Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated Financial Statements December 31, 2014 and 2013

Contents

Contents	Page

Monterrey, N. L., April 20, 2015

To the Stockholders' Meeting of Grupo Famsa, S. A. B. de C. V.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Famsa, S. A. B. de C. V. and its subsidiaries as at December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C

José Carlos del Castillo Díaz
Audit Partner

GRUPO FAMSA, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Financial Position As of December 31, 2014 and 2013

(Thousands of Mexican pesos)

		December 31,	
Assets	Note	2014	2013
Current assets:			
Cash and cash equivalents	6	Ps 1,858,271	Ps 1,509,092
Trade receivables, net	8	22,545,028	21,640,993
Recoverable taxes		872,492	1,043,020
Other accounts receivable	9	814,091	690,376
Inventories	10	2,121,313	2,174,473
Total current assets		28,211,195	27,057,954
Non-current assets:			
Restricted cash	7	311,785	159,475
Trade receivables, net	8	857,288	526,227
Property, leasehold improvements, and furniture and equipment, net	11	2,506,459	2,568,243
Goodwill and intangible assets, net	12	325,673	314,683
Guarantee deposits		107,798	140,411
Other assets	13	496,232	365,345
Deferred income tax	23	2,291,167	1,810,630
Total non-current assets		6,896,402	5,885,014
Total assets		Ps 35,107,597	Ps 32,942,968
Liabilities and Stockholders' equity			
Demand deposits	14	Ps 10,135,219	Ps 8,416,208
Short-term debt	15	3,129,548	4,309,618
Suppliers		1,305,856	1,600,595
Accounts payable and accrued expenses	16	516,215	457,015
Deferred income from guarantee sales		221,868	234,038
Income tax payable		24,392	20,512
Total current liabilities		15,333,098	15,037,986
Non-current liabilities:			
Time-deposits	14	4,616,324	5,513,805
Long-term debt	15	4,666,928	3,236,795
Deferred income from guarantee sales		104,216	117,652
Employee benefits	18	106,922	93,043
Total non-current liabilities		9,494,390	8,961,295
Total liabilities		24,827,488	23,999,281
Stockholders' equity:			
Capital stock	19	1,709,173	1,458,286
Additional paid-in capital		3,873,961	2,778,226
Retained earnings		4,460,419	4,498,510
Reserve for repurchase of shares		192,426	130,000
Foreign currency translation adjustment		14,920	49,689
Total stockholders' equity attributable to shareholders		10,250,899	8,914,711
Non-controlling interest		29,210	28,976
Total stockholders' equity		10,280,109	8,943,687
Subsequent event	27		
Total liabilities and stockholders' equity		Ps 35,107,597	Ps 32,942,968

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

Lic. Humberto Garza Valdéz
Director General

C.P. Abelardo García Lozano
Director de Finanzas

Thousands of Mexican pesos		December 31,	
	Note	2014	2013
Net sales	26	Ps 10,665,848	Ps 10,642,973
Interest earned from customers	26	4,190,262	4,404,901
Total revenues		14,856,110	15,047,874
Cost of sales	20	(8,065,116)	(8,143,382)
Gross profit		6,790,994	6,904,492
Selling expenses	20	(3,558,388)	(3,589,431)
Administrative expenses	20	(2,258,310)	(1,903,912)
Other income, net	21	48,583	8,420
		(5,768,115)	(5,484,923)
Operating profit		1,022,879	1,419,569
Financial expenses	22	(1,609,373)	(1,731,305)
Financial income	22	703,449	745,897
Financial expenses, net		(905,924)	(985,408)
Profit before income tax		116,955	434,161
Income tax	23	254,402	226,326
Consolidated net income		Ps 371,357	Ps 660,487
Net income attributable to:			
Controlling interest		Ps 370,367	Ps 657,642
Non-controlling interest		990	2,845
Consolidated net income		Ps 371,357	Ps 660,487
Basic and diluted earnings per share attributable to controlling interest, in Mexican pesos:			
Net income		Ps 0.83	Ps 1.50
Number of outstanding shares	19	564,631,981	439,188,294
Weighted average of ordinary shares		448,260,934	439,188,294

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

Humberto Garza Valdéz
Chief Executive Officer

Abelardo García Lozano
Chief Financial Officer

GRUPO FAMSA, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income For the years ended December 31, 2014 and 2013

(Thousands of Mexican pesos)		December 31,	
	Note	2014	2013
Consolidated net income		Ps 371,357	Ps 660,487
Other comprehensive income (loss), net of taxes:			
Items that will not be reclassified to profit or loss:			
Actuarial (losses) and gains	18	(5,527)	4,19
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustment		(34,769)	(10,706)
Consolidated comprehensive income		Ps 331,061	Ps 653,972
Consolidated comprehensive income attributable to:			
Controlling interest		Ps 330,071	Ps 651,127
Non-controlling interest		990	2,845
		Ps 331,061	Ps 653,972

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

Humberto Garza Valdéz
Chief Executive Officer

Abelardo García Lozano
Chief Financial Officer

Thousands of Mexican pesos

	Note	Capital stock	Additional paid-in capital	Retained earnings	Reserve for repurchase of shares	Effects of foreign currency translation	Total stockholders equity attributable to shareholders	Total non-controlling interest	Total stockholders equity
Balances as of January 1, 2013	19	Ps 1,458,286	Ps 2,778,226	Ps 3,836,677	Ps 130,000	Ps 60,395	Ps 8,263,584	Ps 26,131	Ps 8,289,715
Net income		-	-	657,642	-	-	657,642	2,845	660,487
Other comprehensive income		-	-	4,191	-	(10,706)	(6,515)	-	(6,515)
Total comprehensive income		-	-	661,833	-	(10,706)	651,127	2,845	653,972
Balances as of December 31, 2013	19	1,458,286	2,778,226	4,498,510	130,000	49,689	8,914,711	28,976	8,943,687
Capital stock increase		260,870	1,215,521	-	-	-	1,476,391	-	1,476,391
Repurchase of shares, net		(9,983)	(119,786)	-	62,426		(67,343)	-	(67,343)
Other movements				(402,931)	-	-	(402,931)	(756)	(403,687)
Net income		-	-	370,367	-	-	370,367	990	371,357
Other comprehensive income		-	-	(5,527)	-	(34,769)	(40,296)	-	(40,296)
Total comprehensive income				364,840		(34,769)	330,071	990	331,061
Balances as of December 31, 2014	19	Ps 1,709,173	Ps 3,873,961	Ps 4,460,419	Ps 192,426	Ps 14,920	Ps 10,250,899	Ps 29,210	Ps 10,280,109

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

Humberto Garza Valdéz
Chief Executive Officer

Abelardo García Lozano
Chief Financial Officer

Thousands of Mexican pesos		December 31,	
Operating activities	Note	2014	2013
Profit before income tax		Ps 116,955	Ps 434,161
Depreciation and amortization	11,12,20	419,278	286,771
Allowance for doubtful receivables	20	1,241,556	1,284,315
Loss (Gain) on sale of property, leasehold improvements, furniture and equipment		1,535	(1,639)
Estimated liabilities for labor benefits	18	18,722	38,434
Interest income		(1,764)	(1,515)
Interest expenses		1,387,827	1,630,185
Trade receivables		(3,183,391)	(4,236,077)
Inventories		53,160	(223,810)
Other accounts receivable		(93,307)	(248,875)
Suppliers		(300,539)	27,656
Accounts payable and accrued expenses		(84,126)	(49,020)
Interests to bank depositors		(698,653)	(690,523)
Income tax paid		(49,255)	(26,846)
Demand deposits and time deposits		824,725	1,922,981
Exchange gain and losses, net		425,872	19,381
Net cash flows from operating activities		78,595	165,579
Investing activities			
Acquisition of property, leasehold improvements, furniture and equipment	11	(194,493)	(525,899)
Acquisition of intangible assets		(16,477)	(34,987)
Proceeds from sale of furniture and equipment		12,321	62,746
Interest received		1,764	1,515
Net cash flow used in investing activities		(196,885)	(496,625)
Financing activities			
Interest paid		(665,136)	(1,048,565)
Proceeds from current and non-current debt and bank loans		185,390	4,586,356
Payments of current and non-current debt and bank loans		(458,226)	(3,216,773)
Capital stock increase and additional paid-in capital		1,476,391	-
Repurchase of own share, net		(67,343)	-
Net cash flow from financing activities		471,076	321,018
Increase (decrease) in net cash and cash equivalents		352,786	(10,028)
Adjustments to cash flow as a result of changes in exchange rates		(3,607)	(9,607)
Cash and cash equivalents at the beginning of the year	6	1,509,092	1,528,727
Cash and cash equivalents at the end of the year	6	Ps1,858,271	Ps1,509,092

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

Humberto Garza Valdéz
Chief Executive Officer

Abelardo García Lozano
Chief Financial Officer

Thousands of Mexican pesos, except where otherwise indicated

Note 1 - General information:

Grupo Famsa, S. A. B de C. V. and subsidiaries (hereinafter, "Famsa", "Company" or "Grupo Famsa") is a Mexican company and a leader in the retail sector, satisfying families' different purchasing, financing and savings needs. The Company is controlled by a trust whose beneficiaries are the Garza Valdéz family. The address of the Company and its corporate office is Ave. Pino Suárez No. 1202 Nte, Zona Centro, Monterrey, Nuevo León, Mexico. Grupo Famsa started operations in 1970.

Grupo Famsa has developed a solid portfolio of complementary businesses based on consumer credit and savings, which supports a large part of the financing needs of its operations. As of December 31, 2014, Grupo Famsa operates a network of 370 stores with 401 bank branches, 102 pawn store branches, as well as 25 stores in two of the states with the largest Hispanic population in the United States of America (USA), focused on selling all types of electronic appliances, furniture, clothing, household appliances, mobile phones, motorcycles and other consumer durable goods. The sales operations are carried out in cash and by credit, wholesale and directly to the general public.

The Company is listed on the Mexican Stock Exchange, and in order to perform its financial activities in Mexico it has obtained the authorization of the Ministry of Finance and Public Credit to operate Banco Ahorro Famsa, S. A. Institución de Banca Múltiple as established by the Mexican Law of Credit Institutions, under the supervision and surveillance of the National Banking and Securities Commission (the Commission) and Banco de México (Banxico).

The consolidated financial statements were authorized for issuance on April 20, 2015, by the Company's officers who have signed the consolidated financial statements and the accompanying notes. They are subject to the approval of the ordinary shareholders' meeting, which is legally empowered to make such changes as it considers necessary.

Note 2 - Significant events:

1.Refinancing of debt

As part of a debt-refinancing program, Grupo Famsa undertook the following actions:

i.On January 28, 2014, the Company issued notes for US$60 million at a rate of 6.125%, under a euro commercial paper program established in 2009 for a total of US$110 million. The net proceeds were used by the Company to refinance the existing debt and capital work.

ii.In 2011, the Company signed program for unsecured notes known as Certificados Bursatiles for up to $2,000 million pesos, revolving in nature, for a five-year term. On March 13, 2014, under said program, the Company issued $1,000 million pesos in certificados bursátiles (GFAMSA14) at an Interbank Equilibrium Interest Rate (TIIE), plus 300 bps, maturing on March 10, 2016. The resources obtained from this placement served to settle certificado bursátil GFAMSA11 maturing on March 21, 2014.

2.Capital stock increase

At the November 25, 2014 Ordinary General Stockholders' Meeting, the stockholders approved an increase the company's variable capital stock, through issuance of 130,434,782 ordinary nominative shares, with no par value, Series "A", Class II, representing the variable capital stock. The subscription price of the shares and object of the capital stock increase was established at $11.50 M.N. For each of the shares that are the object of the increase, $2.00 pesos was applied to capital stock and the remainder was applied to premium on the subscription of shares line item. 100% of the shares pertaining to the capital increase were subscribed and paid in by the Company's stockholders on December 18, 2014.

