CONSOLIDATED FINANCIAL STATEMENTS 2014

Industrias Bachoco, S.A.B. de C.V.
(NYSE: IBA; BMV: Bachoco)

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements

Years ended December 31, 2014, 2013 and 2012

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of Industrias Bachoco, S.A.B. de C.V.

We have audited the accompanying consolidated statement of financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in stockholders’ equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 27, 2015 expressed an adverse opinion on the Company’s internal control over financial reporting.

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

/s/ Abel García Santaella

C.P.C. Abel García Santaella
Querétaro, Qro., Mexico
April 27, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Industrias Bachoco, S.A.B. de C.V.:

We have audited the accompanying consolidated statements of profit and loss and other comprehensive income, changes in stockholders' equity and cash flows of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the "Company") for the year ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Industrias Bachoco, S.A.B. de C.V. and subsidiaries for the year ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Cárdenas Dosal, S.C.

/s/ Demetrio Villa Michel

Demetrio Villa Michel
Querétaro, México
April 30, 2013

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(Thousands of pesos)

Assets	**Note**	**2014**	**2013**
Current assets:			
Cash and cash equivalents	7	$ 11,036,062	6,716,894
Primary financial instruments	8	925,584	1,004,106
Derivative financial instruments	8	6,669	11,735
Accounts receivable, net	9	2,976,507	2,321,771
Inventories	10	2,968,061	2,738,222
Current biological assets	11	1,501,428	1,420,174
Prepaid expenses and other current assets	12	1,379,077	1,135,539
Assets available for sale	13	58,583	49,053
Total currents assets		**20,851,971**	**15,397,494**
Non-current assets:			
Property, plant and equipment, net	14	12,054,754	11,652,449
Non-current biological assets	11	1,109,233	1,109,936
Deferred income tax	20 d)	49,378	34,940
Goodwill	15	349,764	344,259
Other non-current assets	16	428,028	350,599
Total non-currents assets		**13,991,157**	**13,492,183**
Total assets		**$ 34,843,128**	**28,889,677**

Liabilities and equity	**Note**	**2014**	**2013**
Current liabilities:			
Short term debt	17	$ 664,250	541,200
Current installments of long-term debt	17	133,732	16,392
Trade payable and other accounts payable	18	3,970,515	3,375,601
Income tax payable	20	759,982	456,657
Related parties	19	127,033	54,095
Total current liabilities		**5,655,512**	**4,443,945**
Long term liabilities:			
Long term debt, excluding current installments	17	1,652,470	1,510,210
Deferred income tax	20 d)	3,082,197	2,736,131
Employee benefits	21	90,899	48,245
Total long term liabilities		**4,825,566**	**4,294,586**
Total liabilities		**10,481,078**	**8,738,531**
Equity:			
Capital stock	24	1,174,432	1,174,432
Share premium		399,641	399,641
Reserve for repurchase of shares		101,105	99,601
Retained earnings		22,513,154	18,586,228
Foreign currency translation reserve		208,107	(87,090)
Actuarial remeasurements, net	21	(79,035)	(60,967)
Equity attributable to controlling interest		**24,317,404**	**20,111,845**
Non-controlling interest		44,646	39,301
Total equity		**24,362,050**	**20,151,146**
Commitments	26		
Contingencies	27		
Total liabilities and equity		**$ 34,843,128**	**28,889,677**

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Profit and Loss and Other Comprehensive Income

Years ended December 31, 2014, 2013 and 2012

(Thousands of pesos, except share and per share amount)

	Note	2014	2013	2012
Net revenues		$ 41,779,087	39,710,726	39,367,431
Cost of sales	22	(32,494,974)	(33,176,599)	(33,318,207)
Gross profit		9,284,113	6,534,127	6,049,224
General, selling and administrative expenses	22	(3,781,326)	(3,291,006)	(3,396,655)
Other income (expenses), net	29	(160,919)	30,704	(23,810)
Operating income		5,341,868	3,273,825	2,628,759
Finance income	28	367,227	344,785	270,032
Finance costs	28	(120,319)	(226,366)	(105,000)
Net finance income		246,908	118,419	165,032
Profit before income taxes		5,588,776	3,392,244	2,793,791
Income taxes	20	1,656,110	1,350,439	602,020
Profit for the year		**$ 3,932,666**	**2,041,805**	**2,191,771**
Other comprehensive income (loss) items:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effect		295,197	32,672	(186,095)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial remeasurements	21	(25,812)	(61,057)	-
Taxes from actuarial remeasurements		7,744	18,317	-
Other comprehensive (loss) income items		277,129	(10,068)	(186,095)
Comprehensive income for the year		**$ 4,209,795**	**2,031,737**	**2,005,676**
Profit attributable to:				
Controlling interest		$ 3,926,926	2,038,422	2,184,567
Non-controlling interest		5,740	3,383	7,204
Profit for the year		**$ 3,932,666**	**2,041,805**	**2,191,771**
Comprehensive income attributable to:				
Controlling interest		$ 4,204,055	2,028,354	1,998,472
Non-controlling interest		5,740	3,383	7,204
Comprehensive income for the year		**$ 4,209,795**	**2,031,737**	**2,005,676**
Weighted average outstanding shares		599,955,240	599,992,952	598,959,882
Basic and diluted earnings per share	25	$ 6.55	3.40	3.65

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2014, 2013 and 2012

(Thousands of pesos)

		Attributable to owners of the Company								
		Capital stock		Retained earnings		Other comprehensive items				
	Note	Capital stock	Share premium	Reserve for repurchase of shares	Retained earnings	Foreign currency translation reserve	Actuarial remeasurements net	Total	Non-controlling interest	Total equity
Balance at January 1, 2012		$1,174,432	399,641	88,481	15,614,760	64,387		17,341,701	38,127	17,379,828
Dividends paid	24 (e)	-	-	-	(299,175)	-	-	(299,175)	-	(299,175)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(491)	(491)
Repurchase and sale of shares	24 (d)	-	-	10,993	-	-		10,993	-	10,993
Disposal of non-controlling interest from disolution		-	-	-	-	-	-	-	(8,142)	(8,142)
Comprehensive income for the year:										
Profit for the year		-	-	-	2,184,567	-		2,184,567	7,204	2,191,771
Other comprehensive income		-	-	-	(94,792)	(91,303)	-	(186,095)	-	(186,095)
Total comprehensive income for the year		-	-	-	2,089,775	(91,303)	-	1,998,472	7,204	2,005,676
Balance at December 31, 2012		1,174,432	399,641	99,474	17,405,360	(26,916)	-	19,051,991	36,698	19,088,689
Dividends paid	24 (e)	-	-	-	(950,400)	-	-	(950,400)	-	(950,400)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(780)	(780)
Repurchase and sale of shares, net	24 (d)	-	-	127	-	-	-	127	-	127
IAS 19 R adoption effect	21 (a)	-	-	-	-	-	(18,227)	(18,227)	-	(18,227)
Comprehensive income for the year:										
Profit for the year		-	-	-	2,038,422	-	-	2,038,422	3,383	2,041,805
Other comprehensive income		-	-	-	92,846	(60,174)	(42,740)	(10,068)	-	(10,068)
Total comprehensive income for the year		-	-	-	2,131,268	(60,174)	(42,740)	2,028,354	3,383	2,031,737
Balance at December 31, 2013		1,174,432	399,641	99,601	18,586,228	(87,090)	(60,967)	20,111,845	39,301	20,151,146
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(845)	(845)
Repurchase and sale of shares, net	24 (d)	-	-	1,504	-	-	-	1,504	-	1,504
Disposal of non-controlling interest from disolution		-	-	-	-	-	-	-	450	450
Comprehensive income for the year:										
Profit for the year		-	-	-	3,926,926	-	-	3,926,926	5,740	3,932,666
Other comprehensive income		-	-	-	-	295,197	(18,068)	277,129	-	277,129
Total comprehensive income for the year		-	-	-	3,926,926	295,197	(18,068)	4,204,055	5,740	4,209,795
Balance at December 31, 2014		$1,174,432	399,641	101,105	22,513,154	208,107	(79,035)	24,317,404	44,646	24,362,050

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2014, 2013 and 2012

(Thousands of pesos)

	Note	2014	2013	2012
Cash flows from operating activities:				
Profit for the year		$ 3,932,666	2,041,805	2,191,771
Adjustments for:				
Deferred income tax recognized in profit or loss	20	280,070	123,022	235,603
Current income tax recognized in profit or loss	20	1,376,040	1,227,417	-
Depreciation	14	805,650	816,673	837,807
Loss on sale and derecognized of plant and equipment		152,830	14,958	65,323
Interest income	28	(347,364)	(314,245)	(222,063)
Interest expense	28	118,090	226,366	105,000
Unrealized foreign currency exchange		-	17,950	-
Foreign exchange loss on loans		82,148	11,865	(52,687)
Subtotal		6,400,130	4,165,811	3,160,754
Derivative financial instruments		5,066	(8,797)	7,270
Accounts receivable, net		(665,742)	(8,091)	14,514
Inventories		(246,515)	1,871,404	(1,368,368)
Current and non-current biological assets		(83,023)	151,010	(24,720)
Prepaid expenses and other current assets		(76,149)	(287,478)	(116,728)
Assets available for sale		(9,530)	2,454	44,140
Trade payable and other accounts payable		602,297	(70,540)	532,030
Related parties		72,938	(33,944)	9,496
Income taxes paid		(1,056,082)	(843,906)	-
Employee benefits		42,654	(84,110)	(3,425)
Cash flows provided by operating activities		4,986,044	4,853,813	2,254,963
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment		(1,288,520)	(575,411)	(951,760)
Proceeds from sale of plant and equipment		62,342	57,795	81,591
Restricted cash		(8,008)	-	-
Financial instruments		78,522	(42,138)	(551,247)
Other assets		(42,087)	(48,210)	62,726
Interest collected		347,364	314,245	222,063
Business acquisitions		-	(135,450)	-
Option agreement on potential acquisition	12	(139,655)	-	-
Cash flows used in investing activities		(990,042)	(429,168)	(1,136,627)
Cash flows from financing activities:				
Payment for repurchase of shares		(7,019)	(3,071)	(85,545)
Proceeds for repurchase of shares		8,523	3,198	96,538
Dividends paid		-	(950,400)	(299,175)
Dividends paid to non-controlling interest		(845)	(780)	(491)
Currency translation effect		-	-	(93,397)
Disposal of non-controlling interest from disolution		450	-	(8,142)
Proceeds from borrowings		1,454,050	1,507,700	3,069,787
Principal payment on loans		(1,098,575)	(2,181,166)	(2,130,805)
Interest paid		(118,090)	(226,366)	(105,000)
Cash flows provided (used in) by financing activities		238,494	(1,850,885)	443,770
Net increase in cash and cash equivalents		4,234,496	2,573,760	1,562,106
Cash and cash equivalents at January 1		6,716,894	4,179,541	2,625,661
Effect of exchange rate fluctuations on cash and cash equivalents		76,664	(36,407)	(8,226)
Cash and cash equivalents at December 31		$ 11,028,054	6,716,894	4,179,541

See accompanying notes to consolidated financial statements.

(1) Reporting entity

Industrias Bachoco, S.A.B. de C.V. and subsidiaries (hereinafter Bachoco or the Company) is a publicly traded company and was incorporated on April 17, 1980, as a legal entity. The Company's registered address is Avenida Tecnológico 401, Ciudad Industrial, Celaya, Guanajuato, Mexico.

The Company is engaged in breeding, processing and marketing poultry (chicken and eggs), swine and other products (primarily balanced animal feed). Bachoco is a holding company that has control over a group of subsidiaries (see note 5).

The shares of the Company are listed on the Mexican Stock Exchange (BMV for its Spanish acronym) under the symbol "Bachoco," and in the New York Stock Exchange (NYSE), under the symbol "IBA".

(2) Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), adopted by public entities in Mexico in accordance with the amendments to Rules for Public Companies and other Entities Trading on the Mexican Stock Exchange, established by the Mexican National Banking and Securities Commission on January 27, 2009, according to which, beginning in 2012, the Company is required to prepare financial statements in accordance with IFRS as issued by the IASB.

On April 14, 2015, the accompanying consolidated financial statements and related notes were authorized for issuance by the Company's Chief Financial Officer, Mr. Daniel Salazar Ferrer, for the Audit Committee, Board of Directors and Stockholders' approvals. In accordance with the Mexican General Corporate Law and the bylaws of the Company, the stockholders are empowered to modify the consolidated financial statements after their issuance should they deem it necessary.

b) Basis of measurement

The accompanying consolidated financial statements were prepared on the historical cost basis (historical cost is generally based on the fair value of the consideration given in exchange for goods and services) except for the following items in the consolidated statement of financial position, which are measured at:

(Continued)

i. __Fair value__

- Derivative financial instruments for trading and hedging, and the related primary investments measured at fair value through profit or loss
- Biological assets
- Defined benefit plan assets

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.

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 measurements 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, which are observable either directly or indirectly.

Level 3 inputs are unobservable inputs.

c) Functional and presentation currency

These consolidated financial statements are presented in thousands of Mexican pesos (pesos or $), national currency of Mexico, which is the Company's recording and functional currency, except for the foreign subsidiary that uses the U.S. dollar as its recording and functional currency.

For disclosure purposes, in the notes to the consolidated financial statements, "thousands of pesos" or "$" means thousands of Mexican pesos, and "thousands of dollars" means thousands of U.S. dollars.

When deemed relevant, certain amounts are included between parentheses as a translation into thousands of dollars, into thousands of Mexican pesos, or both, as applicable. These translations are performed for the convenience of the reader at the closing exchange rate issued by Bank of Mexico, which is of $14.75 and $13.09, as of December 31, 2014 and 2013 respectively.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

Estimates and significant assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period in which they occur and in any future periods affected.

The following are the critical accounting estimates and assumptions used by management in the application of the Company's accounting policies, which are significant to the amounts recognized in the consolidated financial statements.

Critical accounting judgments

i. ***Fair value of biological assets***

The Company estimates the fair value of biological assets as the price that would be received or paid in an orderly transaction between market participants at the measurement date. As part of the estimate, the Company considers the maturity periods of such assets, the necessary time span for the biological assets to reach a productive stage, as well as future economic benefits obtained.

The balance of current biological assets includes hatching eggs, growing pigs and growing poultry, while the balance of non-current biological assets includes poultry in its different production stages, and breeder pigs.

Non-current biological assets are valued at production cost less accumulated depreciation or accumulated impairment losses, as there is no observable or reliable market for such assets. Additionally, the Company considers there is no reliable method for measuring the fair value of non-current biological assets. Current biological assets are valued at fair value when there is an observable market, less estimated selling expenses.

ii. ***Business combinations or acquisition of assets***

Management uses its professional judgment to determine whether the acquisition of a group of assets constitutes a business combination. This determination may have a significant impact in how the acquired assets and assumed liabilities are accounted for, both on initial recognition and subsequently.

iii. ***Aggregation of operating segments***

The Company's chicken and egg operating segments are aggregated to present one reportable segment (Poultry) as they have similar products and services, production processes, classes of customers, methods used for distribution, and the nature of the regulatory environment in which they operate.

