



A GIANT THAT
KEEPS GROWING

Grupo Gigante is a company that has sought, throughout its history, to be an example not only in business, but also in its commitment to Mexico and its people. Since the beginning of its activity in 1962, it has constantly struggled for its growth, through the acquisition of commercial chain stores, making associations and strategic alliances, incorporating different businesses and formats and entering into Central America, the Caribbean and South America; in few words, it has strived to be part of the development of Mexico.

Today, Grupo Gigante has consolidated its presence through its different businesses: **Office Depot, Gigante Grupo Inmobiliario, Restaurantes Toks, PetCo, The Home Store, Panda Express y Cup Stop** without giving up the social responsibility side of the company, through the actions of its own subsidiaries and **Fundación Gigante**.

VISION

We strive constantly to be the leader in every market in which we participate; we are committed to the profitability of our businesses; and to the success and development of our customers, shareholders and collaborators.

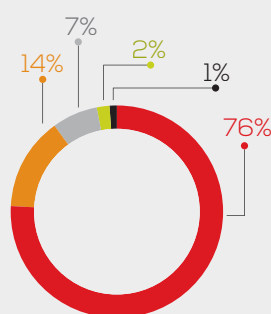
MISIÓN

Ensure the creation of value for our customers, shareholders and collaborators through the integration, communication and exchange of experiences, in the search for profitability and synergies in our businesses within the Commercial, Services and Real Estate service fields.

CORPORATE VALUES

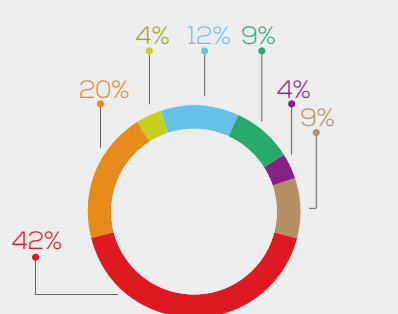
- Leadership
- Teamwork
- Excellence
- Creativity and Innovation
- Productivity
- Transparency
- Recognition
- Social Responsibility

SALES BREAKDOWN BY FORMAT



- Office Depot
- Restaurantes Toks
- Gigante Grupo Inmobiliario
- The Home Store
- Panda Express / Cup Stop

REGIONAL DISTRIBUTION OF UNITS



- Metropolitan Area
- Central Area
- North
- Northeast
- Southeast
- Southwest
- Central and South America

SALES FLOOR AREA BY FORMAT

Business Unit	Units	m2	Seat
Office Depot	302	372,348	
Restaurantes Toks	133	-	29,158
Panda	24	-	-
Cup Stop	10	-	-
The Home Store	16	22,443	-
Total	485	394,791	29,158

CONSOLIDATED UNITS



CONTENT

- 1 Financial Highlights
- 2 Report from the Chairman of the Board of Directors and Chief Executive Officer
- 4 Office Depot
- 8 The Home Store
- 12 Restaurantes Toks

- 16 Panda Express
- 20 Cup Stop
- 24 Gigante Grupo Inmobiliario
- 28 PetCo
- 32 Fundación Gigante
- 38 Audit Committee Report

- 40 Corporate Practices Committee Report
- 42 Financing and Planning Committee Report
- 44 Board of Directors
- 45 Financial Statements

FINANCIAL HIGHLIGHTS



CONSOLIDATED STATEMENTS OF INTEGRAL INCOME

For the years ended December 31, 2014 and 2013. In thousands of Mexican pesos, except per share data.

	2014	2013	% OF VARIATION
Total revenues	20,814,102	19,165,600	8.6
Operation flow (Ebitda)	2,843,408	2,733,358	4.0
Income from continuing operations	1,236,910	1,720,226	-28.1
Revenue from discontinued operations	0	26,110	-100.0
Consolidated net income	1,236,910	1,746,336	-29.2
Consolidated integral income	985,435	2,319,266	-57.5
Basic earnings per common share	1.23	1.58	-22.2
Common shares outstanding	994,227,341	994,227,341	-
Price of share	41.60	32.99	26.1

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013. In thousands of Mexican pesos.

	2014	2013	% OF VARIATION
Assets	33,293,262	31,223,526	6.6
Cash and cash equivalents	1,724,511	1,525,927	13.0
Financial instruments	2,718,551	3,447,722	-21.1
Inventories-Net	4,188,809	3,517,368	19.1
Property and equipment-Net	8,855,587	8,655,800	2.3
Investment properties	11,869,868	11,408,024	4.0
Other assets	3,935,936	2,668,685	47.5
Liabilities and Stockholder's equity	33,293,262	31,223,526	6.6
Suppliers	2,194,790	2,016,059	8.9
Bank loans	6,190,081	6,035,369	2.6
Stock market loans	5,067,702	4,467,800	13.4
Other liabilities	3,761,481	3,609,413	4.2
Stockholder's equity	16,079,208	15,094,885	6.5

REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

**Mexico City,
March 23, 2015**

**To the Board of Directors
To the Shareholders' Meeting
of Grupo Gigante, S.A.B. de C.V.**

Dear Board Members and Shareholders:

Once again, it is an honor and privilege to present the annual report on the activities and the results for the preceding fiscal year. I am proud to head a conglomerate like Grupo Gigante, which is formed by persons and companies that during the last year continued to reiterate their commitment and leadership in the industries in which they participate, despite the enormous challenges faced in 2014.

Indeed, the year that ended was very complicated for Mexico. Mexican GDP grew by 2.1% last year; however, domestic spending was severely affected by several factors, including the significant drop in oil prices, the consequences of the tax reform and the negative variations in the rate of exchange. Undoubtedly, these factors influenced the results of 2014, impacting the real-estate market and the retail and restaurant sectors and, consequently, the different business areas within the Group.

As customary, first I must highlight the value and the contribution of our human resources, which are the key resources for our group. So, once again I would especially like to thank all of the employees of Grupo Gigante and its various companies for their effort, commitment and support in implementing the actions that were undertaken. Thanks to them, we were able to achieve our results and to reach the goals that we set for ourselves despite the enormous challenges that I mentioned. At the end of the year, we

maintained and directly generated over 20,000 jobs in our subsidiaries. Every one of these 20,000 persons forms part of the many who fight every day for a better country. To the thousands of persons and families in Mexico and beyond our borders who form part of the Gigante family, we pledge our commitment to continue working to achieve the quality of life they expect and deserve.

Maintaining clear goals, implementing strategies and taking financial and operational actions objectively and firmly based on our mission as well as the search for new opportunities has allowed us to continue to excel in the business areas where we operate.

We concluded 2014 with a total of 485 units, equivalent to a 13.3% increase with respect to the preceding year. This included restaurants and stores in Mexico, Central America, the Caribbean and Colombia. Another 6 should be added as a result of the pet supplies and products stores that are a joint venture with our American partner, as well as having over 394,000 m² of sale floor; in other words, a 9.9% increase and over 29,000 seats, representing a 9.7% increase from the preceding year. In terms of real-estate metrics, we own 132 properties with over 1,500 leasable units. We have over 3.7 million m² of construction and land with a strategic territorial reserve to develop other real-estate projects, always bearing in mind our different customers and the strategic objectives including commercial, mixed, offices and residential projects.

With respect to our results during the fiscal year 2014, despite the challenges that we faced, we are very happy to report that once more they are positive, with total revenue increasing by 8.6% from the preceding year to the amount of \$20,814.1 million

pesos, while gross profits grew by 10.3% for a total of \$8,341.2 million. This gross profit represented a 40.1% gross margin compared to the 39.5% from the preceding year, at the same time that the operational profit earned was \$2,903.5 million, which was 11.9% higher. In terms of EBITDA, it was 4.0% more than the amount registered during the end of the previous period, totaling \$2,843.4 million pesos. Our net profit of continued operations registered a total of \$1,236.9 million, which meant a 29.2% decrease compared to the previous fiscal year. This was fundamentally caused by an increase in the financial costs largely due to the rate of exchange.

Consistent with our structure and strategy and finishing third phase of our corporate restructure, started in 2008, we continued to be grouped by three business divisions. We have consolidated three large groups: specialized retail, restaurants and other services and real-estate. As a consequence of the mentioned 3rd phase it was implemented both mergers of companies and/or stocks transfers into the mentioned subsidiaries.

We continue consolidating our areas and businesses by announcing the new and very proud acquisition of Restaurantes California by Toks starting its integration during 2015. This confirms that we are leaders in the restaurant sector. We reiterate our firm commitment with the potential growth of Office Depot de México in our country and in Latin America. To this end, we acquired Casa Marchand in Mexico as well as the operation of Office Depot in the Dominican Republic being the eighth country where we are present, which will allow us to develop the business model in the Caribbean. We also consolidated our restaurant business in the case of



Toks and the expansion of Panda Express and Cup Stop. Finally, in the case of our real estate business through GGI, in addition to the efficient administration of our leasable areas and properties and the consolidation of its ongoing developments, the joint venture projects in the cases of Andamar I and II in Veracruz and the Miyana Project in Mexico City confirm great expectations and very positive results.

Our subsidiaries, Office Depot de México, The Home Store, Restaurantes Toks, Panda Express, Cup Stop and Gigante Grupo Inmobiliario (GGI), as well as our joint venture, in the case of

reasons for being, we have developed and implemented a policy in matters of Social Responsibility as a Group and for each subsidiary, executing strategies and actions to strengthen it. We continue to provide assistance because we are certain of the value of providing service for those most in need. Therefore, in addition to the specific efforts made by each company within the Group in light of their own characteristics, we have continued to strengthen Fundación Gigante as the non-profit organization that carries out our commitment in the field of social responsibility, thereby helping children,

challenges that we are faced, always confident and reiterating our firm commitment to Mexico and to the regions beyond our borders where we serve.

I want to conclude by thanking our shareholders, board members, key executives and our more than 20,000 employees for their commitment, contribution and advice, for the trust placed in us and for understanding the challenges of our times. Rest assured that we will endeavor to meet the goals for growth in a manner that is orderly, focused, careful and selective, bearing in mind that we are a Mexican business

Rest assured that we will endeavor to meet the goals for **growth in a manner that is orderly, focused, careful and selective**, bearing in mind that we are a Mexican business corporation.

Petco México, continue to uphold the tradition and commitment to service and quality that we have undertaken and proved to satisfy. We will continue to be attentive to best practices in each of our business areas while streamlining our procedures and controls and the products and services that we offer, always committed to our employees, suppliers and customers. Undeniably, we will continue to identify and analyze new and different alternatives for formats and businesses so we can respond in the future to the demands made by Mexican and Latin American strict consumers and to all of those who have placed their trust in us.

As a substantive part for our

teens and the elderly with the clear objective of supporting programs related to health, education, environment and directly assisting in emergency situations caused by natural disasters.

It is very clear that in addition to creating value and profits, our commitment continues to be maintaining and generating formal and permanent employment within a framework of strategies and policies that encourage comprehensive growth, sustaining as a result constant growth by our own efforts and new investments and business within the parameters of profitability, selectivity and caution. We are convinced that the Group is in permanent evolution, overcoming the

corporation that continues to contribute on a grassroots level with firm conviction and with its prestige, experience and commitment to constructing a better society and where opportunities are generated for everyone.

Sincerely,

Ángel Losada Moreno

Chairman of the Board of Directors and CEO
Grupo Gigante, S.A.B. de C.V.

**Office
DEPOT®**





THE ADDITION OF STRATEGIES **HAS MULTIPLIED ITS PRESENCE**

74%

growth in
sales
online.

302

units
in 2014.

OFFICE DEPOT

Units



During the year reported, Office Depot de México strictly followed up its organic growth plan, opening 14 stores in Mexico and one more in Central America. Further, it acquired the rights to develop its successful business model in the Caribbean, where it opened one store and one Distribution Center in the Dominican Republic, the latter being country number 8 where the Chain has presence.

In this manner, Office Depot de México closed 2014 with 302 units, consolidating as the leader company in Mexico and with presence in Central America, Colombia and now in the Caribbean, in the Dominican Republic. It has 11 Distribution Centers, and a Cross Dock. Furthermore, it directly employs more than 9 thousand 800 people.

In the beginning of the second quarter of the year Office Depot de México acquired Casa Marchand, a Mexican company engaged in the sale of school supplies with 23 business units in Mexico and with a broad presence in the Mexico City's greater area and 8 states of the Mexican Republic. Once the transaction is consolidated, will enable it to reach the wholesale segment for the sale of office supplies, one more unit was opened, closing the year with 24 stores.

Likewise, the company improved its e-commerce platform, ideal for clients to make purchases on a quick and simple manner. This adjustment was reflected on a 74% online sales growth, compared to the previous year; meanwhile the continued

expansion of distribution channels will permit to serve all the variety of frequent clients and to attract those who are not clients yet.

The company's growth plan for 2015 takes into account the opening of 15 stores in Mexico with the Office Depot de México format, 5 stores with the Casa Marchand format, one more store in Colombia and one in Costa Rica. Due to the foregoing, the brand spectrum will continue reaching more locations within and outside the country and with a global view of the business.

Office Depot de México is consolidated as another Business Unit of Grupo Gigante where the growth is based on work and innovation and its purpose is to continue to be the most successful company regarding the sale of office supplies in Mexico, Central America, the Caribbean and Colombia.

We were affected by the Odile Hurricane in Baja California Sur, severely affecting 3 of our stores in Los Cabos and La Paz, but with the support of all the Office Depot team we were able to reopen few days after the disaster occurred.

Office Depot de México is a color copy of a successful business and we will keep it that way.

The Casa Marchand acquisition and its expansion to the Dominican Republic are clear examples of its soundness.



THE HOME STORE

WE
LOVE
SPRING



IN THE HEART OF MEXICAN HOMES



16

stores in
8 entities of
the Mexican
Republic.

More than

22

thousand
square meters
of sales
floor.





2014 was a year of changes inside of The Home Store (THS) format, since just in its sixth year of operations; it decided to innovate even more with the intention of attracting a greater number of clients, maintaining the quality of its products and strengthening its strategic alliances with other Business Units of Grupo Gigante.

These actions permitted it to reach the Bajío region, specifically in Juriquilla, State of Querétaro, where a store was opened in the Antea mall. With the foregoing, it added 1,350 square meters of sales area. As a result, the company has 16 stores in 8 entities

of the Mexican Republic, with more than 22 thousand square meters of sales floor.

The strategic plan of this Business Unit intends to be visualized in the medium term as the fashion-home leader chain in the country, within its target market niche.

The opening of several stores is scheduled for 2015, with the Veracruz store standing out. As a result, The Home Store will make an incursion in another crucial point and with a huge growth in the country. So it is that the Firm glimpses a permanent growth in the main cities of the Mexican Republic, with the intention to make

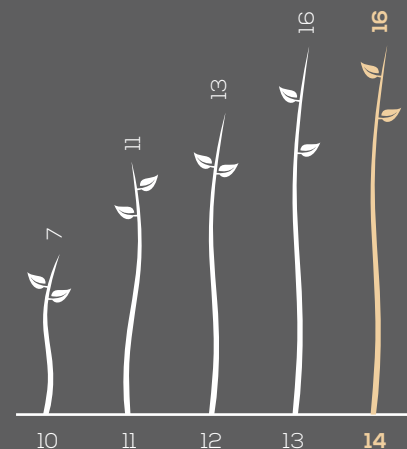
known its innovating design concept, decoration and specialized service. Thus, it has commenced the way to show internal changes that allow it to continue progressing.

During 2015, THS will show a new image and several novelties in the offer to its customers, in order to offer an avant-garde and trendy style of store. These adjustments intend to position the brand through a fresher offer that reinforces its authority regarding home fashion.

With The Home Store proposal, it is easy to feel at home.

It started to change and it carried out new strategies to position itself even better with its clients.

THE HOME STORE
Units





BECOMES MORE FANCY



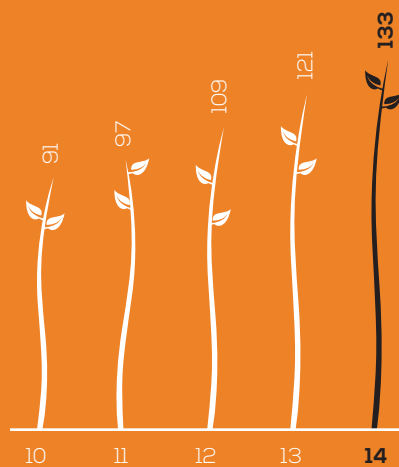
8.8%
in increased
sales.

700
jobs were
directly created
in 2014.



RESTAURANTES TOKS

Units



The acquisition of California and the Beer Factory was a crowning achievement.

By maintaining the clear objective of popularizing the experience of eating out at a specialized restaurant, offering food that is always good and fresh and by providing quality and efficient service Toks has caused the Company to grow more than the industry's average.