3.Business acquisition

For the purpose of continuing to strengthen expansion of the network of bank branches, for greater penetration in country's states, and to be able to offer its customers different credit alternatives, in October 2013, BAF acquired a group of assets, identifiable with and related to Monte de México, S. A. de C. V.'s (Montemex) security interest activities, mainly as concerns loan portfolio, furniture and equipment and intangible assets (consisting of trademarks owned by Montemex, incenses and certain knowledge and other similar assets). This acquisition qualifies as a business combination as per IFRS 3.

During 2014, BAF concluded the purchase of the group of assets acquired form the security interest business, as well as the determination of the fair values thereof conducted by Management experts, which allows for definitive recognition of said acquisitions.

As a result of these acquisitions, BAF increased its presence in the aforementioned segments and in other regions of the country. The resulting goodwill from the acquisitions is mainly attributable to combining banking and security interest operations. Under no circumstance is the goodwill acquired expected to be deductible for income tax purposes, and neither are the gains.

Following is the condensed incorporated financial information pertaining to the acquisition of Montemex group of assets:

Clients	Ps 135,148
Property, leasehold improvements and Furniture and equipment, net	212,637
Intangible assets (1)	47,134
Goodwill (2)	2,078
	Ps 396,997

(1)The information, classification and percentage of amortization are part of the assets described in Note 12.

The value of the accounts receivable acquired approximates their fair value, due to their short-term maturities. The accounts receivable acquired are expected to be recovered in the short term.

No contingent liability has arisen from this acquisition that would require recognition. Also, there are no contingent consideration agreements.

4.Merger from incorporation agreed by some subsidiaries

Considering the dynamics of Grupo Famsa, and in order to facilitate the operations and supervision of the trading companies through a single entity, represented by Famsa México, S. A. de C. V., the four trading companies should be merged with Grupo Famsa. Among some of the benefits of performing this corporate restructuring, are improving the monitoring of retail operations in Mexico and facilitating transactions performed with Banco Ahorro Famsa.

In a General Extraordinary Meeting held on October 31, 2013, the stockholders approved the merger by incorporation of its subsidiaries Fabricantes Muebleros, S. A. de C. V., Famsa del Centro, S. A. de C. V., Famsa del Pacífico, S. A. de C. V. and Famsa Metropolitano, S. A. de C. V., the companies merged into Grupo Famsa, S. A. B. de C. V., as the merging and surviving company.

The merger became effective between the parties as of October 31, 2013, in accordance with the approval of stockholders present or represented in such General Extraordinary Meeting on October 31, 2013. Therefore, as of that date, the Company acquired the total assets and assumed the total liabilities and stockholders' equity of the merged companies, with the latter ceasing to exist as legal entities. In order to account for this transaction, the predecessor method was used, as mentioned in Note 3.2. It is established that the balance sheets used as a basis for the merger declared were those corresponding to October 31, 2013, approved by the General Extraordinary Stockholders' Meeting.

The balances of merged assets, liabilities and capital are as follows:

Concept	Fabricantes Muebleros	Famsa del Centro	Famsa del Pacífico	Famsa Metropolitano	Total
Current assets	Ps 149,969	Ps 85,663	Ps 122,882	Ps 716,566	Ps 1,075,080
Non-current assets	684,339	313,931	506,885	648,782	2,153,937
	Ps 834,308	Ps 399,594	Ps 629,767	Ps1,365,348	Ps 3,229,017
Short-term liabilities	Ps 42,789	Ps 156,284	Ps 50,970	Ps 158,290	Ps 408,333
Stockholders' equity	791,519	243,310	578,797	1,207,058	2,820,684
	Ps 834,308	Ps 399,594	Ps 629,767	Ps 1,365,348	Ps 3,229,017

At December 31, 2013, balances detailed above had already been incorporated in the consolidated financial statements before the merger; therefore, no additional effects were present in the consolidated financial statement as a result of the merger.

Note 3 - Summary of significant accounting policies:

The most significant accounting policies applied in the preparation of these consolidated financial statements are summarized as follows. These policies have been consistently applied in the reporting years, unless otherwise indicated.

3.1 Basis of preparation

The consolidated financial statements of Grupo Famsa, S. A. B. de C. V. and subsidiaries have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The IFRS include all effective International Accounting Standards ("IAS"), and the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those issued previously by the Standing Interpretations Committee ("SIC").

In accordance with the amendments to the Rules for Public Companies and Other Participants in the Mexican Stock Exchange, issued by the Mexican National Banking and Securities Commission on January 27, 2009, the Company is required to prepare its financial statements under IFRS starting in 2012.

The consolidated financial statements have been prepared on a historical cost basis, except for cash equivalents recorded at fair value.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Additionally, it requires the Company's management to use judgment in the process of applying the accounting policies of the Company. The areas involving a high degree of judgment or complexity and areas where judgments and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3.2 Basis for consolidation

a.Subsidiaries

The subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies of the entity. The Company controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. Where the Company's interest in subsidiaries is less than 100%, the share attributed to outside shareholders is presented as non-controlling interest.

Subsidiaries are consolidated in full from the date on which control is transferred to the Company and up to the date it loses that control.

The Company applies the acquisition method in accounting for business combinations, except in a jointly controlled entity. The Company defines a business combination as a transaction in which it obtains control over the business, which is defined as a set of activities and assets which are conducted and managed in order to provide benefits in the form of dividends, less costs or other economic benefits, directly to investors.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquire based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The acquisition-related costs are recognized as expenses when they are incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

When a jointly controlled entity is acquired, the Company accounts for business combinations using the predecessor method. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the consideration transferred and the carrying amount of the net assets acquired at the level of the subsidiary is recognized in stockholders' equity.

Inter-company transactions and balances and unrealized gains between Famsa companies are eliminated in the preparation of the consolidated financial statements. Unrealized losses are eliminated unless the transaction provides evidence of impairment in the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

As of December 31, the shareholding ownership percentages are as follows:

	% of ownership	
	As of December 31 2014	as of December 31 2013
Retail Sales		
Famsa México, S. A. de C. V.	99.99	99.99
Impulsora Promobien, S. A. de C. V.	99.04	99.04
Famsa, Inc., (Famsa USA)	100.00	100.00
Administrative services		
Corporación de Servicios Ejecutivos Famsa, S. A. de C. V.	100.00	100.00
Corporación de Servicios Ejecutivos, S. A. de C. V.	99.21	99.21
Promotora Sultana, S. A. de C. V.	99.99	99.99
Suministro Especial de Personal, S. A. de C. V.	99.99	99.99
Manufacturing and other		
Auto Gran Crédito Famsa, S. A. de C. V.	99.99	99.99
Expormuebles, S. A. de C. V.	99.90	99.90
Mayoramsa, S. A. de C. V.	99.89	99.89
Verochi, S. A. de C. V.	99.92	99.92
Geografía Patrimonial, S. A. de C. V.	100.00	100.00
Corporación de Servicios para la Administración de Valores, S. A. de C. V. (1)	99.80	99.80
Financial sector		
Banco Ahorro Famsa, S. A., Institución de Banca Múltiple (BAF)	99.82	99.82

(1) Company established on April 29, 2013

b.Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, i.e., an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment according to percentage of ownership before the event of dilution or absorption against the book value with the new percentage of ownership after the relevant event. In the case of loss of control, the dilution effect is recognized in income.

c. Disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is remeasured at its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d.Associates

Associates are all entities over which the Company has significant influence but not control. Generally an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss. If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income is reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the income statement and its share in the other comprehensive income of associates is recognized as other comprehensive income. The cumulative movements after acquisition are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognizes it in "share of profit/loss of associates" in the income statement.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair values of any retained interest plus any proceeds from disposing part of the interest in the associate less the carrying amount of the investment at the date the equity method was discontinued is recognized in the income statement.

3.3Business segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The officer responsible for allocating resources and assessing performance of the operating segments has been identified as the Chief Executive Officer.

With respect to the years presented, December 31, 2014 and 2013, the Company has operated on the basis of business segments. These segments have been determined considering the geographical areas. See Note 26.

The statement of comprehensive income shows the financial information in the way that management analyzes, conducts and controls the business.

3.4 Foreign currency translation

a.Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Mexican pesos, which is the functional currency of the Company's subsidiaries, except for Famsa, Inc., whose functional currency is the US dollar.

b.Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or of valuation when the amounts are revalued. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

c.Translation of entities with a functional currency different from the presentation currency

The results and financial position of Famsa, Inc., which operates in the USA, are translated into the presentation currency as follows:

Assets and liabilities for each statement of financial position are translated at the closing rate at the date of such statement of financial position;

Income and expenses recognized in the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transaction), and;

The capital stock recognized in the statement of financial position is translated at historical exchange rates. All resulting exchange differences are recognized in other comprehensive income.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments with original maturities of less than three months with minor risk of changes in value.

3.6 Restricted cash

Restricted cash represents limited cash in BAF and it comprises: a) deposits required by monetary regulations with Banco de México, which earn a bank funding rate, b) inter-bank short-term loans whose term does not exceed three working days, and c) purchased foreign currency, whose settlement date is agreed subsequently to the transaction date.

3.7 Financial instruments

3.7.1. Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the date of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's financial assets comprise trade receivables, other accounts receivable, cash and cash equivalents, and restricted cash, in the statement of financial position.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Costs and expenses associated with the initial granting of the loan are recorded as a deferred charge, which is amortized against income for the period as interest expense over the same accounting period in which the respective commission income collected is recorded.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less any impairment allowance.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to retain control of the transferred asset, the Company recognizes its interest in the asset and the associated liability for the amounts it would pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a liability for the amounts received.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position, when the right to offset the amounts recognized is legally enforceable and there are plans in place to settle them on a net basis or to realize the asset and pay the liability simultaneously.

3.7.2. Accounts payables

Trade payables are obligations to pay for goods or services that have been acquired or received in the ordinary course of business from suppliers. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recognized at amortized cost, any difference between the amounts received (net of transaction costs) and the settlement value being recognized in the statement of comprehensive income over the term of the loan using the effective interest method.

Financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if they are expected to be settled within the next 12 months, otherwise they are classified as non-current.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.7.3. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and if that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, if impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement in the administrative expenses line.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

3.8 Other accounts receivable

The Company classifies as other receivables all credits or advances to employees and other persons or companies other than the general public. If the receivables are expected to be collected within 12 months of the end of the financial year, they are classified as current, if not they are classified as non-current. See Note 3.7.1.

3.9 Advance payments

The Company classifies as advance payments the payments for advertising in mass media, mainly television and press. These amounts are recognized at the value of the related agreements and are charged to income as they are accrued. In no case do the contracted amounts exceed one year.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost comprises the cost of goods plus import costs, freight, handling, shipping and warehousing in customs and distribution centers, decreased by the value of respective returns. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost is determined using the average cost method.

Slow-moving or damaged merchandise is sold through the outlets, thus there is practically no significant inventory to impair.

3.11 Property, leasehold improvements, and furniture and equipment

Property, leasehold improvements, and furniture and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. The cost includes expenses directly attributable to the acquisition of the asset and all the costs associated with the placement of the asset in its location and in the necessary conditions so that it can operate in the manner intended by the management. See Note 3.19.

Costs for extension, remodeling or improvements representing an increase in the capacity and therefore an extension of the useful life of the assets are also capitalized. The expenses for maintenance and repairs are charged to the statement of comprehensive income in the period they are incurred. The carrying amount of the replaced assets is derecognized when replaced, with all effects being taken to the statement of comprehensive income.

