecognized on disposal or when the investment property is permanently out of use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net income and book value of investment property) is included in profit or loss in the period in which the property is derecognized.

	2013	2012
Investment properties	**$ 1,687,705**	**$ 1,477,628**

The changes in investment properties are as follows:

	2013	2012
Balance at beginning of period	**$ 1,477,628**	$ 1,477,628
Gain on property revaluation	**210,077**	-
Balance at end of period	**$ 1,687,705**	**$ 1,477,628**

All investment properties of Grupo Sanborns are held under freehold.

Grupo Sanborns is based on appraisals performed by independent experts with qualifications and relevant experience in the locations and categories of investment properties it holds.

The valuation techniques considered under the following different approaches:

In the cost approach the appraiser estimates the value of the asset compared to the cost of producing a new individual asset or a replacement property, which suggests the market as appropriate. The cost compared to the value of existing assets and is adjusted for differences in age, condition and value for the comparable asset. In its simplest form, the cost approach is represented by the net replacement value less all depreciation rates. Depreciation for valuation purposes is defined as the difference in value between real property and a new hypothetical property, taken as a basis of comparison.

In the market approach (comparable sales) the appraiser looks at recent sales with similar properties (comparable) to indicate the value of the asset. If there are no active subjects identical to comparable sales prices of comparable adjusted to match them to the characteristics of the subject asset.

The value of the asset can be estimated by expected future profits to its owner. The income approach is not widely used in the valuation of machinery and equipment, given the difficulty in determining the income that can be directly related to a specific asset, while in the real estate valuation is applicable to assets of commercial nature.

Key metrics for all investment properties are shown below:

RECOMMENDED RANGES FOR CAPITALIZATION RATES

TYPE OF PROPERTY	LOW	MAXIM
Land	4%	8%
Shops	9%	18%

The Entity, has two shopping malls, Loreto and Inbursa located in Mexico City, which generate rental income that is recognized as leasing services are provided and amounted to $220,448 and $215,305 for the years ended 31 December 2013 and 2012 respectively. At December 31, 2013 the occupancy rate of shopping centers is 98%.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 37% and 41% of rental income for years ended December 31, 2013 and 2012, respectively.

14. Notes payable to financial institutions and current portion of long-term debt

Long-term debt is as follows:

	2013	2012
a. Direct loans denominated in US dollars contracted with Banco Inbursa, S. A., a related party, with principal maturity in January 2013, which accrue interest payable monthly at the 1.50% annual rate.	**$ -**	$ 24,069
b. Direct loans denominated in Mexican pesos contracted with Banco Nacional de México, S. A., with principal maturity in January 2013, which accrue interest payable monthly at the 4.79% annual rate.	**-**	100,000
c. Direct loans denominated in Mexican pesos contracted with BBVA Bancomer, S. A., with principal maturity in January 2013, which accrue interest payable monthly at the 4.86% annual rate.	**-**	1,700,000
d. Direct loans denominated in Mexican pesos contracted with Banco Nacional de México, S. A., with principal maturity in January 2013, which accrue interest payable monthly at the 4.79% annual rate.	**-**	950,000
	$ -	**$ 2,774,069**

15. Debt securities

Through its subsidiary Sears Operadora de México, S.A. de C.V., the Entity was authorized by the CNBV on June 17, 2013 to issue securitized certificates in Mexican pesos under a two-year program. The authorized amount of the program was up to $2,500,000, on a revolving basis, and the combined amount of the current issues cannot exceed the authorized amount on any date. The maturity of each issue of securitized certificates was between one day and 365 days; the amount, rate and maturity of each issue were freely determined by the Entity on December 3, 2013, the program with CNBV was cancelled by the Entity.

16. Provisions

Provisions represent labor contingencies, foreign trade, water and other arising in the prior period. The final amounts to be paid and the timing of those outflows of economic resources involve uncertainty and could therefore vary. Movements in provisions are as follows:

	2013	2012	2011
Opening balance	**$ 86,451**	$ 74,708	$ 61,551
Additions	**96,174**	16,181	16,241
Provision applied	**(92,077)**	(4,438)	(3,084)
Closing balance	**$ 90,548**	**$ 86,451**	**$ 74,708**

17. Retirement employe benefits

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. The defined benefit plans are administered by a legally separate fund of the Entity. The board of the pension fund is comprised of an equal number of representatives of both employer and (former) employees. The board of the pension fund is required according to the law and the articles of association to act in the interests of the Fund and all interested parties, active and inactive employees, retirees and employer. The board of the pension fund is responsible for investment policy in relation to the assets of the fund.