Key sources of estimation uncertainty

i. ***Assessments to determine the recoverability of deferred tax assets***

On an annual basis the Company prepares projections to determine if it will generate sufficient taxable income to utilize its deferred tax assets associated with deductible temporary differences, including tax losses and other tax credits.

(Continued)

ii. ***Useful lives and residual values of property, plant and equipment***

Useful lives and residual values of property, plant and equipment are used to determine depreciation expense of such assets and are determined with the assistance of internal and external specialists as deemed necessary. Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the related estimate, measurement of the net carrying amount of assets and the corresponding depreciation expense are affected prospectively.

iii. ***Measurements and disclosures at fair value***

Fair value is a measurement based on the price a market participant would be willing to receive to sell an asset or pay to transfer a liability, and is not a measure specific to the Company. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the purpose of a measurement at fair value in both cases is to estimate the price at which an orderly transaction to sell the asset or to transfer the liabilities would be carried out among the market participants at the date of measurement under current market conditions.

When the price of an identical asset or liability is not observable, the Company determines the fair value using another valuation technique which maximizes the use of relevant observable information and minimizes the use of unobservable information. As the fair value is a measurement based on the market, it is measured using the assumptions that market participants would use when they assign a price to an asset or liability, including assumptions about risk.

iv. ***Impairment of long-lived assets and goodwill***

The carrying amount of long-lived assets is reviewed for impairment when situations or changes in circumstances indicate that it is not recoverable, except for goodwill which is reviewed on an annual basis. If there are indicators of impairment, a review is carried out to determine whether the carrying amount exceeds its recoverable value and whether it is impaired. The recoverable value is the highest of the asset’s fair value, less selling costs, and its value in use which is the present value of the future estimated cash flows generated by the asset. The value in use calculation requires the Company’s management to estimate the future cash flows expected to arise from the asset and/or from the cash-generating unit and an appropriate discount rate in order to calculate present value.

v. ***Employee retirement benefits***

The Company uses assumptions to determine the best estimate for its employee retirement benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include demographic hypothesis, discount rates and expected increases in remunerations and future permanence, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of the employee benefit liability and the results of the period in which it occurs.

(Continued)

vi. ***Contingencies***

Due to their nature, contingencies can solely be resolved when they occur or one or more future events or one or more uncertain events that are not entirely under the control of the Company. The assessment of such contingencies significantly requires the exercise of judgments and estimates on the possible outcome of those future events. The Company assesses the probability of loss of lawsuits and other contingencies with the assistance of its legal advisors. These estimates are reconsidered periodically and at least annually.

e) Basis of presentation

i. New and amended IFRS that affect reported balances and/or disclosures in financial statements

In the current year, the Company adopted a series of new and amended IFRS issued by the IASB which went into effect on January 1, 2014 as it relates to its consolidated financial statements.

Amendments to IFRS 10, IFRS 12 y IAS 27 (revised 2011), Consolidated Financial Statements, Disclosures of Interest in Other Entities and Separate Financial Statements

Amendments to IFRS 10, IFRS 12 and IAS 27, provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. In addition, the amendments also require disclosures about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Since the Company does not qualify as an investment entity, the adoption of these amendments does not generate an impact in its consolidated financial statements.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*, clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’. The Company adopted these amendments and did not have any significant impacts in those financial instruments subject to offsetting in the consolidated statement of financial position, mainly because such instruments meet the definition of having a legal right recognized to be offset and intention is to settle them on a net basis. Additionally, no financial instruments were identified as not previously offset and for which the amendments to the standard have represented offsetting in the reporting period.

(Continued)

Amendments to IAS 36, Impairment of assets

Amendments to IAS 36 *Impairment of Assets*, reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals of impairment) where recoverable amount (based on the fair value less costs of disposal) is determined using a present value technique. The adoption of these amendments did not have impacts in the Company's consolidated financial statements because there were not indicators of impairment in the reporting periods. Additionally, with regards to the impairment test of goodwill, the Company has determined that the value in use of its cash generating units represented the recoverable amount of the corresponding cash generating units, in accordance with the accounting policy described in note 3 i) ii.

Amendments to IAS 39, Financial Instruments: Recognition and Measurement

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. There was no impact in the Company's consolidated financial statements since it does not have derivative financial instrument for purposes of hedging that are novated.

IFRIC 21, Levies

IFRIC 21 *Levies*, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability for the payment of levies, where the liability is recognized progressively if the obligating event occurs over a period of time; and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. There was no impact in the Company's consolidated financial statements, since the levies to which it is subject, other than income taxes and consumption taxes, are recognized at the time the obligating event to settle the obligation arises, which already coincides with the principles of this interpretation.

Additionally, the Company early adopted a series of new and amended IFRS issued by the IASB in the current year:

(Continued)

Amendments to IAS 19, Employee benefits

Amendments to IAS 19 (2011) *Employee Benefits*, in regards to employee contributions on defined benefit plans, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contributions is independent of the number of years of service, they can be recognized as a reduction in the service cost in the period in which the related service is rendered or be attributed to the periods of service by using the projected unit credit method. There was no impact in the Company's consolidated financial statements as employees do not make contributions to its defined benefit plans.

Annual Improvements 2010-2012 Cycle

Annual Improvements 2010-2012 Cycle makes amendments to: IFRS 2 *Share-based payment*, by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 *Business combinations*, which require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 *Operating segments*, requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarifying that reconciliations of segment assets are only required if segment assets are reported regularly; IFRS 13 *Fair value measurement*, clarifies that issuing of IFRS 13 and the amendments of IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* clarifying that the gross amount is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 *Related party Disclosures*, clarifying how payments to entities providing management services are to be disclosed. The adoption of these improvements did not represent any impacts in the consolidated financial statements of the Company, except for the inclusion of the disclosures related to the judgment made by the management in the application of the aggregation criteria of its poultry reportable segment.

Annual Improvements 2011-2013 Cycle

Annual Improvements 2011-2013 Cycle makes amendments to the following standards: IFRS 1 *First-time adoption of IFRS* clarifying which versions of IFRSs can be used on initial adoption (amends basis for conclusions only); IFRS 3 *Business combinations,* clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13 *Fair value measurement,* clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions; IAS 40 *Investment property*, clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. There was no impact in the Company's consolidated financial statements as a result of early adopting these amendments.

(Continued)

Annual Improvements 2012-2014 Cycle

Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which adds specific guidance for cases in which (1) an entity reclassifies an asset from "held for sale" to "held for distribution" or vice versa and (2) cases in which held-for-distribution accounting is discontinued; IFRS 7 *Financial Instruments: Disclosures* clarifying (1) whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and (2) the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements; IAS 19 *Employee Benefits* indicating that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and IAS 34 *Interim Financial Reporting* clarifying the meaning of 'elsewhere in the interim report' and requires a cross-reference in such reports. There was no impact in the Company's consolidated financial statements as a result of early adopting these amendments.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, clarify that "the use of revenue-based methods to calculate the depreciation or amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset". There was no impact in the Company's consolidated financial statements as it does not use a revenue-based method to calculate either depreciation or amortization of its assets.

Amendments to IAS 16, Property, plant and equipment and IAS 41, Agriculture

The amendments clarify that bearer plants that were previously considered as biological assets will be included in the scope of IAS 16 instead of IAS 41, to be accounted for in the same manner as property, plant and equipment items. There was no impact in the Company's consolidated financial statements as it does not hold living plants as biological assets.

Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investments in associates and joint ventures

Amendments to IAS 28 require that gains and losses resulting from transactions between an entity and its associate or joint venture relate only to assets that do not constitute a business. As well, a new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements. Additionally an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

On the other hand, for consolidated financial statements, an exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

(Continued)

There was no impact in the Company's consolidated financial statements as it does not have investments in associates nor joint ventures.

Amendments to IFRS 11, Joint Arrangements

Amendments to IFRS 11 *Joint Arrangements*, issued in May 2014, require the acquirer of an interest in a joint operation whose activity constitutes a business as defined in IFRS 3 *Business combinations*, to apply all accounting principles on the basis of the business combinations guidance in IFRS 3 and other IFRSs, except for those who conflict with IFRS 11 guidance. Additionally, they require disclosing information applicable to business combinations and apply to initial acquisition as well as to the acquisition of an additional interest in a joint operation. Recognized amounts from acquisitions of interests in joint operations from previous periods are not subject to adjustments. There was no impact in the Company's consolidated financial statements as it has not acquired interests nor holds joint operations that constitute a business.

IFRS 14, Regulatory Deferral Accounts

IFRS 14, *Regulatory Deferral Accounts*, issued in January 2014, specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. It permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP. There was no impact in the Company's consolidated financial statements as it does not operate in a regulated environment nor is it a first-time adopter of IFRS.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception

The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. Also, the amendments considers that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. On the other hand, they consider that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Finally, an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12. The early adoption of these amendments did not cause an impact in the consolidated financial statements of the Company because it does not qualify as an investment entity.

(Continued)

Amendments to IAS 1, Disclosure Initiative

The amendments include changes regarding materiality, clarifying that information should not be obscured by aggregating or by providing immaterial information. Also, materiality considerations apply to all the parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. Regarding the statement of financial position and statement of profit and loss and other comprehensive income, the amendments introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements. Additionally, they clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. As well, regarding the notes to the financial statements, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes in the financial statements.

The early adoption of these amendments did not cause significant impacts in the consolidated financial statements of the Company

ii. New standards and interpretations not yet adopted

The Company has not applied the following new and revised IFRS that have been issued, but that are not yet effective for periods beginning on January 1, 2014.

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments* issued in July 2014, is the replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project.

IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

The Company is in the process of assessing the potential impacts from the adoption of this standard in its financial statements.

(Continued)

IFRS 15, Revenue from Contracts with Customers

IFRS 15 *Revenue from contracts with customers*, was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company is in the process of assessing the potential impacts from the adoption of this standard in its consolidated financial statements.

(3) Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost (see note 5).

ii. Transactions eliminated in consolidation

Profits and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of profit and loss and other comprehensive income from the acquisition date to the selling date, as the case may be.

Where necessary, subsidiaries’ financial statements are adjusted to align their accounting policies with the Company’s consolidated accounting policies.

Significant intercompany balances and transactions, and any unrealized gains and losses arising from transactions between consolidated companies have been eliminated in preparing these consolidated financial statements.

(Continued)

iii. Business combinations

Business combinations are accounted for using the acquisition method. For each business combination, any non-controlling interest in the acquiree is valued either at fair value or according to the proportionate interest in the acquiree's identifiable net assets.

On a business combination, the Company evaluates the assets acquired and the liabilities assumed for proper classification and designation according to the contractual terms, economic circumstances and relevant conditions at the acquisition date.

Goodwill is originally valued at cost, and represents any excess of the transferred consideration over the net assets acquired and liabilities assumed. If the net amount of identifiable acquired assets and assumed liabilities as of the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the prior shareholding of the acquirer in the acquired entity (if any), any excess is immediately recognized in the consolidated statement of profit and loss and other comprehensive income as a bargain purchase gain.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Company incurs related to a business combination are expensed as incurred.

Certain contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit and loss.

b) Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for interest and effective payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency transaction differences arising in translation are recognized in profit and loss.

(Continued)

ii. Translation of foreign operations

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, of foreign operations whose functional currency differs from the reporting currency, are translated into Mexican pesos at the exchange rates at the reporting date. Income and expenses are translated to pesos at the average exchange rate of the period of the transactions.

Foreign currency differences associated with translating foreign operations into the reporting currency (Mexican peso) are recognized in other comprehensive income, and presented in the foreign currency translation reserve in stockholders' equity.

Foreign exchange gains and losses arising from an item received from or payable to a foreign transaction, whose settlement is neither planned nor likely in the foreseeable future, are considered part of a net investment in a foreign transaction and are recognized under the "other comprehensive income" account, and presented within stockholders' equity in the foreign currency translation reserve. For the years ended December 31, 2014, 2013 and 2012 the Company did not enter into such transactions.

c) Financial instruments

i. Non-derivative financial assets

Non-derivative financial assets of the Company include cash and cash equivalents, primary financial instruments (financial assets designated at fair value through profit or loss and financial assets held to maturity), trade receivable and other receivables.

The Company initially recognizes accounts receivable and cash equivalents on the date that they arise. All other financial assets (including assets measured at fair value through profit and loss) are initially recognized on the trading date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position solely if the Company has a legal right to offset the amounts and intends either to settle them on a net basis of financial assets and liabilities or otherwise realize the asset and settle the liability simultaneously.

(Continued)

Financial assets valued at fair value through profit and loss

A financial asset is presented at fair value through profit and loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment or risk management policy. Costs attributable to the acquisition or issue of such financial assets are recognized in profit and loss as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in profit and loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets that the Company has the intention and ability to hold such debt instruments to maturity. Held-to-maturity financial assets are originally recognized at fair value plus any directly attributable transaction costs. Subsequently to initial recognition, held-to-maturity financial assets are measured at their amortized cost by using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity financial assets would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two years.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income or cost 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost. Receivables comprise trade and other receivables.

ii. Non-derivative financial instrument liabilities

Debt and/or equity instruments are classified as financial liabilities or as equity according to the substance of the contractual agreement and the definitions of liability and equity.

(Continued)

All financial instrument liabilities are initially recognized on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial instrument liability when its contractual obligations are met, cancelled or expire.

The Company has the following non-derivative financial instrument liabilities: short-term and long-term debt, and trade and other payables.

The aforementioned financial liabilities are originally recognized at fair value, plus costs directly attributable to the transaction. Subsequently, these financial liabilities are measured at amortized cost during their contractual term.

iii. Derivative financial instruments

Derivative financial instruments entered into for fair value hedging or for trading purposes are initially recognized at fair value; any attributable transaction costs are recognized in profit and loss as incurred. Subsequent to the initial recognition, such derivative financial instruments are measured at fair value, and changes in such value are immediately recognized in profit and loss.

Fair value of derivative financial instruments that are traded in recognized financial markets is based on quotes issued by these markets; when a derivative financial instrument is traded in the "over the counter" market, the fair value is determined based on internal models and market inputs accepted in the financial environment.

The Company analyzes if there are embedded derivatives that should be segregated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as those of the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in fair value of the separable embedded derivatives are immediately recognized in profit and loss.

The Company enters into derivative financial instruments, which are designated as fair value hedges for its exposure to commodity price risks resulting from its operating activities. Derivative financial instruments that do not meet the requirements for hedge accounting treatment are accounted for as trading derivative financial instruments.