Improvements in process represent stores under construction and include investments and all costs directly attributable to achieve operating conditions. The reclassification of these investments is made when the store opens and depreciation of the assets commences.

Depreciation on the assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and construction	33 years
Furniture and equipment	11 years
Transportation equipment	5 years
Data-processing equipment	4 years
Leasehold improvements	Over the effective period of the leasing agreement

Residual values, useful lives and depreciation of assets are reviewed and adjusted, if necessary, at the date of each statement of financial position.

The book value of an asset is written down to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount. See Note 3.13.

Gains and losses on the sale of assets result from the difference between the proceeds from the transaction and the carrying value of the assets. These are included in the statement of comprehensive income within other income (expenses), net.

3.12 Goodwill and intangible assets

a. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

b. Systems development and computer software

Intangible assets associated with systems development and computer software programs involve the plan or design and the development of a new or substantially improved software or computer systems. Development costs are capitalized only when the following criteria are met:

-It is technically feasible to complete the software product so that it will be available for use;

-Management intends to complete the software product and use or sell it;

-There is an ability to use the software product;

-It can be demonstrated how the software product will generate probable future economic benefits;

-Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

-The expenditure attributable to the software product during its development can be reliably measured.

Acquired licenses for the use of programs, software and other systems are capitalized at the value of costs incurred for the acquisition and preparation for use. Other development costs that do not meet these criteria and research expenses, as well as maintenance, are recognized in the statement of income within administrative expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

These assets are amortized based on their estimated useful life, which is six years.

3.13 Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.14 Demand deposits and time-deposits

The Company's funding liabilities include interest-bearing demand deposits (savings deposits and checking accounts) as well as time-deposits (certificates of deposits and promissory notes). These liabilities are recorded at the contracted transaction value plus accrued interest, determined by the days elapsed at the end of each month, which is charged to income on an accrual basis and subsequently at their amortization cost using the effective interest method.

3.15 Provisions

Provisions represent present obligations from past events where an outflow of economic resources is probable. These provisions have been recognized under the best estimate made by Management.

3.16 Income tax

The deferred income taxes are determined in each subsidiary by the asset and liability method, applying the tax rate enacted or substantially enacted at the statement of financial position date. The tax rates are applied to the total of the temporary differences resulting from comparing the accounting and tax bases of assets and liabilities in accordance with the years in which the deferred asset tax is realized or the deferred liability tax is expected to be settled, considering, when applicable, any tax loss carry forwards expected to be recovered. The effect of a change in tax rates is recognized in the income of the period in which the rate change is enacted.

Management periodically evaluates the positions taken in tax returns with respect to the situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate, based on the amounts expected to be paid to tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when legal enforceable rights exist, and when the taxes are levied by the same tax authority.

3.17 Employee benefits

a. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months.

b. Pensions and seniority premium

The Company has defined benefit plans. A defined benefit pension plan is a plan that defines the amount of pension benefits to be received by an employee in his or her retirement, usually depending on one or more factors, such as the employee's age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognized actuarial gains and losses and past-service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The Company has no plan assets.

c. Employee profit sharing and bonuses

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the taxable income after certain adjustments. The Company recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

d. Termination benefits for indemnities established in labor laws

Termination benefits are payable and recognized in the statement of comprehensive income of the period when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

e.Other employee benefits

The Company grants benefits to its employees who terminate their employment after more than 15 years of service. According to IAS 19 (revised) this practice constitutes an assumed obligation by the Company with its employees which is recognized based on calculations prepared by independent actuaries. See Note 3.24.

3.18 Stockholders' equity

Common shares are classified as equity.

The amounts of the capital stock, legal reserve, additional paid-in capital and retained earnings are presented at historical value, modified by the effects of inflation on the financial information recognized as of December 31, 1997. In accordance with the requirements of IAS 29 "Financial reporting under hyperinflationary economies", the Mexican economy is currently in a non-hyperinflationary environment, maintaining an accumulated inflation for the last three years under 100% (threshold for considering an economy as hyperinflationary), therefore from January 1, 1998 onwards the Company does not recognize the effects of inflation on the financial information.

Legal reserve and reinvestment reserve

The net income of the year is subject to the legal provision requiring the allocation of 5% of the income for each period to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. The reinvestment reserve is intended to be reinvested in the Company under shareholders agreements; 10% of the profit for the year is allocated to this reserve.

Reserve for repurchase of shares

The maximum limit for the acquisition of the Company's own shares is determined based on stockholders' resolutions. Shares acquired are held in treasury and their acquisition cost is charged to stockholders' equity at their purchase price as follows: a portion is charged to capital stock at its modified historical cost and the excess to the reserve for repurchase of shares. These amounts are stated at historical cost.

3.19 Borrowing costs

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, as part of the cost of such assets. It recognizes other borrowing costs as an expense in the period in which they are incurred.

As of December 31, 2014 and 2013, there were no financial costs capitalized because during these periods there were no qualifying assets in accordance with the Company's policies. Leasehold improvements require construction periods of less than one year.

3.20 Revenue recognition

Revenue represents the fair value of the cash collected or receivable resulting from the sale of goods or services in the normal operating cycle of the Company. Revenues are stated net of discounts and returns granted to customers.

The Company obtains revenues from retail operations primarily through the sale of products such as household appliances, furniture, clothing, electronics and mobile phones, and other financial services offered through BAF, such as the granting of personal loans.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

Revenue from sales of goods is recognized when the customer takes possession of the goods in the stores or when the merchandise is delivered to their domiciles. Approximately 81% of the sales are settled by customers with cards operated by the Company, and the rest is settled in cash or through bank credit and debit cards.

In accordance with IAS 18 "Revenue recognition"; in merchandise sales in installments, the cash receivable is deferred over the time and therefore its fair value may be less than the nominal amount of the sale. In these cases the Company determines the fair value of cash to be received, discounting all future cash flows using an implied interest rate determined by reference to the prevailing market rate for a similar instrument.

The difference between the nominal value of the sale payable in installments and the discounted value according to the previous paragraph is recognized as interest income.

The Company's policy is to sell certain products with the right of return. Customer returns are normally because of some fault or imperfection in the product. However, in cases where it is clear that the customers wish to return the product, the Company offers its customers the option to credit their account if the purchase was made with a card operated by the Company or to credit their bank card if the purchase was made in cash or with external cards.

Experience shows that returns on sales are not significant in relation to total sales, and therefore the Company does not create an allowance for returns.

Other revenues exist for commissions on the sale of life insurance policies which are recognized as income when the policies are sold. Revenues from guarantees granted are recognized by the straight-line method over the period in which this service is offered.

Interest income resulting from sale of products and personal loans is recognized as accrued, using the effective interest rate method.

3.21 Leases

Leases are classified as finance leases when the terms of the lease transfer to the lessee substantially all the risks and rewards of ownership. All other leases are classified as operating leases. Leasing expenses are recorded in the statement of income based on the straight-line method during the term of the lease agreement. See Note 25.

3.22 Earnings per share

Basic earnings per share are calculated dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the attributable profit and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. Basic earnings per share is the same as diluted earnings per share because there are no transactions that may potentially dilute the net income.

3.23 New accounting standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective at January 1, 2014. The nature and impact of each new standard or modification are described as follows:

IAS 32 - "Financial Instruments: Presentation" was modified in December 2011 and includes changes in the accounting requirements related to offsetting of financial assets and liabilities. The purpose of this change was to clarify the application rules in this regard. Implementation of this change had no impact on the Company's financial position or income.

IAS 39 - "Financial Instruments: Recognition and Measurement" was modified in June 2013 to clarify the fact that there is no need to discontinue hedge accounting when there is novation of a hedge-related derivative financial instruments, provided certain requirements are met. Implementation of this change had no impact on the Company's financial position or income.

IFRIC 21 "Levies" issued in May 2013 clarified that entities must recognize a liability for a levy when the activity that triggers payment occurs, identified as per the applicable legislation. Additionally, IFRIC 21 clarifies that a liability for a levy is included in the tax base on a progressive basis, only when the activity that triggers payment occurs in a period of time, in accordance with the relevant legislation. With respect to levies triggered upon reaching a minimum level, the interpretation indicates that no liability should be recognized as long as the minimum level required is not reached. The interpretation had no impact on the Company's financial position or income.

IAS 36 "Asset Impairment" - In May 2013, IASB modified IAS 36. This change indicates the disclosure of information on the recovery value of impaired assets, if the amount is calculated by the fair value method less selling costs.

3.24 New accounting pronouncements not early adopted by the company

Following are the new pronouncements and amendments issued and effective for years subsequent to 2014 that have not been early adopted by the Company.

IFRS 9 "Financial Instruments" - The complete version of IFRS 9 replaces most of the guidelines of IAS 39. IFRS 9 maintains but simplifies the mixed measurement model and establishes three main categories for measuring financial assets: amortized cost, fair value through other comprehensive income and fair value through income. The classification basis depends on the entity's business model and the contractual characteristics of the financial assets' cash flows. Investments in capital instruments must be measured at fair value through income with the irrevocable option at the outset to present changes in fair value through other comprehensive income. On the other hand, there is a new model for expected loan losses that replaces the model for impairment losses incurred used in IAS 39.

For financial liabilities, there are no changes in terms of classification and measurement, except for recognition of changes in own credit risks in other comprehensive income, for liabilities designated to fair value through income.

IFRS 9 simplifies the requirements for hedge effectiveness through replacement of hedge effectiveness testing with respect to effective ranges. This requires an economic ratio between the hedged item and the hedging instrument and that the hedge ratio is the same as that Management actually uses for risk management purposes. Contemporary documentation is still required; however, it differs from that currently prepared in accordance with IAS 39. The effective adoption date is January 1, 2018.

IFRS 15 "Revenue from contracts with customers" - IFRS 15 is a standard converging on revenue recognition. It replaces IAS 11 "Construction contracts", IAS 18 "Revenue" and related interpretations.

Revenue is recognized when a customer or client obtains control of the goods or services, respectively. The customer or client obtains control when he can direct the use and obtain the benefits of the goods or services, respectively.

The basic principle of IFRS 15 is that the entity recognizes revenue to represent the transfer of goods or services promised to the customer or client, respectively, at a point in time that reflects the consideration that the entity expects to obtain in return for those goods or services. An entity recognizes revenue as per the basic principle, applying the following steps:

Step 1: Identifying the contract(s) with the customer.

Step 2: Identifying the separable performance obligations in the contract.

Step 3: Determining the transaction price.

Step 4: Distributing the transaction price between each performance obligation in the separable contract.

Step 5: Recognizing the revenue when the entity satisfies the performance obligation.

IFRS 15 includes an extensive set of disclosure requirements that will lead to having an entity provide the users of the financial statements greater information in terms of the nature, amount, timeliness, uncertainty of revenue and cash flows arising from contracts with the entity's customers. The effective adoption date is January 1, 2017.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"

In May 2014, the IASB modified IAS 16 and IAS 38 to indicate that determining the useful life of an asset requires considering that expected future decreases in the selling price of an article produced by said asset could indicate that the expectation of technical or commercial obsolescence of the asset could reflect a decrease in the asset's future economic benefits. Additionally, the change establishes that depreciation or amortization method based on revenue generated by the activity that includes use of the asset could be improper. The change to IAS 16 and IAS 38 is effective for the annual periods beginning on or after January 1, 2016.

IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates" - Sale or contribution of assets between an investor and its associate or joint venture (modification).

