Servicios Corporativos Javer, S. A. P. I. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2011, 2010 and 2009, and Independent Auditors' Report Dated March 7, 2012

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Lazaro Cardenas 2321 Poniente, PB
Residencial San Agustín
66260 Garza García, N.L.
México

Tel. +52 (81) 8133 7300
Fax +52 (81) 8133 7383
www.deloitte.com/mx

Independent Auditors' Report to the Board of Directors and Stockholders of Servicios Corporativos Javer, S. A. P. I. de C. V.

We have audited the accompanying consolidated financial statements of Servicios Corporativos Javer, S. A. P. I. de C. V. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, changes in stockholder's equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes for the years then ended.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes 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 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 Servicios Corporativos Javer, S. A. P. I. de C. V. and its subsidiaries as of December 31, 2011, 2010 and 2009, and the results of its operations, changes in its stockholder's equity and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.

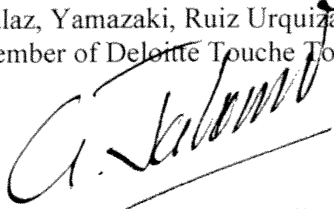
Deloitte.

Convenience translation into United States of America dollars and preparation of the consolidated financial statements in English

Our audits also comprehended the translation of the Mexican peso amounts into United States of America dollar amounts and, in our opinion; such translation has been made in conformity with the basis stated in Note 2.2.3. Such translation has been made solely for the convenience of readers.

The accompanying consolidated financial statements have been prepared in English at the request of the Company.

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



C.P.C. Alejandro Jalomo Nájera
March 7, 2012

Servicios Corporativos Javer, S. A. P. I. de C. V. and Subsidiaries

Consolidated statements of financial position

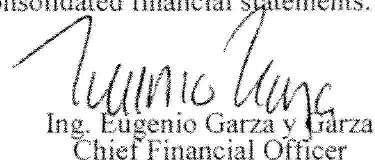
As of December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	Note	Thousands of US dollars (*) 2011	2011	2010	
Assets					
Current assets:					
Cash and cash equivalents	4	US$ 29,799	$ 415,721	$ 491,939	$ 805,927
Accounts receivable	5	144,790	2,019,973	1,732,033	766,934
Inventories	7	188,971	2,636,334	2,211,632	1,842,557
Prepaid expenses		11,936	166,521	234,085	195,348
Other current assets		14,647	204,341	32,046	65,776
Total current assets		390,143	5,442,890	4,701,735	3,676,542
Long term account receivable	5	5,048	70,425		
Land held for future development	7	62,746	875,367	827,530	800,782
Improvements, machinery and equipment	8	20,662	288,259	229,826	225,316
Derivative financial instruments	9	22,013	307,099	31,617	181,360
Other non-current assets		10,361	144,546	85,996	81,094
Total assets		US$510,973	$ 7,128,586	$ 5,876,704	$4,965,094
Liabilities and stockholders' equity					
Current liabilities:					
Borrowings from financial institutions	10	US$ 4,229	$ 59,000		$ 78,659
Current portion of long-term debt	11	3,539	49,377	$ 19,428	18,786
Trade and other payables	12	83,902	1,170,514	954,613	396,445
Due to related party	6	91	1,268	2,191	15,392
Advances from customers		412	5,749	7,168	40,519
Income taxes payable		579	8,081		30,317
Other liabilities		14,656	204,452	290,145	274,907
Total current liabilities		107,408	1,498,441	1,273,545	855,025
Long-term debt	11	232,641	3,245,577	2,581,131	2,282,353
Payables for purchase of land		14,290	199,361	148,335	114,890
Employee retirement obligations	15	1,823	25,437	33,646	31,404
Deferred income taxes	16	55,871	779,453	754,642	674,466
Total liabilities		412,033	5,748,269	4,791,299	3,958,138
Commitments and contingencies	19				
Stockholders' equity:					
Capital stock	18	52,670	734,806	734,806	733,641
Retained earnings		30,017	418,762	414,593	296,927
Derivative financial instruments	9	16,253	226,749	(63,994)	(23,612)
Total stockholders' equity		98,940	1,380,317	1,085,405	1,006,956
Total liabilities and stockholders' equity		US$510,973	$ 7,128,586	$ 5,876,704	$4,965,094

(*) Convenience translation to US dollars (US$) – See Note 2.2.3

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

Ing. Roberto Russildi Montellano
Chief Executive Officer



Ing. Eugenio Garza y Garza
Chief Financial Officer

Servicios Corporativos Javer, S. A. P. I. de C. V. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos, except earnings per share)

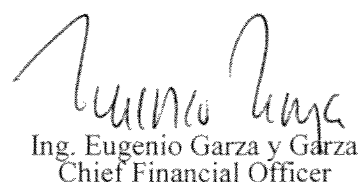
	Note	Thousands of US dollars, except earnings per share (*) 2011	2011	2010	2009
Revenues	18	US$338,224	$4,718,574	$4,673,919	$4,931,677
Cost of sales		232,739	3,246,947	3,304,678	3,361,297
Gross profit		105,485	1,471,627	1,369,241	1,570,380
Selling, general and administrative expenses		(45,517)	(635,006)	(549,938)	(582,663)
Other expenses, net		(858)	(11,970)	(17,222)	(98,895)
Interest expense, net		(34,974)	(487,926)	(402,906)	(327,670)
Net (loss) gain on foreign currency exchange		(27,180)	(379,194)	126,870	69,845
Gain (loss) on valuation of derivative financial instruments		9,171	127,945	(151,119)	(73,039)
Income before income tax		6,127	85,476	374,926	557,958
Income tax expense	16	(5,828)	(81,307)	(257,260)	(103,288)
Net income for the year		299	4,169	117,666	454,670
Other comprehensive income (loss) item:					
Net gain (loss) on cash flow hedges		20,840	290,743	(40,382)	(48,267)
Total comprehensive income for the year		US$ 21,139	$ 294,912	$ 77,284	$ 406,403
Basic earnings per share		US$0.00	$0.00	$0.02	$0.08

The weighted average number of common shares outstanding used to determine the basic earnings per share was 5,826,581,633 for the years ended December 31, 2011 and 2010, and 6,030,245,734 for the years ended December 31, 2009.