Toks broke its record in terms of the number of customers, which totaled 25.6 million and increased sales by 8.8%. This contributed to Grupo Gigante with a little more than 14% of its total revenue.

In 2014, 3 restaurants were remodeled and 13 more were opened; as a result 700 jobs were directly created. The renovation of the branches was announced and

the growth of the Toks brand, confirming the good image that the company has been building.

Restaurantes Toks was on everyone's lips, especially during the third quarter of 2014 when Grupo Gigante reported about the acquisition of 46 restaurants called California and 7 restaurants called Beer Factory for a sum of \$1,103 million pesos. This acquisition will be implemented in 2015 due to the fact that was subject to the condition of the approval of the Mexican anti Trust Authority (Comisión Federal de Competencia Económica) which was finally obtained at the beginning of the present year. As a result of this acquisition Restaurantes Toks

surpassed 180 units in 2015 and was consolidated as the second one of the most important participants of the Full Service restaurant sector.

In 2015, the restaurant chain will continue to renew both internally as well as externally. Its architectural and interior designs has being refurbished, new dishes are served and constant improvements are made to the quality service. This will allow the restaurant chain to continue growing more than the industry's average. Additionally, Toks will begin construction works for its new distribution center.

So, Restaurantes Toks continue slowly cook new businesses, which it will offer in its menu of options.





WHERE THE PASSION FOR SERVICE **CAN BE TASTED**

44%

increase
in sales
compared to
the previous
year.

Opened

8

restaurants
in 2014.

Panda Express, a gourmet Chinese restaurant, opened 8 restaurants in 2014 and registered a 44% increase in sales compared to the previous year; resulting in a 58% increase in customers with respect to 2013.

In 2014, deliveries reached 16% in the units that have been operating for over a year; therefore, Panda Express experience can be delivered to your doorstep with a guarantee that the food is freshly made with the highest quality ingredients.

The franchise was acquired by Restaurantes Toks over 3 years ago and 5 more restaurants are scheduled to open in 2015, focusing more on integrating national products. It is important to note that new units will also be opened exclusively to provide door-to-door deliveries, so the new format will be included in the Panda Express menu.

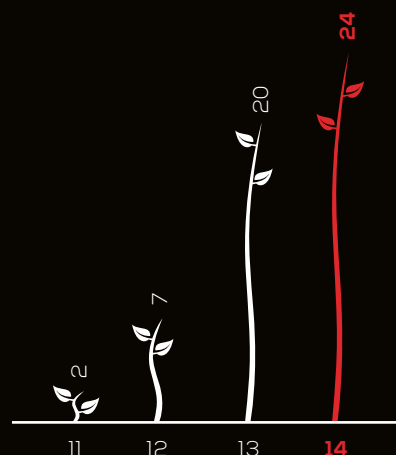
It is important to bear in mind that Mexico continues to be the only country outside of the US where Panda Express restaurants have

been opened and the customer's response has been excellent, especially because of the fast casual concept together with traditional Chinese dishes with Mexican flare, offering an exquisite combination in both in taste as well as quality, price and service.

Panda Express offers the perfect mix of ingredients: Oriental flavors and Mexican seasoning with quality service.

Where increased sales and the number of satisfied customers is synonymous with first-class service.

PANDA EXPRESS
Units







THE BEST COFFEE **TO START THE DAY**

51%

sales increased
compared to
2013.

33%

our
customers
increased.

LOS PASOS
NUEVAS GALLETAS
CHISPAS DE CHOCOLATE
Y NUEZ DE MACADAMIA
RECÉN HORNEADAS



The format is personalized to offer a variety of options.

In 2014, sales increased by 51% compared to 2013; additionally, our customers increased by 33%.

It is important to bear in mind that Cup Stop began in response to the need of customers who understand the value of money and who seek good coffee on the go at any time of day, while on their way to their daily activities.

Cup Stop is the newest business forming part of Grupo Gigante and is changing to offer a

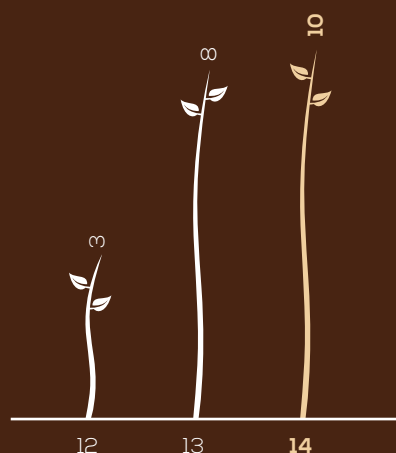
more casual service, but with more personality. This is why the units will be redesigned in 2015 to provide them with a more modern and youthful touch in addition to offering personalized beverages, which is more attractive for the different targeted audience.

Cup Stop plans to open new units and to maintain its specialty coffees at more affordable prices and personalized beverages. This will target customers from all age groups.

The Cup Stop experience includes freshly baked bread, a cold or hot beverage made from high quality domestic coffee at the best market price.

Good coffee, the smell of freshly baked bread and quality service make a huge difference.

CUP STOP Units







DEVELOPMENT THAT CAN BE SEEN **FROM ABOVE**

132

real estate
properties
operated
by the
Group.



Its projects include **modernity, style and functionality.**

For Gigante Grupo Inmobiliario (GGI), 2014 was a year of great progress in its projects in course, with the generation and application of best market practices and keeping an efficient administration of our more than 1,500 leasable units, in the 132 real estate properties operated by the Group.

Miyana, the joint-venture project for combined uses that is the emblem of GGI, and one of the most important projects that is being developed in Mexico City, recorded accelerated sales during its first two housing Stages, therefore, 490 apartments are already sold and its delivery is scheduled for the first term of 2016. Miyana -which investment is more than 500 million US Dollars- represents one of the largest real estate developments in Mexico. The development is comprised of 5 buildings, of which 3 are luxury condominiums, comprising a surface of more than 127 thousand square meters and 2 buildings are offices, which add 129 thousand square meters.

The great acceptance of this avant-garde project led to presenting the Third Stage at the beginning of 2015. Currently, one of the most outstanding aspects of the developments are environmental and sustainable certifications to be achieved, and in this project we can proudly report that all of the complex will be certified as *Leed Neighborhood*, which holds high the name of GGI as a world-class real estate developer, which is proudly Mexican.

Regarding offices, the 41 thou-

sand 300 square meters corresponding to Phase 1 will be ready for the first quarter of 2016; meanwhile, Phase 4, which includes 80 thousand square meters, will be delivered in 2018. Likewise, the Mall with more than 33 thousand 416 square meters and with approximately 25 thousand square meters of common areas, of which 4 thousand 754 were allocated for amenities that include swimming pool, football court and dining room will be opened towards the middle of 2016.

Another GGI's joint-venture project for combined uses, Andamar I in the State of Veracruz has being developed over a 29,000 square meters land with over 185,000 square meters in construction which its first phase was inaugurated in December 2014. Second phase is expected to be finished at the end of 2015 and a 10-floor tower is already in construction.

Regarding housing projects, Puerta Santa Lucía stands out. This project ended with a total of 233 units, 155 sold and 65 notarized among apartments and houses; meanwhile, Puerta Jardín ended with the sale of 127 apartments corresponding to Phase 1 and Phase 2, which will be delivered towards the middle of 2015. Furthermore, the sale of Phase 4 began, which consists of the construction of a 25-floor tower with 200 apartments.

It is important to point out that during 2014, the investment flow for GGI was more than one thousand million pesos in the different real estate projects, while at the malls ad-

ministered, there was a total traffic of 36 million visitors, which represented a 22% increase compared to 2013. Total income of the real estate company was more than 9% increase with respect to previous year.

Due to the existing inventory of real estate, GGI performs a constant analysis to renew and adapt them for the benefit of its lessees and visitors. Currently, it has a total area of 3 million 700 thousand square meters, which include land and constructions in the above-mentioned 132 real estate. Such real estate records an occupancy greater than 98% thanks to renowned and well-positioned brands, as well as a great offer of products and services through small retail spaces, with more than 1,500 leasable units.

One of the goals for GGI in 2015 is to keep its operating efficiency, following up a series of indicators to keep increasing profitability.

The Mexican National Real Estate Development Association (ADI) recognized Gran Terraza Oblatos, in Guadalajara, awarding the third place as a project that stands out with respect to efficiency and architectural design.

Efficiencies also stand out in the scope of information technology, since all of the operation is composed of an avant-garde technological platform, in the aim and achievement of a greater efficiency, controls, productivity and a minimum organizational structure.

Gigante Grupo Inmobiliario continues changing for good the faces of the Cities.



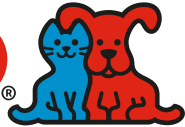
A WELL TRAINED BUSINESS

12

more stores
are expected
to be opened
for a total
of 18.

7,000

items for pets,
which are distributed
in 5,000 square
meters of sale
floors in total.

petco 





A decorative border at the top of the page featuring a repeating pattern of various pet-related icons in white and light blue, including cats, dogs, fish, birds, and pet accessories like collars and bowls.

Exceeding its goal in terms of the number of stores opened **and successfully encouraged a new philosophy for adopting pets.**

Petco is one of the most recent businesses added to Grupo Gigante that has been very successful in the Mexican market in terms of brand recognition as well as commercial performance and productivity. In a short period of time, Petco has achieved acceptance by pet-loving consumers.

In 2014, the joint venture with our American partner, which is dedicated to pet care and whose philosophy since 1965 is to adopt

cats and dogs, opened a total of 5 more stores in carefully selected areas. Its presence was immediately noticed as a result of its quality service and the variety of its products. On average, stores offer over 7,000 items for pets, which are distributed in 5,000 square meters of sale floors in total.

The services that make Petco a favorite place for pet owners are the Grooming Salon, Pet Hospital, Positive Training and Adoption. Since all are offered under the same roof, a visit to any of our 6 stores is a comprehensive experience for pets as well as for their owners.

Each store also has areas for nutrition, health and beauty, home, fashion, entertainment and the Petco zoo. The staff is well trained and specialized, providing guaranteed services for visitors and their furry friends.

Another characteristic that makes Petco different is its sense of responsibility. Since it is a US store, which was brought to Mexico by Grupo Gigante in 2013 sharing same philosophy, it is guided by the fundamental principle of not

selling cats or dogs because it firmly believes in adoption. Therefore, its customers and others are encouraged to first consider adopting a pet. So, Petco Mexico concluded the year with a record figure of 1,190 adoptions of cats, dogs and other small species. This number was successfully achieved by working together with shelters specializing rescuing and caring for pets.

The 6 stores are located in Santa Fe, Universidad and Miramontes in Mexico City, in the State of Jalisco, one in Guadalajara and another in Zapopan as well as in San Pedro Garza García, in the State of Nuevo León, where service is provided to over 60,000 customers each month.

In 2015, 12 more stores are expected to be opened for a total of 18. New cities will be targeted such as Querétaro, Puebla and the Estado de México in addition to launching an "Express" format in stores in order to offer the basic services with the same passion and quality for pets.

In 2014, Petco prove itself a worthy competitor in this sector and was rated number one by customers.







2014 YEAR TO REINFORCE ITS **COMMITMENT TO SOCIETY**



27

thousand
people that
had a benefit
in 2014.

424

surgery interventions
were performed in
children and adults with
results more than
satisfactory.



Important Programs for the benefit of the underprivileged sectors, proved the Foundation's spirit of helping.

For the seventh year running, Grupo Gigante was honored with the certification as a Socially Responsible Company awarded by the Centro Mexicano de la Filantropía [Mexican Philanthropy Center], which is an example of the human touch and spirit of solidarity of its shareholders, team members and managers, who have taken on the challenge of improving the life conditions of underprivileged persons, reaffirming the belief of the value of serving others, those who need it the most.

Through Fundación Gigante, the Group strengthens its will to achieve an inclusive, sustainable Mexico, aware of the human needs of its people; being supported by well established values and principles.

The areas in which Fundación Gigante contributed in 2014, with more than 27,000 people that had a benefit, were: Education, Health and Natural Disasters.

Regarding education, the Foundation continued with its financing program, whereby it gives support to young college students in order for them to finish their studies. Throughout the year, 68 students were financed, of which 8 students graduated in Marketing, Administration, Accounting, Engineering and Corporate Management. It also gave 30 scholarships to study at the

Universidad Tecnológica del Valle de Chalco, which will permit the young people to join the productive life.

With the conviction that education and studying is the engine for the development of our country, Grupo Gigante gave more than 8 thousand school supplies kits to elementary, middle-school and high-school students.

Likewise it encouraged the habit of reading and for the third year running, the Foundation joined the "Leer más" challenge, promoted by the Consejo de la Comunicación [National Communication Council], where private sector companies participate. With the foregoing, in 2014 more than 58 thousand reading hours were achieved by the team members of Grupo Gigante.

Fundación Gigante also rewards talent, therefore, in 2014 it gave scholarships to the most outstanding students of the Conservatorio Nacional de Música [National Music Conservatory] to finish their degree. Likewise, driven by its commitment to educate people with a more comprehensive humanistic view, it granted scholarships to students of La Curtiduría de Oaxaca to continue with such an important cultural project.

In cooperation with the CONDUSEF, Fundación Gigante, promoted Financing Education among its team members to give them concepts, that allows them

to make better decisions regarding the management of their economic resources.

Regarding Health, Fundación Gigante continued with its alliance with Operation Smile, therefore, it carried out 4 rounds of cleft lip and cleft palate surgeries with the assistance of volunteers and specialized physicians. 424 surgeries were performed on children, young people and adults with results more than satisfactory.

Through the "Línea de Ayuda" (Help Hot Line) program psychological attention, medical and legal advice was provided to team members of Grupo Gigante, who suffered physical and psychological abuse, divorce, guardianship and custody, alimony and eating disorders.

Likewise, with the help of the "Asociación Mexicana de Malta" and the "Asociación Mexicana Suiza-Belga", Fundación Gigante started a comprehensive nutrition program, whereby it provides health and dental care, and also provides a food package with nutritious food, that helps children to reach the correct weight and height, appropriate to their age. It also assists "Comer y Crecer, A.C.", which has five community kitchens in the metropolitan area of Mexico City.



FUNDACIÓN
GIGANTE

RECONOCIMIENTO

INEA

Lucio Barrera Jiménez

Por su labor en el área de...



In addition, audiometry tests were performed and hearing aids were furnished.

In Huamelula, Oaxaca we have 5 productive projects, and we created 20 new projects that are divided into four groups: ovine, birds, stores and vegetable gardens. These projects are in development, therefore Fundación Gigante continues strengthening the economic development of the most humble communities and encouraging self-sufficiency to increase people's quality of life.

In September 2014, Odile Hurricane devastated communities in Baja California Sur, affecting the estate of thousands of people. In response to this, Fundación Gigante started an aid program for

natural disasters, providing furniture, food packages and building materials. Team members and suppliers of Grupo Gigante joined efforts with this initiative, especially from its most important subsidiaries.

In 2014, 5 thousand 294 spectacles were provided to public schools students who have myopia, far-sightedness and astigmatism, together with Fundación Ver Bien Para Aprender Mejor.

During the year, Fundación Gigante made material donations in kind and in cash to several institutions and associations such as "San Juan Bosco, A.C.", "Fundación amigos del INCMN A.C.", "Hospital Infantil de México Federico Gómez", "Asociación

Nuestro Hogar ANAR, I.A.P.", "Vida y Familia A.C.", "Residencia Reina Sofía I.A.P.", among others.

Grupo Gigante opened its doors to Fundación Mitz at its malls in order to help it to commercialize its Productive Projects through the sale of its supplies. Likewise, access to the Unicef was facilitated to raise funds and to provide important information regarding children's cancer, cooperating with actions for the benefit of society.

We continued supporting aid programs and environmental improvement programs through our subsidiaries.