In September 2014, the IASB modified IFRS 10 and IAS 28 to establish guidelines with respect to the sale or contribution of assets between an investor and its associate or joint venture. The modifications resolve a current inconsistency between IFRS 10 and IAS 28. The modification establishes that the accounting treatment will depend on whether or not nonmonetary assets sold or contributed to an associate or joint venture constitute a "business". It also requires that the investor recognize a gain or total loss, when nonmonetary assets involve a business. If the assets do not fit the definition of a business, a partial gain or loss is recognized by the investor up to the point of the other investors interest. The change to IFRS 10 and IAS 28 is effective for the annual periods beginning on or after January 1, 2016.

At the date of the financial statements, the Company's management is in the process of quantifying the effects of adoption of the new standards and amendments mentioned above.

There are no additional standards, amendments or interpretations issued but not effective that could have a significant effect on the company.

Nota 4 - Risk Management:

An integral risk management process refers to the set of objectives, policies, procedures and actions that are implemented to identify, measure, monitor, limit, control, report and disclose the different types of risk to which the Company is exposed.

Those responsible for risk management and their functions are:

- The Board of Directors, whose responsibility is to approve the objectives, guidelines and policies for risk management.

- Internal Audit, which is responsible for carrying out all the activities necessary in order to comply with the policies defined by the Board of Directors.

The Company has adopted as its main premise carrying out its operations in a conservative framework or profile so as to optimize its resources through the implementation of balanced operations between risk and performance.

The current strategy pursued by the Company is primarily focused on the granting of consumer loans, which will be supported by the funding of resources that will be obtained through deposits, orienting them towards correct placement and profitability, all of this under the operation of BAF.

The criteria, policies and procedures adopted by the Company in terms of risk management are based on internal policies and applicable standards.

The Company is exposed to several market and financial risks.

a) Market Risk

Market risk is defined as the potential loss due to changes in the risk factors that affect the valuation or the expected results from lending/borrowing operations, such as interest rates and exchange rates, among others.

I. Interest rate risk

The interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. Loans and debt certificates with maturities in the short and long term are subject to both fixed and variable interest rates and expose the Company to the risk of variability in interest rates and therefore its cash flows.

Changes in interest rates on long-term debt at fixed rates only affect the results if such debt is recognized at fair value. The Company initially recognizes loans from financial institutions and debt certificates at fair value and subsequently records them at amortized cost, whereby the Company is subject to interest rate risk related to changes in fair value.

The Company's exposure to changes in interest rates relates primarily to loans and debt certificates in the short and long-term with a variable interest rate. As of December 31, 2014 and 2013, the Company was subject to the volatility of the variable interest rates, such that, an increase in these rates would result in a higher financial cost of the liability.

Based on the Company's policies, it has not engaged in hedging activities through derivative instruments to hedge the interest rate risk for the years ended December 31, 2014 and 2013.

As of December 31, 2014 and 2013, 12.0% and 14.4%, respectively, of the Company's debt with financial cost (including deposits) was denominated at variable rates. If hypothetically interest rates on those dates had been increased / decreased 100 basis points and all other variables remained constant, the financial expense of the Company at the end of 2014 and 2013 would have increased / decreased by Ps24.9 million and Ps22.6 million, respectively.

II. Exchange rate risk

The Company's exposure to exchange rate risk refers to risks associated with movements in the exchange rate of the Mexican peso against the U.S. dollar, with the Mexican peso being the functional currency of the Company. In the past, the value of the Mexican peso has been subject to significant exchange fluctuations against the U.S. dollar.

The Company operates internationally and is exposed to foreign exchange risk, primarily related to the Mexican peso and the US dollar. The Company is exposed to foreign exchange risk arising from future commercial transactions in assets and liabilities in foreign currencies and investments abroad.

The Company also has exposure to exchange rate risk for its debt denominated in U.S. dollars. As of December 31, 2014 and 2013, 21.0 and 18.6% respectively, of the Company's debt with financial cost was denominated in U.S. dollars. Based on the Company policies it did not engage in hedging activities through derivative instruments to hedge the exchange rate risk for the years ended December 31, 2014 and 2013.

As of December 31, 2014 and 2013, a variation of the Mexican peso against the US dollar of 50 cents, with all other variables remaining constant, would impact the Company's financial expense by Ps11.7 million and Ps19.3 million, respectively. It is important to mention that the impact of the financial expense from exchange gain (loss) of the Mexican peso in relation to the US dollar is greater for fiscal year 2013, since the Company incurred in a non-recurring financial expense related to the redemption of the price paid corresponding to the offer for acquisition and amortization of senior bonds maturing in 2015, during May 2013 and the premium paid corresponding to the remaining capital of such offer during July 2013.

The Company has certain investments in foreign operations, whose net assets are exposed to the foreign exchange risk.

b) Liquidity Risk

Liquidity risk is defined as the inability of the Company to have sufficient funds available to meet its obligations. The Company´s Treasury Department is responsible for ensuring liquidity and managing the working capital in order to guarantee payment to suppliers, service debt and fund the costs and expenses of the operation. Furthermore, the Company has the alternative to obtain liquidity through loans drawn down from credit lines, debt and equity issuances, and funds from the sale of assets.

The following table details the contractual maturities of the Company's debt with financial cost and its principal current liabilities without financial cost. The table has been drawn up based on undiscounted cash flows from the first date on which the Company may be required to pay. The table includes interest and principal cash flows.

	less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 years and 3 years	Total
December 31, 2014					
Demand deposits and time deposits	Ps 7,222,495	Ps 3,201,444	Ps 5,112,682	-	Ps 15,536,621
Short and long-term debt	2,832,333	690,283	1,296,893	Ps 4,668,409	9,487,918
Suppliers and accounts payable and accrued expenses	1,305,856	-	-	-	1,305,856
Total	Ps 11,360,684	Ps 3,891,727	Ps 6,409,575	Ps4,668,409	Ps 26,330,395
December 31, 2013					
Demand deposits and time deposits	Ps 5,997,671	Ps 2,683,551	Ps 6,160,241	-	Ps 14,841,463
Short and long-term debt	3,921,488	708,293	253,074	Ps 4,382,621	9,265,476
Suppliers and accounts payable and accrued expenses	2,209,663	-	-	-	2,209,663
Total	Ps 12,128,822	Ps 3,391,844	Ps 6,413,315	Ps 4,382,621	Ps 6,316,60

c) Credit Risk

Credit risk refers to the potential loss from the inability of customers to make all required payments. The accounts receivable of the Company represent amounts owed by customers and are generated by sales of goods or services in the normal course of its operations. Since the Company's sales are made mostly to the general public, there is no risk of concentration in a customer or group of customers.

The Company has a risk management system for the loan portfolio, whose main elements include: 1) the risk of default and loss, which includes the processes of granting credit, authorization of purchase transactions and collections management; 2) operational risk, including security of the information and technologic infrastructure and 3) the risk of fraud, comprising the steps of prevention, analysis, detection, containment, recovery and solution.

The initial credit limits are calculated on an individual basis by the Company systems and are regularly monitored by the credit area to adjust them based on customer history. The Company has processes for reviewing credit quality of its customers for the early identification of potential changes in the ability to pay, taking timely corrective actions and the determination of current and potential losses.

The Company continuously monitors its portfolio recovery considering several factors including historical trends in the aging of the portfolio, history of cancellations and future performance expectations, including trends in the unemployment rates. In addition to this analysis, the Company requires that loans be secured primarily by the goods sold or by a guarantor, principally.

To quantify the credit risk of the Mexico commercial portfolio, the Company uses CREDITRISK+, which considers both the creditworthiness of counterparties and the exposure of each of the customers. CREDITRISK+ models the defaults themselves and is not intended to model or identify any causes underlying the defaults.

To quantify the credit risk of the consumer portfolio, for Mexico as well as for the United States of America, the Company uses collective assessment models that consider the risk level of debtors, considering their possibility of default and the severity of the associated losses.

The input data primarily considered are the probabilities of default, according to the credit quality of borrowers. The probabilities of default are considered on the basis of the borrowers' own behavior. See Note 8.3.

Repurchasing operations are a form of financing with collateral which involves providing cash as financing in exchange for financial assets, which are used as protection in the event of default. At December 31, 2014 and 2013, the Company has collateral for $700 million and $950 million, respectively.

At December 31, 2014 and 2013, there were lines of credit not yet drawn down, granted to customers totaling $1,616,543 and $1,014,632 and guarantee programs of $611,865 and $604,463, respectively.

d) Capital Risk

The Company's objective is to safeguard its ability to continue as a going concern, maintaining a financial structure that maximizes the return to shareholders. The capital structure of the Company comprises debt, which includes financing contracted via bank loans and issuance of debt certificates, cash and cash equivalents and stockholders' equity. The Company does not have an established policy to declare dividends.

The Company's management annually reviews its capital structure when presenting the budget to the Board of Directors, which reviews the planned level of debt and ensures that it does not exceed the established limit.

The leverage index monitored by the Company refers to that established in the issuance of debenture liability abroad in the amount of US$250 million, as well as issuance of debenture liability issued in Mexico in the amount of $1,000 million pesos (GFAMSA14). In the former case, the leverage index considers financial figures under IFRS and is calculated dividing: debt with financial cost (excluding readily available deposits and a term) (by) net profit (with no interest effect, exchange gain or loss, depreciation, amortization and taxes). Under this issuance, the leverage index has a 3.25 established limit, which would be greater under certain circumstances and specifications considered in the placement contract itself. At December 31, 2014 and 2013, the index was 3.49 and 3.15, respectively, whereas for 2014, the index is within the parameters established for contracting additional debt.

With respect to issuance of debenture liability issued in Mexico, the leverage index considers financial figures under MFRS and is calculated by dividing the net debt with a financial cost (excluding readily available and term deposits) (by) operating income plus depreciation and amortization. Under this issue, the leverage index has an established 3.50 limit (2.90 at December 31, 2014).

e) Fair value estimate

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

Level 1: fair value derived from prices quoted (not adjusted) in active markets for identical liabilities or assets.

Level 2: air value derived from indicators different from the quoted prices included in Level 1, but that include indicators that are observable directly to quoted prices or indirectly, that is to say, derived from these prices; and

Level 3: fair value derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

At December 31, 2014 and 2013, the book value of cash and cash equivalents, trade receivables, other accounts receivable, short-term debt, suppliers, accounts and accrued expenses payable approximate their fair value, mainly due to the fact that they are short term and to trade receivables which are shown at the expected cash flows, except long-term debt, whose fair value is shown in Note 15.

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

Valuation techniques used in determining the fair value of Level 2.

Level 2 hedging derivatives comprise foreign exchange contracts. These forward exchange contracts have been measured at fair value using the exchange rates that are negotiated in a deep market. Bank loans are measured at fair value using the interest rates taken from observable yield curves. The effects of discounts are usually insignificant for Level 2 derivatives.

BAF capitalization index

The capitalization rules for financial institutions establish requirements for specific levels of net equity, as a percentage of assets subject to both market and credit risk. The capitalization index required for BAF is a minimum of 8%. As of the 2014 year end, BAF determined a capitalization index of 12.89% (13.6% as of December 31, 2013), which results from dividing net equity by the assets at risk including credit, market and operational risk.

Note 5 - Critical accounting estimates and judgments:

In the application of the Company's accounting policies, which are described in Note 3, the Company's management needs to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates and assumptions are based on historical experience and other factors considered as relevant. Actual results may differ from those estimates.

Estimates and underlying assumptions are continually reviewed. Adjustments to the accounting estimates are recognized in the period evaluated and in future periods if the evaluation affects the current period and subsequent periods.