On initial designation of the derivative as a hedging instrument, the Company formally documents the relationship between hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the prospective and retrospective effectiveness of the hedging. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80 – 125 percent.

(Continued)

If the hedging instrument no longer meets the criteria for the hedging accounting treatment, expires or is sold, terminated or exercised, or the designation is revoked, then hedging accounting treatment is discontinued prospectively.

iv. Capital stock

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Stock repurchase

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for repurchase of shares. When treasury shares are sold or are re-issued subsequently, the amount received as well as the resulting surplus or deficit on the transaction is recognized in equity.

d) Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment, are recorded at acquisition cost less accumulated depreciation, except for land, and any accumulated impairment losses. Land is measured at the acquisition costs les any accumulated impairment losses.

Acquisition cost includes the purchase price, as well as any cost directly attributable to the acquisition of the asset, including all costs to directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized at the time of disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on the sale of an item of property, plant and equipment are determined by comparing the proceeds from the sale with the carrying amount of property, plant and equipment, and are recognized net under “other income (expenses)” in profit and loss for the year.

ii. Subsequent costs

The replacement cost of an item of property, plant and equipment is capitalized if the future economic benefits associated with the cost are expected to flow to the Company and the related cost is reliably determined. The carrying amount of the replaced item is written off from the accounting records. Maintenance and repair expenses related to property, plant and equipment are expensed as incurred.

(Continued)

iii. <u>Depreciation</u>

During 2013, based on the analysis performed by the Company, a change was made to the estimate of residual values of certain items of property, plant and equipment, which resulted in a decrease to depreciation expense of $49,061, recorded in the consolidated statement of profit and loss and other comprehensive income for the year.

Depreciation is calculated on the cost of the asset less its residual value, using the straight line method, based on the estimated useful life of the assets. Depreciation is recognized in profit and loss beginning from the time when the assets are available for use. Land is not depreciated.

Below are the estimated useful lives for 2014, 2013 and 2012:

	Average useful Life
Buildings	46
Machinery and Equipment	19
Vehicles	11
Computers	8
Furniture	11

The Company has estimated the following residual values as of December 31, 2014 and 2013:

	Residual Value
Buildings	9%
Machinery and Equipment	8%
Vehicles	5%
Computers	0%
Furniture	2%

e) Goodwill

Goodwill arises as a result of the acquisition of a business over which control is obtained and is measured at cost less cumulative impairment losses; it is subject to annual tests for impairment.

f) Biological assets

Biological assets whose fair value can be measured reliably are measured at fair value less costs of sale, with any change therein recognized in profit and loss. Costs of sale include all costs that would be necessary to sell the assets, excluding finance costs and income taxes.

The Company's biological assets consist of growing poultry, poultry in its different production stages, hatching eggs, breeder pigs, and growing pigs.

(Continued)

When fair value cannot be reliably, verifiably and objectively determined, assets are valued at production cost less accumulated depreciation, and any cumulative impairment loss. Depreciation related to biological assets forms part of the cost of inventories and current biological assets and is ultimately recognized within cost of sales in the statement of profit and loss and other comprehensive income.

Depreciation of poultry and breeder pigs is estimated based on the expected future life of such assets and is calculated on a straight-line basis.

	Expected average useful life (weeks)
Poultry in its different production stages	40-47
Breeder pigs	156

Biological assets are classified as current and non-current assets, based on the nature of such assets and their purpose, whether for commercialization or for reproduction and production.

g) Leased assets

Operating leases entered by the Company are not recognized in the Company's statement of financial position. Operating lease rentals paid by the Company are recognized in profit and loss using the straight-line method over the lease term, even though payments may not be made on the same basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained at the end of the lease term, assets are depreciated over the shorter of the lease term or their useful lives. As of December 31, 2014 and 2013, the Company has not entered into any significant finance lease agreements.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on average cost, and includes expenditure incurred for acquiring inventories, production or transformation costs, and other costs incurred for bringing them to their present location and condition.

Agricultural products derived from biological asses are processed chickens and commercial eggs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

Cost of sales represents cost of inventories at the time of sale, increased, if applicable, by reductions in inventory to its net realizable value, if lower than cost, during the year.

The Company records the necessary reductions in the value of its inventories for impairment, obsolescence, slow movement and other factors that may indicate that the use or performance of the items that are part of the inventory may be lower than the carrying value.

(Continued)

i) Impairment

i. Financial assets

A financial asset that is not recorded at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of a loss event after the initial recognition of the asset, and that such loss event had a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company, evidence that a debtor may go bankrupt, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged reduction in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for financial assets valued at amortized cost (accounts receivables and held-to-maturity investment securities) both individually and collectively. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of probabilities of default, timeliness of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are greater or less than those suggested by historical trends.

An impairment loss related to a financial asset valued at amortized cost is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against receivables or held-to-maturity investment securities. Interest on impaired assets continues being recognized. When a subsequent event that occurs after impairment has been recognized, it results in the reduction of the loss amount; this reduction is reversed through profit and loss.

ii. Non-financial assets

The carrying amounts of the Company´s non-financial assets, other than inventories, biological assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated or cash generating units, as the lowest between its value in use and the fair value less cost of sale. Goodwill and indefinite-lived intangible assets are tested annually for impairment on the same dates.

The Company defines the cash generating units and also estimates the periodicity and cash flows that they should generate. Subsequent changes in the group of cash-generating units, or changes in the assumptions that support the cash flow estimates or the discount rate could impact the carrying amounts of the respective asset.

(Continued)

The main assumptions for developing estimates of recoverable amounts requires the Company's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate its present value. The Company estimates cash flow projections considering current market conditions, determination of future prices of goods and volumes of production and sales. In addition, for the purposes of the discount and perpetuity growth rates, the Company uses indicators of market and expectations of long-term growth in the markets in which it operates.

The Company estimates a discount rate before taxes for the purposes of the goodwill impairment test that reflects the risk of the corresponding cash-generating units and that enables the calculation of present value of expected future cash flows, as well as to reflect risks that were not included in the cash flow projection assumptions and premises. The discount rate that the Company estimates is based on the weighted average cost of capital. In addition, the discount rate estimated by the Company reflects the return that market participants would require if they had made a decision about an equivalent asset, as well as the expected generation of cash flow, time, and risk-and-return profiles.

The Company annually reviews the circumstances which led to an impairment loss arising from cash-generating units to determine whether such circumstances have been changed and that may result in the reversal of previously recognized impairment losses. An impairment loss in respect of goodwill is not reversed. For other long-lived assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of CGUs), and subsequently to reduce the carrying amount of the other long-lived assets within the cash-generating unit (or group of CGUs) on a pro rata basis.

j) Available-for-sale assets

Available for sale assets mainly consist of foreclosed assets. Immediately before being classified as available-for-sale, assets are valued according to the Company's accounting policies in accordance to the applicable IFRS. Subsequently, available-for-sale assets are recorded at the lower of the carrying amount and fair value less cost of sale of the assets. Impairment losses on initial classification of available-for-sale assets and subsequent revaluation gains and losses are recognized in profit and loss. Previously recognized gains exceeding any cumulative impairment loss are not recognized.

Foreclosed assets are recorded at the lower of fair value less cost of sale or net carrying amount of the related account receivable.

k) Other assets

Other long-term assets primarily include prepayments for the purchase of property, plant and equipment, investments in insurance policies and guarantee deposits.

(Continued)

The Company owns life insurance policies of some of the former stockholders of Bachoco USA, LLC and Subsidiaries (foreign subsidiary). The Company records these policies at net cash surrender value which approximates its fair value (see note 16).

l) Employee benefits

The Company grants to its employees in Mexico and abroad, different types of benefits as described below and detailed in note 21:

i. <u>Defined contribution plan</u>

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that the Company has the right to a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted at present value.

ii. <u>Defined benefit plan</u>

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It is funded by contributions made by the Company and is intended to meet the Company's labor obligations to its employees.

The Company´s net obligations in respect of defined benefit plans is calculated separately for each plan, estimating the amount of the future benefit that the employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and is reduced by the fair value of the plan assets. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (or governmental bonds in the instance that a deep market does not exist for high quality corporate bonds, which is the case in Mexico) that have maturity dates approximating the terms of the Company´s obligations and that are denominated in the currency in which the benefits are expected to be paid. 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

The Company presents service cost as part of operating income in the consolidated statements of profit or loss and other comprehensive income (loss). Gains and losses for reduction of service are accounted for as past service costs.

(Continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset 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. When the benefits of a plan are modified or improved, the portion of the improved benefits related to past services by employees is recognized in profit and loss on the earlier of the following dates: when there is a modification or curtailment to the plan, or when the Company recognizes the related restructuring costs or termination benefits.

Remeasurement adjustments, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately 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 equity and is not reclassified to profit or loss.

iii. Short-term benefits

Short-term employee benefits are valued on a non-discounted basis and are expensed as the respective services are rendered.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans or statutory employee profit sharing (PTU for its acronym in Spanish), if the Company has a legal or constructive obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation may be reliably estimated.

iv. Termination benefits from constructive obligations

The Company recognizes, as a defined benefit plan, a constructive obligation from past practices. The liability accrues based on the services rendered by the employee. Payment of this benefit is made in one installment at the time that the employee voluntarily ceases working for the Company.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect of time value of money is significant, the amount of the provision is the present value of the disbursements expected to be necessary to settle the obligation. The discount rate applied is determined before taxes, and reflects market conditions at the reporting date and takes into account the specific risk of the relevant liability, if any. The unwinding of the present value discount is recognized as a financial cost.

(Continued)

n) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the 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 Company as a joint operator recognizes, in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to such assets, liabilities, revenues and expenses.

The Company has joint operations derived from the broiler agreements for the development of its biological assets. For such operations, the Company accounts for its biological assets, its obligations derived from technical support, as well as the expenses it incurs with respect to the joint operations. The live poultry produced by the joint operation is ultimately used internally by the Company and may be sold by the Company to third parties. As a result, the joint operation itself does not generate any revenues with third parties.

o) Revenues

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration relating to the transaction is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognized as a reduction of revenue.

p) Financial income and costs and dividend income

Financial income comprises interest income from funds invested, fair value changes on financial assets at fair value through profit or loss and foreign currency exchange gains. Interest income is recognized in profit and loss, using the effective interest method. Dividend income is recognized in profit and loss on the date that the Company´s right to receive the payment is established.

Financial costs comprise interest expense for borrowings, foreign currency exchange losses and fair value changes on financial assets at fair value through profit and loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method.

(Continued)

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 costs 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.

Exchange gains and losses are reported on a net basis.

q) Income taxes

Income tax expenses comprise current and deferred tax. Current income taxes and deferred income taxes are recognized in profit and loss provided they do not relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the fiscal year, which can be applied to taxable income from previous years, using tax rates enacted or substantively enacted in each jurisdiction at the reporting date, plus any adjustment to taxes payable with respect to previous years. Current income tax payable also includes any tax liability arising from the payment of dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes. Deferred income tax is not recognized for:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and did not affect neither accounting or taxable profit or loss;

- differences related to investments in subsidiaries to the extent that it is probable that the Company is able to control the reversal date, and the reversion is not expected to take place in the near future; or

- taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is determined by applying the tax rates that are expected to apply in the period in which the temporary differences will reverse, based on the regulations enacted or substantively enacted at the reporting date.

The measurement of deferred income tax assets and liabilities reflect the tax consequences derived from the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities.

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that the balance for its income tax liabilities are adequate for all tax years subject to be reviewed by the tax authorities based on its assessment of several factors, including the interpretation of the tax laws and prior experience.

(Continued)

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

r) Earnings per share

The Company presents information on basic and diluted earnings per share (EPS) related to its ordinary shares. Basic EPS is computed by dividing the profit and loss attributable to the holders of the Company's common shares by the weighted average number of outstanding ordinary shares during the period, adjusted for treasury shares held. Diluted EPS is determined by adjusting the profit and loss attributable to the holders of the ordinary shares and the outstanding weighted average number of ordinary shares, adjusted for treasury shares held, for the potential dilutive effects of all ordinary shares, including convertible instruments and options on shares granted to employees. At December 31, 2014 and 2013, the Company has no potentially dilutive shares, for which reason basic and diluted EPS is the same.

s) Segment information

An operating segment is a component of the Company that: i) is engaged in business activities from which revenues and expenses may be obtained and incurred, including revenues and expenses related to transactions with any of the other components of the Company, ii) which results are reviewed periodically by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance, and iii) for which discrete financial information exists.

The Company discloses reportable segments based on operating segments whose revenues exceed 10% of the combined revenues from all segments, whose absolute value of profit or loss exceeds 10% of the combined absolute value of profit or loss from all segments, whose assets exceed 10% of the combined assets from all segments, or that result from the aggregation of two or more operating segments when they have similar economic characteristics and meet the aggregation criteria in IFRS (note 2 d).

t) Costs and expenses by function

Costs and expenses in the consolidated statements of profit and loss and other comprehensive income were classified by their function. The nature of costs and expenses is presented in Note 22.

u) Statement of cash flows

The Company presents cash flows from operating activities by using the indirect method, in which the income or loss is adjusted by the effects of items that do not require cash flows, including those related to investing or financing activities.

The Company classifies all interest received from its investments and accounts receivable as investment activities, and all interest paid as financing activities.

(Continued)

(4) Business and asset acquisitions

On July 9, 2013, the Company reached an agreement to acquire assets from the breeding farms of Morris Hatchery Inc., located in Arkansas, United States of America. This acquisition mainly consists of poultry equipment and inventory, and has a capacity of breeding birds that produce hatching eggs. The hatching eggs will ultimately be used internally by the Company, benefitting the United States of America operations given that they did not previously have the capacity of breeding birds that produce hatching eggs. The Company concluded that the transaction represented the acquisition of a business in accordance with IFRS 3.

Below is a summary of the fair value of the net assets acquired as of the acquisition date in conformity with IFRS 3, as well as the purchase price paid. The amounts are final; accordingly the Company did not utilize the use of the twelve month measurement period permitted by IFRS 3.

Acquired assets and identifiable assumed liabilities

	Acquisition value
Current and non-current biological assets	$ 77,237
Inventories	3,257
Property, plant and equipment	11,982
Other assets	194
Acquired assets, net	92,670
Cash consideration paid	135,450
Goodwill	$ (42,780)

The acquisition costs paid by the Company were not material, given that it utilized mostly its own resources in the acquisition. Given that the acquisition was for the benefit of the Company's own internal operations, it is impracticable to determine the amount of revenues generated by Morris Hatchery Inc. since its acquisition.