The Entity manages a plan that also covers seniority premiums for all staff working in Mexico, consisting of a single payment of 12 days per year worked based on final salary, not to exceed twice the minimum wage established by law.

Under these plans, employees are entitled to retirement benefits that add to the statutory pension are similar to final salary upon reaching the retirement age of 65. Other postretirement benefits are awarded.

The plans typically expose the Entity to actuarial risks as investment risk, interest rate, longevity and salary.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of October 31, 2013 by independent actuaries members of the Asociación Mexicana de Actuarios Consultores en Planes de Beneficios para Empleados, A.C. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013	2012
	%	%
Discount rate	**7.50**	7.50
Expected rate of salary increase	**4.00**	4.00
Expected return on plan assets	**7.50**	7.50
Average longevity at retirement age for current pensioners (years)		
Males	**65**	65
Females	**65**	65
Average longevity at retirement age for current employees (future pensioners) (years)		
Males	**65**	65
Females	**65**	65

The present value of these liabilities are:

	2013	2012
Vested benefit obligation	**$ (427,825)**	$ (249,136)
Non-vested benefit obligation	**(787,707)**	(937,013)
Defined benefit obligation	**(1,215,532)**	(1,186,149)
Plan assets at fair value	**1,945,264**	1,922,680
Net projected asset	**$ 729,732**	**$ 736,531**
Contributions to plan assets	**$ 34,817**	**$ 34,000**

Net periodic cost comprises the following:

	2013	2012
Service costs	$ 61,153	$ 52,270
Interest cost	(51,694)	(70,477)
Expected yield on plan assets	117,779	46,716
Past service cost	(2,274)	1,708
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	-	4,264
Net periodic cost	**$ 124,964**	**$ 34,481**

Components of defined benefit costs recognized in other comprehensive income

	2013	2012
Actuarial (gain) and losses – net	**$ (82,030)**	**$ 94,062**

Changes in the present value of the defined benefit obligation:

	2013	2012
Changes in the present value of the defined benefit obligation at January 1	$ (1,186,149)	$ (1,025,917)
Service costs	(61,153)	(52,270)
Interest cost	51,694	70,477
Past service cost	2,274	(1,708)
Actuarial loss	(46,911)	(219,533)
Personal transfer	(307)	(307)
Benefits paid	24,203	42,089
Other	817	1,020
Present value of the defined benefit obligation	**$ (1,215,532)**	**$ (1,186,149)**

Changes in the present value of plan assets in the current period:

	2013	2012
Opening fair value of plan assets	$ 1,922,680	$ 1,857,980
Expected yield on plan assets	117,779	138,973
Actuarial gains – net	(106,116)	(66,491)
Contributions to plan	34,817	34,000
Personal transfer	307	307
Benefits paid	(24,203)	(42,089)
Closing fair value of plan assets	**$ 1,945,264**	**$ 1,922,680**

The main categories of investments are:

	PLAN ASSETS AT FAIR VALUE	
	2013	2012
Equity instruments	**$ 969,181**	$ 958,217
Debt instruments	**$ 976,083**	$ 964,463

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. The evaluation of management on expected returns is based on historical performance trends and analysts' predictions on the market for assets over the life of the related obligation.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $162,092 (increase of $184,836).

- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $116,238 (decrease by $113,791).

- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $46,409 (decrease by $46,664).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

Asset mix based on 50% equity instruments and 50% debt instruments.

There has been no change in the process used by the Entity to manage its risks from prior periods.

The average duration of the benefit obligation as of December 31, 2013 is 16.66 years (2012: 19.57 years). This number can be analyzed as follows:

- Active members: 25.22 years (2012: 25.95 years);

- Retired members: 4.22 years (2012: 4.51 years)

The Entity made a contribution of $34,817 in 2013 (2012: $34,000) to the defined benefit plans during the next financial year.