(*) Convenience translation to US dollars (US$) – See Note 2.2.3

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

Ing. Roberto Russildi Montellano
Chief Executive Officer



Ing. Eugenio Garza y Garza
Chief Financial Officer

Servicios Corporativos Javer, S. A. P. I. de C. V. and Subsidiaries

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	Capital stock	Retained earnings (deficit)	Derivative financial instruments	Total stockholders' equity
Balance as of December 31, 2008	$1,319,641	$(157,743)	$ 24,655	$1,186,553
Reimbursement of common stock	(586,000)			(586,000)
Issuance of common stock	1,165			1,165
Unpaid common stock	(1,165)			(1,165)
Comprehensive income		454,670	(48,267)	406,403
Balance as of December 31, 2009	733,641	296,927	(23,612)	1,006,956
Payment of common stock	1,165			1,165
Comprehensive income		117,666	(40,382)	77,284
Balance as of December 31, 2010	734,806	414,593	(63,994)	1,085,405
Comprehensive income		4,169	290,743	294,912
Balance as of December 31, 2011	$ 734,806	$ 418,762	$226,749	$1,380,317

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

Servicios Corporativos Javer, S. A. P. I. de C. V. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	2011	2010	2009
Cash flows from operating activities:			
Income before tax expense	$ 85,476	$ 374,926	$ 557,958
Items relating to investing / financing activities:			
Interest expense, net	487,926	402,906	327,670
Effects of valuation of derivative financial instruments	(128,169)	124,941	73,040
Depreciation and amortization of non-current assets	59,796	53,586	34,731
Unrealized exchange loss (gain)	388,934	(128,709)	(15,407)
(Increase) / decrease in:			
Accounts receivable	(358,365)	(976,684)	(294,622)
Inventories and land held for future development	(470,743)	(401,537)	667,788
Due from related parties			101,801
Other current assets	(172,296)	(75,354)	5,657
Prepaid expenses	67,564	(43,057)	(48,046)
Increase / (decrease) in:			
Trade and other payables	266,927	591,626	58,541
Due to related parties	(923)	(13,201)	(76,194)
Advances from customers	(1,419)	(28,631)	(44,620)
Income taxes paid	(48,415)	(120,550)	(197,929)
Other liabilities	(77,758)	11,364	(29,575)
Net cash provided by (used in) operating activities	98,535	(228,374)	1,120,793
Cash flows from investing activities:			
Improvements, machinery and equipment	(26,954)	(28,799)	(112,787)
(Increase) / decrease in other non-current assets	(58,550)	(2,181)	51,113
Disposal of Desarrollos Inmobiliarios El Camileño XXI, S. A de C. V.		(12,027)	
Net cash used in investing activities	(85,504)	(43,007)	(61,674)
Cash flows from financing activities:			
Proceeds from borrowings	159,000		301,310
Repayment of borrowings	(100,000)	(78,643)	(354,420)
Proceeds from long term borrowings	348,754	412,306	2,323,625
Repayment of long term borrowings	(35,355)	(1,113)	(1,864,067)
Interest paid	(453,187)	(329,194)	(252,827)
Debt issuance costs	(64,526)	(13,198)	(40,854)
Proceeds (payments) of forwards	60,204	(33,930)	
Payment of commissions	(4,139)		
Payment of common stock		1,165	
Reimbursement of common stock			(586,000)
Dividends paid			(130,000)
Net cash used in financing activities	(89,249)	(42,607)	(603,233)
Net (decrease) increase in cash and cash equivalents	(76,218)	(313,988)	455,886
Cash and cash equivalents at the beginning of the year	491,939	805,927	350,041
Cash and cash equivalents at the end of the year	$ 415,721	$ 491,939	$ 805,927
Supplemental schedule of non-cash investing activities:			
Payable for acquisition of fixed assets under finance leases	$ 93,070	$ 33,931	$ 16,056

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

Notes to consolidated financial statements

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos, except otherwise indicated)

1. Nature of business

Servicios Corporativos Javer, S. A. P. I. de C. V. (JAVER) is a holding company that, together with its subsidiaries (collectively the Company), specializes in the construction and sale of affordable entry-level, middle-income and residential housing developments in Mexico. Headquartered at Boulevard Antonio L. Rodríguez No. 2850, Colonia Santa María, Monterrey, Nuevo León, México 64650. The Company started operations in 1973 and is currently the leading housing developer in terms of number of units sold in northeastern Mexico, including in the state of Nuevo León, which is the second wealthiest state in Mexico based on per capita income, and where the city of Monterrey is located. The principal activities of the JAVER subsidiaries are described in Note 17.

1.1 *Refinancing of existing debt*

On April 1, 2011, the Company refinanced its existing long-term debt as of December 31, 2010 of US$210 million (Senior Notes) with a fixed interest rate of 13.0% maturing in August 2014. The Company offered the holders of such Senior Notes to exchange their entire existing debt for new Senior Notes at an annual fixed rate of 9.875%, maturing in April 2021, under similar terms to those of the exchanged securities, including guarantees thereof. The offer resulted in an exchange of 96.99% of the existing Senior Notes outstanding (Note 11).

The aforementioned debt agreements include options to prepay the Senior Notes before or after April 2014 or between April 2016 and April 2021, under certain conditions and subject to certain covenants and restrictions (Note 11).

1.2 Change of shareholder control

JAVER experienced a change of control in which Proyectos del Noreste, S. A. de C. V. (Proyectos del Noreste) sold the Series "A" and Series "B" shares it held in JAVER (collectively, the Shares) in an amount representing 60.0% of its capital stock, which as a consequence of the change of control were converted into Series "A", Series "B" and Series "C" shares. JAVER, along with Proyectos del Noreste, which until the change of control owned 99.99% of its capital stock, and Mr. Salomón Marcuschamer Stavchansky, who continues to own 99.99% of the capital stock of Proyectos del Noreste, entered into a Stock Purchase Agreement dated as of October 24, 2009 (the Stock Purchase Agreement) with: (a) Southern Cross Latin America Private Equity Fund III, L. P., (Southern Cross), (b) Gestora Metevco Holding Limitada, Compañía en Comandita por Acciones, (c) Degomex Holding, L. P., all the previous companies owned by Southern Cross, (d) Evercore Mexico Capital Partners II, L. P. and (e) ARVX Capital, S. A. de C. V. (ARVX), to execute the sale of the Shares. As a result of the transaction, (i) Proyectos del Noreste owns 38.0% of JAVER's capital stock (Series "B"), (ii) the Southern Cross owns 40.72% (Series "A"), (iii) Evercore owns 10.71% (Series "A") and ARVX owns 8.57% (Series "A") (the New Controlling Shareholders of the Series "A" shares); also, as result of this transaction, an irrevocable management and transfer of title trust agreement was entered into by and among the New Controlling Shareholders of the Series "A", as trustors-beneficiaries, and Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank, División Fiduciaria, as trustee, and (iv) Promotora de Proyectos Inmobiliarios Turín, S. A. de C. V., a special purpose vehicle, currently owns 2.0% of the capital stock (Series "C").

The aforementioned 38% of JAVER's Series "B" capital stock currently owned by Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank, División Fiduciaria, as fiduciary (the Scotiabank Fiduciary) under an irrevocable management trust agreement entered into by and between Proyectos del Noreste, as trustor, the New Controlling Shareholders of the Series "A" as trustee, and the Scotiabank Fiduciary (the Scotiabank guaranty deposit trust) under the Scotiabank guaranty deposit trust, the shares held by the Scotiabank Fiduciary will be progressively released either to Proyectos del Noreste or to the New Controlling Shareholders of the Series "A" based on certain release criteria described in the Stock Purchase Agreement, which relate to the payment of indemnities and/or price adjustments included, as well as the outcome of the legal proceedings related to tax contingencies among the stockholders owning the shares comprising JAVER's capital stock.