(Continued)

(5) Subsidiaries of the Company

Subsidiaries and Company´s shareholding percentage in such subsidiaries as of December 31, 2014 and 2013 are listed below:

Name		Shareholding percentage in subsidiaries	
		December 31,	
	Country	2014	2013
Bachoco, S.A. de C.V.	México	99.99	99.99
Bachoco USA, LLC. & Subsidiary	U.S.	100.00	100.00
Campi Alimentos, S.A. de C.V.	México	99.99	99.99
Induba Pavos, S.A. de C.V.	México	99.99	99.99
Bachoco Comercial, S.A. de C.V.	México	99.99	99.99
PEC LAB, S.A. de C.V.	México	64.00	64.00
Aviser, S.A. de C.V.	México	99.99	99.99
Operadora de Servicios de Personal, S.A. de C.V.	México	99.99	99.99
Secba, S.A. de C.V.	México	99.99	99.99
Servicios de Personal Administrativo, S.A. de C.V.	México	99.99	99.99
Sepetec, S. A. de C.V.	México	99.99	99.99

The main subsidiaries of the group and their activities are as follows:

- Bachoco, S.A. de C.V. (BSACV) (includes four subsidiaries which are 51% owned, and over which BSACV has control). BSACV is engaged in breeding, processing and marketing poultry goods (chicken and eggs).

- Bachoco USA, LLC. holds the shares of OK Industries, Inc. and, therefore, of the operations of the Company in the United States of America. OK Industries, Inc. (acquired in November 2011) comprises five controlled subsidiaries. Their primary activity includes the production of chicken products and hatching eggs, mostly marketed in the United States of America and, to a lesser extent, in other foreign markets.

- Campi Alimentos, S.A. de C.V., is engaged in producing and marketing balanced animal feed, mainly for selling to third parties.

- The main activity of Bachoco Comercial, S.A. de C.V. and Induba Pavos, S.A. de C.V. is the distribution of chicken, turkey and beef value-added products.

- PEC LAB, S.A. de C.V. is the holding of the shares of Pecuarius Laboratorios, S.A. de C.V. Its main activity consists of the production and distribution of medicines and vaccines for animal consumption.

- Aviser, S.A. de C.V., Operadora de Servicios de Personal, S.A. de C.V., Secba, S.A. de C.V., Servicios de Personal Administrativo, S.A. de C.V. and Sepetec, S.A de C.V. are engaged in providing administrative and operating services rendered to their related parties.

None of the Company’s contracts or loan agreements restrict the net assets of its subsidiaries.

(Continued)

(6) Operating segments

Reportable segments have been determined based on a line of product approach. Intersegment transactions have been eliminated. The poultry segment consists of chicken and egg operations. The information included in the "Others" segment corresponds to operations of pigs, balanced feed for animal consumption and other by-products that do not meet the quantitative thresholds to be considered as reportable segments.

Inter-segment pricing is determined on an arm's length basis. The accounting policies of operating segments are as those described in note 3 s).

Below is the information related to each reportable segment. Performance is measured based on each segment's income before taxes, in the same manner as it is included in management reports that are regularly reviewed by the Company's chief operating decision maker.

a) Operating segment information

	Year ended December 31, 2014		
	Poultry	**Other**	**Total**
Net revenues	$ 37,994,654	3,784,433	41,779,087
Cost of sales	29,329,056	3,165,918	32,494,974
Gross profit	8,665,598	618,515	9,284,113
Income before taxes	5,214,590	374,186	5,588,776
Income taxes	1,546,518	109,592	1,656,110
Net income attributable to controlling interest	3,662,769	264,157	3,926,926
Property, plant and equipment, net	11,017,198	1,037,556	12,054,754
Goodwill	261,749	88,015	349,764
Total assets	31,786,586	3,056,542	34,843,128
Total liabilities	9,578,370	902,708	10,481,078
Purchases of property, plant and equipment	1,128,331	112,785	1,241,116
Depreciation and amortization	738,663	66,987	805,650

As of December 31, 2014	**Poultry revenues**	**Others revenues**
Total revenue	$ 37,995,157	4,433,379
Intersegments	503	648,946
Net revenues	$ 37,994,654	3,784,433

(Continued)

	Year ended December 31, 2013		
	Poultry	Others	Total
Net revenues	$ 35,943,862	3,766,864	39,710,726
Cost of sales	29,847,653	3,328,946	33,176,599
Gross profit	6,096,209	437,918	6,534,127
Income before taxes	3,164,288	227,956	3,392,244
Income taxes	1,252,784	97,655	1,350,439
Net income attributable to controlling interest	1,890,572	147,850	2,038,422
Property, plant and equipment, net	10,425,139	1,227,310	11,652,449
Goodwill	256,244	88,015	344,259
Total assets	26,129,798	2,759,879	28,889,677
Total liabilities	7,943,868	794,663	8,738,531
Purchases of property, plant and equipment	531,465	56,128	587,593
Depreciation and amortization	731,797	84,876	816,673

As of December 31, 2013	Poultry revenues	Others revenues
Total revenue	$ 35,943,862	4,012,486
Intersegments	0	245,622
Net revenues	$ 35,943,862	3,766,864

	Year ended December 31, 2012		
	Poultry	Others	Total
Net revenues	$ 35,797,169	3,570,262	39,367,431
Cost of sales	30,210,843	3,107,364	33,318,207
Gross profit	5,586,326	462,898	6,049,224
Income before taxes	2,580,005	213,786	2,793,791
Income taxes	486,251	115,769	602,020
Net income attributable to controlling interest	1,939,733	244,834	2,184,567
Purchases of property, plant and equipment, net	942,351	9,409	951,760
Depreciation and amortization	752,492	85,315	837,807

As of December 31, 2012	Poultry revenues	Other revenues
Total revenue	$ 35,797,169	3,713,375
Intersegments	-	143,113
Net revenues	$ 35,797,169	3,570,262

(Continued)

b) Geographical information

When submitting information by geographic area, revenue is classified based on the geographic location where the Company's customers are located. Segment assets are classified in accordance with their geographic location. Geographical information for the "Others" segment is not included below because the totality is generated domestically in Mexico.

	Year ended December 31, 2014			
	Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$ 29,556,202	8,955,964	(517,512)	37,994,654
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies				
Non-current biological assets	791,256	317,977	-	1,109,233
Property, plant and equipment, net	9,386,883	1,630,315	-	11,017,198
Goodwill	212,833	48,916	-	261,749

	Year ended December 31, 2013			
	Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$ 27,426,465	8,943,090	(425,693)	35,943,862
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies				
Non-current biological assets	840,622	269,314	-	1,109,936
Property, plant and equipment, net	8,936,020	1,489,119	-	10,425,139
Goodwill	212,833	43,411	-	256,244

	Year ended December 31, 2012			
	Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$ 27,625,702	8,223,808	(52,341)	35,797,169

(Continued)

c) Major Customers

In Mexico, the Company's products are traded among a large number of customers, without significant concentration with any specific customer. Therefore, in 2014, 2013 and 2012, no customer represented over 10% of the Company's total revenues.

In the United States of America, the Company has transactions with Ozark Mountain Poultry, Inc. representing 24%, 14% and 12% of total sales outside of Mexico during the years ended December 31, 2014, 2013 and 2012, respectively.

(7) Cash and cash equivalents

The consolidated balances of cash and cash equivalents as of December 31, 2014 and 2013 are as follows:

	December 31	
	2014	**2013**
Cash and banks	$ 3,282,730	594,183
Investments with maturities less than three months	7,745,324	6,121,330
Cash and cash equivalents	11,028,054	6,715,513
Restricted cash	8,008	1,381
Total cash and cash equivalents and restricted cash	$ 11,036,062	6,716,894

Restricted cash corresponds to the minimum margin required by the intermediary related to the Company's derivative financial instruments, in order to meet future commitments that may stem from adverse market movements affecting prices on the open positions as of December 31, 2014 and 2013.

(8) Financial instruments and risk management

The Company is exposed to market risks, liquidity risks and credit risks for the use of financial instruments, for which reason it exercises its risk management.

This note presents information on the Company's exposure to each one of the aforementioned risks, as well as the Company's objectives, policies and processes for the measurement and management of financial risks.

Risk management framework

The philosophy adopted by the Company seeks to minimize risks and, therefore maximize business stability, focusing decisions on creating an optimum combination of products and assets that produce a risk – return ratio more in agreement with the risk profile of its stockholders.

(Continued)

In order to establish a clear and optimum organizational structure with respect to risk management, a Risk Committee has been established which is the specialized body in charge of defining, proposing, approving and implementing the objectives, policies, procedures, methodologies and strategies, as well as the determination of the maximum limits of exposure to risk and contingency plans.

At December 31, 2014 and 2013, the Company has not identified embedded derivatives.

The Company's derivative financial instruments as of December 31, 2014 and 2013, don't meet the requirements to be treated as a hedges for accounting purposes.

Management by type or risk

a) Categories of financial assets and liabilities

The Company's financial assets and liabilities are shown below:

		December 31,	
		2014	**2013**
Financial assets			
Cash and cash equivalents	$	11,036,062	6,716,894
Investments designated at fair value through profit and loss (correspond to investments held for sale)		910,519	972,641
Investments held to maturity		56,252	67,219
Accounts receivable		1,953,968	1,656,162
Long-term receivables		104,495	87,927
Derivative financial instruments		6,669	11,735
Financial liabilities			
Measured at fair value through profit and loss		(797,982)	(557,592)
Measured at amortized cost		(1,652,470)	(1,510,210)
Trade payables, sundry creditors and expenses payable	$	(3,530,546)	(3,068,249)

b) Credit risk

Credit risk is defined as the potential loss of a portfolio of an amount owed to the Company due to lack of payment from a debtor, or for breach by a counterparty with which derivative financial instruments and primary financial instruments transactions are conducted.

The risk management process contemplates the use of derivative financial instruments and primary financial instruments, which are exposed to a market risk, but are also to counterparty risk.

Measurement and monitoring of counterparty risk

In terms of valuation and monitoring of derivative financial instruments and primary financial instruments Over the Counter (OTC), the Company currently measures its counterparty risk by identifying the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

(Continued)

For investments in primary financial instruments in national currency, the financial instruments valuation models used by price suppliers incorporate market movements and credit quality of issuers, thereby implicitly including the counterparty risk of the transaction in the fair value determination; therefore, the position in primary financial instruments includes the counterparty risk and no other study and/or related study is carried out. The price of the instruments obtained from the price supplier is “mid” prices, which is the mid-price between the buying price and the selling price. As of December 31, 2014 and 2013, the balance of held to maturity investments is $56,252 and $67,219, respectively.

Investments in primary financial instruments denominated in a foreign currency, not listed in Mexico, are valued at prices contained in the broker's statements of account. The Company validates these market prices using Bloomberg, which incorporate market movements and the credit quality of issuers; thereby implicitly including the counterparty risk of the transaction and no related adjustment is carried out. The prices obtained from Bloomberg are mid prices.

Trade accounts receivable and other accounts receivable measurement and monitoring

It is the policy of the Company to establish an allowance for doubtful accounts to cover the balances of accounts receivable that are not likely to be recovered. To set the required allowance, the Company considers historical losses, assesses current market conditions, as well as customers' financial conditions, accounts receivable in litigation, price differences, portfolio aging and current payment patterns.

The impairment assessment of accounts receivable is performed on a collective basis, as there are no accounts with significant balances, and in the short-term. The Company's products are marketed to a large number of customers without, except as described in note 6 c, any significant concentration with a specific customer. As part of the objective evidence that an account receivable portfolio is impaired, the Company considers past experiences with respect to collection, increases in the number of overdue payments in the portfolio exceeding the average loan period, as well as observable changes in national and local economic conditions that correlate to defaults.

The Company has a credit policy under which each new customer is analyzed individually in terms of its creditworthiness before offering it payment terms and conditions. The Company's review includes internal and external assessments, and in some cases, bank references and a search in the Public Registry of Properties. For each customer, purchase limits are established, which represent the maximum credit amount. Customers that do not meet the Company's credit references can solely conduct transactions in cash or through advance payments.

The allowance for doubtful accounts includes trade accounts receivable that are impaired, which amount to $110,462 and $86,564 as of December 31, 2014 and 2013, respectively. The reconciliation of movements of the allowance for doubtful accounts, and the analysis of past-due accounts receivable but not impaired, are presented in note 9.

The Company receives guarantees on credit lines granted to its clients, which consist of real and personal property, such as land, buildings, houses, vehicles, credit cards, cash deposits and others. As of December 31, 2014 and 2013, the guarantees fair value, determined through an appraisal at the time the loan is granted, is $589,430 and $497,490 respectively.

(Continued)

The fair value of trade accounts receivable is similar to the carrying amount, as the terms granted under credit lines are of a short term nature and do not include significant finance components.

Investments

The Company limits its exposure to credit risk with respect to derivative and primary financial instruments by investing solely in liquid securities and solely with counterparties that have a credit rating scale or investing grade. Management constantly monitors credit ratings, and as it invests solely in securities with high credit ratings, it is not expected that any counterparty fails to fulfill its obligations.

Financial guarantees granted

It is the Company's policy to grant financial guarantees solely to 100% owned subsidiary companies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which as of the reporting date is as follows:

	December 31,	
	2014	**2013**
Cash and cash equivalents	$ 11,036,062	6,716,894
Investments designated at fair value through profit and loss (correspond to investments held for sale)	910,519	972,641
Investments held to maturity	56,252	67,219
Accounts receivable net of guarantees received	1,469,033	1,246,599
Derivative financial instruments	6,669	11,735
	$ 13,478,535	9,015,088

c) Liquidity risk

Liquidity risk is defined as the potential loss stemming from the impossibility to renew liabilities or enter into other liabilities under normal terms, the early or forced sale of assets or the need to grant unusual discounts in order to meet obligations, or by the fact that a position cannot be disposed of, acquired or covered promptly through the establishment of an equivalent contrary position.

Liquidity risk management process considers the management of the assets and liabilities included in the consolidated statements of financial position (Assets Liabilities Management - ALM) in order to anticipate funding difficulties because of extreme events.

(Continued)

Monitoring

The Company's areas of risk management and financial planning measure, monitor and report to the Risk Management Committee liquidity risks associated with the ALM and prepare limits for the authorization, implementation and operation thereof, as well as contingent action measures in case of liquidity requirements.

Liquidity risk caused by differences between current and projected cash flows at different dates are measured and monitored, considering all asset and liability positions of the Company denominated in local and foreign currency. Similarly, funding diversification and sources to which the Company has access are evaluated.

The Company quantifies the potential loss arising from early or forced sale of assets or sale at unusual discounts to meet its obligations in a timely manner, as well as by the fact that a position cannot be disposed of, acquired or covered timely through the establishment of a contrary equivalent position.

Liquidity risk monitoring considers a liquidity gap analysis, scenarios for lack of liquidity and use of alternative sources of financing.

Below are the contractual maturities of the financial liabilities, including estimated interest payments. As of the date of the consolidated financial statements, there are no financial instruments which have been offset or recognized positions that are subject to offsetting rights.