Fundación Gigante, **strengthens the will to achieve a more inclusive, sustainable and conscious Mexico.**



AUDIT COMMITTEE ANNUAL REPORT

Mexico City, March 24, 2015

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Sirs,

In our capacity as Members together with the Secretary of the Audit Committee and in compliance with Articles 42 and 43 of the Mexican Securities Law ("Ley del Mercado de Valores"), the Committee Bylaws and the Internal Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V. (Grupo Gigante), and taking into consideration the recommendations of the Code of Best Corporate Practices, we hereby submit our annual report for the fiscal year 2014, having carried out the following activities:

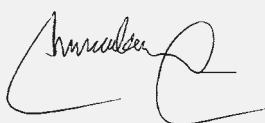
- I.** We analyzed and approved the quarterly and annual consolidated financial statements, having requested the External Auditor to provide the reports in writing for each quarter, which confirm that the financial information of Grupo Gigante was prepared according to the same financial information standards, criteria and practices with which annual reports are prepared. As mentioned in numeral III below, the latter were prepared by using the International Financial Reporting Standards (IFRS).
- II.** We reviewed the efficiency of the Internal Control Framework of Grupo Gigante and its Corporate Internal Audit function. With respect to the Corporate Internal Audit department, the Committee reviewed its charter, the Audit Plan for year 2014 and its proper compliance. We concluded that the Internal Control Framework of Grupo Gigante and the Corporate Internal Audit are adequate.
- III.** We approved the guidelines and policies for operations and accounting records of Grupo Gigante and its subsidiaries, as provided by the IFRS.
- IV.** We verified the methodology established and followed at Grupo Gigante for an adequate Risk Assessment process in each one of its business units.
- V.** We evaluated the performance of the firm, Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte Mexico), which carried out the audit on the consolidated financial statements for the fiscal year as well as the performance of the External Auditor, C.P.C. Erick Calvillo Rello. In our opinion, both adequately complied with their duties in adherence to the International Audit Standards and with the applicable provisions of the Mexican Securities Law. We approved its Annual External Audit Plan, its Executive Summary of Observations and Recommendations as well as its Report on the Consolidated Financial Statements as of December 31, 2014.
- VI.** We analyzed the description and valuation of the complementary services provided by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. during the fiscal year 2014.

- 
- VII.** We approved the external and internal legal counsel's report to ensure that Grupo Gigante and its subsidiaries properly comply with the legal provisions as well as timely disclosure of any contingency. Similarly, we held work meetings with the External Auditor, the Director of Internal Corporate Audit and with the officers who we considered appropriate of the management of Grupo Gigante and its subsidiaries.
 - VIII.** The management presented the Committee with the control measures that were implemented in order to formally comply with the Federal Act on the Protection of Personal Data Held by Private Individuals as well as the Federal Act for the Prevention and Identification of Operations with Illegal Resources (Money Laundering).
 - IX.** We took into consideration the relevant observations and the potential complaints about certain actions considered irregular that were taken by the administration and posed by the shareholders, board members, key managers and employees with respect to the accounting, internal controls and other topics regarding the internal or external corporate audit and found that there is nothing to report.
 - X.** We followed-up on the resolutions taken by the Shareholders' Meetings and by the Board of Directors related to this Committee.

Based on the work carried out and on the report of the external auditors, in our opinion the accounting and information policies and criteria followed by the Company are adequate and sufficient and have been consistently applied; therefore, the information submitted by the CEO reasonably reflects the financial situation and results of the Company.

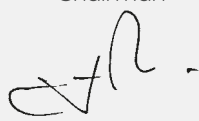
Due to the foregoing, we recommend to the Board of Directors to submit for the approval of the Shareholders' Meeting the Financial Statements of Grupo Gigante for the year ending on December 31, 2014.

Consequently, with this report we have complied with the obligation established by the aforementioned Articles of the Mexican Securities Law and the Bylaws and Regulations of the Board of Directors of Grupo Gigante.



Luis Santana Castillo

Chairman



Luis Rebollar Corona

Director



Roberto Salvo Horvilleur

Director



Ernesto Valenzuela Espinoza

Secretary

CORPORATE PRACTICES COMMITTEE REPORT

Mexico City, March 23, 2015

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders,

In our capacity as members of the Corporate Practices Committee, in compliance with Article 43, section I and other applicable provisions of the Mexican Securities Law ("Ley del Mercado de Valores"), the Bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulation of its Board of Directors, please find below the Report of this Committee for the activities carried out during the fiscal year 2014.

Over the past year, this Committee met on 3 occasions, thereby presenting to the Board of Directors its respective reports and recommendations at the ordinary and extraordinary meetings of the fiscal year being reported. The following activities and matters were mainly discussed:

- I. In compliance with the "Corporate Governance" program, the Committee supervised for the holding of meetings that were held and the functioning of the corporate governance bodies as well as its operating regulations, the legal provisions on this subject matter and the bylaws of Grupo Gigante. The Board and the Shareholders' Meeting are informed that the latter was carried out properly and in a timely manner, having held several meetings of the Board and of its Committee, according to the mentioned provisions.
- II. "Comprehensive Compensation Plan". Based on the Compensation Plan for the CEO and the key managers of Grupo Gigante and its subsidiaries, which is comprised of 4 elements: Base Salary Structure, Variable Annual Compensation or Performance Bonus, Long-Term Incentives and Retirement Benefit's Plan, which is properly funded, the Committee actively participated in supervising its execution. Specific adjustments were proposed.
- III. In compliance with the respective provisions, the performance of the CEO of the Company and the Key Managers was evaluated. Salary adjustments as well as the performance bonuses and incentives were authorized in light of the results of the fiscal year 2013 and the plans for 2014.

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- IV.** Since the situation related to the waivers referred to in Article 28, section III, subsection f of the Mexican Securities Law did not occur, these operations did not need to be presented to the Board and, consequently, there is nothing to report.
 - V.** Since operations between related parties did not occur, there was no need to submit these operations to the Board and, consequently, there is nothing to report.
 - VI.** Similarly, within the scope of its authorities and obligations, the Committee participated with the management and the Finance Committee in the analysis of the acquisition transaction of Restaurantes California by Toks as well as for the one of Casa Marchand and other opportunities analyzed by Office Depot de México. Their recommendations were presented to the Board of Directors.

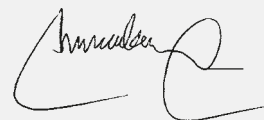
Consequently, with this report we hereby comply with Article 43, section I and other applicable provisions of the Law as well as the bylaws and regulation of the Board of Directors of Grupo Gigante, S.A.B. de C.V.



Roberto Salvo Horvilleur
Committee Chairman



Gilberto Pérezalonso Cifuentes
Board Member



Luis Santana Castillo
Board Member



Sergio Montero Querejeta
Committee Secretary

FINANCE AND PLANNING COMMITTEE ANNUAL REPORT

Mexico City, March 23, 2015

**To the Board of Directors
To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.**

Dear Board Members and Shareholders,

In our capacity as members of the Finance and Planning Committee and in compliance with the bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulations of the Board of Directors, we hereby present the 2014 Activities Report for your consideration.

According to the preceding paragraph, during said fiscal year, this Committee held 6 work sessions, having submitted its respective reports and recommendations to the Board of Directors for all of its ordinary and extraordinary sessions of the year in terms of the content and development of the following aspects and topics:

- I.** In exercise of its duties, the Committee received detailed information in a timely manner from the management about the matters related to the strategic, financial and budgetary aspects that became the subject to analysis. Recommendations were made to Board of Directors by this committee. It was considered appropriate to specifically inform about the discussion and analysis of the following topics:
 - I.1.** Budget 2014, follow-up and progress.
 - I.2.** Cash flow of the Group and its subsidiaries.
 - I.3.** Annual and quarterly profit/losses for the fiscal year for the Group and its subsidiaries and affiliates.
 - I.4.** Integration and follow-up of the Capex of the Company and its business units.
 - I.5.** Oversight and use of the lines of credit of the Company and its controlled companies.
 - I.6.** Analysis and discussion about the different financing sources and alternatives of the Group and its subsidiaries.
 - I.7.** Analysis and definition of the premises and principle aspects of the budget 2014 as well as the financial ratios to be applied and performance indicators.
- II.** As customary, throughout the previous year, careful supervision was given to the handling of the Corporate Treasury of the Group. To this end, alternatives were reviewed and investment guidelines and policies were confirmed. Timely compliance was supervised as well as approving of a specific plan to centralize the Treasury. In addition to the annual report, it is informed that as of the end of the fiscal year 2014, the treasury of the Company ended with the amount of \$4,443.1 million pesos after paying interests and having covered various investments of the Group, including the revenue from financial interests.
- III.** The Committee received periodical reports regarding the compliance of the policy on repurchase of the Company's own shares; however, since no operations of this kind were executed during the corresponding year, it is reported that at the end of the fiscal year 994,227,341 shares were outstanding.
- IV.** During the fiscal year being reported, the Committee actively participated with the management in analyzing the acquisition of Restaurantes California by Toks and of Grupo Prisa in Chile as well as other opportunities being considered by Office Depot de México. Specific recommendations were made to management and to the Board of Directors.

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- V. From the scope of its authorities and responsibilities, the Committee confirmed the valuation criteria for assets and recommended to the Board the approval of said criteria and other adjustments, in adherence to the International Financial Reporting Standards (IFRS).
 - VI. As a result of the second portion of the financing to acquire the remaining 50% of the shares of Office Depot de México, in 2013, the Committee actively participated in the analysis and definition of the financing conditions, thereby approving the proposals of the management to pay the bridge loan as well as the efforts to place up to 35% of the shares of this subsidiary. As publicly reported this IPO's transaction was suspended due to market conditions. Finally, in terms of the negotiation and contracting a long-term loan, several meetings were held to discuss the matter and the Board of Directors was recommended to approve its terms.
 - VII. Similarly, there was active participation in the review of the financing conditions and alternatives, for the acquisition of Restaurantes California by Toks. The Committee reported about this analysis and recommended its approval to the Board of Directors.
 - VIII. The Committee reviewed and suggested its authorization to the Board of Directors with respect to the conclusion of the third phase for the corporate restructuring initiated in 2008. As a consequence of that the formats of the Company were regrouped by business divisions, whereby three large groups were consolidated: firstly, the real-estate sector through "Gigante Grupo Inmobiliario", secondly, the restaurant and other service-based businesses through "Hospitalidad y Servicios Especializados Gigante", and thirdly, specialized retail via "Gigante Retail". For these purposes, merger of companies and/or the transfers and sale of shares were carried out or concluded from the Group to the aforementioned sub-holdings subsidiaries.
 - IX. As a result of the analysis regarding the progress made in Project Miyana and the review of other real-estate projects as well as other financing operations for the real-estate group, the Committee held 2 extraordinary meetings with the management of Gigante Grupo Inmobiliario (GGI).
 - X. Finally, during the previous year, the Committee held meetings with the management of the most important operating subsidiaries of the Group (GGI, Office Depot de México and Restaurantes Toks). Specific recommendations were made with special emphasis in the care given to the optimal use of the capital and debt levels of the subsidiaries and the Group. Several alternatives were identified, including divesting non-strategic assets to reduce leveraging.

Consequently, with this report, we have complied with the provisions of the bylaws and other applicable provisions of the Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V.



Javier Molinar Horcasitas
Committee Chairman



Manuel Somoza Alonso
Board Member



Roberto Salvo Horvilleur
Board Member



Ángel Losada Moreno
Board Member



Juan Carlos Mateos Durán de Huerta
Board Member



Sergio Montero Querejeta
Committee Secretary

BOARD OF DIRECTORS

EQUITY BOARD MEMBERS

ÁNGEL LOSADA MORENO

Chairman of the Board of Directors and
Chief Executive Officer of Grupo Gigante
BS in Business Administration, Universidad Anáhuac

BRAULIO ANTONIO ARSUAGA LOSADA

Chief Executive Officer of Grupo Presidente
BS in Business Administration, Universidad Anáhuac
MS in Business Administration, Southern Methodist University

GONZALO BARRUTIETA LOSADA

Chairman of the board, Operadora IPC de México
BS in Economics, ITAM
MS in Business Administration, Claremont Graduate University

RELATED BOARD MEMBERS

JOSÉ ALVERDE LOSADA

General Director of Desarrolladora A&L
BS in Business Administration
MS in Business Administration, Texas University

INDEPENDENT BOARD MEMBERS

ROBERTO SALVO HORVILLEUR

Independent board member in several companies in
Mexico and Centroamérica
BS in Business Administration, University of Notre Dame
MS in Business Administration, INCAE Business School

LORENZO PEÓN ESCALANTE

Independent board member in several companies
BS in Business Administration, Universidad Iberoamericana

JAVIER MOLINAR HORCASITAS

Managing partner of Vector Capital Privado,
S.A. de C.V.
BS in Business Administration, Universidad La Salle

GILBERTO PÉREZALONSO CIFUENTES

Independent board member in several companies
BS in Legal Studies, Universidad Iberoamericana
MS in Business Administration, INCAE Business School

LUIS REBOLLAR CORONA

Independent board member in several companies
BS in Chemical Engineering, UNAM

LUIS SANTANA CASTILLO

Independent board member in several companies
BS in Philosophy, Pontifical Gregorian University, Roma, Italia
MS in Administration, IPADE, México

MANUEL SOMOZA ALONSO

Chairman of Strategies of CI Banco by Somoza Musi
BS in Economics, Universidad Anáhuac
MS in Business Administration, TEC de Monterrey México

ALFONSO SALEM SLIM

Chairman of the Board of Directors of Inmuebles Carso
Civil Engineer, Universidad Anáhuac

JUAN CARLOS MATEOS DURÁN DE HUERTA

CFO Grupo Pochteca
BS in Economics, Claremont McKenna College
MS in Business Administration, Harvard Business School

JAVIER MARTÍNEZ DEL CAMPO LANZ

Secretary of the Board of Grupo Gigante, S.A.B. de C.V.
BS in Legal Studies, Universidad Anáhuac del Norte
MS University of San Diego

AUDIT COMMITTEE

LUIS SANTANA CASTILLO

Committee Chairman

ROBERTO SALVO HORVILLEUR

LUIS REBOLLAR CORONA

ERNESTO VALENZUELA ESPINOZA

Committee Secretary

CORPORATE PRACTICES COMMITTEE

ROBERTO SALVO HORVILLEUR

Committee Chairman

GILBERTO PÉREZALONSO CIFUENTES

LUIS SANTANA CASTILLO

SERGIO MONTERO QUEREJETA

Committee Secretary

FINANCE AND PLANNING COMMITTEE

JAVIER MOLINAR HORCASITAS

Committee Chairman

ÁNGEL LOSADA MORENO

JUAN CARLOS MATEOS DURÁN DE HUERTA

MANUEL SOMOZA ALONSO

ROBERTO SALVO HORVILLEUR

SERGIO MONTERO QUEREJETA

Committee Secretary

Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Gigante, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Grupo Gigante, S. A. B. de C. V. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Gigante, S. A. B. de C. V. and subsidiaries as of December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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



C. P. C. Erick J. Calvillo Rello
Mexico City, Mexico
March 24, 2015

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013. (In thousands of Mexican pesos)

	Note	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	5	\$ 1,724,511	\$ 1,525,927
Financial instruments	6	2,718,551	3,447,722
Accounts receivable – Net	7	1,379,464	1,476,943
Inventories – Net	8	4,188,809	3,517,368
Prepaid expenses		140,513	136,857
Total current assets		10,151,848	10,104,817
Property and equipment – Net	9	8,855,587	8,655,800
Investment property	10	11,869,868	11,408,024
Investments in joint ventures and associates	11	577,650	33,293
Goodwill	14	359,940	47,750
Intangibles and other assets – Net	15	1,478,369	973,842
Total non-current assets		23,141,414	21,118,709
Total assets		\$ 33,293,262	\$ 31,223,526
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	17	\$ 397,467	\$ 4,748,612
Trade accounts payable		2,194,790	2,016,059
Accrued expenses and taxes	16	1,175,648	1,142,903
Total current liabilities		3,767,905	7,907,574
Long-term debt	17	5,792,614	1,286,757
Senior notes payable	18	5,067,702	4,467,800
Employee benefits	19	105,856	13,837
Deferred income taxes	27	1,987,663	1,706,498
Long-term income tax payable	27	298,962	536,256
Prepaid rents and rent holidays received		193,352	209,919
Total non-current liabilities		13,446,149	8,221,067
Total liabilities		17,214,054	16,128,641
Stockholders' equity:			
Common stock	21	1,374,928	1,374,928
Additional paid-in capital		4,026,542	4,026,542
Retained earnings		9,125,028	7,904,128
Other comprehensive income	22	1,417,985	1,669,460
Equity attributable to owners of the Company		15,944,483	14,975,058
Non-controlling interest	23	134,725	119,827
Total stockholders' equity		16,079,208	15,094,885
Total stockholders' equity and liabilities		\$ 33,293,262	\$ 31,223,526

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2014 and 2013. (In thousands of Mexican pesos, except earnings per share data)