The history of experience adjustments made, is as follows:

	2013	2012
Present value of defined benefit obligation	$ (1,215,532)	$ (1,186,149)
Fair value of plan assets	1,945,264	1,922,680
Surplus	729,732	736,531
Adjustments based on experience on plan liabilities	(46,911)	(219,533)
Adjustments based on experience on plan assets	(106,116)	(66,491)

Employee benefits granted to key management personnel and / or directors of the Entity were as follows:

	2013	2012
Short-term benefits	$ 57,029	$ 53,150
Defined benefit plans	$ 118,672	$ 113,139

18. Stockholders' equity

A. The historical amount of issued and paid-in common stock of Grupo Sanborns as of December 31, 2013 and 2012 is as follows:

	2013		2012	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Series B1 historical	2,355,000,000	$ 1,558,410	974,845,882	$ 1,153,102
Capital social actualizado				
Series B1 restated	-	481,268	-	481,268
Capital social Serie B1	**2,355,000,000**	**$ 2,039,678**	**974,845,882**	**$ 1,634,370**

Common stock consists of ordinary, nominative shares with no par value. Series B1 shares represent fixed capital, while Series B2 shares represent variable capital, which is unlimited; these shares can be freely subscribed.

B. On January 29, 2013, pursuant to a resolution of the Ordinary and Extraordinary General Stockholders' meeting:

Minimum nonwithdrawable fixed capital was increase for an amount of $432,308 through the issuance of 432,308,236 ordinary, nominative Series "B-1" shares, so the Entity's authorized nonwithdrawable minimum fixed capital is $1,585,410, represented by a total of up to 2,382,000,000 ordinary, nominative Series "B-1" shares, after taking into account the effect of the split of the common stock shares. The total amount of shares subject to the increase were offered for placement in the Offering and the placement price was $28 pesos per share. Only 405,308,236 shares were placed in the market.

C. Pursuant to a general ordinary stockholders' meeting on April 29, 2013, the payment of a dividend was approved by the shareholders for the total amount of $1,789,800, payable in two exhibitions of 50%, on June 20 and December 20, 2013.

D. Pursuant to a general ordinary stockholders' meeting on April 26, 2012, the payment of a dividend was approved by the shareholders for the total amount of $1,200,000, payable April 30, 2012..

E. Pursuant to a general ordinary stockholders' meeting on November 20, 2012, the payment of a dividend was approved by the shareholders for the total amount of $4,700,000, payable on November 21, 2012

F. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock. The legal reserve may not be distributed during the existence of the Entity unless the Entity is dissolved. As of December 31, 2013 and 2012, the legal reserve, of the entity was $256,569.

G. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

H. The balances of the stockholders' equity tax accounts as of December 31 are:

	2013	2012	2011
Contributed capital account	**$ 15,408,461**	$ 3,834,764	$ 3,702,793
Consolidated net tax income account	**8,029,209**	10,508,079	7,875,751
Total	**$ 23,437,670**	**$ 14,342,843**	**$ 11,578,544**

19. Transactions and balances with related parties

A. Balances receivable and payable with related parties are as follows:

	2013	2012
Receivable-		
Grupo Técnico de Servicios Telvista, S. A. de C. V.	**$ 3,070**	$ 3,621
Nacional de Conductores Eléctricos, S.A. de C.V.	**2,808**	1,757
Seguros Inbursa, S.A. de C. V.	**1,417**	-
Hipocampo, S.A. de C.V.	**1,117**	-
Promotora del Desarrollo de América Latina, S. A. de C. V.	**532**	1,838
Inmose, S. A. de C. V.	**448**	-
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	**443**	1,067
Servicios Corporativos Ideal, S.A de C.V.	**437**	-
Compañía de Servicios Ostar, S.A. de C. V.	**422**	-
Bienes Raíces de Acapulco, S.A. de C.V.	**394**	-
Nacional de Cobre, S.A. de C.V.	**307**	-
Nacobre Servicios Administrativos, S.A. de C.V.	**295**	-
Inmobiliaria Carso, S.A. de C.V.	**-**	1,241
Imsalmar, S.A. de C.V.	**157**	693
Others	**2,820**	6,531
	$ 14,667	**$ 16,748**