As a result of the change of control, Proyectos del Noreste retained special voting rights with respect to certain matters identified in by-laws as reserved matters and major decisions that must be approved at an extraordinary stockholders' meeting by a majority of New Controlling Shareholders of the Series "A" votes and by all the Series "B" stockholders.

Explanation for translation into English – The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value or amortized cost, as explained below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2.1 Presentation of consolidated statements of comprehensive income

The Company presents costs and expenses in its consolidated statements of comprehensive income according to their function because this is the practice of the industry to which the Company belongs.

2.2.2 Presentation of consolidated statements of cash flows

Presented using the indirect method, at the Company's accounting policy election.

2.2.3 Conversion to United States of America dollar (US$)

The consolidated financial statements are stated in thousands of Mexican pesos. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2011 and the consolidated statement of comprehensive income for the year then ended were translated into US dollars at the exchange rate of $13.9510 per US dollar as established by the Federal Reserve Bank of New York. This arithmetic conversion should not be construed as representations that the amounts expressed in Mexican pesos may be translated into US dollar at that or any other exchange rate.

2.2.4 Earnings per share

The basic earnings per common share are calculated by dividing the net consolidated income by the weighted average number of outstanding common shars during the year.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of JAVER and its subsidiaries controlled. Control is achieved where JAVER has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests (to the extent applicable) even if this results in the non-controlling interests having a deficit balance.

All intra-company transactions and balances have been eliminated in the consolidated financial statements.

Note 17 to the consolidated financial statements lists all the subsidiaries in which JAVER has a controlling interest.

2.4 Financial assets

Financial assets are classified into the following specified categories: "at fair value through profit or loss", "held-to-maturity' investments", "available-for-sale" 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 of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.4.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.4.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.4.3 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- 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 that have been assessed and determined not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default in receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Company classifies its land held for future development as a long-term asset and transfers it to a current asset as land under development within inventories once management begins development and based on its operating plan the sale of the homes to be constructed is expected to be realized within a year.

2.6 Improvements, machinery and equipment

Improvements, machinery and equipment are recorded at acquisition cost. Depreciation and amortization is calculated using the straight-line method based on the useful lives of the related assets, as follows (in 2011, 2010 and 2009):

Leasehold improvements	20
Machinery and equipment	10
Office furniture and equipment	10
Computers	3
Trucks and vehicles	4

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of molds for constructing houses (units) is calculated based on units produced during the year in relation to the total estimated production of the assets over their service lives. Depreciation in 2011, 2010 and 2009 represented a depreciation rate of 11.9%, 10.9% and 9.8%, respectively, of the total value of the related assets.

The gain or loss arising on the disposal or retirement of an item of leasehold improvements, machinery and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.7 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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.

2.8 Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of the Company's derivative financial instruments are disclosed in Note 9.

The Company recognizes financial derivatives at fair value based on valuation methods widely accepted in the financial industry. The Company has interest rate swaps and forwards related to exchange rates. The fair value of these instruments is determined using the present value of such cash flows. This method consists of estimating future cash flows of such derivatives, using the difference between the derivative fixed level and the curve market valuation at such date to determine an appropriate discount rate in order to estimate the present value. In addition, the Company utilizes recognized sources of information for risk factors used as inputs in valuation models. All of the Company's financial derivatives are classified within level 2 of the fair value hierarchy established by the international financial reporting standard 7, "Financial Instruments – Disclosure". Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 (fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivatives are initially recognized at fair value at the date the derivative contract is 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.

Embedded derivatives in other financial instruments or in other contracts (host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and when such contracts are not recorded at their fair value with effects in current earnings.

An embedded derivative is recognized as a long-term asset or liability when the remaining expiration date of the hybrid instrument it is related to is 12 months or longer and its realization or cancellation is not expected in 12 months. All other embedded derivatives are recognized as short-term assets or liabilities.

2.8.1 Hedge accounting

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

At the inception of the hedge relationship, the Company 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 Company 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.

2.8.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the caption "Other comprehensive income (loss) item" and accumulated under the heading valuation of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the gain (loss) on valuation of derivative financial instruments line item within the consolidated statements of comprehensive income.

Amounts previously recognized in "Other comprehensive income (loss) item" and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of comprehensive income 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 (loss) item" 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 Company 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 (loss) item" 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.

2.8.3 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 the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company 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.

2.9 Borrowing costs

The Company constructs all homes in a similar manner based on a standard design. In order to build entry-level homes, the Company purchases and uses moldings to create the frame and ceiling, after the concrete foundation has been set.

Management has concluded that based on the nature of the Company's operations and since it builds homes produced in large quantities, (based on a specific number of standard designs) on a repetitive basis, that such assets qualify for the exemption according to the international accounting standard (IAS), "*Borrowing Costs*" and has elected as an accounting policy to not capitalize interest related to such assets.

2.10 Payables for purchase of land

The Company entered into real state agreements to acquire land, which are payable in Mexican pesos, do not bear interest, with various maturities through 2016. The current portion of these payables are presented under the caption "Trade and other payables" in the consolidated statements of financial position and long-term payables are presented as a separate line in such statements.

2.11 Employee retirement obligations

In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method.

2.12 Income tax

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

2.12.1 Current income tax

Income tax, calculated as the higher of regular Income Tax (ISR) or the Business Flat Tax (IETU) are recorded in the results of the year they are incurred.

2.12.2 Deferred income tax

To recognize deferred income tax, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and accordingly recognizes deferred taxes based on the tax it will pay.

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 and if any, future benefits from tax loss carryforwards and certain tax credits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 assets and liabilities 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12.3 Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in the caption "Other comprehensive income (loss) item" or directly in equity, in which case, the current and deferred tax are also recognized in "Other comprehensive income (loss) item" or directly in equity respectively.

2.13 Financial liabilities

Financial liabilities are classified as such at fair value with changes recognized in profit or loss or as other financial liabilities.

2.13.1 Financial liabilities at fair value with changes recognized in profit or loss

This is a liability that is classified as held for trading or designated as at fair value with changes recognized in profit or loss.

These liabilities are recorded at fair value, recognizing any gain or loss arising from remeasurement in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest obtained from the financial asset.

2.13.2 Financial liabilities recognized at their amortized cost

Financial liabilities recognized at their amortized cost, including loans, are valued initially at fair value, net of the transaction costs.

Other financial assets are valued subsequently at their amortized cost using the effective interest rate method. Interest expense is recognized based on its effective yield.

2.13.3 Financial liability derecognition

The Company derecognizes the financial liabilities if, and only if, the Company's obligations have been met, cancelled or expired.

2.14 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 (in the event the Company acts as lessee) are initially recognized as assets of the Company 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.

Lease payments are apportioned between interest expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 (where 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.

The Company maintains a warranty fund related to potential defects in housing constructions that is withheld from the constructors and reimbursed once the warranty period expires, which is approximately one year. The liability related to such fund is included under "Trade and other payables" in the consolidated statements of financial position and amounts to $56,224, $59,067 and $85,371 as of December 31, 2011, 2010 and 2009, respectively.