	Note	2014	2013
Sale of goods – Net		\$ 19,231,415	\$ 17,960,910
Rental income		1,261,774	1,073,088
Other income		320,913	131,602
		20,814,102	19,165,600
Cost of sales	25	12,472,933	11,601,245
Operating expenses	25	6,159,016	5,360,807
Gain on revaluation of investment property	10	(721,354)	(392,017)
Interest expense		791,918	400,655
Interest income		(79,112)	(151,936)
Exchange loss – Net		542,480	84,295
Gain on revaluation of financial instruments		(147,045)	(1,875)
Share of (profit) losses of joint ventures and associates		(14,307)	3,027
Profit for the year from continuing operations before income taxes		1,809,573	2,261,399
Income taxes expense	27	572,663	541,173
Profit for the year from continuing operations		1,236,910	1,720,226
Profit for the year from discontinued operations – Net	28	-	26,110
Net consolidated income		\$ 1,236,910	\$ 1,746,336
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		\$ (35,895)	\$ 43,256
Net fair value gain on available-for-sale financial assets		287,370	(894,751)
Deferred tax related to gain on available-for-sale financial assets	27	-	278,565
Other comprehensive income for the year, net of income tax		251,475	(572,930)
Total comprehensive income for the year		\$ 985,435	\$ 2,319,266
Profit for the year attributable to:			
Owners of the Company		\$ 1,220,900	\$ 1,575,520
Non-controlling interest	12	16,010	170,816
		\$ 1,236,910	\$ 1,746,336
Other comprehensive income for the year attributable to:			
Owners of the Company		\$ 969,425	\$ 2,171,656
Non-controlling interest		16,010	147,610
		\$ 985,435	\$ 2,319,266
Earnings per share:			
Basic and diluted earnings from continued operations	29	\$ 1.23	\$ 1.55
Basic and diluted earnings from continued and discontinued operations	29	\$ 1.23	\$ 1.58

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2014 and 2013. (In thousands of Mexican pesos)

	Stockholders' equity		Retained earnings	Other items of comprehensive income				
	Common Stock	Additional paid-in capital	Retained earnings	Net cumulative fair value gain on available-for-sale financial assets	Cumulative exchange differences on translating foreign operations	Non-controlling interest	Total stockholders' equity	
Balances as of January 1, 2013	\$ 1,374,928	\$ 4,026,542	\$ 11,939,512	\$ 1,019,229	\$ 54,095	\$ 3,402,353	\$ 21,816,659	
Dividends declared	-	-	(228,571)	-	-	-	(228,571)	
Acquisition of non-controlling interest	-	-	(5,382,333)	-	-	(3,430,136)	(8,812,469)	
Comprehensive income	-	-	1,575,520	616,186	(20,050)	147,610	2,319,266	
Balances as of December 31, 2013	1,374,928	4,026,542	7,904,128	1,635,415	34,045	119,827	15,094,885	
Acquisition of non-controlling interest	-	-	-	-	-	(1,112)	(1,112)	
Comprehensive income	-	-	1,220,900	(287,370)	35,895	16,010	985,435	
Balances as of December 31, 2014	\$ 1,374,928	\$ 4,026,542	\$ 9,125,028	\$ 1,348,045	\$ 69,940	\$ 134,725	\$ 16,079,208	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013. (In thousands of Mexican pesos)

	2014	2013
Cash flow from operating activities:		
Profit before income taxes from continued operations	\$ 1,809,573	\$ 2,261,399
Adjustments:		
Depreciation and amortization	600,632	529,810
Impairment of long-lived assets	60,623	-
Gain on revaluation of investment property	(721,354)	(392,017)
Loss on sale and disposal of property and equipment	132,298	133,352
Unrealized foreign exchange loss	584,360	149,516
Gain on revaluation of financial instruments	(147,045)	(1,875)
Dividends received	(13,779)	(6,088)
Share of (gain) loss of joint ventures and associates	(14,307)	-
Interest income	(79,112)	(151,936)
Interest expense	791,918	400,655
	3,003,807	2,922,816
Working capital adjustments:		
(Increase) decrease in:		
Accounts receivable – Net	198,448	(136,218)
Inventories – Net	(368,235)	228,579
Prepaid expenses	25,604	(17,502)
Increase (decrease) in:		
Trade accounts payable	(101,404)	(441,373)
Accrued expenses and taxes	90,366	273,734
Income taxes paid	(792,866)	(373,922)
Discontinued operations	-	26,110
Net cash generated by operating activities	2,055,720	2,482,224
Cash flow from investing activities:		
Acquisition of property and equipment	(865,219)	(817,392)
Acquisition of investment property	(45,213)	(542,373)
Proceeds on sale of property and equipment	2,570	-
Acquisition of intangible assets	(11,600)	(189,156)
Prepaid expenses	(153,888)	(99,797)
Acquisition of Subsidiaries – net of cash received	7,854	(493,832)
Advanced payments to acquire associate	(678,000)	(57,000)
Dividends received in cash from available-for-sale equity instruments	13,779	6,088
Disposals of financial instruments held for trading	481,540	265,792
Investments in joint ventures and associates	(212,256)	(33,293)
Disposal of interest in joint operations	-	40,662
Interest received	79,112	151,936
Net cash used in investing activities	(1,381,321)	(1,768,365)
Cash flow from financing activities:		
Proceeds from borrowings	4,730,953	9,370,532
Re-payments of borrowings	(4,560,698)	(4,381,102)
Proceeds from trading debt issuance	-	4,338,931
Interest paid	(686,903)	(400,655)
Dividends paid	-	(228,571)
Acquisition of non-controlling interest	(1,112)	(8,812,469)
Net cash used in financing activities	(517,760)	(113,334)
Net increase in cash and cash equivalents	156,639	600,525
Cash and cash equivalents at the beginning of year	1,525,927	968,659
Effects of exchange rates changes on cash	41,945	(43,257)
Cash and cash equivalents at the end of year	\$ 1,724,511	\$ 1,525,927

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013. (In thousands of Mexican pesos, except earnings per share data)

1. Activities

Grupo Gigante, S. A. B. de C. V. ("Grupo Gigante") is a corporation incorporated under the laws of Mexico. The address of its corporate offices is Ejercito Nacional 350, Chapultepec Morales, 11570, in México City, Mexico.

Grupo Gigante, S. A. B. de C. V. and subsidiaries (collectively, the "Company") is engaged in the operation of restaurants, management and development of investment property and the operation of self-service stores that sell office supplies, electronic goods as well as housewares.

In August 2014, the Company entered into an agreement with Controladora Comercial Mexicana, S. A. B. de C. V. (CCM), to acquire all of the shares of Restaurantes California, S. A. de C. V., which owns the brands "Restaurantes California" and "Beer Factory " and it operates a total of 53 restaurants; 7 under the Beer Factory brand and 46 under the Restaurantes California brand. This transaction was approved by the Federal Economic Competition Commission ("COFEC") on February 6, 2015.

As part of its strategy to expand operations, on December 20, 2013, the Company entered into a purchase agreement with the shareholders of Casa Marchand, S. A de C. V. a retail company, engaged in the sale of scholar and office supplies in México, to acquire 100% of the shares representative of its share capital. The acquisition took place in 2013 but remained subject to the authorization from the COFEC which was obtained on March 27, 2014. The accompanying consolidated financial statements include the results of operations of Casa Marchand, S. A de C. V. beginning on April 1, 2014.

On July 9, 2013, the Company purchased the remaining 50% of the shares of Office Depot de México, S. A. de C. V., which it did not previously own, having complied with all conditions to which it was subject; i.e. approval from the Company's Shareholders' Meeting and authorization from the Federal Competition Commission.

On January 24, 2013, the Company announced its joint venture investment with Petco Animal Supplies Store, Inc., in which each company owns 50% interest of an entity which operates retail stores selling food and other products for pets. PETCO Animal Supplies Store, Inc. is headquartered in San Diego, California (USA) and is one of the leading chains of stores specializing in food, supplies and other related services for pets.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

a. Application of new and revised IFRSs and interpretations that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and new Interpretation issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Company has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU



is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Company's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments did not have a significant impact on the Company's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 1 clarify the meaning of "effective IFRS" with which first adoptants are allowed to apply a new IFRS even if it is not compulsory, if such IFRS allows its anticipated application.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) The property meets the definition of investment property in terms of IAS 40; and
- (b) The transaction meets the definition of a business combination under IFRS 3.

The application of these amendments did not have a significant impact on the Company's consolidated financial statements.

b. New and revised IFRSs in issue but not yet effective

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

IFRS 9	<i>Financial Instruments</i> ³
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
Modificaciones a la IAS 16 e IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹

1 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Company's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Company's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed analysis.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

The Company's management does not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's consolidated financial statements.

Amendments to IAS 16 IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's consolidated financial statements.

3. Summary of significant accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS released by the IASB.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for, investment property and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

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

ii. Fair value

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

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

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

c. Basis of consolidation

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

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

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



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

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

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

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

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

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

Changes in the Company's ownership interests in existing subsidiaries

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

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payments at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

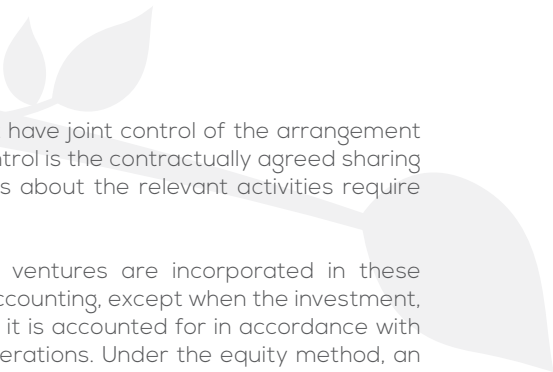
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

e. Investments in associates and joint ventures

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



A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

f. Cash equivalents

Cash equivalents consist mainly in short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash equivalents are measured at fair value; any fluctuations in fair value are recognized in profit for the year.

g. Restricted cash

Restricted cash represents cash and cash equivalents balances held by the Company that are only available for use under certain conditions pursuant to the guarantee agreements and other contracts entered into by the Company (as discussed in Note 5). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled and the Company may use these amounts, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash, was classified within intangibles and prepaid expenses.

h. Financial assets

Financial assets are recognized when the Company or any of its subsidiaries becomes a party to the contract governing such financial instruments.

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

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

i. Effective interest method

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

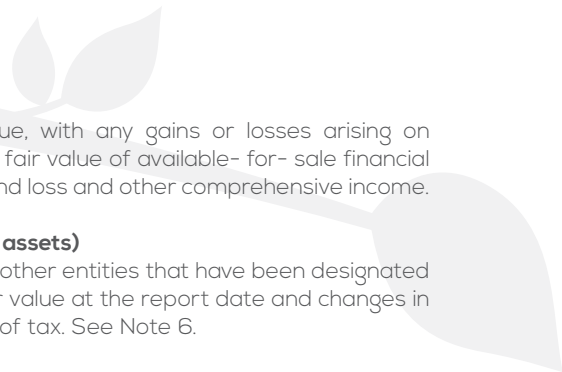
Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

ii. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. See Note 6.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.



Financial assets held for trading are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss in the Net gain on fair value of available-for-sale financial assets line item within the consolidated statements of profit and loss and other comprehensive income.

iii. Financial assets classified as available-for-sale (AFS financial assets)

The Company maintains investments in equity instruments of other entities that have been designated as available-for-sale. These investments are measured at fair value at the report date and changes in fair value are recognized in other comprehensive income, net of tax. See Note 6.

Dividends on AFS equity instruments are recognized in profit or loss, in the other income line item, when the right of the Company to receive dividends is established.

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

iv. Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable when the effect of discounting is immaterial. Accounts receivable are mainly comprised of trade receivables.

v. Impairment of financial assets

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

For AFS equity instruments, a significant or prolonged decline in the fair value of the equity instrument below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets recorded at cost, the amount for the impairment loss is calculated as the difference between the book value of the asset and the current value of the estimated future cash flows, deducted from the current rate of the exchange market for a similar financial asset. Such impairment loss will not be reverted to subsequent periods.

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

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

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

vi. Derecognition of financial assets

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

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

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

i. Inventories

Inventories are stated at the lower of cost or realizable value. The costs, including a portion of fixed and variable overhead costs are allocated to inventories using the most appropriate method for the particular kind of inventory and they are mainly measured using the average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j. Housing inventories

Housing inventories consist of houses and apartments, land in process of being developed for its sale, costs and expenses incurred during the construction process of such inventories. They are stated at its construction cost, including all directly attributable costs such as the cost of the land used, construction in process and borrowing costs, without exceeding its realizable value.

k. Prepaid expenses

Prepaid expenses are measured at the amount of cash or cash equivalents paid and recognized as assets from the date in which the payment is made. They are recognized in profit or loss during the period in which the related services are received or the goods are used. They are classified as short-term or long-term depending on whether the period of use of the services or goods goes beyond 12 months.

I. Property and equipment

Property and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in such estimates accounted for on a prospective basis. Land is not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, as follows:

Average years	
Buildings	40
Leasehold improvements	9-25
Furniture and equipment	4-10
Vehicles	4
Computers	4

Leasehold improvements are amortized over the shorter of their useful life or the term of the lease.

m. Investment property

Investment property are properties held to earn rentals and/or for capital appreciation, mainly buildings and land destined for use by the Company's customers as supermarkets, retail stores and offices. It includes investment property under construction for such purposes. Property occupied by the Company is segregated from the Company's investment property and classified as property and equipment, such segregation is made based on relative square meters.

Investment property is measured initially at cost, including transaction costs. Subsequent investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Fair values are based on market values, which are estimated to be the amount of money for which an investment property could be sold at the measurement date. Fair value for investment property and land occupied or ready to be occupied for the Company's tenants is determined internally using valuation techniques such as the discounted cash flows approach which uses the capitalization of rental income minus property operating expenses, such as maintenance, insurance and other direct costs. The valuations take into account the ability of market participants to generate economic benefits by selling the asset or by using it in its "highest and best use" which includes the consideration of the highest and best use that physically possible, legally permissible and financially feasible. Valuations are periodically made by a specialized department of the Company that has experience in location and category of valued investment properties. This valuation is performed for the investment properties currently in conditions to be rented; for land reserves, an appraisal is made by independent external experts that use the market approach to determine their fair value.

After initial recognition of the investment property, all repairs and maintenance expenses are recognized within profit or loss of the period in which they are incurred.

Investment property under construction are measured at is fair value only to the extent that such fair value can be reliably determined. In such determination, management considers, among other factors, the general conditions of the construction contract, the stage of completion of such construction, the existence of similar construction projects in the market, the reliability of the expected future cash inflows, the specific risk of the related property and past experiences.

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

The Company transfers from other categories of property to investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sell, the Company vacates an existing owner-occupied property with a view to begin redevelopment as investment property or the beginning of an operating lease with a third party.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 14) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or the Company's of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

p. Deferred charges

Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized using the straight-line method over their estimated useful lives. Disbursements that do not meet such requirements, as well as research cost, are recorded in profit or loss of the period in which they are incurred.

q. Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to their initial measurement, an internally-generated intangible asset is recognized at their cost less accumulated amortization and cumulative impairment losses, if any.

3. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

r. Customer lists

Customer lists represent the fair value of the intangible assets related to client lists identified as an asset at the acquisition date. Its expected economic life is estimated to be four years and is subject to impairment tests on an annual basis.

s. Leasing

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

i. The Company as a lessor

The Company, as a lessor, retains substantially all of the benefits and risks of ownership of the property; therefore, it accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement. Contingent rents are recognized as rental income in the consolidated statements of profit or loss and other comprehensive income in the period in which the contingency occurs.

ii. The Company as a lessee

Leases have been classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Rent holidays are amortized over the lease term. Contingent rents arising under operating leases are recognized as an expense in the consolidated statement of profit or loss in the period in which they are incurred.

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

t. Impairment in value of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

u. Financial liabilities and equity instruments

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

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

i. Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

ii. Financial liabilities

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

iii. Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.



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

iv. Derecognition of financial liabilities

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

v. Offset

Financial assets and liabilities are subject to offset and the net amount is shown in the financial status statement only when the Company has a legal right to offset the amounts and its purpose is to carry out liquidation on a net basis or to simultaneously realize the asset and liquidate the liability.

vi. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

v. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 20.