	2013	2012
Payable-		
Sears Brands Management Corporation	**73,440**	76,875
Radiomóvil Dipsa, S.A. de C.V.	**70,368**	64,738
América Móvil, S.A.B. de C.V.	**13,056**	13,278
Inmuebles Srom, S. A. de C. V.	**7,421**	29,649
Consorcio Red Uno, S. A. de C. V.	**6,455**	3,618
Teléfonos de México, S.A.B. de C.V.	**5,989**	4,896
Dorians Tijuana, S.A. de C. V.	**4,622**	2,550
Inmose, S.A. de C.V.	**-**	13,506
Distribuidora Telcel, S.A. de C.V.	**3,662**	3,288
Bajasur, S.A. de C.V.	**3,023**	5,909
Operadora Mercantil, S.A. de C.V.	**1,572**	2,265
Seguros Inbursa, S.A. de C.V.	**-**	5,746
Selmec Equipos Industriales, S.A. de C.V.	**1,541**	-
Desarrollos Sagesco, S.A. de C.V.	**1,162**	5,754
Bienes Raíces de Acapulco, S.A. de C.V.	**-**	856
Others	**15,004**	17,932
	$ 207,315	**$ 250,860**

B. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2013	2012
Sales-		
Radiomóvil Dipsa, S.A. de C.V.	**$ 48,055**	$ 52,250
Teléfonos de México, S.A.B. de C.V.	**24,529**	12,834
Seguros Inbursa, S.A.	**24,497**	28,439
Grupo Técnico de Servicios, S.A. de C. V.	**23,379**	23,717
Banco Inbursa, S.A.	**18,792**	14,615
Nacional de Conductores Eléctricos, S.A. de C.V.	**14,008**	14,210
Inversora Bursátil, S.A. de C.V.	**8,391**	7,857
Hipocampo, S.A. de C.V.	**7,186**	6,283
Microm, S.A. de C.V.	**5,899**	5,271
Nacobre Servicios Administrativos, S.A. de C.V.	**5,489**	6,612
Others	**49,406**	38,713
Total	**$ 229,631**	**$ 210,801**
Interest income	**$ 45,987**	**$ -**
Rentals -		
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	**$ -**	$ 13,927

	2013	2012
Radiomóvil Dipsa, S.A. de C.V.	**11,074**	12,701
Teléfonos de México, S.A.B. de C.V.	**9,356**	8,583
Microm, S.A. de C.V.	**5,899**	5,271
Banco Inbursa, S.A.	**4,507**	4,463
Others	727	1,214
Total	**$ 31,563**	**$ 46,159**

	2013	2012
Services rendered -		
Radiomóvil Dipsa, S.A. de C.V.	**$ 75,826**	$ 115,164
Patrimonial Inbursa, S.A.	**3,799**	13,209
América Móvil, S.A.B. de C.V.	**8,673**	9,958
Teléfonos de México, S.A.B. de C.V.	**7,714**	8,650
Banco Inbursa, S.A.	**6,725**	8,195
Seguros Inbursa, S.A.	**4,223**	3,577
Promotora de Desarrollo de América Latina, S.A.B. de C.V.	**1,992**	3,136
Others	**2,272**	6,613
Total	**$ 111,224**	**$ 168,502**
Sales of fixed assets	**$ 2,390**	$ 1,049
Purchases -		
Radiomóvil Dipsa, S.A. de C.V.	**$ (1,554,111)**	$ (1,146,044)
América Móvil, S.A. de C.V.	**(268,389)**	(319,185)
Sears Brands Management Corporation	**(181,172)**	(210,126)
Others	**(146,356)**	(180,414)
Total	**$ (2,150,028)**	$ (1,855,769)
Insurance expenses	**$ (93,608)**	$ (40,234)
Lease expenses -		
Inmuebles Srom, S.A. de C.V.	**$ (199,364)**	$ (150,031)
Inmose, S.A. de C.V.	**(87,904)**	(69,460)
Inmuebles General, S.A. de C.V.	**(59,275)**	(59,410)
Bienes Raíces de Acapulco, S.A. de C.V.	**(41,348)**	(49,477)
Bajasur, S.A. de C.V.	**(33,051)**	(24,561)
Desarrollos Sagesco, S.A. de C.V.	**(24,454)**	(29,842)
Others	**(94,737)**	(92,029)
Total	**$ (540,133)**	**$ (474,810)**
Interest expenses	$ -	$ (6,065)