2.16 Revenue recognition

Revenue from the sale of housing units and commercial lots is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.17 Direct employee benefits

Direct employee benefits are valued in proportion to the services rendered, considering current salaries and recognizing the liability as incurred. This includes mainly statutory employee profit sharing payable, compensated absences, such as vacation and vacation premiums, and incentives.

2.18 Statutory employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and presented within selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income.

2.19 Foreign currencies

The consolidated financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each of the Company's subsidiaries are expressed in Mexican pesos, which is the functional currency of the Company and the reporting currency for the consolidated financial statements.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 9 below for hedging accounting policies).

3. Critical accounting judgments and estimates

In the application of the Company's accounting policies, which are described in Note 2, the 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 and are reviewed as on ongoing basis. Actual results may differ from these estimates.

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.

3.1 Key sources of estimation uncertainty

The Company considers the useful lives of improvements, machinery and equipment as critical accounting estimates.

As described in Note 2.6 above, the Company reviews the estimated useful lives of improvements, machinery and equipment at the end of each annual reporting period.

4. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and temporary investments. Temporary investments are highly liquid investments held in one-day overnight cash positions. Cash at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2011	2010	2009
Cash and bank balances	$ 46,015	$270,926	$201,275
Temporary investments	369,706	221,013	604,652
	$415,721	$491,939	$805,927

5. Accounts receivable

	2011	2010	2009
INFONAVIT	$1,464,855	$1,267,440	$368,657
Fovi Credits	41,999	153,026	100,802
Other	568,345	363,417	321,506
	2,075,199	1,783,883	790,965
Allowance for doubtful accounts	(55,226)	(51,850)	(24,031)
	$2,019,973	$1,732,033	$766,934

5.1 Accounts receivable to customers

Accounts receivable disclosed above are measured at amortized cost.

The average credit period for the sale of homes is approximately 45 days.

While some of the Company's accounts receivable are from individual homebuyers, the majority, also sold to individual homebuyers, are from entities in the home finance business, whose characteristics differ from other receivables. The INFONAVIT (Mexican National Workers' Housing Fund Institute) is a social services entity established by the Mexican government to manage the government's national housing fund, which offers mortgages to credit-qualified private sector employees. Fovi credits relate to receivables from SOFOLES (limited purpose financial companies) and SOFOMES (multiple purpose financial companies) who provide financing to individuals requiring credit to purchase a home. The risk of collection for accounts receivable from the INFONAVIT is negligible given that they are backed by substantial funds contributed by private sector employers. The risk of collection for accounts receivable from the Fovi credits is also considered to be negligible given that they are backed by reputable financial institutions. Both the INFONAVIT and Fovi credits have no significant history of defaulting on the amounts owed to the Company.

The Company participates in a program that provides for the prompt collection of receivables from individuals through factoring without recourse with INFONAVIT. The program allows the Company based on its cash flow requirements to receive payment from a governmental institution who participates in the program, whereby it receives the full amount of the receivable owed by the INFONAVIT less TIIE (Interbank Equilibrium Interest Rate) plus a spread ranging between 2.00% and 5.00% for the remaining period the receivable is expected to be outstanding based on the terms of the sale. Once the payment is received, the Company derecognizes the receivable and records the difference between the sale amount and the cash proceeds as a loss, which is included in selling, general and administrative expenses in the consolidated statements of comprehensive income. The total amount of accounts receivable sold under the factoring program during 2011, 2010 and 2009 was $353,238, $203,351 and $1,221,945, respectively and the loss on sale presented within selling, general and administrative expenses for such periods was $5,217, $3,243 and $22,003, respectively.

5.2 Movement in the allowance for doubtful accounts

	2011	2010	2009
Balance at the beginning of the year	$51,850	$24,031	$ 8,323
Increase of the year	3,376	27,819	15,708
Balance at end of the year	$55,226	$51,850	$24,031

5.3 Long term account receivable

The Company held a long-term sale with the Instituto de la Vivienda de Nuevo León of $84,510. The current portion is $14,085 and is recognized under the "Accounts receivable" line item.

6. Transactions and balances with related parties

The Company's shareholders are disclosed in Note 1.2.

Balances and transactions between JAVER and its subsidiaries have been eliminated on consolidation and are not disclosed in this Note. Details of transactions and balances between the Company and other related parties are disclosed below.

6.1 Trading transactions

During the year, the Company entered into the following trading transactions with third related parties, which are entities controlled by Corporativo SMS, S. A. de C. V., a company controlled by the main shareholders of Proyectos del Noreste:

	2010	2009
Interest income		$ 83
Urbanization services expense		(25,087)
Administrative services income	$ 156	55
Administrative services expense		(1,234)
Construction services expense		(5,404)
Purchase of machinery and equipment		(41,561)
Purchase of land		(94,765)
Sale (purchase) of shares	10,000	(57,125)
Acquisition of trust rights		(55,000)

6.2 Balances due to related party as of December 31:

	2011	2010	2009
Desarrolladora y Urbanizadora Las Láminas, S. A. de C. V.	$1,268	$2,191	$15,392

6.3 Compensation of key management personnel

The remuneration of directors and members of the board of directors during the year was as follows:

	2011	2010	2009
Professional fees, salaries and other benefits	$31,825	$31,900	$27,920

7. Inventories and land held for future development

	Land under development	Housing units under development	Urbanization and related equipment	Total
Balance as of December 31, 2009	$ 757,565	$ 315,815	$ 769,177	$ 1,842,557
Additions / Purchases	25,255	2,060,229	1,023,906	3,109,390
Transfers from land held for future development	588,811			588,811
Sales	(440,924)	(2,063,077)	(825,125)	(3,329,126)
Balance as of December 31, 2010	930,707	312,967	967,958	2,211,632
Additions / Purchases	225,175	2,001,531	910,558	3,137,264
Transfers from land held for future development	307,853			307,853
Sales	(403,241)	(1,918,380)	(698,794)	(3,020,415)
Balance as of December 31, 2011	$ 1,060,494	$ 396,118	$1,179,722	$ 2,636,334

7.1 Land held for future development

Refers to land reserves to be developed by the Company and is presented as a non-current asset.

No impairment related to such assets was identified by the Company as of December 31, 2011, 2010 and 2009.

As of December 31, 2011, the amount of inventories and land held for future development guaranteeing the revolving lines of credit mentioned in Note 12 amounted to $627,497.

8. Improvements, machinery and equipment

	Leasehold improvements	Machinery and equipment	Molds	Office furniture and equipment	Computers	Trucks and vehicles	Investments in progress	Total
Cost	$25,586	$ 60,160	$156,733	$ 21,732	$ 48,863	$ 10,969	$ 9,336	$333,379
Accumulated amortization and depreciation	(2,432)	(8,329)	(58,920)	(5,955)	(25,996)	(6,431)		(108,063)
Balance as of December 31, 2009	23,154	51,831	97,813	15,777	22,867	4,538	9,336	225,316
Additions	2,697	2,201	47,792	2,196	4,671	302	15,759	75,618
Disposals	(2,900)	(2,402)		(117)	(93)	(562)	(3,961)	(10,035)
Transfers from investments in progress	5,019	776					(18,291)	(12,496)
Amortization and depreciation expense	(1,723)	(9,611)	(19,526)	(1,965)	(13,515)	(2,237)		(48,577)
Balance as of December 31, 2010	26,247	42,795	126,079	15,891	13,930	2,041	2,843	229,826
Additions	1,386	3,520	68,502	3,980	18,214	10,785	34,392	140,779
Disposals	(2,651)	(392)		(45)	(158)	(1,083)	(16,846)	(21,175)
Transfers from investments in progress	2,470	6		(1,130)	1,302	(79)	(2,569)	
Amortization and depreciation expense	(3,555)	(9,892)	(28,526)	(2,355)	(12,809)	(4,034)		(61,171)
Balance as of December 31, 2011	$23,897	$ 36,037	$166,055	$ 16,341	$ 20,479	$ 7,630	$ 17,820	$288,259

Molds, computers, trucks and vehicles were acquired under financial lease contracts.