5.1. Critical accounting judgments

Below are the key judgments, apart from those involving estimates, made by management in the application of the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

5.1.1. Revenue recognition, installment sales

Note 3.20 describe the Company's policy for the recognition of installment sales. This implies that the Company's management applies its judgment to identify the applicable discount rate to determine the present value of installment sales. To determine the discounted cash flows, the Company uses an imputed interest rate, considering the rate that can be determined better from: i) the prevailing rate in the market for a similar instrument available for the Company's customers with a similar credit rating or ii) the interest rate that equals the nominal value of the sale, properly discounted to the cash price of the goods sold.

When making its judgment, management considers the interest rates used by the principal financial institutions in Mexico to fund programs of installment sales. In the event the discount rate had a variation of 10% from that estimated by management, the effect on the present value of installment sales would be Ps5,909 and Ps3,883 as of December 31, 2014 and 2013, respectively.

5.2. Key sources of uncertainty in estimates

Following are the key sources of uncertainty in the estimates made at the date of the consolidated statement of financial position, and that have a significant risk of resulting in an adjustment to the carrying amounts of assets and liabilities during the next financial period:

5.2.1. Impairment provisions for loan and receivable portfolios

The methodology applied by the Company to determine the amount of this estimate is described in Note 3.7, see also Note 8.

In the event that the probability and the severity of noncompliance varies by 1% as compared to that estimated by management, the effect of the impairment provision for the credit portfolio will vary by $123,957 and $111,698 at December 31, 2014 and 2013, respectively.

5.2.2. Estimates of useful lives and residual values of property, leasehold improvements, and furniture and equipment

As described in Note 3.11, the Company reviews the estimated useful lives and residual values of property, leasehold improvements and furniture and equipment at the end of each annual period. At December 31, 2014 and 2013, it was determined that lives and residual values need not be modified since, in the assessment of management, the existing useful lives and residual values adequately reflect the economic conditions in the Company's operating environment.

5.2.3. Employee Benefits

The cost of employee benefits that qualify as defined benefit plans in accordance with IAS 19 (revised) "Employee Benefits" is determined using actuarial valuations. The valuations involve actuarial assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among other things. Any changes in these assumptions will impact the carrying value of the pension obligations. Due to the long-term nature of these plans, such estimates are subject to a significant amount of uncertainty.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents comprised the following:

	December 31	
	2014	2013
Cash at bank and in hand	$ 781,775	$ 414,779
Investments	1,076,496	1,094,313
Total	$ 1,858,271	$ 1,509,092

Note 7 - Restricted cash:

Restricted cash represents limited cash in BAF of Ps311,785 and Ps159,475 as of December 31, 2014 and 2013, respectively. The restricted cash balance is classified as a non-current asset in the statement of financial position of the Company based on the expiration date of the restriction.

Note 8 - Trade receivables:

	December 31,	
	2014	2013
Trade receivables:		
Mexican consumer	Ps 19,745,957	Ps 18,606,822
Mexico commercial	3,003,928	2,751,868
USA consumer	2,403,304	2,105,334
	25,153,189	23,464,024
Less - allowance for doubtful accounts	(1,750,873)	(1,296,804)
Total, net	Ps 23,402,316	Ps 22,167,220
Current trade receivables	Ps 22,545,028	Ps 21,640,993
Non-current trade receivables	Ps 857,288	Ps 526,227

8.1. Movements of the impairment allowance for doubtful accounts

	December 31	
	2014	2013
Opening balance	(Ps 1,296,804)	(Ps 1,035,154)
Increases	(1,241,556)	(1,284,315)
Other impairment increases	(420,057)	
Recoveries	1,207,544	1,022,665
Ending balance	(Ps1,750,873)	(Ps 1,296,804)

This provision applies to the balances of customers that failed to comply with the obligation within the allotted time and in the proper form, and which are showing unexpected economic difficulties, due to which, the original amount is not expected to be recovered under normal conditions.

8.2. Past due receivables

Trade receivables at the end of the year include past due receivables of Ps 2,677,482 and Ps 2,206,326 as of December 31, 2014 and 2013, respectively, whose maturity was as follows:

	2014	2013
1- 30 days	Ps 412,178	Ps 286,130
31 - 60 days	223,498	113,642
61 - 90 days	170,310	113,471
91 - 120 days	132,918	102,419
120 days or more	1,738,578	1,590,664
Total past due receivable	Ps 2,677,482	Ps 2,206,326

The past due portfolio corresponds to customers showing delays in payment of the obligation within the term originally agreed-upon and which have no history of defaulting on payments.

8.3 Credit quality of trade receivables

The credit quality of trade receivables is assessed based on the historical default rates of the counterparties and is analyzed as follows:

	December 31	
Group	2014	2013
A	Ps 19,841,438	Ps 17,724,590
B	2,932,951	3,388,782
C	2,378,800	2,350,652
	Ps 25,153,189	Ps 23,464,024

Group A - very low risk customers who have regularly met their payment commitments.
Group B - low risk customers who have made their payments on dates after the payment deadline.
Group C -medium-high risk customers who made their payments inconsistently.

8.4. Fair value of trade receivables

As of December 31, 2014 and 2013, the fair values of the Company's trade receivable approximated their carrying value.

8.5. Portfolio assignment contract

On December 31, 2013, the Company entered into an agreement for assignment of part of its portfolio with a nominal value of Ps200,000, free of all liens, reserves and limitations over each and all of the loans assigned to Desarrollos Inmobiliarios Garza Valdéz, S. A. de C. V., a related party, freeing the Company from all rights and obligations with respect to the assigned portfolio. This transaction was settled by offsetting an account payable to said related party for the same amount, in effect on that same date.

During 2014, the Company entered into an number of agreements for assignment of part of its portfolio, without express restrictions or limitations on any of the loans assigned to Desarrollos Inmobiliarios Garza Valdéz, S. A. de C. V., a related party, freeing the Company of any rights and obligations with respect to the assigned portfolio. The transactions were performed as follows:

-April 10, 2014 for a nominal value of Ps200,000, settled in cash in August 2014;

-December 31, 2014 for a nominal value of Ps148,000, of which, at the date of issuance of these financial statements, Ps70,000 has been settled, and the remaining balance is expected to be recovered in the second quarter of the year.

Note 9 - Other accounts receivable:

	December 31	
	2014	2013
Bonuses from suppliers (1)	Ps 262,895	Ps 312,731
Employee debtors (2)	38,439	30,108
Accounts receivable from affiliated companies (3)	129,373	44,944
Other debtors (4)	383,384	302,593
Total	Ps 814,091	Ps 690,376

(1)Bonuses negotiated with suppliers based on volume of sales in the normal course of operations, and promotions receivable.

(2)Consists primarily of accounts receivable for expenses pending to be checked.

(3)Operations with related parties, see Note 17.

(4)Includes primarily commissions receivable, other accounts receivable for money transfers and payments in advance to suppliers.

Note 10 - Inventories:

	December 31,	
	2014	2013
Products (*)	Ps 1,841,658	Ps 1,915,827
Clothing, footwear and jewelry	254,138	237,799
Merchandise in transit	25,517	20,847
Total	Ps 2,121,313	Ps 2,174,473

(*) Comprises all types of electronic products, household appliances, furniture, mobile phones, motorcycles and other consumer products.

Note 11 - Property, leasehold improvements and furniture and equipment, net:

	Land	Buildings and constructions	Furniture and equipment	Leasehold improvements	Transportation equipment	data procesing equipment	improvements in process	Total
At December 31, 2013								
Opening net book amount	PS 353,721	PS304,973	Ps 383,433	Ps 1,101,163	Ps 26,400	Ps 64,449	Ps 135,879	Ps 2,370,018
Exchange differences on cost	-	1,293	1,148	1,201	539	234	-	4,415
Additions	2,850	64,706	246,990	120,242	47,525	40,879	71,137	594,329
Disposals	(28,117)	(113,451)	(265,566)	(3,609)	(88,491)	(10,986)	-	(510,220)
Cancelation of accumulated depreciation on the sale of fixed assets	-	21,426	263,126	306	85,280	11,047	-	381,185
Exchange differences on accumulated depreciation	-	(121)	(1,136)	(1,701)	(537)	(224)	-	(3,719)
Depreciation charge	-	(7,903)	(50,744)	(156,068)	(17,513)	(35,537)	-	(267,765)
Closing net book amount	328,454	270,923	577,251	1,061,534	53,203	69,862	207,016	2,568,243
As of December 31, 2013								
Cost	328,454	392,889	1,066,656	2,482,181	215,356	532,202	207,016	5,224,754
Accumulated depreciation	-	(121,966)	(489,405)	(1,420,647)	(162,153)	(462,340)	-	(2,656,511)
Net book amount	Ps 328,454	Ps 270,923	Ps 577,251	Ps 1,061,534	Ps 53,203	Ps 69,862	Ps 207,016	Ps 2,568,243
At December 31, 2014								
Opening net book amount	Ps 328,454	Ps 270,923	Ps 577,251	Ps 1,061,534	Ps 53,203	Ps 69,862	Ps 207,016	Ps 2,568,243
Exchange differences on cost	-	15,574	16,150	17,116	7,478	3,322	-	59,640
Additions	-	99,071	32,938	74,207	55,635	21,341	1,656	284,848
Disposals	-	-	(264)	(20)	(17,575)	(8,305)	-	(26,164)
Cancelation of accumulated depreciation on the sale of fixed assets	-	-	1,971	-	9,421	8,245	-	19,637
Capitalization of fixed assets	-	96,129	9,054	99,488	-	558	(206,604)	(1,375)
Exchange differences on accumulated depreciation	-	(1,241)	(13,444)	(17,119)	(7,470)	(3,235)	-	(42,509)
Depreciation charge	-	(13,280)	(53,948)	(207,357)	(28,122)	(53,154)	-	(355,861)
Closing net book amount	328,454	467,176	569,708	1,027,849	72,570	38,634	2,068	2,506,459
As of December 31, 2014								
Cost	328,454	603,663	1,124,534	2,672,972	260,894	549,118	2,068	5,541,703
Accumulated depreciation	-	(136,487)	(554,826)	(1,645,123)	(188,324)	(510,484)	-	(3,035,244)
Net book amount	Ps 328,454	Ps 467,176	Ps 569,708	Ps 1,027,849	Ps 72,570	Ps 38,634	Ps 2,068	Ps 2,506,459

The depreciation expense is recognized in the income statement within administrative and selling expenses. At December 31, 2014 and 2013 there were no signs of impairment.

(1) Las adquisiciones que no requirieron desembolso de efectivo fue de $90,355 y $68,430 para 2014 y 2013 respectivamente.

Note 12 - Goodwill and intangible assets:

At December 31, 2013	Goodwill	Licenses and Software	Total
Opening net book amount	Ps 241,096	Ps 58,476	Ps 299,572
Additions	-	33,674	33,674
Disposals	-	-	-
Amortization	-	(18,563)	(18,563)
Ending balance	241,096	73,587	314,683
At December 31, 2013			
Cost	241,096	336,035	577,131
Accumulated amortization	-	(262,448)	(262,448)
Net book amount	Ps 241,096	Ps 73,587	Ps 314,683
At December 31, 2014			
Additions	2,078	72,329	74,407
Disposals			
Amortization		(63,417)	(63,417)
Ending balance	243,174	82,499	325,673
At December 31, 2014			
Cost	243,174	408,364	651,538
Accumulated amortization		(325,865)	(325,865)
Net book amount	Ps 243,174	Ps 82,499	Ps 325,673

Goodwill is not subject to amortization and is tested annually for impairment.

The goodwill arising in business combinations was allocated at the date of acquisition in its entirety to the cash generating unit (CGU) of the Mexico segment. This segment benefited from the synergies of the business combinations.