Derivative financial instruments presented as of the date of the report, even though they have been entered into with hedging purposes from an economic perspective, they have been classified as trading from an accounting perspective. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

w. Provisions

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

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

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

i. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii. Restructurings

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

x. Employee benefits, from termination, retirement and statutory employee profit sharing (PTU)

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

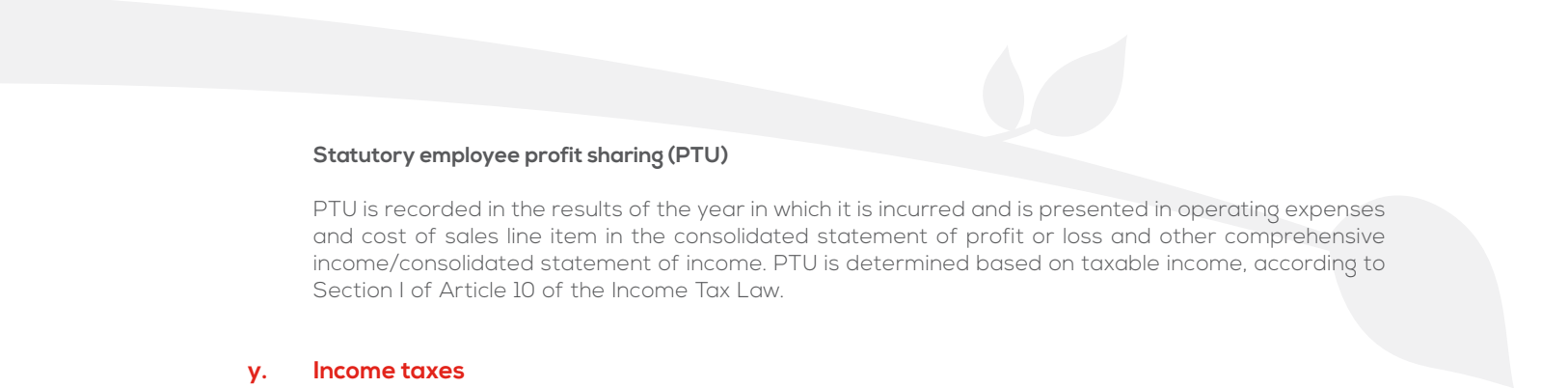
A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.



Statutory employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost of sales line item in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of income. PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law.

y. **Income taxes**

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

i. **Current tax**

Current income tax ("ISR") is recognized in the results of the year in which they are incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax ("IETU").

ii. **Deferred income tax**

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

As a consequence of the 2014 Tax Reform, as of December 31, 2013, deferred IETU is no longer recognized; as such, those effects were cancelled affecting the 2013 results.

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

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

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

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

iii. **Currents and deferred taxes**

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

z. **Repurchase of treasury shares**

In accordance with Mexico's Securities Market Law, the Company has appropriated retained earnings for a reserve for the repurchase of the Company's shares in order to strengthen the offer and demand of its shares in the stock market. Shares temporarily acquired by the Company that are withdrawn from the market are considered treasury shares.

aa. Foreign currencies

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.v related for hedging accounting policies).
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

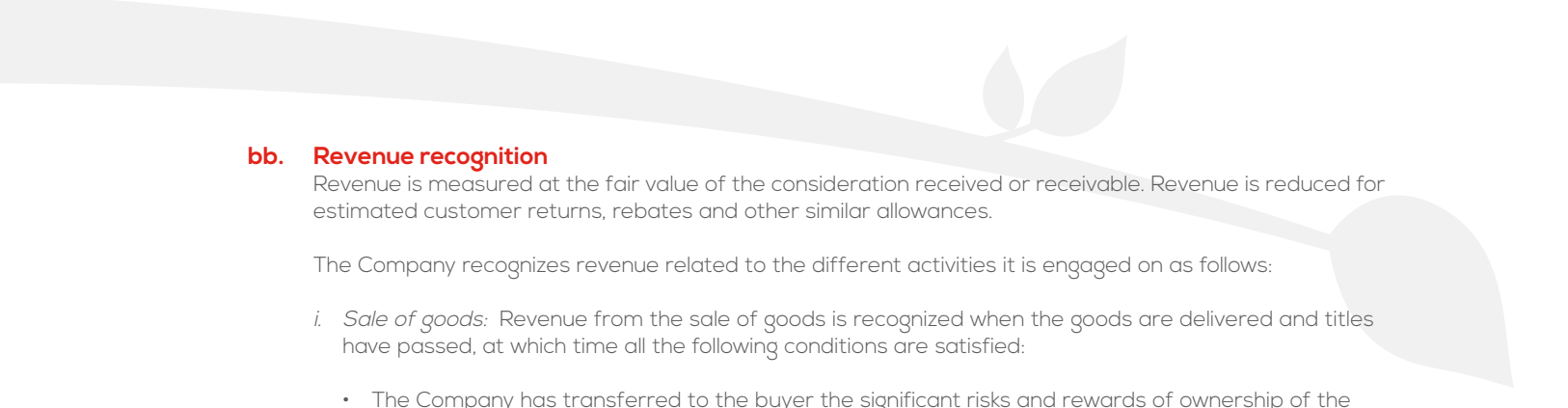
The individual financial statements of each of the Company's subsidiary are prepared in the currency of the primary economic environment in which the Company operates (its functional currency). For purposes of these financial statements, the results and financial position of each Company are expressed in Mexican pesos, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

On the disposal (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled company that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.



bb. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company recognizes revenue related to the different activities it is engaged on as follows:

i. Sale of goods: Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

ii. Rental income: Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized within non-current assets and recognized on a straight-line basis over the lease term. Income from maintenance services related to property for rent granted are recognized in the period in which they accrue. Leasing incentives are recognized on a straight-line basis over the life of the lease. Rental income includes income from parking lots operated by the Company.

iii. Dividend and interest income: Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). Dividend income is included in other income in the consolidated statements of profit or loss and other comprehensive income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iv. Rendering of services: Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period.
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold.
- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

Servicing revenue is included in other income in the consolidated statements of profit or loss and other comprehensive income

cc. Statement of Cash Flows

The Company reports cash flows for investment transactions using the indirect method whereby the profit or loss is adjusted for the effects of transactions of a nature different than cash, any deferral of inflow or outflow of cash for past or future accumulation or entries of income or expenses associated with cash flows from investment or financing activities.

Since the Company presented discontinued operations for the year ended at December 31, 2013, the starting point for the consolidated statements of cash flows is profit from continuing operations before income taxes.

Interests paid and interests and dividends received are classified as financing and investment activities, respectively.

dd. Earnings per share

Basic earnings per common share are calculated by dividing net income of the equity attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting the profit for the year and common shares on the assumption that the Company's commitments to issue or exchange its own shares would be fulfilled. During 2014 and 2013, the Company did not have any dilutive instruments; therefore, basic and diluted per share are the same.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a. Critical accounting judgments when applying accounting policies

- i. Leases classification** – Leases are classified based on the extent that the risks and benefits inherent to the property of the leased asset are transferred or maintained, depending more on the substance of the transaction than in the legal form. The Company set forth internal criteria to determine if the term of the leases is for most of the economic life of the leased property, as well as the criteria for the separation of the value allocated to the land and the construction by the participants on the lease of a real estate.
- ii. Discount rate used to determine the carrying amount of the Company's defined benefit obligation** – The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

b. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Investment property

The Company carries out internal valuations of its investment property which are occupied or ready to be occupied by leasees (investment properties in operation). The valuation methodology includes assumptions that are not directly observable in the market to determine the fair value. The method used was the income capitalization method – income approach, which consists of techniques and mathematic model to analyze the capacity for the future generation of economic benefits by the property discounted at present value. The main assumptions used in such calculation are discount rates, the Company's future net operating income per property and inflation rates.

Significant changes in occupancy levels and/or in the rental income or significant increases or changes in the discount rate may result in a fair value for the investment properties significantly different and a related impact in profit or loss.

The valuation techniques used during the reported periods have been consistent. Management believes that the valuation methodologies and assumptions used are appropriate for the determination of the Company's investment property fair values.

For investment property that is not in condition for being occupied (land or land reserves maintained for future development or to obtain capital appreciation) external appraisals are performed periodically by an independent appraiser.

ii. Property and equipment

The Company determines the useful lives and residual values of its property and equipment based on its experience using the advice of internal specialists.

iii. Impairment testing

The Company is required to test its definite useful live long-lived assets for impairment when there are indicators that an impairment loss has occurred and to test its indefinite useful live assets, including goodwill and other intangible assets, at least on an annual basis. To calculate impairment losses of long-lived assets in use, it is necessary to determine the asset's recoverable amount. Recoverable amount is defined as the higher of the asset's fair value less cost to sell or its value in use, which is the present value of the future cash flows expected to be derived from the asset. Determining whether goodwill is impaired requires an estimation of the value-in use of the cash-generating units to which goodwill has been allocated. The value-in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, determined using a suitable discount.

The determination of the underlying assumptions related to the recoverability of long-lived assets, including the allocation of goodwill to cash-generating units for impairment testing, is subjective and requires the exercise of considerable judgment. Any changes in key assumptions about the Company's business and prospects, or changes in market conditions, could result in an impairment loss.

iv. Deferred taxes

Under IFRS, the Company is required to recognize income tax effects for temporary differences between the carrying amount of the Company's assets and liabilities in the statement of financial position and their related tax basis. A deferred income tax asset is recognized in the consolidated financial statements to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilize and therefore future economic benefits will ultimately flow to the Company. Such estimates are based on management's knowledge of the business as well as projections of future profits, including tax strategies entered into by the Company.

v. Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses observable market data as they become available. Management informs the Board of Directors of any variations in fair value of financial instruments on a quarterly basis.

5. Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and short-term investments highly liquid which are measured at nominal value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2014	2013
Cash on hand	\$ 15,403	\$ 13,516
Bank deposits and cash equivalents	1,672,315	1,475,618
Restricted cash and cash equivalents (i)	36,793	36,793
	\$ 1,724,511	\$ 1,525,927

- (i) Some of the Company's subsidiaries have borrowings from financial institutions whose contracts require certain amount of cash to be deposited as collateral. Such amounts are deposited in trusts that have been created and where the collection of rental income of some of the Company's investment properties is deposited. Such funds service the borrowings and a reserve equivalent to five monthly payments of capital and interest is required to exist at any point in time. The deposited amounts are invested in debt instruments which are highly liquid such as government bonds. At the end of the reporting period, the balance maintained for the service of the debt in accordance with the borrowing agreements and since the time restriction for the use of these resources is less than 12 months; such amounts are presented as restricted cash within current assets.

6. Financial instruments

	2014	2013
Available-for-sale financial assets (i)	\$ 2,241,077	\$ 2,516,928
Held for trading financial assets (ii)	477,474	930,794
	\$ 2,718,551	\$ 3,447,722

- (i) Investments in equity instruments of Pricesmart Inc. listed on the Nasdaq Stock Market and they are measured at fair value.
- (ii) Investments in financial instruments, including both equity and debt some of which trade in stock exchanges in Mexico and other countries, acquired with the intention of being sold in a short period of time.

7. Accounts receivable

- a. Accounts receivable are as follows:

	2014	2013
Trade accounts receivable	\$ 648,962	\$ 706,655
Allowance for doubtful accounts	(23,465)	(26,748)
	625,497	679,907
Recoverable Value Added Tax	337,511	367,865
Recoverable Income Tax	246,475	237,336
Other accounts receivable	169,981	191,835
Total	\$ 1,379,464	\$ 1,476,943

- b. Movements in the allowance for doubtful accounts receivable is as follows:

	2014	2013
Balance at beginning of the year	\$ 26,748	\$ 19,315
Increases	5,943	9,344
Amounts written-off as uncollectible	(9,226)	(1,911)
Balance at end of the year	\$ 23,465	\$ 26,748

Normal credit terms for most of the customers of the Company are 30 to 90 days; thereafter the payment is considered past due. As of December 31, 2014 and 2013, 95% and 92%, respectively, of all accounts receivable are current.

Balances past due but not impaired: The main accounts receivable that are past due but not impaired relate to receivables owed by one of the Company's clients, which even though are past due, management considers they have a high probability of being collected and therefore, an allowance for recoverability has not been created. As of December 31, 2014 and 2013, the amount of past due but not impaired receivables is \$11,769 and \$26,814, respectively.

The allowance for doubtful accounts receivable covers receivables past due for more than 90 days with low recovery possibilities.

8. Inventories

	2014	2013
Office supplies inventories	\$ 3,509,775	\$ 3,032,645
Housewares supplies inventories	111,507	101,599
Food inventories	58,572	50,761
Allowance for obsolete inventories	(17,824)	(15,880)
	3,662,030	3,169,125
Housing inventories	526,779	348,243
	\$ 4,188,809	\$ 3,517,368

9. Property and equipment

	2014	2013
Gross investment at cost:		
Land	\$ 2,084,048	\$ 2,042,627
Buildings and leasehold improvements	7,226,708	6,914,700
Furniture and equipment	2,181,583	1,966,223
Computers	582,341	521,728
Vehicles	262,617	246,443
Construction in-progress	149,966	133,044
Gross investment	\$ 12,487,263	\$ 11,824,765
Accumulated depreciation:		
Buildings and leasehold improvements	\$ (1,883,501)	\$ (1,650,681)
Furniture and equipment	(1,151,208)	(992,030)
Computers	(431,643)	(373,685)
Vehicles	(165,324)	(152,569)
Accumulated depreciation	\$ (3,631,676)	\$ (3,168,965)



2014

2013

Net investment:

Land	\$ 2,084,048	\$ 2,042,627
Buildings and leasehold improvements	5,343,207	5,264,019
Furniture and equipment	1,030,375	974,193
Computers	150,698	148,043
Vehicles	97,293	93,874
Construction in-progress	149,966	133,044

Total property and equipment – Net**\$ 8,855,587****\$ 8,655,800**

- a. The roll forward of the net book value of property and equipment is as follows:

	Land	Buildings and leasehold improvements	Furniture and equipment	Computers
Balance as of January 1, 2013	\$ 1,969,375	\$ 5,201,439	\$ 806,400	\$ 147,867
Additions	73,252	302,823	293,366	51,118
Depreciation	-	(222,152)	(119,975)	(50,094)
Disposals related to sale	-	(18,091)	(5,598)	(848)
Balance as of December 31, 2013	2,042,627	5,264,019	974,193	148,043
Additions	41,421	390,970	216,178	64,251
Additions through business combinations	-	9,960	-	-
Depreciation	-	(238,843)	(137,396)	(59,692)
Disposals related to sale	-	(82,899)	(22,600)	(1,904)
Balance as of December 31, 2014	\$ 2,084,048	\$ 5,343,207	\$ 1,030,375	\$ 150,698

	Vehicles	Construction in-progress	Net investment
Balance as of January 1, 2013	\$ 127,536	\$ 198,598	\$ 8,451,215
Additions	62,540	34,293	817,392
Depreciation	(87,234)	-	(479,455)
Disposals related to sale	(8,968)	(99,847)	(133,352)
Balance as of December 31, 2013	93,874	133,044	8,655,800
Additions	118,815	33,584	865,219
Additions through business combinations	-	-	9,960
Depreciation expense	(94,044)	(10,549)	(540,524)
Disposals related to sale	(21,352)	(6,113)	(134,868)
Balance as of December 31, 2014	\$ 97,293	\$ 149,966	\$ 8,855,587

- b. Depreciation expense is presented in the cost of sales and operating expenses line items in the consolidated statements of profit and loss and other comprehensive income. During the year ended December 31, 2014, impairment losses related to property and equipment for \$10,623 were recognized.

10. Investment property

The Company uses different valuation approaches such as the income approach, the replacement cost approach and the market approach to determine the fair value of its investment property. The techniques used include assumptions, the majority of which are not directly observable in the market such as discount rates, long-term future net operating income (NOI), inflation rates and the market value of its land reserves per square meter. The Company internally calculates the fair value of its land and buildings that are leased, both vacant and occupied by tenants, using the income approach and it uses external independent appraisers to determine the fair value of its land reserves. The fair value determination considered the highest and best use of the investment properties. There have been no changes in the valuation approaches used.

Gains or losses arising from changes in the fair values are included in the consolidated statements of profit and loss and other comprehensive income in the period in which they arise.

The direct operating expenses, including maintenance, arising from investment property that generated rental income during the years ended December 31, 2014 and 2013, were \$233,430 and \$215,076, respectively. The direct operating expenses, for properties that did not generate rental income for the years ended December 31, 2014 and 2013 were \$3,464 and \$4,026, respectively.

As of December 31, 2014 and 2013, the Company's investment properties have a gross leasable area (unaudited) of 981,660 square meters and 973,664 square meters, respectively and they were 98% and 96% occupied by tenants, respectively.

The Company's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	10.89%	The higher the discount rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents.	The higher the NOI, the higher the fair value.
			Inflation rate	Mexico: 3.40%	The higher the inflation rate, the higher the fair value.
Land reserves	Level 3	Market value	Price per square meter	Depending on the location	The higher the price, the higher the fair value.

- a. The table below sets forth the aggregate values of the Company's investment properties for the years indicated:

	2014	2013
Buildings and land	\$ 10,569,689	\$ 9,825,999
Land reserves	1,300,179	1,596,595
Less: Cost to complete construction-in-progress	-	(14,570)
Balance at end of year	\$ 11,869,868	\$ 11,408,024

b. The reconciliation of investment property is as follows:



	2014	2013
Balance at beginning of year	\$ 11,408,024	\$ 10,473,634
Additions	45,213	542,373
Transfer of assets	(304,723)	-
Gain on revaluation of investment property	721,354	392,017
Balance at end of year	\$ 11,869,868	\$ 11,408,024

The gain on revaluation of the property is driven by changes in: 1) discount rates used to calculate the fair value, 2) higher occupancy rates and NOI and 3) new operating leases entered into by the Company as well as changes in the market-related assumptions used to determine the fair value of land reserves.