Maturity table

	December 31, 2014		
	Less than 1 year	**1 to 3 years**	**3 to 5 years**
Trade payables, sundry creditors and expenses payable	$ 3,530,546	-	-
Variable-rate maturities			
In U.S. dollars	221,250	-	-
In pesos	576,732	152,470	1,500,000
Interest	73,377	153,300	78,353
Total financial liabilities	$ 4,401,905	305,770	1,578,353

	December 31, 2013		
	Less than 1 year	**1 to 3 years**	**3 to 5 years**
Trade payables, sundry creditors and expenses payable	$ 3,068,250	-	-
Variable-rate maturities			
In U.S. dollars	392,700	-	-
In Mexican pesos	164,892	10,210	1,500,000
Interest	89,554	179,108	48,704
Total financial liabilities	$ 3,715,396	189,318	1,548,704

(Continued)

At least on a monthly basis, management evaluates and advises the Board of Directors on its liquidity. As of December 31, 2014, the Company has evaluated that it has sufficient resources to meet its obligations in the short and long term; therefore, it does not consider having liquidity gaps in the future and it will not be necessary to sell assets to pay its debts at unusual discounts or at out-of-market prices.

d) Market risk

Market risk is defined as the potential loss of a portfolio of derivative financial instruments and primary financial instruments held for trading purposes, for changes in risk factors that affect the valuation of short or long positions. In this sense, the uncertainty of future losses resulting from changes in market conditions (interest rates, foreign currency, prices of commodities, among others), which directly affects movements in the price of both assets and liabilities, is detected.

The Company measures, monitors and reports all financial instruments subject to market risk, using sensitivity measurement models to show the potential loss associated with movements in risk variables, according to different scenarios on rates, prices and types of change during the period.

Monitoring

Sensitivity analyses are prepared at least monthly and are compared with the limits established. Any excess identified is reported to the Risk Management Committee.

Stress tests

At least monthly, the Company conducts stress tests calculating the value of the portfolios and considering changes in risk factors observed in historical dates of financial stress.

i. Commodities price risk

The Company seeks to protect itself against variations in the agreed-upon price of primary commodities used in its operations, making use of derivative financial instruments that are designated as either accounting hedges or economic hedges.

With respect to risks related to commodities designated in a formal hedging relationship, the Company seeks protection against downward variations in the agreed-upon price of corn and/or sorghum with the producer, which may represent an opportunity cost as there are lower prices in the current market upon receiving the inventory, and to hedge the risk of a decline in prices between the receipt date and that of inventory consumption.

Purchases of corn and/or sorghum are formalized through an agreement denominated "Forward buy-sell agreement", which has the following characteristics:

- Transaction date
- Number of agreed-upon tons
- Harvest, state and agricultural cycle from which the harvest comes
- Price of product per ton, plus quality award or penalty

(Continued)

Agricultural agreements that result in firm commitments are linked to two corn and/or sorghum agricultural cycles, and in contracting purchases: both contracting cycles and dates are itemized as follows:

- Fall-winter Cycle - The registration window period is at the discretion of the Agency of Services for Distribution and Development of Agricultural Markets (ASERCA, for its Spanish acronym), which is usually between December and March, while the fall-winter cycle harvest period takes place during May, June and July. However, corn and/or harvest could lengthen up to one month or several months, depending on the weather conditions, such as drought and frost.

- Spring-summer Cycle - The registration window period is at the discretion of ASERCA; the spring-summer cycle usually takes place during the July and August and the harvest depends on each state of the country and is very variable.

For contracts entered into through the commercialization support scheme with Fideicomisos Instituidos en la Relacion con la Agricultura (FIRA), there are no purchase periods established as this program is focused on selling excess crops that weren't sold through the contract agriculture program. Normally these purchases are made at the end of each harvest cycle.

As of December 31, 2014 and 2013, the Company has effective hedging positions of corn long "puts" with ASERCA, maturing in March, July, September and December 2015 and 2014. The gain on valuation of these instruments is $5,518, $120,560 and $0, in 2014, 2013 and 2012 respectively, recorded within cost of sales.

The Company maintains a contractual agreement with ASERCA in which the Company will pay 55% of the option premium and ASERCA will pay the remaining 45%. In case the option is In the Money (Strike>Forward), the Company will recover the 55% portion paid and an additional 22.5% which is equivalent to 50% of the portion paid by ASERCA. Due to its nature and according to the established by IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the portion paid by ASERCA must be recognized as an income over the term of the instrument in order to match it against the costs it is intended to offset, on a systematic basis. The effect of such benefit as of December 31, 2014 and 2013 is 18,987 thousand dollars ($280,058) and 14,819 thousand dollars ($193,981), respectively.

Moreover, as of December 31, 2014, the Company has outstanding hedge positions of long puts of sorghum with FIRA expiring in March 2015. The gain on valuation of these instruments is $2,028 and was recorded in cost of sales. As of December 31, 2013, the Company did not have outstanding hedging positions of long puts with FIRA.

Due to the above, the Company has a contractual agreement with FIRA in which it will absorb 50% of the premium payment option and FIRA the remaining 50%. Because of its nature and as established by IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the portion paid by FIRA should be recognized as income over the periods the related costs are incurred, on a systematic basis. The effect of such benefit as of December 31, 2014 and 2013 was 358 thousand dollars ($5,281) and $0, respectively.

(Continued)

With respect to the risk in commodities that are not designated in a formal hedging relationship and to which the Company is exposed, sensitivity tests on corn and sorghum futures agreements are entered into, considering different (bullish and bearish) scenarios. These results can be seen in paragraph g) of this note.

ii. <u>Chicken price risk</u>

The Company is exposed to financial risks mainly related to changes in the chicken price. The Company does not contemplate a significant drop in chicken price in the future; therefore, as of December 31, 2014 and 2013 it has not entered into any derivative financial instrument or other agreement for managing the risk related to a decrease in chicken price.

The Company reviews chicken prices frequently in order to evaluate the need of having a financial instrument to manage the risk.

iii. <u>Exchange risk</u>

The Company is exposed to fluctuations in the exchange rate mainly on MXP/US dollar parity in the Company's assets and liabilities, such as: primary financial instruments (investments), derivative financial instruments hedging commodities, which are denominated in a currency other than the Company's functional currency. In this regard, the Company has implemented a sensitivity analysis to measure the effects that currency risk may have over the assets and liabilities described.

The Company protects itself through economic hedging with derivative financial instruments, a percentage of its estimated exposure to the exchange rate variations in relation to sales and purchases projected during the year and in the months needed. Maturities of all instruments referred to as hedges for the foreign exchange risk are less than one year from the contracting date.

As of December 31, 2014 and 2013, the Company does not have derivative financial instrument positions to hedge exchange rate risks.

iv. <u>Foreign currency position</u>

The Company has financial instrument assets and liabilities denominated in foreign currency on which there is an exposure to currency risk.

Below is the foreign currency position that the Company has as of December 31, 2014 and 2013.

(Continued)

	December 31,			
	2014		2013	
	Dollars	**Mexican Pesos**	**Dollars**	**Mexican Pesos**
Assets				
Cash and cash equivalents	1,866	27,526	39,843	521,546
Primary financial instruments	24,849	366,527	29,284	383,333
Accounts receivable	35,061	517,154	38,810	508,017
Other accounts receivable	12,598	185,824	12,170	159,305
Total assets	74,375	1,097,031	120,107	1,572,201
Liabilities				
Trade accounts payable	(157,336)	(2,320,708)	(142,124)	(1,860,405)
Other accounts payable	(10,110)	(149,118)	(17,156)	(224,568)
Financial debt	(15,000)	(221,250)	(30,000)	(392,700)
Total Liabilities	(182,446)	(2,691,076)	(189,280)	(2,477,673)
Net liability position	(108,071)	(1,594,045)	(69,173)	(905,472)

The Company carries out a sensitivity analysis related to the effect that the movement in the exchange rates may have on its financial information. These results are shown in paragraph g) of this note. These analyses represent the scenarios that management considers reasonably possible could occur at the end of the year.

The following is a detail of exchange rates effective during the fiscal year:

	Average exchange rate		Spot exchange rate at December 31,	
	2014	**2013**	**2014**	**2013**
Dollars	$ 13.30	12.76	14.75	13.09

The exchange rate at the date of issuance of the consolidated financial statements is $14.90.

v. <u>Interest rate risk</u>

The Company is exposed to fluctuations in rates for primary financial instruments, such as investments, bank loans and debt securities. This risk is managed through derivative financial instruments such as interest rate swaps or others, taking into account market conditions and the criterion of its Risk Management Committee and Board of Directors.

Interest rate fluctuations impacted mainly bank loans by changing either their fair value (fixed rate debt) or its future cash flows (variable rate debt). Management does not have a formal policy to determine how much of the Company's exposure should be at fixed or variable rate. However, at the time of obtaining new loans, Management uses its judgment to decide whether it considers that a fixed or variable rate would be more favorable during the period foreseen to maturity.

(Continued)

To monitor this risk, the Company performs at least monthly, sensitivity tests to measure the effect of the change in interest rates in the instruments described in the preceding paragraph, which are listed in subsection g) of this note.

e) Financial instruments at fair value

The amounts of accounts payable, accounts receivable and short-term debt approximate their fair value because of their nature and short-term maturities.

The following table presents the fair value of the financial instruments that are recognized at amortized cost, together with the carrying amount included in the consolidated statement of financial position:

Liabilities recorded at amortized cost	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Debt securities	$ 1,500,000	1,514,205	1,500,000	1,519,065

f) Fair value hierarchy

The following table presents financial assets and financial liabilities measured at fair value and those that are not measured at fair value, but whose fair value disclosure is required, in accordance with its category within the fair value hierarchy.

Measurements of assets and liabilities in Level 2 of the fair value hierarchy have been determined in accordance with a market approach for similar instruments.

	Level 1	Level 2	Level 3	Total
As of December 31, 2014				
Investments in primary instruments at fair value though profit and loss (corresponds only to assets held for sale)	$ 302,464	608,055	-	910,519
Derivative financial instruments	-	6,669	-	6,669
Debt securities (measured at amortized cost)	-	(1,514,205)	-	(1,514,205)
	$ 302,464	(899,481)	-	(597,017)

	Level 1	Level 2	Level 3	Total
As of December 31, 2013				
Investments in primary instruments at fair value though profit and loss (corresponds only to assets held for sale)	$ 253,125	719,516	-	972,641
Derivative financial instruments on commodities	-	11,735	-	11,735
Debt securities (measured at amortized cost)	-	(1,519,065)	-	(1,519,065)
	$ 253,125	(787,814)	-	(534,689)

(Continued)

g) Quantitative sensitivity measurements

Following are sensitivity analyses for the most significant risks to which the Company is exposed as of December 31, 2014. These analyses represent the scenarios that Management considers reasonably possible that could have occurred at the end of such fiscal year.

i. Derivative Financial Instruments (DFIs)

As of December 31, 2014, the Company's position on derivative financial instruments was only comprised by instruments to hedge commodity risk only.

If at the end of the fiscal year 2014, the bullish price of corn and of short ton of soybean increased 7.5%, the amount of loss related to the Company's derivative financial instruments would increase to $4,966, affecting the profit and loss of the period by a greater loss on derivative financial instruments. If on the other hand, the aforementioned prices decreased 7.5%, then the effect would be the opposite; i.e., the Company would have experienced a benefit in the profit and loss of the period of $12,377.

ii. Interest rate risk

As described in note 17, the company has a financial debt denominated in pesos and dollars, which pays interest at a variable rate based on TIIE and LIBOR, respectively.

If, as of the 2014 closing date, variable rates to which the Company is exposed had been higher by 50 basis points, the amount of interest paid would increase to $12,111 reducing the income of the year. If on the other hand, these rates decreased by 50 basis points, then the effect would be the opposite; i.e., a benefit in the income of the year of $12,111.

iii. Exchange risk

As of December 31, 2014, the Company's net monetary liability position in foreign currency was $1,594,045.

If, as of the 2014 closing date, the exchange rate increased $0.50 cents, the result from foreign currency position, which in 2014 resulted in a net exchange gain, would decrease by $54,035, reducing the Company's profit and loss and stockholders' equity with a loss from foreign currency exchange effects. If, on the other hand, the exchange rate decreased by $0.50, then the effect would be the opposite; that is, an increase in profit and loss and stockholders' equity of $54,035 with a gain from foreign currency exchange effects.

(Continued)

(9) Accounts receivable, net

As of December 31, 2014 and 2013, accounts receivable are as follows:

	December 31, 2014	December 31, 2013
Trade receivables	$ 1,690,237	1,704,583
Allowance for doubtful accounts	(76,793)	(69,245)
Other receivables	340,524	20,824
Income tax receivable	56,512	73,146
Recoverable value-added tax and other recoverable taxes	966,027	592,463
	$ 2,976,507	2,321,771

Past-due but not impaired portfolio

Below is a classification of trade accounts receivable according to their aging as of the reporting date, excluding receivables that are in a legal process, which has not been subject to impairment:

	December 31, 2014	December 31, 2013
Current	$ 925,872	1,470,294
Overdue 0 to 60 days	644,465	120,258
Overdue over 60 days	9,438	27,467
	$ 1,579,775	1,618,019

As of December 31, 2014 and 2013 the Company has receivables in a legal process (receivables for which legal counsel is seeking recoverability) of $110,462 and $86,564, respectively.

The Company believes that non-impaired amounts that are overdue by more than 60 days can still be collected, based on the historical behavior of payments and analysis of credit ratings of customers.

Reconciliation of movements in allowance for doubtful accounts

	2014	2013
Balance as of January 1	$ (69,245)	(46,681)
Increase in allowance	(16,163)	(29,801)
Applications	9,529	7,416
Currency translation effect	(913)	(179)
Balance as of December 31,	$ (76,793)	(69,245)

(Continued)

To determine the recoverability of an account receivable, the Company considers any change in the credit quality of the account receivable from the date of authorization of the credit line to the end of the reference period. In addition, the Company estimates that the credit risk concentration is limited as the customer base is very large and there are no related party receivables or receivables from entities under common control.

(10) Inventories

As of December 31, 2014 and 2013, inventories are as follows:

	December 31, 2014	December 31, 2013
Raw materials and by-products	$ 1,226,778	$ 1,100,971
Medicine, materials and spare parts	656,618	633,829
Balanced feed	218,951	209,082
Processed chicken	777,734	689,102
Commercial eggs	35,957	43,213
Processed beef	23,008	23,013
Processed turkey	17,561	25,090
Other processed products	11,454	13,922
Total	$ 2,968,061	$ 2,738,222

Inventory consumption for the years ended December 31, 2014, 2013 and 2012 was $24,873,999, $26,041,102 and $26,452,636 respectively.