As result of annual impairment testing, at December 31, 2014 and 2013 the Company not recorded an impairment.

The recoverable amount of the operating segment has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used for value in use calculations as of December 31, 2014 and 2013, were as follows:

	December 31,	
	2014	2013
Estimated gross margin	45.85%	46.96%
Growth rate	6%	6%
Discount rate	10.45%	11.68%

In connection with the determination of the value in use of the operating segments, the Company considers that a reasonably possible change in the key assumptions used would not cause the carrying value of the operating segment to exceed its value in use

Nota 13 - Other assets:

	December 31,	
	2014	2013
Prepaid expenses (1)	Ps 262,564	Ps 202,799
Other	233,668	162,546
Total	Ps 496,232	Ps 365,345

(1) Included mainly, prepaid advertising insurance and leasing.

Note 14 - Demand deposits and time-deposits:

As of December 31, 2014 and 2013, the Company's deposits with third parties were as follows:

	2014	2013
Demand deposits:		
Savings deposits (interest bearing)	Ps 3,661,410	Ps 2,640,232
Checking accounts (non-interest bearing)	395,105	371,360
Time-deposits:		
From the general public	10,695,028	10,918,421
Total demand deposits and time-deposits	Ps 14,751,543	Ps 13,930,013

In accordance with the terms negotiated, the Company's deposits as of December 31, 2014 and 2013, are presented as follows:

	2014	2013
Short-term demand deposits and time-deposits	Ps 10,135,219	Ps 8,416,208
Long-term demand deposits and time-deposits	4,616,324	5,513,805
Total demand deposits and time-deposits	Ps 14,751,543	Ps 13,930,013

As of December 31, the maturities of time-deposits from the general public were as follows:

	2014	2013
From 1 to 179 days	Ps 3,040,582	Ps 2,870,256
From 6 to 12 months	3,038,122	2,534,360
From 1 to 2 years	4,616,324	5,513,805
Total	Ps 10,695,028	Ps 10,918,421

Depending on the type of instrument and average balance in the investments, these liabilities bear interest at the variable average rates indicated below:

	December 31,	
	2014	2013
Demand deposits	2.49%	2.64%
Time-deposits	5.38%	5.86%

At December 31, 2014 and 2013, the fair value of demand and term deposits approximate their accounting value.

Note 15 - Short-term and long-term debt:

The total consolidated debt was as follows:

	December 31, 2014	2013	Interest rate (*)	
Grupo Famsa:				
Mexican pesos:				
Financial factoring: [1]				
Financiera Bajío, S. A. SOFOM, ER	Ps 146,594	Ps 76,100	5.86%	(b)
Banco Nacional de México, S. A.		99,094	6.53%	(b)
BBVA Bancomer, S. A.	67,572	24,434	6.31%	(b)
Arrendadora y Factor Banorte, S. A. de C. V. SOFOM, ER	341,699	373,996	5.80%	(b)
Banco Monex, S. A.	199,865	183,886	5.94%	(b)
	755,730	757,510		
Amounts drawn down from short-term revolving credit lines:				
Banco del Bajío, S. A.	100,000	100,000	6.55%	(b)
Banorte, S. A.	200,000	199,795	6.15%	(a)
BBVA Bancomer, S. A.	150,000	150,000	6.16%	(a)
CI Banco, S. A.	100,000	100,000	6.05%	(b)
Banamex, S.A.		100,000	6.44%	(b)
Banco Actinver, S.A.		35,000	7.29%	(b)
Issuance of debt certificates:				
Short-term	749,170	1,989,170	6.11%	(b)
Long-term [2]	1,000,000	-	6.30%	(b)
	2,299,170	2,673,965		
Grupo Famsa:				
U.S. Dollars:				
Issuance of foreign debt:				
Senior notes 2020 [3]	Ps 3,600,961	Ps 3,176,924	7.25%	(a)
Euro–commercial paper [4]	884,484	654,215	6.125%	(a)
	4,485,445	3,831,139		
Banco Ahorro Famsa, S. A., Institución de Banca Múltiple:				
Mexican pesos:				
Banco del Bajío, S. A.		80,000	3.45%	(b)
		80,000		
Famsa USA:				
U.S. Dollars:				
Business Property Lending, Inc.	65,967	59,871	6.07%	(a)
Capital One, National Association	72,233	39,254	5.00%	(b)
Deutsche Bank AG [5]	117,931	104,674	1.59%	(a)
	256,131	203,799		
Total debt	7,796,476	7,546,413		
Short-term debt	(3,129,548)	(4,309,618)		
Long-term debt	Ps 4,666,928	Ps 3,236,795		

At December 31, 2014 and 2013, the fair value of short-term debt approximates their accounting value. The fair value of long-term debt is disclosed in the following paragraphs.

*Nominal rates (a) fixed and (b) variable, as of December 31, 2014. Interest is accrued monthly.

(1)The Company entered into factoring credit line contracts with suppliers. Interest is calculated applying to the discounted amount the rates that financial institutions apply for this type of operations, according to the discount period. These liabilities are settled in an average period of 110 days. The relevant characteristics of each factoring credit line are presented below:

Financial institution	Renewal date of the credit line	Credit limit	Interest rate
Financiera Bajío, S. A. SOFOM, ER	November, 2014	Ps 150,000	TIIE+2.8
BBVA Bancomer, S. A.	July, 2014	Ps 94,000	TIIE+2.8
Arrendadora y Factor Banorte, S. A. de C. V. SOFOM, ER	March, 2010	Ps 400,000	TIIE+3.5
Banco Monex, S. A.	April , 2014	Ps 200,000	TIIE+2.6

(2)In 2011, the Company entered into a debt certificate program for up to Ps 2,000 million of a revolving nature for a five-year term. On March 13, 2014, the Company issued certificates for an aggregate principal amount of Ps1,000 million pursuant to such unsecured commercial paper program at a spread of 300 basis points over the TIIE interbank rate and maturing on March 10, 20146. The net proceeds of this issue were used to refinance debt maturing in 2011. The resources obtained from this placement were used to settle Certificado Bursátil GFAMSA11 maturing on March 21, 2014.

As of December 31, 2014 and 2013, the fair value of the debt certificates was Ps1,755,889 and Ps1,986,533, respectively. The valuation method is classified in Level 2, as the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on estimates specific to the Company. If all significant inputs required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

(3)On May 31, 2013, the Company issued senior notes for an amount of US$250 million, under Rule 144A/Reg. S, in the foreign market, at a rate of 7.25%, maturing in May 31, 2020. The senior notes are guaranteed by the retail, manufacturing and other subsidiaries. The notes were assigned “B” and “B+” ratings by Standard & Poor’s and Fitch Ratings, respectively. The notes may not be offered or sold within the United States.

As of December 31, 2014, the fair value of the senior notes was Ps3,396,371. The valuation method is classified in Level 1, as the fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm’s -length conditions. The trading price used for financial assets held by the Company is the current bid price.

(4)On January 28, 2014, the Company issued notes for US$60 million at a rate of 6.125%, from a commercial euro paper program established in 2009 for a total of US$110 million. The net proceeds were used by the Company to refinance the existing debt and for working capital. This program became due on January 28, 2015.

(5)On October 16, 2014, the Company renewed its credit line for a maximum amount of US$6.6 million or its equivalent in US dollars. As of December 31, 2014, the Company had drawn down a total of US$8 million; this borrowing bears interest at an annual rate of 1.59% maturing on October 16, 2015.

At December 31, 2014 and 2013, the Company complied satisfactorily with all covenants and restrictions of the loans mentioned previously.

Note 16 - Accounts payable and accrued expenses:

Accounts payable and accrued expenses comprised the following:

	December 31,	
	2014	2013
Taxes related to employee payroll (1)	Ps 146,469	Ps 124,757
Accrued operating expenses (2)	119,578	85,145
Withholdings taxes	91,402	112,682
Interest payable (3)	86,395	54,240
Short-term employee benefits (4)	21,042	34,884
Other creditors (5)	51,329	45,307
Total accounts payable and accrued expenses	Ps 516,215	Ps 457,015

(1) Includes liabilities for accrued expenses for labor taxes and other.
(2) Liability for expenses for water service, electricity, telephone, fuel, maintenance and other.
(3) Liability for accrued interest on debt.
(4) Includes liabilities for accrued salaries payable, commission to sales personnel, vacations, vacation premium, savings fund, medical expenses and other.
(5) Includes self-financing contributions from customers, vehicle insurance and other.

At December 31, 2014 and 2013, the fair value thereof closely resembles book value.

Note 17 - Related parties:

As of December 31, 2014 the Company has accounts payable to affiliates of Ps129,373 (Ps44,944 as of December 31, 2013), related primarily to the following expenses:

	December 31,	
	2014	2013
Rent and administrative expenses (Note 25)	Ps 105,437	Ps 101,068

Related party transactions were carried out at market value.

For the year ended December 31, 2014, salaries and benefits received by the principal executive officers of the Company amounted to Ps107,447 (Ps103,235 in 2013), consisting of base salary amounts and legal benefits, complemented by a variable compensation program that is basically driven by the Company's results.

On December 31, 2013 the Company entered into an agreement to transfer part of its portfolio with a nominal value of Ps200,000, without reserves, resources, or any limitation over each and every one of the credits transferred to Desarrollos Inmobiliarios Garza Valdéz, S. A. de C. V., related party. The Company has no rights or obligations with respect to the transferred portfolio; this transaction was settled offsetting an account payable for the same amount, effective at that date, in favor of such related party.

During 2014, the Company entered into an number of agreements for assignment of part of its portfolio, without express restrictions or limitations on any of the loans assigned to Desarrollos Inmobiliarios Garza Valdéz, S. A. de C. V., a related party, freeing the Company of any rights and obligations with respect to the assigned portfolio. The transactions were performed as follows:

April 10, 2014 for a nominal value of Ps200,000, settled in cash in August 2014;

December 31, 2014 for a nominal value of Ps148,000, of which, at the date of issuance of the financial statements, Ps70,000 has been settled and the remaining balance is expected to be recovered in the second quarter of the year.

The Company and its subsidiaries declare they have no significant transactions with related parties or conflicts of interest to disclose.

Note 18 - Employee benefits:

The amount of employee benefit obligations as of December 31, 2014 and 2013 was Ps106,922 and Ps93,043 respectively, and is analyzed as follows:

	2014	2013
Pension plans	Ps 8,217	Ps 6,593
Seniority premium	59,167	51,838
Other employee benefits	39,538	34,612
	Ps 106,922	Ps 93,043

The analysis of the net period cost for the years ended December 31, is as follows:

	2014	2013
Pension plans	Ps 739	Ps 699
Seniority premium	12,592	11,215
Other employee benefits	5,391	6,715
	Ps 18,722	Ps 18,629

Pension plans

The amounts recognized in the consolidated statements of financial position were determined as follows:

	December 31,	
	2014	2013
Defined benefit obligations	Ps 8,217	Ps 6,593
Fair value of plan assets		-
Liability in the statement of financial position	Ps 8,217	Ps 6,593

The movement in the defined benefit obligation is as follows:

	2014	2013
Opening balance at January 1	Ps 6,593	Ps 6,185
Labor cost	301	332
Finance cost, net	438	367
Actuarial gains (losses)	885	(291)
Ending balance at December 31	Ps 8,217	Ps 6,593

The principal actuarial assumptions used, in nominal and real terms, were as follows:

	December 31,	
	2014	2013
Discount rate	6.50%	7.25%
Salary increase rate	4.00%	4.00%

The net period cost is analyzed as follows:

	2014	2013
Service costs of the year	$ 301	$ 332
Finance cost, net	438	367
Net period cost	$ 739	$ 699

In the event of a hypothetical increase or decrease in the discount rate of 0.25% from that estimated by Management, the carrying amount of labor obligations would increase by Ps94 and decrease by Ps90, respectively.