Five of the Company's investment properties are pledged as collateral for the long-term debt as discussed in Note 17. The fair value of such investment properties as of December 31, 2014 and 2013 is \$3,342,408 and \$3,042,237, respectively.

The operating lease contracts entered into by the Company with its customers, include rental incentives such as rent holidays, other incentives as well as one time signing payments charged (known as key money). Income from operating leases is recognized on a straight-line basis over the lease term, including the income related to these lease incentives.

11. Investments in joint venture and associates

Details of each of the Company's joint ventures and associates are as follows:

Company	Investment type	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
				2014	2013
Mascotas y Compañía, S. A. P. I. de C. V.	Joint venture	Retail specialized in selling pet products	México	50%	50%
Fideicomiso Banorte F/743955	Associate	Holding of a company that operates a shopping center	Veracruz, México	50%	50%
Fideicomiso CIB/535	Associate	Developing a shopping center	Veracruz, México	50%	50%

The details of the amounts recognized in the consolidated statement of financial position and in the consolidated statements of profit or loss and other comprehensive income as of and for the years ended December 31, 2014 and 2013 are as follows:

Company	Equity investment		Profit or loss	
	2014	2013	2014	2013
Mascotas y Compañía, S. A. P. I. de C. V.	\$ 64,117	\$ 33,293	\$ (4,627)	\$ 3,027
Fideicomiso Banorte F/743955	198,421	-	6,523	-
Fideicomiso CIB/535	314,849	-	(29,290)	-
Other	263	-	-	-
Advance payment to investment – Note 15(i)	-	-	13,087	-
	\$ 577,650	\$ 33,293	\$ (14,307)	\$ 3,027

Mascotas y Compañía, S. A. P.I. de C. V. was classified as a joint venture because the contractual agreement gives the Company the right to 50% of the net assets of this joint agreement. The investment in the joint venture is accounted for using the equity method.

The Trust Banorte F/43955 and the Trust CIB/535 were classified as associate entities because the Company does not have control or joint control over them and they are measured them using the equity method.

A summary of the information on the joint venture and of the Company's associates is detailed below. The condensed financial information presented below represents the amounts which are presented in the financial statements of the joint venture and in associates' and they are prepared in conformity with the IFRS.

Condensed information related to the statement of financial position as of December 31 for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2014	2013
Current assets	\$ 98,337	\$ 51,774
Property and equipment	65,953	16,289
Other assets	9,621	7,363
Total assets	\$ 173,911	\$ 75,426
Current liabilities	\$ 43,056	\$ 8,600
Other long-term liabilities	2,622	240
Total liabilities	45,678	8,840
Net assets	\$ 128,233	\$ 66,586

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31 for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2014	2013
Total revenues	\$ 152,640	\$ 8,670
Cost of sales	86,271	4,570
Operating expenses	53,987	15,916
Interest income	696	2,266
Income taxes	3,824	(3,496)
Profit (loss) for the year	\$ 9,254	\$ (6,054)

Condensed information related to the statement of financial position as of December 31, 2014, for the associates is as follows:

Fideicomiso Banorte F/743955	
Current assets	\$ 229,489
Investment properties	1,106,422
Other assets	19,939
Total assets	1,355,850
Current liabilities	173,495
Long-term debt	688,663
Other long-term liabilities	57,635
Total liabilities	919,793
Non-controlling interest	69,133
Stockholders' equity	366,924
Other shareholders' outstanding equity contributions	29,918
Total	\$ 396,842

Fideicomiso CIB/535	
Current assets	\$ 35,139
Investment properties	661,597
Other assets	39,123
Total assets	735,859
Total liabilities	111,278
Stockholders' equity	624,581
Other shareholders' outstanding equity contributions	5,117
Total	\$ 629,698

Condensed information related to the statement of profit or loss and other comprehensive income for the year ended December 31, 2014 for the associates is as follows:

Fideicomiso Banorte F/743955	
Rental income	\$ 9,472
Operating expenses	23,718
Interest income	1,696
Loss for the year	\$ (12,550)

Fideicomiso CIB/535	
Revenues	\$ -
Operating expenses	1,294
Financial income	437
Gain on revaluation of investment properties	59,802
Profit for the year	\$ 58,945

12. Investment in subsidiaries

The subsidiaries listed below are companies incorporated in Mexico with operations throughout the country, except for some direct subsidiaries of Office Depot de Mexico, S.A. de C.V., which have operations in Central America, the Caribbean and Colombia.

Proportion of ownership interest and voting power held by the Company in its direct subsidiaries is as follows:

Company	Ownership 2014	Ownership 2013	Activity
Gigante Retail, S. A. de C. V. y Subsidiaries	100.00%	100.00%	Holding company; its subsidiaries are engaged in specialized retail.
Hospitalidad y Servicios Especializados Gigante, S. A. de C. V. y Subsidiaries	100.00%	100.00%	Holding company; its subsidiaries are engaged in managing restaurants and selling prepared food.
Gigante Grupo Inmobiliario, S. A. de C. V. y Subsidiaries	100.00%	100.00%	56 companies that own and manage properties where offices, stores and shopping centers are located which are leased to third parties and where some of the Company's restaurants and stores are located.



Company	Ownership 2014	Ownership 2013	Activity
Gigante Fleming S. A. de C. V.	100.00%	100.00%	Real estate company that owns investment property where 2 stores that are leased to third parties are located.
Controladora y Operadora de Inmuebles, S. A. de C. V.	100.00%	100.00%	Real estate company
Servicios Gigante, S. A. de C. V.	99.99%	99.99%	Provides administrative services to the Company.
Servicios Toks, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Operadora Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Servicios Gastronómicos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Servicios Operativos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Servicios Técnicos y Administrativos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Unidad de Servicios Compartidos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Gigante IT, S. A. de C. V. y Subsidiaries	100.00%	100.00%	Holding company; its subsidiaries are engaged in providing information technology consulting services and technical support to the Company and to third parties.

Proportion of ownership interest and voting power held by the Company in its direct subsidiaries is as follows:

Company	Ownership 2014	Ownership 2013	Activity
Office Depot de México, S. A. de C. V. y Subsidiaries	100.00%	100.00%	It operates 260 office supply stores in Mexico (including two Distribution Centers that also sell merchandise), seven in Costa Rica, nine in Guatemala, four in El Salvador, two in Honduras, five in Panama (including one distribution center that also sells merchandise), 13 in Colombia, two in the Dominican Republic (including one distribution center that also sells merchandise) and 1 distribution center in Mexico.
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	It operates 16 self-service stores that sell housewares.
Restaurantes Toks, S. A. de C. V.	100.00%	100.00%	It is a chain of 133 restaurants.

Company	Ownership 2014	Ownership 2013	Activity
Operadora de Fast Food Chino, S. A. de C. V.	100.00%	100.00%	It operates 24 Chinese fast food restaurants.
Operadora de Café y Chocolate de Especialidad, S. A. de C. V.	100.00%	100.00%	Operates 10 specialty coffee stores.

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

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
Office Depot de México, S. A. de C. V.	México	-	-	\$ -	\$ 17,912	\$ -	\$ -
Benmore International Corp.	Dominican Republic	10.0%	-	6,367	-	5,257	-
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	México	49.9%	49.9%	9,643	(1,096)	129,468	119,827
				\$ 16,010	\$ 170,816	\$ 134,725	\$ 119,827

Benmore International Corp. – In December 2014 the Company acquired 90% of the shares of this entity, which operates under the name Office Depot in the Dominican Republic. As of the date of the financial statements goodwill for \$51mdp has been recognized; however, as detailed in Note 14, the Company is in the 12-month measurement period to identify the assets and liabilities acquired in the business combination.

Inmobiliaria Lomo Lomas Verdes, S.A. de C.V.- In November 2010, the Company incorporated a subsidiary with a third party, to develop a shopping center including anchor stores, retail stores, cinemas and fast-food areas.

Condensed financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The condensed financial information below represents amounts before intragroup eliminations.

Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.:

Condensed information related to the statements of financial position as of December 31:

	2014	2013
Current assets	\$ 102,135	\$ 94,050
Investment property	645,967	661,227
Other assets	31,955	25,952
Total assets	\$ 780,057	\$ 781,229

	2014	2013
Current liabilities	\$ 296,845	\$ 276,430
Long-term debt	224,275	265,147
Total liabilities	521,120	541,577
Stockholders' equity	\$ 258,937	\$ 239,652
Non-controlling interest	\$ 129,468	\$ 119,827

Condensed information related to the statements of profit or loss and other comprehensive income for the years ended December 31 is as follows:

	2014	2013
Rental income	\$ 119,232	\$ 93,772
Profit (loss) for the year	19,285	(2,193)
Profit (loss) allocated to non-controlling interests	\$ 9,643	\$ (1,096)

Change in the Company's ownership interest in a subsidiary

During 1994, the Company and Office Depot, Inc., headquartered in the United States of America, entered into an agreement to develop and operate a chain of retail stores that sell office supplies and electronics.

During July 2013, the Company acquired the 50% of the shares of Office Depot de México, S.A. de C.V., which it did not previously own, increasing its ownership share to 100%. The consideration paid for the acquisition, including direct acquisition costs, was \$8,812,469, and it was paid in cash using the proceeds of the issuance of the loans for \$2,244,194 and \$2,245,497 as discussed in Note 17. The carrying amount of the non-controlling interest at the date of acquisition was \$3,430,136. The difference between carrying amount of such non-controlling interest and the consideration paid, \$5,382,333, was recognized in retained earnings.

13. Business combinations

1. Subsidiaries acquired

Name of Subsidiary	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration
Casa Marchand, S. A. de C. V.	Wholesaler of stationery and school supplies	April 1, 2014	100%	\$ 493,832
Benmore International Corp.	It operates e specialized retail stores that sell office supplies in the Dominican Republic	December 1, 2014	90%	33,153

The acquisitions made during the year are part of the Company's strategy to expand its presence in Mexico, Central America and the Caribbean.

Costs related to the acquisition are excluded from the consideration transferred and recognized as an expense in profit or loss in the period in which they are incurred.

For tax purposes, the tax basis of the assets and liabilities acquired are adjusted to their related market values on the acquisition date. None of the goodwill arising on these acquisitions will be deductible for tax purposes.

2. Assets and liabilities recognized at the date of acquisition

	Casa Marchand, S.A. de C.V.	Benmore International Corp.
<i>Current assets:</i>		
Accounts receivable	\$ 78,194	\$ 20,433
Inventories	277,851	23,919
<i>Non-current assets</i>		
Property and equipment	18,568	9,396
Intangible assets	453,689	50,896
Other assets	2,609	4,988
<i>Current liabilities</i>	291,533	77,852
Deferred taxes	56,593	-
Net assets acquired	\$ 482,786	\$ 31,747

Casa Marchand, S.A. de C.V. – The initial recognition was only determined provisionally on the acquisition date, using management's best estimate. As of December 31, 2014, the fair value determination and other necessary calculations were concluded to determine the following fair values of intangible assets acquired:

Customer lists	\$ 141,388
Non-compete agreement	4,225
Trade marks	46,749
Goodwill	261,327

Benmore International Corp. – As of the date of the consolidated financial statements, the necessary fair value calculations and other calculations have not been completed; consequently, the initial recognition has been determined provisionally based on management's best estimate of the probable fair values. The market valuations obtained for tax purposes could also have an effect on the fair values recognized in the other assets acquired, as part of the business combination. The goodwill derived from the acquisition of Benmore International Corp. was \$50,863; however, this may change when the final fair values of the acquired assets and liabilities are finalized.

3. Impact of acquisitions on the results of the Company

Sale of goods revenue for the year ended December 31, 2014 includes revenues of \$1,006,766 in respect to Casa Marchand, S. A. de C. V., and \$77,118 in respect to Benmore International Corp. Additionally, net consolidated income for the year ended December 31, 2014 includes \$31,736 and \$86,327, respectively, related to the acquired business.

4. Business combinations with an acquisition date after the end of the reporting period but before issuance of the consolidated financial statements

During 2014, the Company entered into an agreement with Controladora Comercial Mexicana, S. A. B. de C. V., to acquire all of the shares of Restaurantes California, S. A. de C. V., which owns the brands "Restaurantes California" and "Beer Factory " and it operates a total of 53 restaurants; 7 under the Beer Factory brand and 46 under the Restaurantes California brand. This transaction was approved by the COFECI on February 6, 2015. Total consideration agreed for the acquisition was \$1,103,000.

In February 19, 2015, the Company entered into a purchase agreement with the Shareholders of Grupo Prisa (engaged in the distribution of office supplies in Chile). The agreement is subject to certain restrictions and it's expected that the transaction will close during the second quarter of 2015. The consideration for the acquisition will be equivalent to 8.0 times Grupo Prisa's earnings before taxes depreciation and amortization for the year ended December 31, 2014.

14. Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired at acquisition date. Goodwill is subject to impairment tests annually taking into consideration the value in use of the telemarketing cash generating unit, which is included in the retail reportable segment.

As of December 31, 2014 and 2013 there were no impairment losses. The reconciliation of goodwill is as follows:

	2014	2013
Balance at beginning of year	\$ 47,750	\$ 47,750
Additional amounts recognized from business combinations that occurred during the year	312,190	-
Total	\$ 359,940	\$ 47,750

15. Intangibles and prepaid expenses

	2014	2013
Deferred charges	\$ 70,479	\$ 68,137
Accumulated amortization	(40,699)	(30,319)
	29,780	37,818
Customer lists and non-compete agreements	338,893	141,870
Accumulated amortization	(113,524)	(91,034)
	225,369	50,836
Software licenses	189,187	189,156
Accumulated amortization	(41,038)	(17,391)
Accumulated impairment losses	(50,000)	-
	98,149	171,765
Restricted cash	7,043	17,796
Technical assistance paid in advance	17,349	17,152
Rent holidays and key money paid	63,611	58,313
Advanced payments to acquire subsidiaries and associate (i)	721,913	493,832
Derivative financial instruments (ii)	104,332	-
Other long-term advance payments	210,823	126,330
Total	\$ 1,478,369	\$ 973,842

- (i) In July 2014, the Company entered into an agreement to acquire 41.6% of the common stock of an entity denominated Inmobiliaria Conjunto Polanco, S. A. de C. V. for a total consideration of \$1,128,000. As of December 31, 2014, the Company has advanced payments for this acquisition in cash for \$735,000 and during the year ended December 31, 2014, the Company recognized a loss of \$13,087 as its share of this entity's loss for the year. As of December 31, the Company is waiting to receive approval from the COFECE for this acquisition; therefore, the amounts advanced are presented as advance payments and not as investment in associates.

As of December 31 2013, the Company had advanced a total of \$493,832 as consideration transferred for the acquisition of Casa Marchand, S. A. de C. V. as described in Note 14. During April 2014, the Company received approval from the COFECE; therefore, this date is considered the acquisition date and on this date the fair value of the acquired assets and liabilities was calculated.

- (ii) During 2014, the Company entered into a Cross Currency Swap contract to manage its exchange rate and interest rate risks in relation to future interest on the senior notes payable as described in Note 18.