(11) Biological assets

As of December 31, 2014 and 2013, biological assets are as follows:

	Current biological assets	Non-current biological assets	Total
Balance as at January 1, 2014	$ 1,420,174	1,109,936	2,530,110
Increase due to purchases	301,516	296,846	598,362
Sales	-	(222,283)	(222,283)
Net increase due to births	227,892	1,426,359	1,654,251
Production cost	24,324,638	1,088,254	25,412,892
Depreciation	-	(1,194,779)	(1,194,779)
Transfers to inventories	(24,789,388)	(1,426,359)	(26,215,747)
Other	16,596	31,259	47,855
Balance as at December 31, 2014	$ 1,501,428	1,109,233	2,610,661

(Continued)

	Current biological assets	Non-current biological assets	Total
Balance as at January 1, 2013	$ 1,496,964	1,106,120	2,603,084
Increase due to purchases	227,864	328,059	555,923
Sales	-	(178,543)	(178,543)
Net increase due to births	283,175	1,242,535	1,525,710
Production cost	24,683,964	1,073,261	25,757,225
Depreciation	-	(1,221,754)	(1,221,754)
Transfers to inventories	(25,270,795)	(1,242,535)	(26,513,330)
Other	(998)	2,793	1,795
Balance as at December 31, 2013	$ 1,420,174	1,109,936	2,530,110

The "Other" category includes the change in fair value of biological assets that resulted in decreases of $23,096 and $7,857 in 2014 and 2013, an increase of $11,010 in 2012.

The Company is exposed to different risks relating to its biological assets:

- Future excesses in the offer of poultry products and a decline in the demand growth of the chicken industry may negatively affect the Company's results.
- Increases in raw material prices and price volatility may negatively affect the Company's margins and results.
- In addition, in the case of the Company's operations in the United States of America, the cost of corn and grain may be affected by an increase in the demand for ethanol, which may reduce the market's available corn inventory.
- Operations in Mexico and the United States of America are based on animal breeding and meat processing, which are subject to sanitary risks and natural disasters.
- Hurricanes and other adverse climate conditions may result in additional inventory losses and damage to the Company's facilities and equipment.

(Continued)

(12) Prepaid expenses and other current assets

As of December 31, 2014 and 2013, prepaid expenses and other current assets are as follows:

	December 31, 2014	December 31, 2013
Advances to suppliers of inventories	$ 866,119	801,390
Prepaid expenses of services	145,849	184,001
Option agreement on potential acquisition	154,875	-
Prepaid expenses for purchase of property, plant and equipment to related parties	12,500	-
Prepaid expenses of insurance and bonds	64,979	58,764
Other receivables	134,755	91,383
Total	$ 1,379,077	1,135,539

Effective June 20, 2014, the Company executed an option agreement with Morris Hatchery, Inc. that gives the Company the right to purchase its hatching egg operations located in Gillsville, Georgia once the contractual obligations made by Morris Hatchery Inc. with its customers have concluded, which wasn't completed by December 31, 2014. As consideration for this right, the Company made a nonrefundable payment of $10,500 thousand dollars ($154,875) which will be credited against the aggregate purchase price upon closing. The aggregate purchase price for the hatching egg operations is $25,000 thousand dollars upon closing. If the Company chooses to exercise this option, once it is exercisable, then management expects the closing of the purchase to be prior to December 31, 2015.

(13) Assets available for sale

As of December 31, 2014 and 2013, assets available for sale are as follows:

	December 31, 2014	December 31, 2013
Buildings	$ 22,965	18,242
Land	32,779	28,168
Other	2,839	2,643
Total	$ 58,583	49,053

The Company recognized a gain from the sale of these assets as of December 31, 2014 of $5, a loss of $24 during 2013 and a gain of $1,427 in 2012.

(Continued)

(14) Property, plant and equipment

As of December 31, 2014 and 2013, property, plant and equipment are comprised as follows.

Cost	Balance as at January 1, 2014	Additions	Disposals	Currency translation effect	Balance as at December 31, 2014
Land	$ 1,057,182	30,833	(29)	6,196	1,094,182
Buildings and construction	9,548,846	101,388	(87,755)	107,511	9,669,990
Machinery and equipment	9,524,495	298,248	(113,567)	107,546	9,816,722
Transportation equipment	1,204,326	114,453	(149,487)	1,738	1,171,030
Computer equipment	141,252	8,178	(82,768)	1,118	67,780
Furniture	149,741	8,512	(6,410)	1,172	153,015
Leasehold improvements	26,852	-	(5,410)	-	21,442
Construction in progress	356,447	679,504	(44,085)	-	991,866
Total	$ 22,009,141	1,241,116	(489,511)	225,281	22,986,027

Accumulated depreciation	Balance as at January 1 2014	Depreciation for the year	Disposals	Currency translation effect	Balance as at December 31, 2014
Buildings and construction	$ (4,607,271)	(188,909)	52,135	(10,617)	(4,754,662)
Machinery and equipment	(4,724,963)	(513,983)	58,514	(30,454)	(5,210,886)
Transportation equipment	(789,154)	(87,375)	81,874	(970)	(795,625)
Computer equipment	(126,897)	(5,954)	77,317	(928)	(56,462)
Furniture	(108,407)	(9,429)	4,499	(301)	(113,638)
Total	$ (10,356,692)	(805,650)	274,339	(43,270)	(10,931,273)

Cost	Balance as at January 1, 2013	Additions	Disposals	Currency translation effect	Balance as at December 31, 2013
Land	$ 1,056,145	770	(59)	326	1,057,182
Buildings and construction	9,397,122	153,685	(19,482)	17,521	9,548,846
Machinery and equipment	9,081,660	462,988	(25,267)	5,114	9,524,495
Transportation equipment	1,170,321	167,324	(133,483)	164	1,204,326
Computer equipment	138,172	3,151	(130)	59	141,252
Furniture	145,669	5,778	(1,760)	54	149,741
Leasehold improvements	38,841	-	(11,989)	-	26,852
Construction in progress	562,750	(206,303)	-	-	356,447
Total	$ 21,590,680	587,393	(192,170)	23,238	22,009,141

Accumulated depreciation	Balance as at January 1 2013	Depreciation for the year	Disposals	Currency translation effect	Balance as at December 31, 2013
Buildings and construction	$ (4,420,885)	(199,952)	15,844	(2,278)	(4,607,271)
Machinery and equipment	(4,223,450)	(515,833)	15,088	(768)	(4,724,963)
Transportation equipment	(773,826)	(86,936)	71,640	(32)	(789,154)
Computer equipment	(121,753)	(5,232)	130	(42)	(126,897)
Furniture	(101,250)	(8,720)	1,570	(7)	(108,407)
Total	$ (9,641,164)	(816,673)	104,272	(3,127)	(10,356,692)

(Continued)

Carrying amounts, net		Balance as at December 31, 2014	Balance as at December 31, 2013
Land	$	1,094,182	1,057,182
Buildings and construction		4,915,328	4,941,575
Machinery and equipment		4,605,836	4,799,532
Transportation equipment		375,405	415,172
Computer equipment		11,318	14,355
Furniture		39,377	41,334
Leasehold improvements		21,442	26,852
Construction in progress		991,866	356,447
Total	$	12,054,754	11,652,449

Additions of property, plant and equipment in 2013 include assets acquired through business combinations of $11,982 that consist of buildings for $7,095, machinery and equipment for $461, furniture for $77 and transportation equipment for $4,349. During the year ended December 31, 2014 no assets were acquired through business combinations.

Depreciation expense during the years ended December 31, 2014, 2013 and 2012 was $805,650, $816,673 and $837,807, respectively, which were charged to cost of sales and operating expenses.

(15) Goodwill

		2014	2013
Balances at beginning of the year	$	344,259	300,848
Business combinations (Note 4)		-	42,780
Foreign currency effects		5,505	631
Balances at end of year	$	349,764	344,259

The recoverable amount of the cash-generating unit is determined based on a calculation of its value in use, which uses projections of the estimated cash flows based on financial budgets approved by the administration, prevailing for a determined projection period, which are discounted using an annual discount rate.

Projections of the cash flows during the budgeted period are based on sales projections which include increases due to inflation, as well as the projection of expected gross margins and operating margins during the budgeted period. Cash flows that exceed such period are extrapolated using an annual stable growth rate, which is the long-term weighted average growth rate for the market in which the cash-generating unit operates.

(Continued)

The assumptions and balances of each cash-generating unit are as follows:

2014

Cash-generating unit	Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	$ 212,833	5	9.93%	2.70%
Campi	88,015	5	9.93%	2.10%
Ok Farms- Morris Hatchery Inc.	48,916	5	8.24%	0.00%
	$ 349,764			

2013

Cash-generating unit	Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	$ 212,833	5	10.33%	2.70%
Campi	88,015	5	10.33%	2.10%
Ok Farms- Morris Hatchery Inc.	43,411	5	8.74%	0.00%
	$ 344,259			

(16) Other non-current assets

Other non-current assets consist of the following:

	December 31, 2014	December 31, 2013
Advances for purchase of property, plant and equipment	$ 167,935	133,214
Investments in life insurance (note 3 (k))	41,187	35,754
Guarantee deposits	17,341	15,956
Other long-term receivable	104,495	87,927
Intangible assets in process	54,512	37,955
Other	42,558	39,793
Total non-current assets	$ 428,028	350,599

(Continued)

(17) Financial debt

Significant borrowings are secured by guaranties, according to the terms of the borrowing agreements.

Note 8 discloses the carrying amount and fair value of the Company's borrowings.

a) Short-term financial debt is as follows:

	December 31,		
	2014		2013
Loan of USD$30,000 thousand dollars denominated in USD, maturing in June 2014, at LIBOR (3) rate plus 1.20 points.			392,700
Denominated in pesos, maturing in January, October, December 2014, at TIIE (1) FIRA (2) less 0.70 percentage points.			148,500
Loan in the amount of USD$15,000 thousand dollars, maturing in January 2015, at LIBOR (3) rate plus 1.04 percentage points.	$	221,250	-
Denominated in pesos, maturing in January 2015, at TIIE (1) FIRA (2) less 0.70 percentage points.		193,000	-
Denominated in pesos, maturing in January 2015, at TIIE (1) FIRA (2) rate plus 1.25 percentage points		250,000	-
Total short-term debt	$	664,250	541,200

Annual weighted average interest rate of short-term loans denominated in pesos for 2014, 2013 and 2012 was 2.78%, 3.72% and 4.97%, respectively. Average interest rate for short-term loans existing as of December 31, 2014 and 2013, was 3.68% and 3.10%, respectively.

Annual weighted average interest rate of short-term loans denominated in dollars for the years 2014, 2013 and 2012 was 1.10%, 1.49% and 1.06%, respectively. Average interest rate for loans existing as of December 31, 2014 and 2013 was 1.24% and 1.37%, respectively.

(1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate
(2) FIRA (for its acronym in Spanish) = Trust Established in Relation to Agriculture
(3) LIBOR= London Interbank Offered Rate

(Continued)

b) Long-term debt consists of the following:

	December 31, 2014	December 31, 2013
Denominated in pesos, maturing in 2015 and 2016, at TIIE (1) plus 1.00 percentage points.	10,209	22,329
Denominated in pesos, maturing in January 2014, at TIIE (1) FIRA (2) rates less 0.55 percentage points.	-	4,273
Denominated in pesos, maturing in September 2017, at TIIE (1) rates plus 0.63 percentage points.	102,000	-
Denominated in pesos, maturing in August 2015, at TIIE (1) FIRA (2) rates less 0.90 percentage points.	124,000	-
Denominated in pesos, maturing in April 2017, at TIIE (1) rates plus 0.25 percentage points.	49,993	-
Debt securities (subsection (d))	1,500,000	1,500,000
	1,786,202	1,526,602
Less current maturities	(133,732)	(16,392)
Long-term debt, excluding current maturities	$ 1,652,470	1,510,210

Long-term annual weighted average interest rate for 2014, 2013 and 2012 was 3.72%, 4.93% and 5.40%, respectively. Average rate for current loans as of December 31, 2014 and 2013 was 3.68% and 4.40%, respectively.

(1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate
(2) FIRA (for its acronym in Spanish) = Trust Established in Relation to Agriculture

During 2014 and 2013, the Company made early payments on its long-term debt of $201,300 and $11,833 respectively, without payment of fees for early termination.

As of December 31, 2014 and 2013, total unused lines of credit, totaled $5,282,600 and $5,418,099, respectively. In both years, the Company did not pay any fee for undrawn balances.

c) Maturities of long-term debt, excluding current maturities, as of December 31, 2014, are as follows:

Year	Amount
2016	$ 4,502
2017	1,647,968
	$ 1,652,470

Interest expense on total loans during the years ended December 31, 2014, 2013 and 2012, amounted to $87,624, $97,025 and $71,005, respectively.

Certain bank loans establish certain affirmative and negative covenants, as well as the requirement to maintain certain financial ratios, which have been met as of December 31, 2014, among which are:

(Continued)

a) Provide financial information at request from the bank.

b) Not to contract liabilities with financial cost or grant loans that may affect payment obligations.

c) Notify the bank regarding the existence of legal issues that could substantially affect the financial situation of the Company.

d) Not to perform substantial changes to the nature of the business, or the administrative structure.

e) Not to merge, consolidate, separate, settle or dissolve except for those mergers in which the Company or surety are the merging company and do not constitutes a change on control of the entities of the group to which the Company or the surety belong, at the date of the agreement.

d) Issuance of debt securities

On August 28, 2012, the Company was authorized to issue debt securities in the total amount of the program of $5,000,000 or the equivalent in UDIS (1), on a revolving basis, for a term of five years from the date of the authorization letter from the Mexican Banking Commission. The initial issuance dated August 31, 2012 was of $1,500,000 pesos with ticker symbol: "BACHOCO 12" for a term of 1,820 days, equivalent to 65 periods of 28 days, approximately five years, with 15,000,000 debt securities and a par value of $100 pesos per certificate.

From the date of issuance, and while the debt securities have not been paid, they will accrue annual gross interest on their par value, at an annual interest rate, which is calculated by adding 0.60 percentage points at the 28-day TIIE, and in the event the 28-day TIIE were not published, at the nearest term published by the Bank of Mexico. The common representative of the stock-holders will calculate the accrued interest two business days prior to the beginning of each interest period of 28 days, according to the payment schedule, computed from the date of issuance or at the beginning of each interest period and governed precisely during that interest period.

The debt securities will be paid at the expiration of the contractual term. Direct costs arising from debt issuance or contract are deferred and amortized as part of financial expense using the effective interest rate through the expiration of each transaction. Such costs include commissions and professional fees.

(1) UDIS = Investment units

Derived from the issuance of the Debt securities, the Company is subject to certain requirements, affirmative and negative covenants, with which they comply as of December 31, 2014.