In the event of a hypothetical increase or decrease in the salary increase rate of 0.25% from that estimated by Management, the carrying amount of labor obligations would decrease by Ps316 and increase by Ps327, respectively.

Seniority premium

The amounts recognized in the consolidated statements of financial position were determined as follows:

	December 31,	
	2014	2013
Defined benefit obligations	$ 59,167	$ 51,838
Fair value of plan assets		-
Liability in the statement of financial position	$ 59,167	$ 51,838

The movement in the defined benefit obligation was as follows:

	2014	2013
Opening balance at January 1	Ps 51,838	Ps 48,125
Labor cost	9,184	8,480
Finance cost, net	3,408	2,735
Actuarial gains (losses)	3,034	(1,281)
Benefits paid from the reserve	(8,297)	(6,221)
Ending Balance at December 31	Ps 59,167	Ps 51,838

The principal actuarial assumptions used, in nominal and real terms, were as follows:

	December 31,	
	2014	2013
Discount rate	6.50%	7.25%
Salary increase rate	4.00%	4.00%

The net period cost is analyzed as follows:

	2014	2013
Service costs of the year	Ps 9,184	Ps 8,480
Finance cost, net	3,408	2,735
Net period cost	Ps 12,592	Ps 11,215

In the event of a hypothetical increase or decrease in the discount rate of 0.25% from that estimated by Management, the carrying amount of labor obligations would increase by Ps784 and increase by Ps809, respectively.

Other employee benefits

The amounts recognized in the consolidated statements of financial position were determined as follows:

	31 de diciembre de	
	2014	2013
Defined benefit obligations	Ps 39,538	Ps 34,612
Fair value of plan assets		-
Liability in the statement of financial position	Ps 39,538	Ps 34,612

The movement in the defined benefit obligation was as follows:

	2014	2013
At January 1	Ps 34,612	Ps 30,930
Labor cost	2,920	3,750
Finance cost, net	2,471	2,965
Actuarial gains (losses)	1,608	(2,616)
Benefits paid from the reserve	(2,073)	(417)
At December 31	Ps 39,538	Ps 34,612

The principal actuarial assumptions used, in nominal and real terms, were as follows:

	December 31,	
	2014	2013
Discount rate	6.50%	7.25%
Salary increase rate	4.00%	4.00%

The net period cost is analyzed as follows:

	2014	2013
Service costs of the year	Ps 2,920	Ps 3,750
Finance cost, net	2,471	2,965
Net period cost	Ps 5,391	Ps 6,715

In the event of a hypothetical increase or decrease in the discount rate of 0.25% from that estimated by Management, the carrying amount of labor obligations would increase by Ps1,200 and decrease by Ps1,149, respectively.

Note 19 - Stockholders' equity:

In the Ordinary General Meeting held on April 23, 2014, the stockholders agreed that the fund created for the purchase and sale of the Company's own shares will be up to a maximum amount of Ps130 million. As of December 31, 2014, the Company had 5,250,795 shares (259,700 shares in 2013) held in treasury and the market value per share at that date was Ps12.18 Mexican pesos (Ps 23.61 in 2013).

At the November 25, 2014 Ordinary General Stockholders' Meeting, the stockholders approved an increase the company's variable capital stock, through issuance of 130,434,782 ordinary nominative shares, with no par value, Series "A", Class II, representing the variable capital stock. The subscription price of the shares and object of the capital stock increase was established at Ps11.50 M.N. For each of the shares that are the object of the increase, Ps2.00 pesos was applied to capital stock and the remainder was applied to premium on the subscription of shares line item. 100% of the shares pertaining to the capital increase were subscribed and paid in by the Company's stockholders on December 18, 2014.

During 2014, a number of external economic factors impacted the momentum of the Company's operation. The drop in the consumer confidence index, as well as the slowdown of consumer credit during most of the year, impacted the level of credit sales and timely recovery thereof. As a result of the above, certain accounts receivable in installments not considered to be significant in the context of the Company's financial statements taken as a whole in prior years, and which had given rise to certain uncertainty in the past with respect to their recovery, were determined not be recoverable this year, in the originally agreed terms. As a result, during 2014, the Company decreased its net accounts receivable by Ps576,695, and recognized a decrease in retained earnings of Ps403,687, net of deferred income tax of Ps173,008. (See Note 8).

As of December 31, 2014 the capital stock comprised the following:

Description	Number of shares	Amount
Fixed capital (minimum): Series "A", Class "I", common, nominative shares, without par value	330,097,385	Ps 660,195
Variable capital: Series "A", Class "II", common, nominative shares, without par value	234,534,596	469,069
Accumulated inflation increase as of December 31, 1997		579,909
Capital stock	564,631,981	Ps1,709,173

As of December 31, 2014 the retained earnings included Ps335,661 and Ps671,324, applicable to the legal reserve and to the reinvestment reserve, respectively. The movements of the reserves were as follows:

	Legal reinversión	Reinvestment reserve
As of January 1, 2013	Ps 300,839	Ps 601,679
Changes in 2013:		
Increases	1,592	3,184
Utilization	-	-
As of December 31, 2013	Ps 302,431	Ps 604,863
Changes in 2014:		
Increases	33,230	66,461
Utilization	-	-
As of December 31, 2014	$ 335,661	$ 671,324

In October 2013, the Senate and House of Representatives approved the issuance of a new Income Tax Law that went into effect on January 1, 2014. Among other aspects, this law establishes a 10% tax on earnings generated as from 2014, on dividends paid to residents in Mexico and abroad, and establishes that for the periods from 2001 to 2013, the net tax profit will be determined in the terms of the current Income Tax Law in the tax period in question.

Dividends paid are not subject to income tax if they are paid from after-tax earnings. Dividends paid in excess of after-tax earnings are subject to a tax equivalent to 42.86% if paid in 2013. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years or, if appropriate, against the flat tax of the year. Dividends which are paid from retained earnings previously taxed are not subject to any tax withholding or additional payment.

In the event of a capital reduction, any excess of stockholders' equity over capital contributed, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends. At December 31, 2014 and 2013, the inflation-adjusted contributed capital amounted to Ps8,876,357 and Ps7,080,307, respectively.

Note 20 - Costs and expenses classified by their nature:

Cost of sales and administrative and selling expenses are analyzed as follows:

	December 31,	
	2014	2013
Cost of goods sold	Ps 6,077,313	Ps 6,110,698
Salaries and employee benefits	2,703,948	2,557,050
Impairment allowance	1,241,556	1,284,315
Leasing	824,028	776,659
Interest expense on bank deposits	695,458	698,291
Depreciation and amortization	419,278	286,771
Energy, water and telephone services	288,125	310,042
Advertising	282,948	341,733
Maintenance	178,250	174,139
Freights	50,789	50,078
Other[1]	1,120,121	1,046,949
	Ps 13,881,814	Ps 13,636,725

[1]Includes mainly insurance expenses, travel expenses and training.

The salaries and employee benefits are analyzed as follows:

	December 31,	
	2014	2013
Salaries and bonuses	Ps 1,993,771	Ps 1,814,734
Commissions to sales personnel	137,192	129,660
Employee benefits	39,726	38,434
Other remuneration	533,259	574,222
	Ps 2,703,948	Ps 2,557,050

Note 21 - Other income:

	December 31,	
Other income:	2014	2013
Pawed items	Ps 17,683	
Income from recovery of claims	14,901	
Administrative services	7,583	Ps 7,423
Trade receivables recovered	10,424	28,175
Recovery of taxes paid in excess		16,461
Gain on sale of fixed assets		1,639
Other	4,172	1,910
Total other income	Ps 54,763	Ps 55,608
Other expenses:		
Utilization of tax provisions		(41,861)
Loss on sale of fixed assets	(1,535)	
Other	(4,645)	(5,327)
Total other expenses	(6,180)	(47,188)
Other income, net	Ps 48,583	Ps 8,420

Note 22 - Financial income (expenses):

Financial income and expenses are analyzed as follows:

	December 31,	
Financial expenses:	2014	2013
Interest expense on bank borrowings	(Ps 144,647)	(Ps 145,428)
Interest expense on debt certificates	(491,331)	(540,270)
Factoring	(50,619)	(46,946)
Other financing expenses	(5,772)	(22,466)
Premium (Senior notes Rule 144A prepayment)		(176,784)
Foreign exchange loss, net	(917,004)	(799,411)
	(Ps 1,609,373)	(Ps 1,731,305)
Financial income:		
Financial income	Ps 1,764	Ps 1,515
Foreign exchange gain, net	701,685	744,382
	Ps 703,449	Ps 745,897

Note 23 - Income tax expense:

New Income Tax Law

On December 11, 2013 the decree for the new Income Tax Law was published (new LISR) becoming effective on January 1, 2014, repealing the LISR published as of January 1, 2002 (former LISR). The new LISR maintains the essence of the former LISR; however, it makes significant amendments among which the most important are:

i.Limiting deductions in contributions to pension and exempt salary funds, automobile leases, restaurant consumption and social security fees; it also eliminates the immediate deduction in fixed assets.

ii.Amending the mechanics to accumulate revenues derived from the term alienation and generalizing the procedure to determine the gain in alienation of shares.

iii.Amending the procedure to determine the taxable basis for the Employees' Profit Sharing (PTU), establishing the mechanics to determine the initial balance of the capital contribution account (CUCA) and the CUFIN and establishing new mechanics for the recovery of Asset Tax (IA).

iv.Establishing an ISR rate applicable for 2014 and the following years of 30%. In contrast to the LISR above that established a 30%, 29% and 28% rate for 2013, 2014 and 2015, respectively.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering in the determination of temporary differences, the application of these new provisions, the impacts of which are detailed in the reconciliation of the effective rate as follows. However, the effects in deduction limitations and others indicated previously will be applied as from 2014 and will mainly affect the tax incurred as of such year.

Grupo Famsa determines its taxable income (loss) and employees' profit sharing on an individual standalone company basis. The tax result differs from the accounting result due to the temporary differences arising from comparing the book value and the tax value of each asset and liability account in the balance sheet, as well as items affecting only the net income or the taxable income of the year.

Income taxes are analyzed as follows:

	December 31,	
	2014	2013
Current income taxes	(Ps 53,135)	(Ps 25,331)
Current flat rate business tax	-	(12,136)
Deferred income taxes	307,537	251,657
	Ps 254,402	Ps 226,326

The deferred income tax is analyzed as follows:

	December 31,	
Deferred tax assets:	2014	2013
Tax loss carryforwards	Ps 1,651,599	Ps 821,777
Prepaid expenses and other provisions, net	-	338,454
Allowance for doubtful receivables	537,198	471,063
Installment sales receivable	199,458	109,919
Property, leasehold improvements and furniture and equipment	183,800	134,594
Tax effect of installment sales	4,499	30,104
Provision for labor obligations	15,076	32,328
Other provisions	13,566	-
Employee profit sharing payable	1,722	1,613
	2,606,918	1,939,852
Deferred tax liabilities:		
Prepaid expenses and other accrued expenses (1)	108,846	108,846
Prepayments	145,976	-
Inventories	6,079	11,600
Provision for suppliers rebates	54,850	-
Effect on decrease in income tax rate	-	8,776
	315,751	129,222
Total deferred tax asset	Ps 2,291,167	Ps 1,810,630

(1)This balance corresponds to the liability recorded due to the 2014 fiscal reform, specifically due to the elimination of the tax incentive applicable to Real Estate Property Companies.