9. Derivative financial instruments

As disclosed in Notes 1 and 11, as a result of issuing additional debt and its debt refinancing, the Company restructured its portfolio of hedging instruments in accordance with its new contractual conditions.

The Company is exposed to exchange rate risks related to its Senior Notes (Note 11), maturing in 2014 and 2021, contracted in US dollars, and that represent the majority of its outstanding debt. Interest is settled on a semiannual basis. The Company has implemented a derivative hedging strategy to hedge 43.40% of its interest payments at an average fixed rate of 12.10% in Mexican pesos and the remaining 56.60% at an average variable TIIE plus 4.10%.

Management intends to renew its derivative hedging portfolio constantly while it continues to be exposed to the principal and interest exchange rate risks. As of December 31, 2011 the Company only has the interest payment hedged through 2016.

The Company has entered into the following transactions to implement the risk management hedging strategy described in the preceding paragraph by entering into the following combined derivative financial instruments (notional amounts in millions, and no notional amounts exchange is required), maturing on August 4, 2014 and April 6, 2016, outstanding as of December 31, 2011:

Maturing	Notional (Receivable)	Notional (Payable)	Fixed Rate (Receivable)	Floating Rate (Payable)	Payment Date (Receivable)	Payment Date (Payable)
April 6, 2016	US$40.000	$474.000	9.875%	TIIE 28+4.05%	Semiannual	Monthly
April 6, 2016	US$50.000	$592.500	9.875%	TIIE 28+4.65%	Semiannual	Monthly
April 6, 2016	US$50.000	$592.500	9.875%	TIIE 28+3.66%	Semiannual	Monthly
April 6, 2016	US$16.480	$195.288	9.875%	TIIE 28+3.65%	Semiannual	Monthly
April 6, 2016	US$40.000	$474.200	9.875%	12.200%	Semiannual	Monthly
April 6, 2016	US$50.000	$592.500	9.875%	11.935%	Semiannual	Monthly
August 4, 2014	US$ 6.328	$ 80.366	13.000%	14.190%	Semiannual	Monthly
April 6, 2016	US$23.822	$282.300	9.875%	11.800%	Semiannual	Monthly

Management closely monitors the Company's exposure to TIIE in order to mitigate the risks of increasing interest rates and evaluates the cost/benefit of entering into derivative transactions to fix the interest rate to be paid. Increases in interest rates would impact its interest coverage ratio, which is one of the Company's primary debt covenants. The Company performed a sensitivity analysis that considered a 100 to 300 basis point increase in the TIIE and concluded that it would not have a significant impact on its financial performance.

Gains for the fiscal year ended December 31, 2011 related to the exchange rate collars that were hedging US$60 million of the debt principal and that contractually expired in 2011 and were not renewed amount to $5,469, which was was recognized in results of the year.

The Company designated the combined derivative financial instruments as cash flow hedges. The fair value of the derivative financial instruments as of December 31, 2011 was $307,099, as follows (notional amounts in millions):

Instrument	Type of Hedge	Notional	2011
Combined derivative financial instruments	Cash flow	US$277	$271,634
Embedded derivative			35,465
Total asset			$307,099

As the prepayment strike price for calling the Senior Notes is not similar at each strike date to the amortized cost in those years, an embedded derivative of $38,511 was recorded in 2011, which balance as of December 31, 2011 represents an asset of $35,465, recognized results of the year.

Fort the year ended on December 31, 2011, the Company recognized the following impact related to its foreign exchange hedges:

a) Combined derivative financial instruments: the amounts recognized within "Other comprehensive income (loss) item" represented a gain of $271,634.

b) Forwards: the amounts recognized under "Gain (loss) on valuation of derivative financial instruments" represented a gain of $61,539; such gain arises from the early cancellation of the derivative that was hedging US$50 million of the debt principal amount.

Market risk

The following disclosures provide a sensitivity analysis of the market risks the Company is exposed to foreign exchange rate and interest rate, which considers its existing hedging strategy:

a) If as of December 31, 2011, the exchange rate published by the Federal Reserve Bank of New York ($13.9510) had increased 10.00 %, the Company's income before taxes would have decreased $385,927, resulting from foreign exchange losses associated with all the Company's Senior Notes.

b) Additionally: 1) if the interest rate associated with TIIE 28 had increased 100 basis points (1.00%) and 2) the exchange rate established by the Federal Reserve Bank of New York ($13.9510) had decreased 10.00%, maintaining all other risks fixed, the Company's income before taxes would have decreased $21,830 and $27,297, respectively, resulting from the impact associated with the fair value of the Company's derivative financial instruments.

Liquidity risk

The following table (amounts in millions) discloses the Company's maturity dates associated with its long-term financial liabilities as of December 31, 2011. The amounts disclosed represent the contractual cash payments (undiscounted); therefore, they differ from the amounts recognized in the consolidated financial statements. The Company's derivative financial instruments are presented on a net basis (cash payable, net of cash receivable):

Type of liability	2012	2013	2014	2015-2021	Total
Senior Notes	US$ 27.5	US$ 27.5	US$ 33.8	US$ 439.4	US$ 528.2
Derivatives	US$ (2.4)	US$ (2.4)	US$ (2.4)	US$ (16.0)	US$ (23.2)
Total	US$ 25.1	US$ 25.1	US$ 31.4	US$ 423.4	US$ 505.0

The Company makes payments associated with its long-term financial liabilities with cash generated from its operations.

Credit risk

The Company manages the credit risk related to its derivative portfolio by soley entering into transactions with reputable and credit-worthy counterparties. As of December 31, 2011, the maximum exposure to credit risk related with its derivative financial instrument asset is $271,634. The Company conducted a credit risk analysis of the counterparties at year end with market-based information (probabilities of default and recovery rates). The related impact would be a decrease of $7,100 in income before income tax.

10. Borrowings from financial institutions

	2011	2009
Unsecured loan bearing a variable interest rate based on TIIE plus a spread of 4.00 basis points	$50,000	
Unsecured loan bearing a variable interest rate based on TIIE plus a spread of 2.75 basis points	9,000	
Mortgage bridge loans collateralized by inventories (at a rate of 2 to 1 with respect to outstanding balances), bearing a variable interest rate based on TIIE plus and average spread of 3.75%		$78,659
	$59,000	$78,659

The TIIE rate is established by the Bank of Mexico. On December 31, 2011 and 2009 the rate was 4.79% and 4.92%, respectively.