	2013	2012
Services received -		
Teléfonos de México, S.A.B. de C.V.	**$ (285,510)**	$ (197,548)
Sears Brands Management Corporation	**(226,458)**	(211,388)
Inversora Bursátil, S.A. de C.V.	**(62,838)**	-
Editorial Contenido, S.A. de C.V.	**(19,723)**	(15,828)
Grupo Telvista, S.A. de C.V.	**(12,038)**	(11,048)
Banco Inbursa, S.A.	**(6,675)**	(10,994)
Others	**(11,987)**	(29,291)
Total	**$ (625,229)**	**$ (476,097)**
Other expenses, net	$ (143,126)	$ (92,643)
Purchases of fixed assets	$ (50,402)	$ (36,604)

20. Income

	2013	2012
Sale of goods	**$ 37,097,074**	$ 36,265,262
Interests	**2,695,076**	2,472,529
Services	**466,547**	411,603
Rentals	**231,502**	213,403
Other	**24,235**	48,490
Total income	**$ 40,514,434**	**$ 39,411,287**

21. Cost and expenses by nature

	2013			
CONCEPT	COST OF SALES	SELLING AND DISTRIBUTION EXPENSES	ADMINISTRATIVE EXPENSES	TOTAL COST AND EXPENSES
Merchandise	**$ 24,291,175**	**$ -**	**$ -**	**$ 24,291,175**
Wages and salaries	**6,687**	**3,090,892**	**545,351**	**3,642,930**
Employee benefits	**-**	**1,433,083**	**281,323**	**1,714,406**
Lease	**-**	**1,083,388**	**59,834**	**1,143,222**
Electricity	**4,599**	**623,514**	**6,999**	**635,112**
Maintenance	**11,170**	**298,384**	**37,647**	**347,201**
Advertising	**2,282**	**351,871**	**-**	**354,153**
Royalties	**-**	**223,559**	**3,254**	**226,813**
Security services	**14,314**	**95,086**	**4,072**	**113,472**
Water	**10,554**	**105,024**	**796**	**116,374**
Expansion costs	**-**	**-**	**130,582**	**130,582**
Others	**58,659**	**1,615,471**	**862,329**	**2,536,459**
	24,399,440	**8,920,272**	**1,932,187**	**35,251,899**
Depreciation	**26,690**	**647,291**	**30,071**	**704,052**
	$ 24,426,130	**$ 9,567,563**	**$ 1,962,258**	**$ 35,955,951**

DESCRIPTION	CCOST OF SALES	SELLING AND DISTRIBUTION EXPENSES	ADMINISTRATIVE EXPENSES	TOTAL COSTS AND EXPENSES
	2012			
Merchandise	$ 23,682,402	$ -	$ -	$ 23,682,402
Wages and salaries	6,654	2,449,742	520,449	2,976,845
Employee benefits	19	1,872,481	252,447	2,124,947
Lease	-	1,104,426	51,614	1,156,040
Electricity	-	635,758	6,692	642,450
Maintenance	2,821	375,572	41,327	419,720
Advertising	1,444	354,209	431	356,084
Royalties	-	217,972	3,303	221,275
Security services	-	107,277	5,457	112,734
Water	-	103,032	1,298	104,330
Expansion costs	-	-	109,296	109,296
Others	97,782	1,424,462	849,506	2,371,750
	23,791,122	8,644,931	1,841,820	34,277,873
Depreciation	27,645	604,476	28,060	660,181
	$ 23,818,767	**$ 9,249,407**	**$ 1,869,880**	**$ 34,938,054**

22. Other (income) expenses, Net

	2013	2012
Cancellation on mature liabilities and provisions	**$ (224,566)**	$ (40,149)
Gain on investment property revaluation	**(210,077)**	-
Tax recovery	**(35,044)**	-
Sales of materials and waste	**-**	(98,914)
Royalties	**-**	(7,560)
Loss on sale of fixed asset, net	**24,412**	58,885
Others, net	**(2,468)**	(4,551)
	$ (447,743)	**$ (92,289)**

23. Income taxes

The ISR is based on the fiscal year profits; which differs from the net income reported in the consolidated statement of comprehensive income due to temporary differences including timing differences with respect to the recognition of taxable or deductible revenues or expenses and permanent items that are never taxable or deductible. The liabilities for current tax is calculated using enacted tax rates or rates that are substantially approved at the end of the period in jurisdictions in which the Entity and its subsidiaries are subject to tax.