(Continued)

(18) Trade accounts and other accounts payable

	December 31,	
	2014	**2013**
Trade payables	$ 3,257,291	2,764,766
Sundry creditors and expenses payable	273,255	303,483
Provisions	215,003	133,103
Statutory employee profit sharing	19,939	29,140
Retained payroll taxes and other local taxes	167,205	129,122
Direct employee benefits	33,894	5,504
Interest payable	1,920	3,275
Government grant	1,947	-
Others	61	7,208
	$ 3,970,515	3,375,601

Note 8 discloses the Company's exposure to the exchange and liquidity risks related to trade accounts payable and other accounts payable.

On December 2009, the Mexican Federal Competition Agency (CFC, for its Spanish acronym) released a news report in which it announced an investigation on the Mexican poultry industry in reference to possible monopolistic practices. As a result of this investigation, CFC imposed several fines to the Company for supposedly having certain practices where the price of chicken was manipulated. Although the Company and its legal advisors consider that the interposed legal processes are well sustained and attended, a provision that is considered adequate has been recognized.

Additionally, the National Water Commission (CNA, for its Spanish acronym) imposed credits and fines to the Company for supposed infractions made by the Company in water administration for exploitation of livestock. The Company has recognized a provision for the amount that it expects to be probable to pay.

Bachoco USA, LLC. is involved in claims with the United States of America Department of Labor and the Unites State Immigration and Customs Enforcement, and various other matters related to its business, including workers' payment claims and environmental issues. As of December 31, 2014 and 2013, the Company has recorded provisions of $22,125 (US$1,500 thousand) and $19,635 (US$1,500 thousand) for the amount that it expects to be probable to pay.

(19) Transactions and balances with related parties

(a) Transactions with management

Compensation

The following table shows the compensation paid to the directors and executives for services provided in their respective positions for the years ended December 31, 2014, 2013 and 2012:

(Continued)

	December 31,		
	2014	2013	2012
Compensation	$ 39,538	52,805	39,288

(b) Transactions with other related parties

Below is a summary of the Company's transactions and balances with other related parties:

i. Revenues

	Transaction value		
	December 31,		
	2014	2013	2012
Sales of products to:			
Vimifos S.A de C.V.	$ 32,202	42,719	38,664
Frescopack S.A de C.V	-	-	20
Llantas y Accesorios, S.A. de C.V.	-	-	50
Autos y Accesorios, S.A. de C.V.	1,302	-	448
Alfonso R. Bours, S.A. de C.V.	-	13	29
Taxis Aéreos del Noroeste, S.A. de C.V.	19	18	19
	$ 33,523	42,750	39,230

ii. Expenses and balances payable to related parties

	Transaction value			Balance as of	
	December 31,			December 31,	
	2014	2013	2012	2014	2013
Purchases of food, raw materials and packing supplies					
Vimifos, S.A. de C.V.	$ 359,258	361,497	467,499	$ 76,482	21,813
Frescopack, S.A. de C.V.	153,891	147,192	129,119	23,267	18,151
Pulmex 2000, S.A. de C.V.	21,283	13,766	11,844	6,858	-
Qualyplast, S.A. de C.V.	925	753	44	97	242
Purchases of vehicles, tires and spare parts					
Maquinaria Agrícola, S.A. de C.V.	$ 55,166	57,100	62,035	4,315	8,415
Llantas y Accesorios, S.A. de C.V.	31,423	29,421	27,282	4,688	4,458
Autos y Accesorios, S.A. de C.V.	21,397	22,525	19,815	6,454	253
Autos y Tractores de Culiacán, S.A. de C,V.	19,140	21,967	18,026	1,971	610
Camiones y Tractocamiones de Sonora, S.A. de C.V.	33,227	23,649	1,647	2,384	5
Agencia MX-5 S.A de C.V.	2	2,294	397	2	1
Alfonso R. Bours, S.A. de C.V.	452	590	568	63	147
Airplane leasing expenses					
Taxis Aéreos del Noroeste, S.A. de C.V.	$ 1,964	7,375	10,137	452	-
				$ 127,033	54,095

(Continued)

As of December 31, 2014 and 2013, balances payable to related parties correspond to current accounts denominated in pesos that bear no interest and are payable in a short-term basis.

As of December 31st 2014 the Company has a prepayment for the purchase of property, plant and equipment for $12,500 paid to Autos y Tractores de Culiacan S.A. de C.V., which is included on note 12.

(20) Income Tax

Under the tax legislation in Mexico and the United States of America, in effect through December 31, 2014, entities are subject to pay Income Tax (ISR, by its Spanish acronym). The Mexican Congress approved tax reforms that will be in effect beginning January 1, 2014, which include a new ISR Law and the elimination of IETU.

a) ISR

The Company and each of its subsidiaries file separate income tax returns (including its foreign subsidiary, which files income tax returns in the United States of America, based on its fiscal year ending in April of every year). For the years ended December 31, 2014 and 2013 the applicable rate under the general tax regime in Mexico is 30%; this rate will be applicable in future years as well. The applicable rate for the Company's US subsidiary is 38.79% (includes state and federal taxes).

Until December 31, 2014 BSACV, the Company's primary operating subsidiary, was subject to ISR under the ISR law. Effective as of January 1, 2014, the simplified regime was eliminated and is substituted with the agriculture, cattle-raising, forestry and fishing regime, which is applicable for entities exclusively dedicated to such activities. The new ISR Law establishes that such activities are exclusive when no more than 10% of the entities' total revenues are generated from something other than those activities or from industrialized products. In order to determine ISR, under the agricultural, cattle-raising, forestry and fishing regime, taxable income is calculated by adding collected revenue and subtracting paid deductions; the tax rate is 21% on annual taxable income up to 10 million pesos, and for taxable income in excess of that amount, the tax rate is 30%.

b) Tax charged to profit and loss

For the years ended December 31, 2014, 2013 and 2012, the income tax (benefit) expense included in profit and loss is as follows:

(Continued)

	December 31		
	2014	2013	2012
Operation in Mexico:			
Current ISR	$ 1,211,006	1,227,189	366,417
Current IETU	-	228	-
Deferred ISR	230,255	(527,449)	207,079
Deferred ISR from tax rate change	-	674,810	-
	1,441,261	1,374,778	573,496
Foreign operation:			
Current ISR	165,034	-	-
Deferred ISR	49,815	(24,339)	28,524
Total ISR expense	$ 1,656,110	1,350,439	602,020

Total income tax expense

The income tax expense attributable to income before income taxes, was different from the amount computed by applying the ISR rate of 30% in 2014 and 21% in 2013 and 2012 as a result of the items listed below:

	December 31,					
	2014		2013		2012	
	ISR	Percentage	ISR	Percentage	ISR	Percentage
Expected expense	$ 1,676,633	30%	$ 712,371	21%	$ 586,696	21%
Increase (decrease) resulting from:						
Net effects of inflation	(112,388)	(2)%	(64,401)	(2)%	(47,627)	(2)%
(Non-taxable income) Non-deductible expenses	(7,101)	(0)%	(9,213)	(0)%	1,740	0%
Effect of rate difference from the agricultural regime	26,712	1%	23,188	1%	61,777	2%
Effect of recognition of deferred assets not recognized previously	-	-	-	-	(453)	(0)%
Effect from non-deductible employee benefits	73,038	1%	13,872	0%	-	-
Effect from change on tax rate in the new ISR Law	-	-	674,810	20%	-	-
Other	(784)	(0)%	(188)	0%	(113)	(0)%
Expense for income taxes	$ 1,656,110	30%	$ 1,350,439	39%	$ 602,020	21%

c) Deferred income tax

The Company and each one of its subsidiaries determine deferred taxes that are reflected at a consolidated level on an individual basis. BSACV, the main operating subsidiary of the Company is subject to tax payment under the agricultural regime, in which the tax base for ISR is determined on collected revenues minus paid deductions.

(Continued)

The tax effects of temporary differences, tax losses and tax credits that give rise to significant portions of deferred tax assets and liabilities as at December 31, 2014 and 2013 are detailed below:

	December 31,	
	2014	2013
Deferred tax assets		
Accounts payable	$ 5,019	2,218
Employee benefits	14,071	17,121
PTU payable	6,376	8,595
Tax loss carryforwards	21,383	3,858
Prepaid expenses	245	3,148
Other provisions	2,284	-
Net deferred tax assets	$ 49,378	34,940

	December 31,	
	2014	2013
Deferred tax assets		
Accounts payable	$ 1,120,240	1,350,373
Employee benefits	7,445	-
PTU payable	423	262
Tax loss carryforwards	4,073	86,779
Other provisions	13,817	-
Total deferred tax assets	1,145,998	1,437,414
Deferred tax liabilities		
Inventories	1,188,259	1,235,848
Employee benefits	-	786
Accounts receivable	411,312	316,374
Property, plant and equipment	2,365,619	2,407,779
Prepaid expenses	257,133	22,615
Derivative financial instruments	5,872	190,143
Total deferred tax liabilities	4,228,195	4,173,545
Net deferred tax liability	$ 3,082,197	2,736,131

d) Unrecognized deferred tax assets

Deferred tax assets that have not been recognized in the Company's consolidated financial statements are as follows:

	December 31,	
	2014	2013
Recoverable tax on assets	2,586	3,324
Total	$ 2,586	3,324

(Continued)

e) **Unrecognized deferred tax liabilities**

Deferred taxes related to investments in subsidiaries have not been recognized as the Company is able to control the moment of the reversal of the temporary difference, and the reversal is not expected to take place in the foreseeable future.

f) **Movement in temporary differences during the fiscal year**

	January 1, 2014	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2014
Accounts payable	$ (1,352,591)	229,510	(2,179)	(1,125,260)
Employee benefits	(5,110)	(8,661)	(7,744)	(21,515)
PTU payable	(8,857)	2,057	-	(6,800)
Tax loss carryforwards	(90,637)	66,899	(1,717)	(25,455)
Other provisions	-	(16,249)	148	(16,101)
Inventories	1,235,848	(59,061)	11,472	1,188,259
Accounts receivable	316,374	94,496	-	410,870
Property, plant and equipment	2,389,609	(75,567)	51,578	2,365,620
Prepaid expenses	216,555	40,774	-	257,329
Derivative financial instruments	-	5,872	-	5,872
Net deferred tax liability	**$ 2,701,191**	**280,070**	**51,558**	**3,032,819**

	January 1, 2013	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2013
Accounts payable	$ (754,765)	(597,826)	-	(1,352,591)
Employee benefits	(40,401)	60,696	(25,405)	(5,110)
PTU payable	(9,254)	397	-	(8,857)
Effects on derivative financial instruments	(858)	858	-	-
Tax loss carryforwards	(10,043)	(80,594)	-	(90,637)
Inventories	1,284,699	(48,851)	-	1,235,848
Accounts receivable	221,133	95,241	-	316,374
Property, plant and equipment	1,871,086	512,889	5,634	2,389,609
Prepaid expenses	36,343	180,212	-	216,555
Net deferred tax liability	**$ 2,597,940**	**123,022**	**(19,771)**	**2,701,191**

(Continued)

g) Tax on assets and tax loss carryforwards

As at December 31, 2014, tax loss carryforwards, and recoverable tax on assets (IMPAC, for its Spanish acronym) expires as shown below. Amounts are indexed for inflation as permitted by the Mexican income tax law:

	Amount as of December 31, 2014		
Year	Tax loss carryforwards	Recoverable IMPAC	Year of expiration / maturity
2006	$ -	2,586	2016
2013	13,385	-	2023
2014	57,891	-	2024
	$ 71,276	2,586	

h) Impacts on the tax reform for changes beginning 2014

As discussed above, the Mexican Congress approved a new ISR Law that was enacted in 2013 but will go into effect beginning January 1, 2014. Due to this tax reform, the Company recognized in its consolidated financial statements a charge to 2013 results in the amount of $674,810 of deferred income tax mainly arising from the measurement of deferred assets and liabilities determined based on the new agriculture, cattle-raising, forestry and fishing regime, for the change in the general income tax rate to 30% and for the limitation to the deductible amount of certain employee benefit expenses provisioned.

The main income tax impact to the Company is related to the increase from 21% to 30% in the tax rate of BSACV, the Company's primary operating subsidiary, and to the deductible limitation of 53% of wage expenses of employee benefits that are tax exempt income for workers.

(21) Employee benefits

a) Employee benefits in Mexico

Defined contribution plans

The Company has a defined contribution plan which receives contributions from both the employees and the Company. Employees can make contributions from 1% to 5% of their wage and the Company is obligated to make contributions as follows: i) from the first to the fifth year of service of 1% of the wage, ii) from the sixth year of services of the employee the contribution of the Company is increased by 1% until it reaches 5%, and iii) for the subsequent years the Company contribution will be the same as the employee's. When an employee retires from the Company he/she has the right to receive the contribution he/she has made to the plan, and i) if the employee retires between the first and the fourth year of services, he/she does not have the right to receive the contribution made by the Company, ii) if he/she retires on the fifth year of services he/she has the right to receive 50% of the contributions made by the Company and, for each additional service year, the employee has the right to receive an additional 10% of the contributions made by the Company.

(Continued)

The expenses for paid contributions to defined contribution plans were $7,973, $11,708 and $14,434, in 2014, 2013 and 2012, respectively.

The Company makes payments equivalent to 2% of the integrated wage of its workers to the defined contribution plan for the retirement saving fund system established by the Mexican law. The expense for this concept was $42,742, $40,023 and $39,681, in 2014, 2013 and 2012, respectively.

Defined benefits plan

The Company has a defined benefit pension plan covering non-unionized personnel in Mexico. The benefits are based on the age, years of service and the employee's payment. The retirement age is 65 years, with a minimum of 10 years of services, and there is an option for an anticipated retirement option, in certain circumstances, at 55 years of age. The Company's policy to fund the pension plan is to make contributions up to the maximum amount that can be deducted for ISR.

Additionally, according to the Mexican Federal Labor Law, the Company is obligated to pay a seniority premium as a retirement benefit if an employee retires and has at least 15 years of services, which consists of a sole payment of 12 days for each worked year based on the last wage, limited to the two minimal wages established by law.

The Company recognizes as a benefit plan, a constructive obligation from past practices. Such constructive obligation is associated with service time the employee has worked on the Company. The payment of this benefit is disbursed in a single installment at the time the employee voluntarily stops working for the Company.

The plans in Mexico expose the Company to actuarial risks such as: interest rate risk, longevity risk and salary risk:

Interest risk	A decrease in the interest rate for the governmental bonds will increase the plan's liability.
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.