11. Long-term debt

	2011	2010	2009
Unsecured – at amortized cost			
Senior Notes US$210 million refinanced – 2021 (i)	$2,685,916		
Senior Notes US$30 million – 2021 (i)	412,276		
Remaining original Senior Notes US$210 million – 2014	87,681	$2,549,257	$2,273,029
Capital lease agreements (ii)	109,081	51,302	28,110
	3,294,954	2,600,559	2,301,139
Current portion	(49,377)	(19,428)	(18,786)
Long-term debt	$3,245,577	$2,581,131	$2,282,353

Significant loan information

(i) The refinancing of the Senior Notes disclosed in Note 1 of US$210 million was considered to be a modification to the original debt to the original terms and conditions of the agreements, and not an extinguishment thereof (the derivative financial instruments related to its hedging agreements were treated similarly for accounting purposes). The refinancing resulted in an additional premium and related issuance costs, which net balances amount to $493,633 and $73,631, respectively, and are presented net of the long-term liability in the consolidated statement of financial position as of December 31, 2011, which is being amortized in accordance with the effective interest method in accordance with the terms of the related debt. Additionally, the valuation effect to fair value of the Company's cancelled derivative financial instruments associated with the original Senior Notes of $74,145 is reflected within long-term liabilities and $85,158 was recorded in current earnings for the year ended December 31, 2011.

On April 6, 2011, the Company issued additional debt (Senior Notes) as part of an international offering for US$30 million maturing in April 2021, bearing annual fixed interest of 9.875%. Interest is paid on a semiannual basis beginning on October 2011, and the underwriter was the Bank of New York Mellon, as trustee and JAVER's subsidiaries as guarantors. The proceeds from the Senior Notes are being used for the Company's general business purposes. This new issuance resulted in net additional premiums and debt issuance costs which net balance amounts to $7,085, and is presented net of the long-term liability in the statement of financial position as of December 31, 2011, and is being amortized in accordance with the effective interest method in accordance with the terms of the related debt.

The debt agreements of all Senior Notes maturing in 2021 and the remaining original Senior Notes maturing in 2014, contain certain covenants and restrictions, which have been met as of December 31, 2011.

(ii) The Company has finance leases related to molds, trucks, vehicles and computers with different maturity terms. (See Note 13 for the disclosures related to such finance leases.)

12. Trade and other payables

	2011	2010	2009
Trade accounts payable	$ 225,566	$158,928	$134,647
Payables for purchase of land	336,261	237,303	75,750
Revolving credit lines (i)	608,687	558,382	186,048
	$1,170,514	$954,613	$396,445

(i) The Company established a program that allows its suppliers to obtain financing from various financial institutions. The maximum limit is $1,090,000, $580,000 and $340,000 as of December 31, 2011, 2010 and 2009, respectively. Ordinarily, the Company pays qualifying financial institution within 90 days following the invoice date, and the supplier is responsible for paying the financial institution financing commission.

13. Leases

The Company capital lease agreements include: a) Molds, bearing annual fixed interest rates of 12.53%, with various maturities through 2013, b) Trucks, bearing annual fixed interest rate of 13.62%, with various maturities through 2013 and c) Vehicles, bearing annual fixed interest rate of 11.58%, with various maturities through 2014.

13.1 Leasing arrangements

The Company has options to purchase the leased assets for a nominal amount at the conclusion of the lease agreements. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

13.2 Finance lease liabilities

		Minimum lease payments			Present value of minimum lease payments	
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Short-term	$ 59,604	$24,212	$20,880	$ 49,377	$19,428	$18,786
Long-term	69,560	36,859	10,692	59,704	31,874	9,324
	129,164	61,071	31,572	109,081	51,302	28,110
Less future finance charges	(20,083)	(9,769)	(3,462),			
Present value of minimum lease payments	$109,081	$51,302	$28,110	$109,081	$51,302	$28,110
Included in the financial statements as:						
- Current portion of long-term debt				$ 49,377	$19,428	$18,786
- Long-term debt				59,704	31,874	9,324
				$109,081	$51,302	$28,110

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

14. Foreign currency balances and transactions

The amounts in this Note are stated in thousands of US dollars (US$).

a. The monetary position as of December 31 was:

	2011	**2010**	**2009**
Monetary assets	US$ 1,008	US$ 5,963	US$ 1,081
Monetary liabilities	(238,761)	(206,443)	(174,263)
Net monetary liability position	US$ (237,753)	US$ (200,480)	US$(173,182)
Equivalent in Mexican pesos	$(3,323,478)	$(2,482,283)	$2,258,934

b. Transactions were as follows:

	2011	2010	
Purchase of molds	US$1,716	US$2,939	US$811

c. Mexican peso exchange rates in effect at the dates of the consolidated financial statements and at the date of its issuance were as follows:

		December 31,		March 7,
	2011	2010	2009	2012
US dollar	$13.9787	$12.3817	$13.0437	$12.9777

15. Employee retirement obligations

Net period cost for obligations resulting from the Company's seniority premiums were $4,172, $10,293 and $11,103 in 2011, 2010 and 2009, respectively. The total amount of salaries, wages, and bonuses paid in 2011, 2010 and 2009 were $162,668, $143,216 and $112,148, respectively. Other disclosures required by international financial reporting standards are not considered to be material.

16. Income taxes

In accordance with the Mexican tax law, companies are subject a dual system comprised of ISR and IETU, and pay the higher of the ISR or IETU.

ISR is computed taking into consideration taxable and certain deductible effects of inflation. In addition, the Company deducts purchases of land for housing developments in the year of acquisition or when it is sold. For ISR purposes, effective in 2005, cost of sales is deductible for tax purposes, eliminating the prior deduction for inventory purchases. Taxpayers had the option, in 2005, to ratably increase taxable income over a period from 4 to 12 years, by the tax basis of inventories as of December 31, 2004, determined in conformity with the respective tax rules, and taking into account inventory turnover. Such inventory was decreased by tax loss carryforwards whose net balance as of December 31, 2011, 2010 and 2009 was $163,835, $207,871 and $315,098 respectively. PTU paid is fully deductible.

In December 7, 2009, Mexico enacted new tax laws that become effective January 1, 2010. Among other things, the new laws:

- Provide for a temporary increase in the ISR rate (30.0% for 2010 to 2012, 29.0% for 2013, and 28.0% for 2014 and thereafter).
- Disallow crediting IETU loss credit carryforwards against ISR liabilities.
- Restrict the deferral of taxes assessed on differences in the After-Tax Accumulated Earnings Accounts (CUFIN).

The result of the application of the change in ISR tax rates in future periods impacted the Company's deferred taxes and is shown in the table below as "Effect on deferred ISR for tax rate changes".

The ISR rate for 2011 and 2010 was 30% and for 2008 was 29%.

IETU applies to the sale of goods, the provision of independent services and the granting of temporary use or enjoyment of goods, according to the terms of the IETU Law, less certain authorized deductions. IETU payable is calculated by subtracting certain tax credits from the tax determined. Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated beginning January 1, 2008. The IETU rate was 17.0% in 2009, and 17.5% in 2010 and thereafter.