The Entity is subject to ISR and IETU (until 2013) in Mexico.

ISR - The rate was 30%. The Entity pays ISR, together with Grupo Carso, S. A. B. de C. V. on a consolidated basis.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5%. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections, the Company determined that it will basically pay ISR, therefore, it only recognizes deferred ISR.

A. Income taxes consist of the following:

	2013	2012
ISR:		
Current	**$ 1,550,412**	$ 1,602,693
Deferred	**159,552**	(278,113)
	$ 1,709,964	**$ 1,324,580**

B. Following is an analysis of the deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2013	2012	2011
ISR deferred (asset) liability:			
Property, machinery and equipment	**$ 1,481,879**	$ 1,566,141	$ 1,377,644
Inventories	**11,990**	126,317	228,516
Accounts receivable from installment sales	**546,039**	276,560	340,948
Allowances for assets and reserves for liabilities	**(702,567)**	(716,230)	(695,705)
Employee benefits	**218,920**	220,959	241,299
Other	**(253,753)**	(64,270)	(41,305)
Deferred ISR on temporary differences	**1,302,508**	1,409,477	1,451,397
Effect of tax loss carry-forwards	**(26,867)**	(37,130)	(44,200)
Asset tax	**-**	(900)	(987)
Effect of changes in statutory tax rate	**-**	(210,254)	36,640
Deferred income tax liability	**$ 1,275,641**	**$ 1,161,193**	**$ 1,442,850**

C. Following is a reconciliation of the income tax liability:

	2013	2012
Beginning balance	**$ 1,161,193**	$ 1,442,850
Income tax applied to period results	**159,552**	(278,113)
Other	**(45,104)**	(3,544)
	$ 1,275,641	**$ 1,161,193**

D. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

	2013	2012
	%	%
Statutory rate	**30**	30
Plus (less) permanent differences -		
Nondeductible expenses	**2**	1
Inflation effects	**1**	(2)
Effective rate	**33**	**29**

E. Benefits from restated tax loss carry forwards for which a deferred ISR asset has been recognized can be recovered by fulfilling certain requirements. The amount of tax loss carryforwards for all of the subsidiaries and their related expiration dates as of December 31, 2013 are as follows:

YEAR OF EXPIRATION	PÉRDIDAS AMORTIZABLES
2017	$ 325
2018	20,979
2019	738
2020 and thereafter	67,515
	$ 89,557

24. Commitments

A. As of December 31, 2013, contracts have been executed with suppliers for the remodeling and construction of some of its stores. The amount of the commitments contracted in this regard is approximately $1,761,234.

B. Asimismo, al 31 de diciembre de 2013, la Entidad y sus subsidiarias tienen celebrados contratos de arrendamiento b.Furthermore, as of December 31, 2013, the Entity and its subsidiaries have entered into lease agreements in 311 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods and range between one and twenty years. The rental expense during 2013 and 2012 was $1,165,982 and $1,200,031, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from one to fifteen years and the amount of rental income in 2013 and 2012 was $254,842 and $242,839, respectively.

- The amount of rentals payable according to its due date amount to:

MATURITY		DECEMBER 31, 2013
1 year	$	526,369
1 to 5 years		2,508,517
More than 5 years		3,722,537
	$	6,757,423

- The amount of rentals receivable according to their due date amount to:

VENCIMIENTO		DECEMBER 31, 2013
1 year	$	35,475
1 to 5 years		114,187
More than 5 years		77,032
	$	226,694

C. In December , 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) and Sears Roebuck and Co., signed an agreement whereby they have decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, which establishes the payment of 1% of the revenues from merchandise sales, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement will be in effect up to September 30, 2019, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance.

D. Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 year renewal option, establishing the minimum annual payment of US $500,000 and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

25. Contingency

As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and of labor matters.

The estimated amount of these judgments to December 31, 2013 amounts to $666,629; for which the Entity has recognized provisions $90,458 which is included in other liabilities in the consolidated statements of financial position. During 2013, the Entity made payments related to these matters of approximately $23,134. While the results of these legal proceedings cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's financial position or operating results.