The Company has tax projections that support the earning of future taxable profit against which current tax losses will be applied and also those which would arise resulting from the reversal of deductible temporary differences.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31,	
Deferred tax assets:	2014	2013
Deferred tax asset to be paid within 12 months	Ps 886,009	Ps 1,805,258
Deferred tax assets to be paid after more than 12 months	1,720,909	134,594
	2,606,918	1,939,852
Deferred tax liabilities:		
Deferred tax liability to be paid within 12 months	(200,826)	-
Deferred tax liability to be paid after more than 12 months	(114,925)	(120,446)
	(315,751)	(120,446)
Effect of decrease in income tax rate		(8,776)
Deferred tax asset (net)	Ps 2,291,167	Ps 1,810,630

The movement in deferred income tax assets and liabilities during the year, excluding asset tax recoverable was as follows:

	Pérdidas fiscales	Estimación para cuentas incobrables	Inmuebles, mobiliario y equipo, neto	Estimación para obligaciones laborales	Efecto fiscal de ventas a plazo	Inventarios	Otros	Total
Al 1 de enero de 2013	Ps 212,788	Ps 279,200	Ps 108,253	Ps 25,127	Ps 32,306	(Ps 5,033)	Ps 773,888	Ps 1,426,529
Amount charged (credited) to the statement of income	608,989	191,863	26,341	7,201	(2,202)	(6,567)	(573,968)	251,657
Asset tax recoverable cancelled	-	-	-	-	-	-	134,240	134,240
Other comprehensive income	-	-	-	-	-	-	(1,796)	(1,796)
As of December 31, 2013	821,777	471,063	134,594	32,328	30,104	(11,600)	332,364	1,810,630
Amount charged (credited) to the statement of income	829,822	66,135	49,206	(17,252)	(25,605)	5,521	(600,290)	307,537
Asset tax recoverable cancelled							170,631	170,631
Other comprehensive income							2,369	2,369
As of December 31, 2014	Ps 1,651,599	Ps 537,198	Ps 183,800	Ps 15,076	Ps 4,499	(Ps 6,079)	Ps 94,926	Ps 2,291,167

As of December 31, 2014, the Company had tax loss carryforwards, which will be inflation-indexed through the year in which they are applied, as follows:

Year of expiration	Tax loss carryforwards
2017	Ps 443
2018	14,792
2019	14,020
2020	151,029
2021	77,248
2022	7,355
2023	1,884,480
2024 en adelante	3,152,096
	Ps 5,301,463

Additionally, the Company has unamortized tax losses totaling $1,827,724, realization of which is considered doubtful, as per its financial projections.

To determine the deferred income tax at December 31, 2014 and 2013, the Company applied to the temporary differences the applicable tax rates in accordance with their estimated reversal date.

The reconciliation between the statutory and effective income tax rates is as follows:

	December 31,	
	2014	2013
Statutory tax rate	30%	30%
Add/ (deduct) income tax effect of:		
Non-deductible permanent items (mainly non-deductible expenses)	16%	13%
Inflation	37%	7%
Other permanent differences (tax effect of cost of sales and other)	(301%)	2%
Effective income tax rate	(218%)	52%

In 2013 certain subsidiaries of Famsa determined a flat rate business tax of Ps12,136, which exceeded their income tax liability.

The tax charged (credit) related to the components of other comprehensive income for the years ended December 31, was as follows:

	2014			2013		
	Before Tax	Tax Charged	After Tax	Before Tax	Tax Charged	After Tax
Foreign currency translation effects	(Ps 34,769)	Ps -	(Ps 34,769)	(Ps 10,706)	Ps -	(Ps 10,706)
Actuarial gains (losses)	(7,896)	2,369	(5,527)	5,987	(1,796)	4,191
Other comprehensive income items	(Ps 42,665)	Ps 2,369	(Ps 40,296)	(Ps 4,719)	(Ps 1,796)	(Ps 6,515)
Deferred tax		Ps 2,369			(Ps 1,796)	

Note 24 - Contingencies:

In the normal course of operations the Company is involved in disputes and lawsuits. The Company believes there are no legal proceedings or threatened claims against or affecting the Company which, in the event of an adverse resolution, could significantly affect, individually or taken together, the Company's results of operations or financial position.

Note 25 - Commitments:

The majority of the subsidiary companies have entered into long-term lease agreements (some with related parties) covering properties occupied by their stores. Following is a description of the main agreements entered into with related parties:

As of December 31, 2014, the Company had 42 long-term lease agreements in place with the controlling shareholders and various entities controlled by them, with regard to the retail space used by several stores. The terms of all such agreements are substantially identical and are consistent with standard industry practices and real estate market prices.

The Company has entered into various asset management agreements with affiliates and other entities controlled by the principal shareholders, covering account collection services and the management and investment of the proceeds of such collections, in exchange for a commission payable on an annual basis.

Rentals payable under lease agreements are as follows:

	Related parties	Other	Total
2015	Ps 754,520	Ps 110,709	Ps 865,229
2016 a 2020	3,772,601	553,546	4,326,147
2021 en adelante	6,790,683	996,383	7,787,066
	Ps 11,317,804	Ps1,660,638	Ps12,978,442

In 2014 and 2013 total rental and administrative services expense is as follows:

	2014	2013
Other, different to related parties	Ps 718,591	Ps 675,591
Related parties	105,437	101,068
Total	Ps 824,028	Ps 776,659

Note 26 - Information by business segments:

26.1 Segment reporting

The Company manages and evaluates its continuing operations through three business segments: Mexico (national retail stores and financial sector), USA, (foreign retail stores) and other businesses in Mexico (wholesale, manufacturing of furniture and footwear, catalog business). The Company controls and evaluates its continuing operations on a consolidated basis. Its activities are carried out through its subsidiary companies.

The Company's management uses operating income before depreciation and amortization as the measurement of segment performance as well as to evaluate development, make general operating decisions and assign resources. The information by business segment is as follows:

	México	EUA	Other	Subtotal	Intersegment	Consolidated
Net sales [1]	Ps 9,338,719	Ps 1,255,448	Ps 575,437	Ps 11,169,604	(Ps 503,756)	Ps 10,665,848
Interest earned from customers	3,668,876	493,224	226,071	4,388,171	(197,909)	4,190,262
Total revenues	13,007,595	1,748,672	801,508	15,557,775	(701,665)	14,856,110
Cost of sales	(7,149,690)	(1,001,901)	(678,848)	(8,830,439)	765,323	(8,065,116)
Gross profit	5,857,905	746,771	122,660	6,727,336	63,658	6,790,994
Operating expenses (2)	(4,668,150)	(667,180)	(122,217)	(5,457,547)	60,127	(5,397,420)
Other income, net	119,692	7,939	44,845	172,476	(123,893)	48,583
Operating profit before Depreciation and amortization	1,309,447	87,530	45,288	1,442,265	(108)	1,442,157
Depreciation and amortization	(409,092)	(5,243)	(4,943)	(419,278)	-	(419,278)
Operating profit (loss)	Ps 900,355	Ps 82,287	Ps 40,345	Ps 1,022,987	(Ps 108)	Ps 1,022,879
Additional disclosures:						
Total assets	Ps 33,049,161	Ps 3,416,560	Ps 490,908	Ps 36,956,629	(Ps 1,849,032)	Ps 35,107,597
Total liabilities	Ps 24,473,577	Ps 2,101,977	Ps 100,966	Ps 26,676,520	(Ps 1,849,032)	Ps 24,827,488
Capital expenditure	Ps 175,145	Ps 106,848	Ps 2,855	Ps 284,848	Ps -	Ps 284,848
Adjusted EBITDA	Ps 2,004,905	Ps 87,530	Ps 45,288	Ps 2,137,723	(Ps 108)	Ps 2,137,615

2013

	México	EUA	Other	Subtotal	Intersegment	Consolidated
Net sales [1]	Ps 9,405,118	Ps 1,164,510	Ps 608,396	Ps 11,178,024	(Ps 535,051)	Ps 10,642,973
Interest earned from customers	3,895,531	478,991	251,993	4,626,515	(221,614)	4,404,901
Total revenues	Ps 13,300,649	Ps 1,643,501	Ps 860,389	Ps 15,804,539	(Ps 756,665)	Ps 15,047,874
Cost of sales	(7,255,758)	(962,670)	(735,399)	(8,953,827)	810,445	(8,143,382)
Gross profit	6,044,891	680,831	124,990	6,850,712	53,780	6,904,492
Operating expenses (2)	(4,515,852)	(622,648)	(133,707)	(5,272,207)	65,635	(5,206,572)
Other income, net	91,550	(2,686)	39,092	127,956	(119,536)	8,420
Operating profit before depreciation and amortization	1,620,589	55,497	30,375	1,706,461	(121)	1,706,340
Depreciation and amortization	(278,742)	(3,210)	(4,819)	(286,771)	-	(286,771)
Operating profit (loss)	Ps 1,341,847	Ps 52,287	Ps 25,556	Ps 1,419,690	(Ps 121)	Ps 1,419,569
Additional disclosures:						
Total assets	Ps 32,799,488	Ps 2,380,962	Ps 497,348	Ps 35,677,798	(Ps 2,735,130)	Ps 32,942,968
Total liabilities	Ps 23,707,029	Ps 2,884,969	Ps 142,413	Ps 26,734,411	(Ps 2,735,130)	Ps 23,999,281
Capital expenditure	Ps 521,012	Ps 72,420	Ps 897	Ps 594,329	Ps -	Ps 594,329
Adjusted EBITDA	Ps 2,318,880	Ps 55,497	Ps 30,375	Ps 2,404,752	(Ps 121)	Ps 2,404,631

(1) Net sales realized in the respective countries shown above.
(2) Excluding depreciation and amortization.

26.2 Evaluation of operating performance

The Company evaluates operating performance based on a measure denominated "adjusted EBITDA", which consists of adding to the operating profit interest expense on bank deposits, depreciation and amortization. The adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The reconciliation between Adjusted EBITDA and operating profit for the years ended December 31 is as follows:

	2014	2013
Operating profit	Ps 1,022,879	Ps 1,419,569
Interest expense on bank deposits	695,458	698,291
Depreciation and amortization	419,278	286,771
Adjusted EBITDA	Ps 2,137,615	Ps 2,404,631

26.3 Sales by product

Net sales by product for the year ended December 31 were as follows:

	2014	2013
Interest earned from customers	Ps 4,190,262	Ps 4,404,901
Furniture	2,134,307	2,301,511
Electronics	1,751,617	1,765,494
Appliances	1,726,525	1,641,750
Mobile phones	1,393,597	1,249,643
Motorcycles	794,691	768,551
Computer equipment	703,871	843,927
Clothing and footwear	508,827	521,232
Seasonal articles (air conditioners, heaters, etc.)	300,073	345,289
Income from commercial banking	191,728	191,060
Small appliances	156,295	145,361
Sport articles	132,969	134,968
Children's articles and accessories	39,604	47,634
Other (1)	831,744	686,553
	Ps 14,856,110	Ps 15,047,874

(1) Includes primarily revenues from guarantees granted and sales through the commercial program denominated "Famsa to Famsa".

Note 27 - Subsequent events:

On January 28, 2015, the Company issued US$33 million at a rate of 7.0%, as part of a program of trade euro commercial paper established in 2009 for US$120 million. The net proceeds of this issuance were used by the Company to refinance part of the notes issued under the same program of trade euro commercial paper expiring January 28, 2015. The Company also increased the size of commercial paper program for US$ 10 million prior to the issue, which the program is now US$ 120 million.

Lic. Humberto Garza Valdéz
Director General

C.P. Abelardo García Lozano
Director de Finanzas