JAVER and the majority of its subsidiaries did pay ISR in 2011, 2010 and 2009 (some of the subsidiaries did pay IETU in 2011 and 2010 in an isolated event and unlikely to reoccur). Therefore, based on its financial projections, the Company expects to only pay ISR in the future and as a result the enactment of IETU did not have an impact on the Company's calculation of its deferred income taxes as it continues to only recognize deferred ISR.

Income taxes payable by JAVER and its subsidiaries for the years ended December 31 are comprised of the following:

	2011	2010	2009
Current ISR	$42,674	$106,042	$ 164,100
Deferred ISR	24,811	127,369	(123,586)
IETU	13,822	23,849	20,568
Effect on deferred ISR for tax rate changes			42,206
	$81,307	$257,260	$ 103,288

The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before income taxes, for the years ended December 31, 2011, 2010 and 2009 was:

	2011	2010	2009
Statutory income tax rate	30.0%	30.0%	28.0%
Effect of non deducible expenses	4.0	0.6	6.0
Effects of inflation	28.9	8.9	3.6
Effect on deferred ISR for tax rate changes			7.3
Effect of deferred benefit from corporate reorganization (Note 1.2)			(22.3)
Deduction from land purchases	26.7	6.0	4.2
Effects of derivative financial instruments	(8.8)	6.2	(2.6)
IETU effect	16.2	6.4	3.7
Other	(1.9)	10.5	(9.4)
Effective tax rate	95.1%	68.6%	18.5%

The main items originating a deferred ISR liability were:

	2011	2010	2009
Deferred ISR assets:			
Provisions	$ 56,835	$ 54,125	$ 65,142
Tax loss carryforwards	306,190	124,964	64,704
	363,025	179,089	129,846
Deferred ISR liabilities:			
Advances to suppliers	(17,006)	(21,726)	(14,460)
Inventories	(965,981)	(871,854)	(736,508)
Other	(159,491)	(40,151)	(53,344)
	(1,142,478)	(933,731)	(804,312)
Deferred ISR liability, net	$ 779,453	$ 754,642	$ 674,466

As of December 31, 2011, JAVER and certain subsidiaries had tax loss carryforwards pending to be amortized for ISR purposes, which are available to offset future taxable income, as follows:

Year generated	Capital loss carryforwards	Tax loss carryforwards	Year of expiration
2008		$ 765	2018
2009		245,774	2019
2010	$674,104	208,762	2020
2011		565,332	2021
	$674,104	$1,020,633	

(1) As disclosed in Note 17, the Company sold Desarrollos Inmobiliarios El Camileño XXI, S. A. de C. V. in 2010, which generated capital loss caryforwards of $674,104 which can only be utilized with capital gains. The Company has not recognized a deferred tax asset related to such capital loss carryforwards as of December 31, 2011.

The aforementioned tax losses were adjusted for inflation in accordance with the ISR Law. The Company estimates it will be able to utilize the losses in 2012 and 2013.

17. Subsidiaries

Details of JAVER subsidiaries all of which are wholly-owned are as follows:

Real estate sales:
- Casas Javer, S. A. de C. V. (1)
- Casas Javer de México, S. A. de C. V. (in the preoperating stage)
- Casas Javer de Querétaro, S. A. de C. V.
- Hogares Javer, S. A. de C. V.
- Impulsora de Viviendas del Noreste, S. A. de C. V. (merged with Casas Javer, S. A. de C. V., from March 1, 2010)
- Apoyo Empresarial en Construcción, S. A. de C. V. (merged with Casas Consentidas Javer, S. A. de C. V., S. O. F. O. M., E. N. R. from March 1, 2010)

Urbanization and construction services:
- Urbanizaciones Javer, S. A. de C. V.
- Urbanizaciones Javer del Noreste, S. A. de C. V.
- Constructora de Viviendas SMS, S. A. de C. V. (merged with Urbanizaciones Javer, S. A. de C. V. from April 30, 2009)

Construction services:
- Construcción de Viviendas Javer, S. A. de C. V.

Administration services:
- Services Administrativos Javer, S. A. de C. V.
- Impulsora de Viviendas Javer, S. A. de C. V.

Financial services:
- Casas Consentidas Javer, S. A. de C. V., S. O. F. O. M., E. N. R.
- Desarrollos Integrales Javer, S. A. de C. V. (merged with Casas Javer, S. A. de C. V. form April 30, 2010)

(1) With operations in the states of Nuevo León, Tamaulipas, Aguascalientes and Jalisco, México.

On April 20, 2010, the JAVER subsidiary Desarrollos Inmobiliarios El Camileño XXI, S. A. de C. V. (formerly Viviendas Javer, S. A. de C. V.) was sold to Corporativo SMS, S. A. de C. V. and Grupo Inmobiliario SMS, S. A. de C. V. for an amount of $10,000 (which represented its cash on hand as of such date). The entity did not have any ongoing operations at such date as they had been sold to other subsidiaries.

18. Stockholders' equity

a. As of December 31, 2011, the Company's capital stock was comprised of 5,826,581,633 ordinary shares with no par value, 50,000 of which are fixed Series "B" shares, and 5,826,531,633 are variable. Variable capital consists of 3,495,948,980 Series "A" shares, 2,214,051,020 Series "B" shares, and 116,531,633 Series "C" shares. Variable capital is unlimited.

b. Pursuant to a resolution of the general extraordinary stockholders' meeting on August 4, 2009, variable common stock was reimbursed to Proyectos del Noreste for $586,000, amounting to 536,000,000 Series "B" shares.

c. On December 21, 2009, the general ordinary stockholders' meeting approved the increase of the variable capital stock through the issuance of 116,531,633 Series "B" shares amounting to $1,165.

d. On December 11, 2007, the fixed capital stock of Services Corporations Javer, S. A. de C. V. was funded with a cash contribution of $50. Variable capital originated from the capitalization of liabilities ceded to Proyectos del Noreste for the acquisition by JAVER of entities previously owned by Corporativo SMS, S. A. de C. V.. As the transaction was entered into between entities under common control, the difference between the book value of such entities and the variable capital stock issued by JAVER of $4,926,409 was presented as capital reduction within stockholders' equity. Pursuant to a resolution of the general extraordinary stockholders' meeting on October 21, 2010, the legal cancellation of the loss from the purchase of the aforementioned shares was approved through a capital reduction of $4,926,409.

e. Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to income taxes payable by the Company 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.

19. Commitments and contingencies

a. The Company leases its administrative offices. Rent expenses were $15,605, $14,669 and $9,528 in 2011, 2010 and 2009, respectively. Future minimum lease commitments are for different fixed terms and establish the following minimum payments, which will increase based on the National Consumer Price Index:

Year	
2012	$13,810
2013 and thereafter	10,349
	$24,159

b. Land Trust Agreements – The Company enters into land trusts where land (contributed by a third party) and other assets contributed by the Company are held in trusts. The Company and the owners of the land act as trustors and trustees in such agreements.