26. Information by segment

Information by operating segment is presented based on the management focus and general and by geographical area.

A. Information by operating segment is as follows:

2013	SEARS AND BOUTIQUES
Total revenue	**$ 21,073,836**
EBITDA [1]	**3,029,652**
Consolidated comprehensive income	**1,626,948**
Interest income	**24,007**
Interest expense	**185,253**
Depreciation	**306,564**
Income taxes	**974,867**
Total assets	**17,398,596**
Current liabilities	**8,700,949**
Long-term liabilities	**611,654**
Total liabilities	**9,312,603**
Capital expenditures	**993,107**

2012	SEARS AND BOUTIQUES
Total revenue	$ 20,382,975
EBITDA [1]	2,781,301
Consolidated comprehensive income	1,709,639
Interest income	29,209
Interest expense	119,083
Depreciation	277,666
Income taxes	694,955
Total assets	16,011,165
Current liabilities	8,515,884
Long-term liabilities	488,289
Total liabilities	9,004,173
Capital expenditures	391,004

(1) RECONCILIATION OF EBITDA	DECEMBER 31, 2013	DECEMBER 31, 2012
Income before income taxes	**$ 5,257,487**	$ 4,622,478
Depreciation	**704,052**	660,181
Interest income	**(369,538)**	(199,842)
Interest expense	**121,746**	198,240
Exchange gain, net	**(3,469)**	(10,220)
Gain on investment property revaluation	**(210,076)**	-
Effects of valuation of financial instruments	**-**	(45,134)
EBITDA	**$ 5,500,202**	**$ 5,225,703**

	SANBORNS		MIXUP AND ISHOP		OTHERS AND ELIMINATIONS		TOTAL CONSOLIDATED
$	**12,619,286**	**$**	**4,494,172**	**$**	**2,327,140**	**$**	**40,514,434**
	1,067,624		**267,021**		**1,135,905**		**5,500,202**
	613,554		**158,540**		**1,159,999**		**3,559,041**
	97,713		**9,913**		**237,905**		**369,538**
	144,929		**3,100**		**(211,536)**		**121,746**
	290,354		**55,536**		**51,598**		**704,052**
	240,991		**60,417**		**433,689**		**1,709,964**
	9,034,041		**2,035,795**		**10,294,592**		**38,763,024**
	4,459,166		**1,194,453**		**(4,878,600)**		**9,475,968**
	256,962		**20,304**		**386,721**		**1,275,641**
	4,716,128		**1,214,757**		**(4,491,879)**		**10,751,609**
	342,354		**42,997**		**296,756**		**1,675,214**

	SANBORNS		MIXUP AND ISHOP		OTHERS AND ELIMINATIONS		TOTAL CONSOLIDATED
$	12,535,064	$	4,281,425	$	2,211,823	$	39,411,287
	1,174,955		262,918		1,006,529		5,225,703
	545,442		150,323		758,771		3,164,175
	106,035		11,440		53,158		199,842
	97,466		2,969		(21,278)		198,240
	280,884		56,149		45,482		660,181
	260,403		84,832		284,390		1,324,580
	8,723,285		2,079,309		4,387,758		31,201,517
	4,040,131		1,248,962		1,006,557		14,811,534
	368,674		20,476		283,754		1,161,193
	4,408,805		1,269,201		1,290,548		15,972,727
	267,711		21,539		68,637		748,891

B. General segment information by geographical area:

The Entity operates in different locations and has distribution channels in Mexico and Central America through its commercial offices or representatives.

The distribution of such sales is as follows.

	2013	%	2012	%
México	**$ 40,068,165**	**98.90**	$ 38,976,388	98.90
El Salvador	**343,374**	**0.85**	324,356	0.82
Panamá	**102,895**	**0.25**	110,543	0.28
	$ 40,514,434	**100.00**	**$ 39,411,287**	**100.00**

27. Authorization to issue the financial statements

On March 24, 2014, the issuance of the accompanying consolidated financial statements was authorized by Lic. Mario Bermúdez Dávila, CFO; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law. The consolidated financial statements for the year ended December 31, 2012, were approved at the ordinary shareholders' meeting that took place on March 15, 2013.