(Continued)

The projected net liability presented on the consolidated statements of financial position is as follows:

	December 31, 2014	December 31, 2013
Present value of unfunded obligations	$ 90,899	48,245
Present value of funded obligations	314,804	312,170
Total present value of benefit obligations (PBO)	405,703	360,415
Plan assets at fair value	(314,804)	(312,170)
Projected liability, net	$ 90,899	48,245

i. Composition and return of plan assets

	Actual return of the plan's assets		Composition of the plan's assets	
	2014	2013	2014	2013
Fixed income securities	5.99%	3.83%	63%	68%
Variable income securities	7.69%	9.81%	37%	32%
			100%	100%

ii. Movements in the present value of defined benefit obligations (PBO)

	2014	2013
PBO as at January 1	$ 360,415	385,178
Benefits paid by the plan	(31,091)	(19,213)
Service cost	24,438	26,680
Interest cost	29,768	28,138
Actuarial (gains) losses recognized in the statement of comprehensive income	22,173	(60,368)
PBO as at December 31	$ 405,703	360,415

iii. Movements in the fair value of plan assets

	2014	2013
Plan assets at fair value as at January 1	$ 312,170	263,250
Plan contributions	-	36,626
Benefits paid by the plan	(20,011)	(8,482)
Expected return on plan assets	26,283	20,087
Actuarial losses (gains) in the statement of comprehensive income	(3,638)	689
Fair value of plan assets as at December 31	$ 314,804	312,170

(Continued)

iv. Expense recognized in profit and loss

		2014	2013	2012
Current service cost	$	24,438	26,680	21,876
Interest cost, net		3,485	8,051	-
Interest cost on obligation		-	-	26,638
Curtailment gain		-	-	(657)
Actual return on plan assets		-	-	(24,522)
	$	27,923	34,731	23,335

v. Actuarial gains and losses

		2014	2013	2012
Amount accumulated as at 1 January	$	(86,372)	(25,315)	29,624
Recognized during the year		25,812	(61,057)	(54,939)
Amount accumulated as at 31 December	$	(60,560)	(86,372)	(25,315)

vi. Actuarial assumptions

Primary actuarial assumptions at the consolidated financial statements date (expressed as weighted averages) are as follows.

	2014	2013
Discount rate as at 31 December	8.00%	8.50%
Rate for future salary increases	4.50%	4.50%
Rate for future pension increases	3.50%	4.25%

The assumptions related to mortality are based on statistics and experiences over the Mexican population. The average expected life of an individual that retires at 65 years of age is 17.13 years for men and 10.92 years for women (Experience Chart of Demographic Mortality for Active EMSSA 1997).

vii. Historical information

		December 31,_	
		2014	2013
Present value of defined benefit obligation	$	405,703	360,415
Plan assets at fair value		(314,804)	(312,170)
Plan deficit	$	90,899	48,245
Experience adjustments arising from plan liabilities	$	22,173	(60,368)
Experience adjustments arising from plan assets	$	(3,638)	(689)

(Continued)

viii. Sensitivity analysis of the defined benefits obligations as of December 31, 2014

	Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 8.50%	(266,298)	(84,908)	(54,497)	(405,703)
Rate increase (+ 1%)	(216,605)	(79,874)	(51,033)	(347,512)
Rate decrease (- 1%)	(334,923)	(90,594)	(58,423)	(483,940)

ix. Expected cash flows

	Total
2015-2025	$(336,422)

x. Future contributions to the defined benefits plan

The Company does not expect to make contributions to the defined benefit plans in the following financial year.

b) Foreign employee benefits

Defined contribution plans

Bachoco USA, LLC. (foreign subsidiary) has a defined contribution retirement 401(k) plan, covering all employees who meet certain eligibility requirements. The Company contributes to the plan at the rate of 50% of employee's contributions up to a maximum of 2% of the individual employee's contribution. The cumulative contribution expense for this plan was $6,597, $5,681 and $4,131 for the year ended December 31, 2014, 2013 and 2012, respectively.

Equity-based compensation

Bachoco USA, LLC. has a deferred payment agreement with certain key employees. Amounts payable under this plan are vested after 10 years from the date of the agreement. The benefit value of each unit is equal to the increase in the initial book value from the date of the agreement to the conclusion of the vesting period. Under the agreement, 38,000 and 38,500 units were outstanding as of December 31, 2014 and 2013, respectively, all of which were fully vested. The total liability under this plan totaled $3,516 and $3,503 as at December 31, 2014 and 2013, respectively. The expense for this plan for the year ended December 31, 2014, 2013, and 2012 was of $0, $0, and $9,319, respectively.

c) **PTU**

Industrias Bachoco, S.A.B de C.V. and BSACV has no employees. Each of the subsidiaries of the Company that has employees in Mexico is required under Mexican laws to pay employees, in addition to their payment and benefits, statutory employee profit sharing in an aggregate amount equal to 10% of each subsidiary's taxable income. The accrued liability as of December 31, 2014 and 2013 is shown in note 18, Trade payable and other accounts payable.

(22) Costs and expenses by nature

	2014	2013	2012
Cost of sales	$ 32,494,974	33,176,599	33,318,207
General, selling and administrative expenses	3,781,326	3,291,006	3,396,655
Total costs and expenses	$ 36,276,300	36,467,605	36,714,862
Inventory consumption	$ 24,873,999	26,041,102	26,452,636
Wages and salaries	4,451,457	3,028,830	2,922,160
Freight	2,948,439	2,495,673	2,412,771
Maintenance	1,077,940	1,028,511	1,037,982
Other utility expenses	1,193,449	1,119,094	1,120,314
Depreciation	805,650	816,673	837,807
Leases	311,585	286,022	290,066
Other	613,781	1,651,700	1,641,126
Total	$ 36,276,300	36,467,605	36,714,862

During 2013, the Company informed the National Service of Sanity, Safety and Food Quality (SENASICA, by its Spanish acronym) the presence of a H7N3 avian flu outbreak in some of the Company's farms located in the state of Guanajuato and in the limits of the Jalisco and Guanajuato states. The financial effects derived from the outbreak were a charge to cost of sales in 2013 for $350,821 related to the destruction of birds and eggs inventory.

(23) Operating leases

Company as lessee

The Company has entered into operating leases for certain offices, production facilities, and automotive and computer equipment. Some leases contain renewal options. These agreements have terms between one and five years.

	2014	2013	2012
Lease expenses	$ 311,585	286,022	290,066

The amount of annual rentals payable, arising from lease agreements for the following five years is as follows:

2015	$67,563
2016	44,590
2017	48,009
2018	36,311
2019	43,082

(24) Stockholders' equity and reserves

a) Capital risk management

An adequate capital risk management allows ongoing business continuity and the maximization of the return towards the Company's investors, which is why management has taken actions that ensure the Company maintains an adequate balance of the funding sources that build its capital structure.

Within its activities in risk management, the Company ensures that the ratio between financial debt and EBITDA of the last 12 months doesn't exceed 2.75 times and that the interest coverage ratio is at least 3 to 1.

During 2014 and 2013 these ratios were below the thresholds established by the Company's Risk Committee.

b) Common stock and premiums

As of December 31, 2014 and 2013, the Company's capital stock is represented by 600,000,000 Series "B" registered shares with a par value of $1 peso per share.

The Robinson Bours family owned 496,500,000 shares through two family trusts: the placement trust and the control trust, which collectively represented 82.75% of the Company's total shares.

On December 9, 2013, the members of the placement trust decided to sell 57,000,000 shares that represent 9.5% of the total shares of the Company. The transaction was conducted through the BMV at market price.

After the sale of the shares, the Company's capital stock was as follows:

	Before the Transaction		**After the Transaction**	
	Shares[1]	**Position**	**Shares[1]**	**Position**
Familiar Trusts	**496,500,000**	**82.75%**	**439,500,000**	**73.25%**
- Control Trust	312,000,000	52.00%	312,000,000	52.00%
- Placement Trust	184,500,000	30.75%	127,500,000	21.25%
Floating Position [2]	**103,500,000**	**17.25%**	**160,500,000**	**26.75%**

(1) All Series B shares with voting power.
(2) Operating at the BMV and the NYSE.

Based on the information provided to the Company, as of December 31, 2014, stockholders with 1% or more interest in the Company, in addition to the family trusts, are as follows:

	Shares	Position
Royce & Associates, LLC	9,419,520	1.6%

c) Other comprehensive income items

i. Foreign currency translation reserve

This concept is related to the translation of the Company's U.S. operations from their functional currency (U.S. dollar) to the reporting currency, the Mexican peso.

ii. Actuarial remeasurements

Actuarial remeasurements are recognized as other components of comprehensive income and are related to variations in actuarial assumptions that generate actuarial gains or losses as well as adjust the actual yields from plan assets from the net interest cost calculated over the net defined benefits liability balance. Actuarial remeasurements are presented net of income tax within other comprehensive income in the consolidated statement of changes in stockholders' equity.

d) Reserve for repurchase of shares

In 1998, the Company approved a stock repurchase plan in conformity with the Mexican Securities Trading Act and created a reserve for that purpose of $180,000 charged to retained earnings in such year.

Pursuant to a resolution at the General Ordinary Stockholders' Meeting, an amount of $576,600 was approved to be used in the reserve for acquisition own shares.

The following table shows the movements of the reserve for acquisition of shares during the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Balance as at January 1	-	-	227,400
(+)Total shares purchased	149,475	100,000	3,704,731
(-)Total shares sold	(149,475)	(100,000)	(3,932,131)
Balance as at December 31	-	-	-

The net amount of repurchase and treasury share sale transactions gave rise to a gain of $1,504, $127 and $10,993 during the years ended December 31, 2014, 2013 and 2012, respectively, recognized within equity.

As at December 31, 2014, the Company has no treasury shares.

e) Dividends

During the years ended December 31, 2014, 2013 and 2012, the Company has declared and paid the following dividends:

In 2014, the Company didn't declare dividends or pay any dividends.

In 2013, the Company declared dividends as follows:

- On April 24th, the Company declared a payment of dividends in cash at nominal value of $350,400 or $0.584 pesos per outstanding share. The payment was made in two even installments of $0.292 pesos per outstanding share, in May and July, 2013.

- On December 6th, the Company declared a second payment of dividends in cash in the amount at nominal value of $600,000 or $1.00 peso per outstanding share, which was paid on December 23, 2013.

In 2012 the Company declared and paid dividends to its shareholders for a nominal value amount of $299,175 or $0.50 per outstanding share.

Dividends that the Company pays to stockholders are subject to ISR solely insofar as such dividends exceed the balance in its net tax income account (CUFIN) consisting of income in which ISR is already paid by the Company. The ISR paid on dividends corresponds to a tax payable by legal entities and not by individuals. However, as a result of changes to the income tax law described in note 20(a), beginning on January 1, 2014, a new withholding tax of 10% for resident individuals in Mexico and for all residents in foreign countries who receive dividends from entities was established. Such tax is considered a withholding tax by the entity that pays the dividends. This tax will be applicable only to the income generated from period 2014. Thus, the Company must update its CUFIN from income generated up to December 31, 2013 and must calculate a new CUFIN with the income generated from January 1, 2014.

The Company obtains most of its revenue and net income from BSACV. For fiscal years 2014, 2013 and 2012, net income of BSACV, accounted for 72%, 71% and 79% respectively, of consolidated net income. Dividends for which BSACV pays ISR will be credited to the Company's CUFIN account, and accordingly, any future liabilities arising from ISR will arise when such amounts are distributed as dividends by the Company to the stockholders.

The restated amount as of December 31, 2014 on tax bases of the contributions made by stockholders (CUCA), totaling $2,515,234, may be refunded to them tax-free, to the extent that such amount is the same or higher than equity.

(25) Earnings per share

Earnings per share for the years ended December 31, 2014, 2013 and 2012 are $6.55, $3.40 and $3.65, respectively. The calculation of basic earnings per share was based on income attributable to ordinary stockholders of $3,926,926, $2,038,422 and $2,184,567 for the years ended December 31, 2014, 2013 and 2012, respectively.

The average weighted number of common outstanding in 2014, 2013 and 2012 was 599,955,240, 599,992,952 and 598,959,882 shares, respectively.

The Company has no ordinary shares with potential dilutive effects.

(26) Commitments

- Bachoco USA, LLC has self-insurance programs for health care costs and workers' payments. The subsidiary is liable for health care claims up to $5,163 (350 thousand dollars) each year per plan participant and workers' payments claims up to $14,750 (1,000 thousand dollars) per event. Self-insurance costs are recorded based on the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The provision for this concept is recorded in the accompanying consolidated statement of financial position within current liabilities amounting to $50,342 (3,413 thousand dollars) and $48,472 (3,703 thousand dollars) as at December 31, 2014 and 2013, respectively. Likewise, the consolidated statement of comprehensive income includes expenses relating to self-insurance plans of $101,293 (7,616 thousand dollars), $85,006 (6,494 thousand dollars) and $85,161 (6,617 thousand dollars) for the years ended December 31, 2014, 2013 and 2012, respectively. The Company is required to maintain letters of credit on behalf of the subsidiary of $50,150 (3,400 thousand dollars) and $44,506 (3,400 thousand dollars) as at December 31, 2014 and 2013, respectively, to secure self-insured workers' payments.

- The Company has entered into grain supply agreements with third parties as part of the regular course of its operations.

(27) Contingencies

a) Insurance

The Company has not contracted full coverage insurance for its facilities, interruption of activities or corporate civil liability in respect of property and environmental damage resulting from accidents in the Company's property or that relate to Company operations. Until appropriate insurance coverage is obtained, there is a risk that the loss or destruction of certain assets may have a significant adverse effect on the Company's operations and financial situation.

b) Lawsuits

The Company is involved in a number of lawsuits and claims arising from the regular course of business. In the opinion of the Company's management, they are not expected to have significant effects on the Company's financial position, operating results and future consolidated statements of cash flows.

c) Tax contingencies

In accordance with tax laws, Mexican authorities are empowered to review transactions carried out during the five years prior to the most recent ISR return filed. For the operations in the United States of America, the authorities of that country are empowered to review transactions carried out during the three years prior to the due date of the most recent annual tax return. Although the Company is under review by the Mexican tax authorities for the fiscal year of 2009, nothing has come to its attention as a result of those reviews that would indicate that a contingency exists.

(28) Financial income and costs

	2014	2013	2012
Interest income	$ 337,769	298,141	209,170
Income from interest in accounts receivable	9,595	16,104	12,893
Foreign exchange gain, net	19,863	28,085	35,212
Effects of valuation of derivative financial instruments	-	2,455	12,757
Financial income	367,227	344,785	270,032
Effects of valuation of derivative financial instruments	(2,229)	-	-
Interest expense and financial expenses on financial debt	(87,624)	(97,025)	(71,005)
Commissions and other financial expenses	(30,466)	(129,341)	(33,995)
Financial costs	(120,319)	(226,366)	(105,000)
Financial income, net	$ 246,908	118,419	165,032

(29) Other income (expenses)

	2014	2013	2012
Other income			
Sale of scrap of biological assets, raw materials, by-products and other	$ 722,653	332,623	271,385
Total other income	722,653	332,623	271,385
Other expenses			
Cost of disposal of biological assets, raw materials, by-products and other	(623,148)	(244,054)	(257,182)
Other	(260,424)	(57,865)	(38,013)
Total other expenses	(883,572)	(301,919)	(295,195)
Total other income (expenses), net	$ (160,919)	30,704	(23,810)