Amortization expense is presented in the operating expenses line item in the consolidated statements of profit and loss and other comprehensive income. The following total useful lives are used in the calculation of amortization expense:

	Average years
Deferred charges	4
Trademarks	7
Non-compete agreements	7
Software licenses	8
Customer lists	20

16. Accrued expenses and taxes

	2014	2013
Taxes payable – mainly ISR	\$ 202,073	\$ 268,745
Derivative financial instruments	-	22,645
Direct employee benefits	171,842	144,974
Accrued expenses	209,828	137,397
Accrued interest	105,018	94,896
Advances received from customers	102,472	84,136
Other accounts payable	384,415	390,110
	\$ 1,175,648	\$ 1,142,903

17. Long-term debt

	2014	2013
Secured – at amortized cost		
On June 25, 2010, a simple mortgage loan was obtained, it is payable in 108 monthly installments. Interest is payable on a monthly basis at the interbank equilibrium interest rate (TIIE) plus 3 percent (i).	\$ 162,803	\$ 183,093
On June 25, 2010, the Company contracted a simple mortgage loan, it is payable in 96 monthly installments. Interest will be paid on a monthly basis at the TIIE rate plus 3 percent (i).	261,411	294,006
On October 26, 2012, the Company contracted a simple mortgage loan for \$400,000, payable on October 25, 2019. Interest is paid monthly at a fixed rate of 6.97%. On August 2, 2013 this loan was increased by \$200,000, payable on August 1, 2020. Interest is paid monthly at a fixed rate of 7.19% (i).	598,160	597,805
On October 31, 2012, the Company contracted a simple mortgage loan for \$130,000, with a seven-year term and monthly interest and principal payments. Interest is calculated at a fixed annual rate of 7.50%. On May 19, 2014, this loan was increased by \$31,000, under the same terms as the original loan, except for the interest rate, which was set at 7.55% per annum (i).	142,058	122,759

On October 31, 2012, a simple mortgage loan contract was entered into for \$250,000, with a seven-year term and monthly interest and principal payments. Interest is calculated at a fixed annual rate of 7.50%. On May 19, 2014, this loan was increased by \$124,000, under the same terms as the original loan, except for the interest rate, which was set at 7.55% per annum. On August 13, 2014, this loan was again increased by \$95,000, with an annual interest rate of 7.06% (i).	431,777	236,074
On March 27, 2013, a simple credit line was obtained, payable in 14 quarterly installments, with a 21-month grace period in respect to principal. Interest will be paid monthly at the TIIE rate plus 2 percent.	106,519	112,031
Guaranteed – at amortized cost		
On July 9, 2013, a simple one year loan was entered into, with interest payable monthly at the London Interbank Offered Rate (LIBOR) plus 1.60 percent. The proceeds of this loan were 342,887,601 US dollars, equivalent to \$4,438,680. In September 2013, approximately 50% of this loan was prepaid and in July 2014, this loan was settled, using the proceeds of the syndicated loan described below (ii).	-	2,244,194
On July 9, 2013 a simple one year loan was entered into, with interest payable monthly at the TIIE rate plus 0.5 percent. The proceeds of this loan were \$4,438,680. In September 2013, approximately 50% of this loan was prepaid and in July 2014, this loan was settled, using the proceeds of the syndicated loan described below (ii).	-	2,245,407
On July 4, 2014, one syndicated loan was issued. Principal is paid over six years; interest is paid on a monthly basis and calculated at the TIIE rate, plus an applicable margin which is determined in relation to the leverage ratio of the Company.	4,487,353	-
Total debt	\$ 6,190,081	\$ 6,035,369
Current portion	\$ 397,467	\$ 4,748,612
Long-term debt	5,792,614	1,286,757
	\$ 6,190,081	\$ 6,035,369

As of December 31, 2014 and 2013, TIIE was 3.31%, and 3.79%, respectively. As of December 31, 2014, LIBOR was 0.1635%.

- (i) These loans are guaranteed with five of the Company's investment properties, the fair value of these investment properties as of December 31, 2014 is \$3,342,408.

In connection with two of these loans, the Company entered into two contracts for options to limit the amount of TIIE for the calculation of the interest on the borrowings in order to manage the interest rate risk in these borrowings. Under these options TIIE is limited to 8%; both options expire on the 60th monthly payment. As of December 31, 2014 the Company has not exercised any of these options. These derivative financial instruments are measured at their fair value and the changes on their fair value are recognized in profit or loss of the period in which arise, these instruments are presented as financial instruments assets or liabilities in the consolidated statement of financial position, as the result of the valuation at the reporting date.

- (ii) These loans (together the bridge loan) were guaranteed with the cash flows generated by certain subsidiaries of the Company. The Company entered into a hedging instrument (Cross-Currency Swap) to manage its interest rate and exchange rate risks. The bridge loan contains certain limitations preventing the Company from incurring in additional liabilities, limitations on the payment of dividends under certain circumstances, limitations on capital investments and on the use of funds derived from sales of assets, as well as various financial ratios and restrictions. In July 2014, these loans were settled using the proceeds of the syndicated loan and on this date the hedging instrument was also settled.

- (iii) This loan is guaranteed with the cash flows generated by certain subsidiaries of the Company. This loan contains certain limitations preventing the Company from incurring in additional liabilities, limitations on the payment of dividends under certain circumstances, limitations on capital investments and on the use of funds derived from sales of assets, as well as various financial ratios and restrictions. The Company was in compliance with these covenants as of December 31, 2014.

The restrictive clauses of the bank loan agreements set forth the obligation to maintain certain financial ratios; such clauses have been complied with as of December 31, 2014 for all these loans except for two loans. Due to the lack of compliance with such financial ratios, the outstanding balance on these two loans as of December 31, 2014 for \$162,803 and \$106,519, are presented as part of the current portion of the long-term debt, since the banks have the contractual right to demand repayment of such amounts as of the date of the consolidated financial statements.

The Company has additional lines of credit with certain financial institutions which as of December 31, 2014 have not been used. These lines of credit as of December 31, 2014 and 2013 were, in thousands of US dollars, 10,899 and 8,330 respectively.

18. Senior Notes payable

On September 20, 2013, the Company through its subsidiary Office Depot de México, S.A. de C.V. issued 6.875% Senior Notes, through the rule 144A in domestic and international markets, for a total of 350 million U.S. dollars and, payable in seven years, without capital amortization and fixed annual interest rate of 6.875%. Interest will be paid every six months. The Company has an option to prepay the Senior Notes beginning on the fifth year from issuance.

During 2014, the Company entered into a Cross Currency Swap contract to manage its exchange rate and interest rate risks in relation to future interest on the Senior Notes payable. The fair value of this derivative financial instrument as of December 31, 2014 represents an asset for \$104,332 and is presented within intangible and prepaid expenses in the consolidated statements of financial position.

The Senior Notes, are guaranteed by the following indirect subsidiaries: Formas Eficientes, S. A. de C. V., Papepera General, S. A. de C. V. Servicios Administrativos Office Depot, S. A. de C. V., Centro de Apoyo Caribe, S. A. de C. V. Centro de Apoyo, S. A. de C. V., O.D.G. Caribe S. A. de C. V., OD Colombia, S. A. S. and Ofixpres, S. A. S. The Senior Notes establish certain restrictions such as: the inability to incur additional debt, restrictions on the sale of assets or sale of subsidiaries, limitations on declaring additional dividends from the date on which the Senior Notes were issued, limitations on liens or foreclosure of properties and limitations to the consolidation, merger or transfer of assets, among others.

19. Employee benefits

- a. Defined contribution plans – Under Mexican law, the Company is required to make payments equivalent to 2% of its workers' daily integrated salary to a defined contribution plan that is part of the retirement savings system. The related expense during 2014 and 2013 was \$33,597 and \$30,234, respectively.
- b. Defined benefit plans – The Company has defined benefits pension plans which include a voluntary retirement plan and a lump-sum payment plan required by the Mexican Labor law (seniority premiums). In the voluntary retirement plan eligible employees who retire voluntarily are entitled to receive a lump-sum payment determined based on their years of service and salary. Seniority premium, according to article 162 of the Mexican Labor law, consists of a lump-sum payment equivalent to 12 days per each year of worked based on the worker's last wage and it is limited to two times the minimum wage set forth by Mexican law.

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

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments..
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2014. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	Valuation as of December:	
	2014	2013
	%	%
Discount rate	6.25	6.65
Expected rates of salary increase	4.31	4.53

ii. Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2014	2013
Service cost:		
Current service cost	\$ 18,368	\$ 15,844
Past service cost and curtailment gains	-	(6,727)
Net interest expense	5,189	4,912
Components of defined benefit costs recognized in profit or loss	\$ 23,557	\$ 14,029
Components of defined benefit costs recognized in other comprehensive income - Net actuarial losses (gains)	\$ 5,862	\$ (853)
Total	\$ 29,419	\$ 13,176

- iii. The amounts included in the consolidated statements of financial position arising from the Company's obligation in respect of its defined benefit plans are as follows:

	2014	2013
Present value of defined benefit obligation	\$ 211,037	\$ 190,268
Fair value of plan assets	(164,109)	(176,431)
Net liability arising from defined benefit obligation	\$ 46,928	\$ 13,837
Other long term benefits – Note 19c	58,928	-
Total liability arising from defined benefit obligation	\$ 105,856	\$ 13,837

Other disclosures required by IFRS have not been included since they are considered immaterial.

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

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$7,736 (increase by \$7,736).

If the expected salary growth increases (decreases) by 50 basis points, the defined benefit obligation would increase by \$2,985 (decrease by \$2,985).

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

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

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

The average duration of the benefit obligation for active members, as of December 31, 2014 is 15.33 years (2013: 14.06 years).

- c. Other long-term benefits – The Company has a long-term incentive plan for some of its employees. Under this plan, eligible employees receive a tri annual payment calculated using certain criteria in accordance with the plan, including the increase in the Company's net equity.

20. Financial instruments

- a. Capital management:
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (long-term debt and the Senior Notes payable as detailed in Note 17 and 18 offset by cash and cash equivalents and financial assets) and equity of the Company (comprising common stock, additional paid-in capital, retained earnings and other comprehensive income).

The Company is not subject to any externally imposed capital requirements.

- b.** Leverage ratio:
The Company's finance committee reviews its capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each type of funding.

The leverage ratio at the end of the reporting period was as follows:

	2014	2013
Cash and cash equivalents – Note 5	\$ (1,724,511)	\$ (1,525,927)
Financial assets – Note 6	(2,718,551)	(3,447,722)
Long-term debt – Note 17	6,190,081	6,035,369
Senior Notes payable – Note 18	5,067,702	4,467,800
Net debt	6,814,721	5,529,520
Stockholders' equity	16,079,208	15,094,885
Net debt to equity ratio	42%	37%

- c.** Categories of financial instruments:
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial.

The main financial instruments of the Company as presented in the consolidated financial statements are as follows:

	2014	2013
i. Cash and cash equivalents	\$ 1,724,511	\$ 1,525,927
ii. Held for trading financial instruments	477,474	930,794
iii. Available-for-sale financial instruments	2,241,077	2,516,928
iv. Accounts receivable	1,379,464	1,476,943
v. Trade accounts payable	2,194,790	2,016,059
vi. Long-term debt at amortized cost	6,190,081	6,035,369
vii. Senior Notes payable at amortized cost	5,067,702	4,467,800
viii. Assets (liability) related to derivative financial instruments through profit and losses	104,332	(22,645)

During the year there were no reclassifications of financial instruments between categories.

- d.** Financial risk management objectives
The Company's Board of Directors through its finance committee supervises and manages the financial risks relating to the Company's exposure as a result of its operations. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using different instruments including derivative financial instruments to hedge its exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the Finance Committee, which is an independent body that monitors risks and policies implemented to mitigate risk exposures.

- e. **Market risk:**
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company uses derivative and non-derivative financial instruments to hedge some of its exposures to financial risks as described in Note 17 y 18. The Company identifies, assesses and hedges financial risks in collaboration with its subsidiaries.

- f. **Foreign currency risk management:**
The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise, primarily with respect to US dollar denominated financial instruments, trade accounts payables as well as the principal and accrued interest on the senior notes payable. As described in Note 18, the Company enters into derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	 2014	2013
<i>Thousands of U.S. dollars:</i>		
Monetary assets	187,700	245,368
Monetary liabilities	396,395	572,609
Net liability position	(208,695)	(327,241)
Equivalent in thousands of Mexican pesos	\$ (3,075,079)	\$ (4,275,469)

The exchange rates at the end of each of the years ended December 31 were as follows:

	 2014	2013
U.S. dollar	14.7348	13.0652

- g. **Foreign currency sensitivity analysis:**
The following table details the Company's sensitivity to a 5% appreciation or depreciation in Mexican peso against the U.S. dollar. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency exchange rates.

	 2014	2013
Net position in thousands of U.S. dollar	\$ (208,695)	\$ (327,241)
	15.4715	13.7185
Estimated exchanges rates:	13.9981	12.4119
Sensitivity + / -	5%	5%
Change in total comprehensive income for the year + / -	\$ 153,754	\$ 213,774

- h. **Interest rate risk management:**
The Company obtains financing under different conditions; when such financing is subject to variable interest rates, the Company enters into derivative financial instruments (interest rate CAPS) in order to reduce its exposure to risks of volatility in interest rates. Such CAPS limit the Company's exposure



to changes in variable interest rates. Negotiating with derivative instruments is done only with credit-worthy institutions and limits have been established for each institution. The Company's policy is to not perform transactions with derivative financial instruments for speculation purposes. The Company has also entered into a Cross Currency Swap as discussed in Note 18.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's:

Net income for the year ended December 31, 2014 and 2013 would decrease/increase by \$7,605 and \$8,720, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings; and

- i. Credit risk management:
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Due to the nature of the Company's operations, its exposure to credit risk is low, since its trade accounts receivable mainly relate to credit sales to wholesalers that operate in the retail industry.

The maximum credit exposure is represented by the balance of trade accounts receivable as presented in the consolidated statement of financial position. As of December 31 2014 y 2013, the allowance for doubtful accounts receivable includes accounts that have been identified as potentially not recoverable.

No one single client outstanding balance represented an amount higher than 10% of the total trade accounts receivable.

- j. Other price risks
The Company is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Equity price sensitivity analysis

The Sensitivity analysis has been determined based on the exposure to equity price risk at the end of reporting period.

If equity prices had been 5% higher/lower:

- Other comprehensive income for the year ended December 31, 2014 would increase/decrease by \$112,054 as a result of the changes in fair value of available-for-sale shares.
- Net consolidated profit for the year ended December 31, 2014 would increase/decrease by \$1,190 as a result of the Company's exposure to share prices on its held for trading financial assets. .

The Company's sensitivity to equity prices has not changed significantly from the prior year.

k. Liquidity risk management:

If the Company is unable to raise additional debt or equity, its results of operations could suffer. The Company closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The following tables detail the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities is as follows:

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable \$	2,194,790	\$ -	\$ -
Advances received from customers	102,472	-	-
Other accounts payable	384,415	-	-
Long-term debt	397,467	3,600,056	2,192,558
Senior Notes payable	-	-	5,067,702
Interest to accrue	718,389	2,719,557	512,391

The weighted average interest rate on the long-term debt as of December 31, 2014 was 6.62%

l. Fair value measurements recognized in the consolidated statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, arranged into levels from 1 to 3 based on the degree to which the fair value is observable:

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

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

1. Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Assets/ liabilities	Fair value as of 2014	Fair value as of 2013	Fair value hierarchy	Valuation techniques and key inputs
Financial instrument available-for-sale	2,241,077	2,516,928	Level 1	Quoted bid prices in an active market
Held for trading financial assets	477,474	930,794	Level 2	Quoted bid prices in the market
Derivative financial instruments	104,332	-	Level 2	Discounted cash flow
Investment property	11,869,868	11,408,024	Level 3	Discounted cash flow (i)

(i) The significant non-observable input data and their relationship with fair value are described in Note 10.

There were no transfers among the levels during the period.

2. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities held at amortized cost:				
Long-term debt	\$ 6,190,081	\$ 6,181,323	\$ 6,035,369	\$ 6,162,893
Senior Notes payable	5,067,702	5,381,682	4,467,800	4,335,973
Total	11,257,783	\$11,563,005	\$ 10,503,169	\$ 10,498,866

				Valuation techniques and key inputs
	Level 1	Level 2	Total	
Financial liabilities held at amortized cost:				
Long-term debt	\$ -	\$ 6,181,323	\$ 6,181,323	Discounted cash flows using market rates
Senior Notes payable	5,381,682	-	5,381,682	Quoted bid prices in an active market
	\$ 5,381,682	\$ 6,181,323	\$ 11,563,005	

21. Stockholders' equity

- a. Common stock as of December 31, 2014 and 2013 consists of the following:

	Outstanding number of shares	Nominal value
Fixed capital	176,734,102	\$ 18,922
Variable capital	817,493,239	87,525
	994,227,341	\$ 106,447

Common stock is comprised of common nominative shares. Fixed capital stock may not be withdrawn. Variable capital shares may be freely subscribed. Variable capital may not be greater than ten times fixed capital.

- b. The Company maintains in its treasury 1,928,392 of its own shares and during the years ended December 31, 2014 and 2013, there were no movements on its treasury shares. The market value of such shares was \$41.60 and \$32.99, pesos per share as of December 31, 2014 and 2013, respectively.