The trust vehicle serves as a guarantee to ensure the agreement between the parties is executed according to the terms set forth.

As of December 31, 2011, the Company maintains land under land trust agreements of 4,972,480 square meters (unaudited) and the capacity to construct 52,620 (unaudited) houses on such land in the states of Nuevo León and Jalisco, México.

c. JAVER submitted a proceeding for constitutional relief at the Second Court in Administrative Matters against Article 32 Section XVII of the ISR Law in effect in fiscal year 2010, which prevents the deduction of tax losses arising from the sale of shares of Desarrollos Inmobiliarios El Camileño XXI, S. A. de C. V. The trial is in the stage of presenting evidence, wherefore the Company's legal counsel cannot yet conclude that the outcome will be in favor of JAVER.

20. Adoption of new and revised International Financial Reporting Standards

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2011:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[6]
IFRS 11	*Joint Arrangements*[6]
IFRS 12	*Disclosure of Interests in other Entities*[6]
IFRS 13	*Fair Value Measurement*[2]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[3]
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*[4]
IAS 19 (as revised in 2011)	*Employee Benefits*[2]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[6]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[6]

1 Effective for annual periods beginning on or after July 1, 2011.
2 Effective for annual periods beginning on or after January 1, 2013.
3 Effective for annual periods beginning on or after July 1, 2012.
4 Effective for annual periods beginning on or after January 1, 2012.
5 Effective for annual periods beginning on or after January 1, 2015.
6 These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

Management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding transfers of trade receivables. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* 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 values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 recognised 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. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. Management does not anticipate that IFRS 9 will be early adopted in the Company's consolidated financial statements for the annual period beginning January 1, 2012. The application of the new Standard may have an impact on amounts reported in respect of the Company's' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the annual period beginning January 1, 2013. The application of IFRS 10 may result in the Company no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, management has not yet performed a detailed analysis of the impact of the application of this standard and hence has not yet quantified the extent of the potential impact.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets, and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting as prescribed by IAS 28 (Revised 2011) *Investments in Associates and Joint Ventures*, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the annual period beginning January 1, 2013. The application of IFRS 11 may result in changes in the accounting of the Company's jointly controlled operations. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, management has not yet performed a detailed analysis of the impact of the application of this standard and hence has not yet quantified the extent of the potential impact.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management anticipates that IFRS 13 will be adopted in the Company's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will 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 to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. Management anticipates that the application of the amendments to IAS 12 in future accounting periods will not result in adjustments to the amounts of deferred tax liabilities recognised in prior years as it does not have assets classified as investment properties of which the carrying amounts are presumed to be recovered through sale.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. Management anticipates that the amendments to IAS 19 will be adopted in the Company's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the amendments to IAS 19 may have an impact on amounts reported in respect of the Company's defined benefit plans. However, Management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

The amendments to IAS 27, *Separate Financial Statements*, have as an objective to establish the standards applicable in accounting for investments in subsidiaries, associates, and joint ventures, when an entity elects, or is required by local regulations to present unconsolidated financial statements. This standard does not dictate which entities produce separate financial statements available for public use; it applies when an entity prepares separate financial statements according to IFRS. Separate financial statements are those presented by a parent company, an investor in a jointly controlled entity, or with significant influence therein, where the investments are accounted for at cost or according to IFRS 9, Financial Instruments The effective date of IAS 27 (2011) is January 1, 2013, with early application permitted in certain circumstances, but it must be applied in conjunction with IAS 28 (2011), IFRS 10, IFRS 11 and IFRS 12. This standard does not impact the Company's consolidated financial statements.

The amendments to IAS 28, *Investments in Associates and Joint Ventures*, have the objective of prescribing the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for such investments and investments in joint ventures. This standard applies to all entities that are investors with joint control of, or significant influence over, another entity. The standard supersedes the prior version of IAS 28, Investments in Associates. The effective date of IAS 28 (2011) is January 1, 2013, with early application permitted in certain circumstances, but it must be applied in conjunction with IAS 27 (2011), IFRS 10, IFRS 11 and IFRS 12.

21. Business segment information

The Company's management and the Board of Directors assess, allocate resources and make operating decisions for the Company based on the income per type of housing and geographical zones, respectively.

a) ***Products whose reportable segments arise from income per type of housing and geographical zone:***

The Company's reportable segments are as follows:

Type of House	Geographical Zone
Entry-level	Nuevo León
Middle-income	Tamaulipas
Residential	Jalisco
Business lots	Aguascalientes
	Querétaro

- ***Revenues and results per type-of-housing segment:***

	(December 31)					
	Revenues per segment			Profits per segment		
	2011	2010	2009	2011	2010	2009
Entry-level	$1,967,140	$2,369,305	$1,742,739	$ 497,487	$ 621,810	$ 455,758
Middle-income	2,026,792	1,259,002	2,458,560	680,709	354,916	793,826
Residential	494,684	890,255	584,823	134,812	276,452	211,543
Business lots	229,958	155,357	145,555	158,619	116,063	109,253
Totals	$4,718,574	$4,673,919	$4,931,677	1,471,627	1,369,241	1,570,380
Administrative corporate costs and directors' salaries				(646,976)	(567,160)	(681,558)
Interest expense, net				(739,175)	(427,155)	(330,864)
Income before income taxes				$ 85,476	$ 374,926	$ 557,958

The accounting policies of the segments on which the information is provided are the same as the Company's accounting policies described in Note 2. Income per segment represents the income obtained by each segment without assigning administrative corporate costs and directors' salaries, net interest expense and income tax expenses.

- *Geographical information*

The Company operates primarily in five geographical areas (states) in Mexico, and revenues are as follows:

	2011	2010	2009
Nuevo Leon	$2,905,548	$3,387,693	$3,456,599
Jalisco	1,411,103	610,440	936,724
Aguascalientes	180,416	376,629	287,646
Tamaulipas	121,747	299,157	250,708
Queretaro	99,760		
	$4,718,574	$4,673,919	$4,931,677

b) Information on primary clients

As mentioned in Note 5, the Company's primary client is the INFONAVIT.

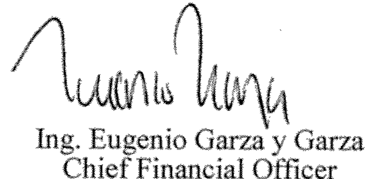
22. Subsequent event

On February 3, 2012, an exchange rate forward contract was entered into with a US$20 million notional amount, which fixes the exchange rate at US$13.1100 pesos per dollar, expiring on February 8, 2013.

23. Issuance and authorization of consolidated financial statements

On March 7, 2012, the issuance of the consolidated financial statements was authorized by Ingeniero Roberto Russildi Montellano, Chief Executive Officer, and Ingeniero Eugenio Garza y Garza, Chief Financial Officer. These consolidated financial statements are subject to the approval of the Board of Directors at the ordinary stockholders' meeting, where they may modify the consolidated financial statements, based on the provisions set forth by the Mexican General Corporate Law.

Ing. Roberto Russildi Montellano
Chief Executive Officer



Ing. Eugenio Garza y Garza
Chief Financial Officer