- c. During a Stockholders' Meeting held on December 23, 2013, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.1257 per share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount declared and paid in 2013 was \$124,973.
- d. During a Stockholders' Meeting held on April 26, 2013, the stockholders agreed to pay cash dividends to the Company's stockholders at \$ 0.1042 per share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount declared and paid in 2013 was \$103,598.
- e. Retained earnings include a statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may not be distributed, except in the form of a stock dividend, unless the company is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2014 and 2013, the legal reserve, in historical pesos, was \$21,290.
- f. Stockholders' equity, except restated additional paid-in capital and tax retained earnings will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on the dividend is paid and the following two fiscal years. Dividends declared from retained earnings generated on or after January 1, 2014 and paid to Mexican individuals and foreign residents (both individuals and corporations), will be subject to an additional 10% ISR which the Company is required to withhold.
- g. The balances of the stockholders' equity tax accounts as of December 31, are:

	2014	2013
Contributed capital account	\$ 11,407,902	\$ 10,960,706
Net consolidated tax income account (CUFIN)	8,717,255	7,564,284
Total	\$ 20,125,157	\$ 18,524,990

22. Other comprehensive income

	2014	2013
Cumulative fair value gain on available-for-sale financial assets net of income tax	\$ 1,348,045	\$ 1,635,415
Cumulative exchange differences on translating foreign operations	69,940	34,045
	\$ 1,417,985	\$ 1,669,460

- a. Cumulative fair value gain on available-for-sale financial assets – net

	2014	2013
Balance at beginning of year	\$ 1,635,415	\$ 1,019,229
(Loss) gain arising on changes in fair value	(275,852)	954,515
Gain reclassified to profit or loss	-	(59,764)
Related income taxes	(11,518)	(278,565)
Balance at end of year	\$ 1,348,045	\$ 1,635,415

b. Exchange differences on translating foreign operations

	2014	2013
Balance at beginning of year	\$ 34,045	\$ 54,095
Exchange differences for the year	35,895	(20,050)
Balance at end of year	\$ 69,940	\$ 34,045

23. Non-controlling interests

	2014	2013
Balance at beginning of year	\$ 119,827	\$ 3,402,353
Profit allocated to non-controlling interest	16,010	170,816
Acquisition of non-controlling interest	(1,112)	-
Decrease due to the acquisition of the remaining 50% shares of Office Depot de México, S.A. de C.V.	-	(3,430,136)
Exchange differences arising on translating the foreign operations	-	(23,206)
Balance at end of year	\$ 134,725	\$ 119,827

24. Transactions with related parties

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

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

	2014	2013
Purchases of fixed assets – other related parties	\$ 22,914	\$ 20,645
Rental expense – shareholders	17,575	14,880
Rental income – other related parties	3,213	393
Purchase of inventory – non-controlling interest until June 2013	-	196,739
Purchase of inventory – other related parties	2,164	2,032
Consulting services received – other related parties	22,126	13,531
Consulting services provided – other related parties	70,445	12,048
Consulting services provided – other related parties	8,341	3,244
Loans issued	11,259	2,001
Advanced payments to acquire associate – other related parties	678,000	57,000

The above transactions with related parties were performed with the usual list of prices of the Company.

b. As of December 31, 2014 the Company has accounts payable due to related parties for \$938. As of December 31, 2013 there are no accounts payable due to related parties.

- c. Employee benefits granted to key management were as follows:

	2014	2013
Short-term benefits	\$ 140,402	\$ 195,962
Termination benefits	-	3,670
Other long term benefits	27,468	32,890
Post employee benefits	12,643	7,342

25. Cost of sales and operating expenses

- a. Cost of sales is as follow:

	2014	2013
Cost of merchandise sold	\$ 11,807,300	\$ 10,996,022
Employee benefits	320,120	301,103
Rental expense	95,531	83,327
Electricity, water, gas and other utilities	114,708	99,527
Depreciation and amortization	135,274	121,266
Total cost of sales	\$ 12,472,933	\$ 11,601,245

- b. Operating expenses are as follows:

	2014	2013
Employee benefits	\$ 2,621,597	\$ 2,311,582
Rental expense	561,534	471,287
Insurance	48,362	47,649
Electricity, water, gas and other utilities	349,165	321,930
Maintenance	277,045	266,143
Marketing	219,379	245,844
Depreciation and amortization	465,358	408,544
Impairment of property and equipment and intangibles	60,623	-
Other operating expenses	1,555,953	1,287,828
Total operating expenses	\$ 6,159,016	\$ 5,360,807

26. Operating leases

- a. The Company as lessor – Operating leases relate to the investment property owned by the Company with lease terms ranging from 5 to 25 years. Most operating lease contracts contain a minimum rental payment and contingent rents, which are based on a percentage of sales of the tenant and they are all subject to annual inflation increases.

Such operating leases grant the Company's tenants lease incentives such as rent holidays and improvements as required by such tenants. The Company, occasionally, also receives up front consideration as incentive to enter into the lease agreements (referred to as "key money"). Lease payments received from tenants, including incentives given or received, are recognized as rental income on a straight-line basis over the lease term.

The future minimum lease receivables related to non-cancelable operating leases are as follows:

	2014
Not later than 1 year	\$ 969,740
Later than 1 year and not later than 5 years	3,086,833
Later than 5 years	2,372,729
Total	\$ 6,429,302

- b. The Company as lessee – Operating leases relate to leases of land and buildings in which the Company has some of its stores, the lease terms range from 1 to 25 years. All operating lease agreements, greater than 1 year, include inflation escalation clauses. Key money paid as well as rent holidays received are recognized initially as a prepaid rent and subsequently as rent expense on a straight-line basis over the lease terms unless another systematic basis is more representative of Company's consumption of the benefits.

The future minimum lease payments related to non-cancelable operating leases are as follows:

	2014
Not later than 1 year	\$ 642,229
Later than 1 year and not later than 5 years	2,816,091
Later than 5 years	2,580,941
Total	\$ 6,039,261

27. Income taxes

The Company is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR – The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter. The Company incurred ISR on a consolidated basis up to 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Company and its subsidiaries have the obligation to pay the deferred income tax determined as of that date during the subsequent five years beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Company was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%. Due to the abolishment of the IETU law, the Entity cancelled in 2013 deferred IETU previously recorded.

Income taxes in other countries, for Office Depot de México, S.A. de C.V., its foreign subsidiaries calculate their individual income taxes, according to the regulations of each country.

a. Income taxes recognize in profit for the year are as follow:

	2014	2013
ISR expense (benefit):		
Current	\$ 360,819	\$ 711,025
Deferred	211,844	(111,677)
	572,663	599,348
IETU expense (benefit):		
Current	\$ -	\$ 1,894
Deferred	-	(60,069)
	-	(58,175)
Total income taxes	\$ 572,663	\$ 541,173

b. The effective ISR rate for fiscal 2014 and 2013 differ from the statutory rate as follow:

	2014	2013
	%	%
Statutory rate	30	30
Permanent differences	5	1
Effects of inflation	(1)	(4)
Effect of future tax loss carry forwards partially recognized and changes in income tax rates	(2)	(3)
Effective rate	32	24

c. Income taxes recognized in other comprehensive income are as follows:

	2014	2013
Deferred ISR expense (benefit):	\$ 11,518	\$ (278,565)

During the year ended December 31, 2014, a deferred tax asset of \$86,211 related to the deductible temporary difference related to the financial assets available-for-sale was not recognized because it is not probable that the economic benefits will be realized.

- d. The main items originating deferred taxes are:

	2014	2013
Deferred ISR assets (liabilities):		
Property and equipment and investment property	\$ (1,868,088)	\$ (1,712,179)
Inventories	(3,022)	(7,677)
Accrued expenses and provisions	155,663	102,861
Prepaid expenses and advances from customers	(23,718)	55,311
Intangibles, financial instruments and others	(379,308)	(238,659)
	(2,118,473)	(1,800,343)
Effect of tax loss carry forwards	130,810	93,845
Total deferred tax liability	\$ (1,987,663)	\$ (1,706,498)

In the determination of the deferred ISR liability as of December, 31, 2014 and 2013, a total of \$217,498 and \$406,491, respectively, related tax losses carry forwards were excluded since the management believes that it is not probable the related future economic benefits will be realized.

As of December 31, 2014, the Company's has tax losses carryforwards related to its operations in Colombia for \$440,820 which can be recovered without limitation on the value or period; however, the related deferred income tax asset has not been recognized as management does not believe that it is probable that sufficient future taxable income will be generated in order to benefit from such tax loss carryforwards. Accordingly, unrecognized tax loss carryforwards in Colombia as of December 31, 2014 and 2013, are \$132,246 and \$131,048, respectively.

- e. Tax consolidation

ISR liability as of December 31, 2014 related to the tax deconsolidation which will be paid in the following years is as follows:

Year	2014
2015 (i)	\$ 155,412
2016	122,951
2017	95,385
2018	80,626
	\$ 454,374

- (i) The current portion of the income tax payable is included within accrued expenses and taxes in the consolidated statements of financial position.

28. Discontinued operations

As part of the Company's strategic restructure process, the Company entered into an agreement with "Tiendas Neto", whereby the Company sold its "Tiendas Super Precio" business, which included the transfer of all of the Company's personnel working in this operation and all of the operation's assets (which included inventories, lease agreements, furniture and equipment, trademarks, etc.). This operation was carried out through the sale of all of the Company's shares it held until then of its subsidiary Tiendas Super Precio, S.A. de C.V. as well as other assets. This sale was effective in the last quarter of 2012. According to IFRS this disposal constitutes a discontinued operation since it represented a significant line of business; therefore, the Company has presented the income, costs and expenses related to such discontinued operation within the line item "discontinued operations" in the consolidated statements of profit and loss and other comprehensive income.

The breakdown of the main items included in the discontinued operations gain is as follows:

	2013
Reversal of allowance for doubtful recoverable taxes	\$ 111,538
Cost of sales and operating expenses	92,275
Income taxes	6,847
Gain from discontinued operations (attributable to owners of the parent)	\$ 26,110

29. Earnings per share

The amounts used to determine earnings per share from continuing operations, discontinued operations and diluted earnings per share were as follows:

	2014	2013
	Mexican pesos per share	Mexican pesos per share
Basic and diluted earnings per share:		
From continued operations	1.23	1.55
From discontinued operations	-	0.03
Total basic and diluted earnings per share	1.23	1.58

a. Basic and diluted earnings per share

During the years ending on December 31, 2014 and 2013, the Company does not have any commitments to issue or exchange its own shares; therefore there are no potentially dilutive instruments hence basic and diluted earnings per share are the same. The earnings amounts and the weighted average number of shares used for the calculation of the basic and diluted earnings per share are the following:

For the years ended December 31:

	2014	2013
Profit for the year attributable to owners of the Company	\$ 1,220,900	\$ 1,575,520
Earnings used in the calculation of the basic and diluted earnings per share	1,220,900	1,575,520
Minus:		
Gain for the year from discontinued operations used in the calculation of basic and diluted earnings per share	-	(26,110)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ 1,220,900	\$ 1,549,410
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	994,227,341	994,227,341

- b.** Weighted average number of ordinary shares
During years ended on December 31, 2014 and 2013 there were no movements in the number of outstanding shares, therefore, the weighted average of ordinary shares is equal to the number of outstanding shares at the end of each one of these periods.
- c.** Determination of basic and diluted earnings per share

As of December 31, 2014

	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	\$ 1,220,900	\$ 994,227,341	1.23

As of December 31, 2013

	Profit	Weighted average number of shares	Mexican pesos per share
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ 1,549,410	\$ 994,227,341	1.55
Gain for the year from discontinued operations used in the calculation of basic and diluted earnings per share	26,110	994,227,341	0.03
Basic and diluted earnings per share	1,575,520	994,227,341	1.58

30. Commitments and contingencies

Commitments

The Company has entered into operating leases for land and buildings ranging from 1 to 25 years in which some of its stores and restaurants are located. Rental payments are calculated as a percentage of sales ranging from 1% to 6%, subject to minimum amounts which are adjusted annually for increases in inflation.

Also, certain operating lease agreements entered into by the Company as lessor gives tenants renewal options to extend the lease terms for up to 10 years.

The Company has no commitments for the acquisition of property and equipment or investment property.

As of December 31, 2014, there are commitments for the payment of \$1,103,000 related to the consideration arising from business combination described in Note 13.4. Also, as of December 31, 2014, there are additional commitments to pay \$393,000 to settle the acquisition price of shares described in Note 15(i).

Contingencies

In the ordinary course of business, the Company is party to various legal proceedings which have resulted in immaterial contingencies for which the Company has created reserves.

Except for the aforementioned paragraph, neither the Company nor its assets are subject to any legal contingency that does not derive from the Company's normal and routine activities.

31. Reportable segments

The information provided to the Chief Operating Decision Maker of the Company ("CODM") for purposes of allocating resources and assessing segment performance focuses on types of goods and services sold or rendered to customers, the type of customers of each of the operating segments of the Company and also in the way in which the Company delivers such goods or provides the related services to its customers. The Company, using this approach, has identified the following reportable segments:

- i. Retail – Specialized stores which sell:
 - a. Office supplies and furniture as well as office electronics
 - b. Housewares
- ii. Restaurants – family restaurant chain, which stands out for its innovative dishes, excellent service in a young and casual environment.
- iii. Real Estate – Development of investment property, retail stores, shopping malls and corporate office buildings, which are leased to tenants as well as development of housing for sell to customers.
- iv. Corporate – Company management and corporate administration

Reportable segments information is as follows:

a. Segment revenues and results

The following is an analysis of the Company's revenues and results from continuing operations by reportable segment:

	 Revenues by segment		 Profit by segment	
	2014	2013	2014	2013
Retail	\$ 16,351,370	\$ 15,181,598	\$ 1,260,717	\$ 1,265,117
Restaurants	3,030,051	2,740,848	319,121	352,502
Real Estate	1,385,703	1,276,703	1,623,603	1,202,835
Corporate	26,358	6,735	(268,250)	(233,578)
Other	20,621	(40,284)	(31,683)	8,689
Total continuing operations	\$ 20,814,103	\$ 19,165,600	\$ 2,903,508	\$ 2,595,565
Interest expense	-	-	791,918	400,655
Interest income	-	-	(79,112)	(151,936)
Exchange loss – Net	-	-	542,480	84,295
Gain on revaluation of financial instruments – Net	-	-	(147,045)	(1,875)
Share of (profit) loss of joint venture and associates	-	-	(14,307)	3,027
Profit for the year from continuing operations before income taxes	-	-	\$ 1,809,574	\$ 2,261,399

Segment revenues reported above represent revenues generated from external customers. Inter-segment revenues are as follows:

	Inter-segment revenues	
	2014	2013
Retail	\$ 248,710	\$ 99,113
Restaurants	23,056	10,891
Real Estate	158,252	294,220
Corporate	694,015	424,585

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each reportable segment without allocation of corporate administration costs and the equity share in the profits or losses of joint ventures and associates.

b. Segment assets, long-term debt and Senior Notes payable

	Total segment assets	
	2014	2013
Retail	\$ 10,705,999	\$ 9,997,934
Restaurants	2,315,607	2,452,835
Real Estate	15,254,163	13,454,258
Corporate	1,441,059	1,459,516
Others	3,576,434	3,858,983
Total assets	\$ 33,293,262	\$ 31,223,526

Intercompany balances are not included.

	Long-term debt and Senior Notes payable	
	2014	2013
Retail	\$ 5,067,702	\$ 4,467,800
Real Estate	1,596,210	1,433,737
Corporate	4,487,352	4,489,601
Others	106,519	112,031
Total long-term debt and Senior Notes payable	\$ 11,257,783	\$ 10,503,169

c. Other segment information

	Depreciation and amortization		Additions to long-term assets	
	2014	2013	2014	2013
Retail	\$ 394,179	\$ 352,495	\$ 943,041	\$ 387,270
Restaurants	133,130	116,602	312,980	406,979
Real Estate	8,678	6,614	45,213	542,373
Corporate	129	-	7,350	-
Others	64,516	54,099	107,448	212,299
Total	\$ 600,632	\$ 529,810	\$ 1,416,032	\$ 1,548,921

d. Geographical information

The Company operates in four principal geographical areas, Mexico, Central America, Colombia and the Caribbean. The Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	 Revenue from external customers		 Non-current assets	
	2014	2013	2014	2013
México	\$ 18,506,956	\$ 16,903,139	\$ 22,283,248	\$ 20,305,348
Central America	1,339,082	1,338,760	573,020	483,985
Colombia	881,739	923,701	268,798	329,376
Caribbean	86,326	-	16,348	-
Total	\$ 20,814,103	\$ 19,165,600	\$ 23,141,414	\$ 21,118,709

32. Financial statements issuance authorization

On March 24, 2015, the issuance of the consolidated financial statements was authorized by the Company's Board of Directors. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting, which may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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This annual report contains information regarding Grupo Gigante, S.A.B. de C.V. and its subsidiaries, based on the assumptions of its management. This information, as well as statements made about future events and expectations, is subject to risks and uncertainty, as well as to factors that may cause that the results, performance or progress of the Grupo Gigante might differ at any time. These factors include changes in general economic, political, government and commercial conditions on the national and global level, as well as change in interest rates, inflation, exchange-rate volatility, product prices, energy situation and others. Because of these risks and factors, the real results may vary substantially.



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