

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

SAN MIGUEL PURE FOODS COMPANY INC.

3. Province, country or other jurisdiction of incorporation or organization

METRO MANILA, PHILIPPINES

4. SEC Identification Number

11840

5. BIR Tax Identification Code

000-100-341-000

6. Address of principal office

23/F, THE JMT CORPORATE CONDOMINIUM, ADB AVENUE, ORTIGAS CENTER,
PASIG CITY, METRO MANILA

Postal Code

1605

7. Registrant's telephone number, including area code

(632) 702-5000

8. Date, time and place of the meeting of security holders

MAY 8, 2015, FRIDAY

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Apr 15, 2015

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PF)	166,667,096
PREFERRED (PFP2)	15,000,000

13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE - COMMON AND PREFERRED SHARES

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



San Miguel Pure Foods Company, Inc. PF

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	May 8, 2015
Type (Annual or Special)	ANNUAL
Time	2:00 P.M.
Venue	EXECUTIVE DINING ROOM, 2ND FLOOR, SAN MIGUEL HEAD OFFICE COMPLEX, NO. 40 SAN MIGUEL AVENUE, MANDALUYONG CITY, METRO MANILA
Record Date	Apr 7, 2015

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 8, 2015
End date	Apr 15, 2015

Other Relevant Information

Please see attached Preliminary Information Statement of SMPFC filed with the Securities and Exchange Commission on March 27, 2015.

Filed on behalf by:

Name	Zenaida Postrado
Designation	VP & Chief Finance Officer

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

Preliminary Information Statement

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Month

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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I. D.

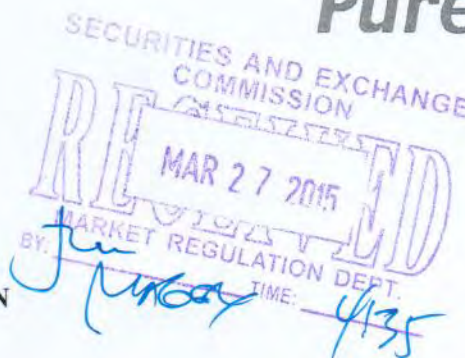
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STAMPS

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March 27, 2015

SECURITIES AND EXCHANGE COMMISSION
EDSA, Mandaluyong City

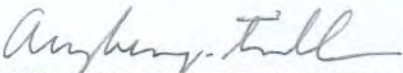


ATTENTION: DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR.
Markets and Securities Regulation Department

In connection with the distribution of the Definitive Information Statement (SEC Form 20-IS) of San Miguel Pure Foods Company Inc. (the "Company") prior to its Annual Stockholders' Meeting on May 8, 2015, we are requesting the Commission to please allow us the option to distribute to the Company's shareholders the Definitive Information Statement in compact disc format.

Thank you for your kind consideration of our request.

Very truly yours,


ALEXANDRA BENGSON TRILLANA
Corporate Secretary

SAN MIGUEL PURE FOODS COMPANY INC.

**NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS**

May 8, 2015

The Annual Meeting of the Stockholders of San Miguel Pure Foods Company Inc. will be held on **Friday, May 8, 2015, at 2:00 P.M.** at the **Executive Dining Room, 2nd Floor, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.**

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 9, 2014
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Amendment to the Company's By-laws, particularly Article II on the number of independent directors
6. Appointment of External Auditors
7. Election of the Board of Directors
8. Other Matters
9. Adjournment

Minutes of the last Annual Stockholders' Meeting and resolutions of the Board of Directors from May 9, 2014 will be available for examination during office hours at the office of the Corporate Secretary at the 22nd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila.

The rationale and explanation for each relevant Agenda item requiring shareholder approval may be found in this Information Statement.

The deadline for submission of proxies is on **April 23, 2015** at the office of the Corporate Secretary. For corporations, proxies must be accompanied by its corporate secretary's certificate setting out the authority of the particular corporate officer to represent the corporation in the meeting. A sample proxy format is included in this notice. Proxies need not be notarized. Validation of proxies will be on **April 30, 2015** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines. For your convenience in registering your attendance, please present some form of identification, such as passport, driver's license, or company I.D. Registration will start at 12:00 P.M. and the registration booths will be closed at 2:00 P.M.


ALEXANDRA BENGSÓN TRILLANA
Corporate Secretary

PROXY

The undersigned stockholder of SAN MIGUEL PURE FOODS COMPANY INC. (the "Company"), hereby appoints _____ or in his/her absence, the Chairman of the Meeting, as attorney and proxy, to represent and vote all shares registered in his/her/its name at the annual meeting of the stockholders of the Company scheduled on Friday, **May 8, 2015, 2:00 p.m.** at the **Executive Dining Room, 2/F San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Philippines**, and any of its adjournment(s), as fully as the undersigned could do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY
1. Election of Directors Nominees are: Eduardo M. Cojuangco, Jr. Ramon S. Ang Francisco S. Alejo III Menardo R. Jimenez Mario C. Garcia Carmelo L. Santiago Silvestre H. Bello III Edgardo P. Cruz Minita V. Chico-Nazario INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), please mark Exception box and list the name(s) under.				
2. Approval of the Minutes of the 2014 Annual Stockholders' Meeting	FOR	AGAINST	ABSTAIN	
3. Approval of the Annual Report of the Company for year ended December 31, 2014				
4. Ratification of all the acts of the Board of Directors and Officers since the 2014 Annual Stockholders' Meeting				
5. Approval of Amendment to By-laws, particularly on the Number of Independent Directors of the Company				
6. Appointment of Reyes Tacandong & Co. as external auditors of the Company for fiscal year 2015				

Signed this _____ day of _____ 2015 at _____.

PRINTED NAME OF STOCKHOLDER

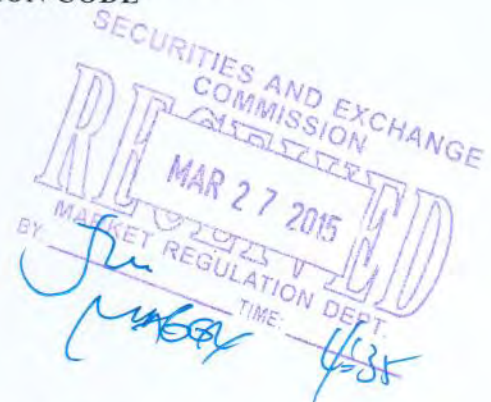
SIGNATURE OF STOCKHOLDER/
AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 23, 2015**. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

☒ Preliminary Information Sheet
☐ Definitive Information Sheet

2. Name of Registrant as specified in its charter:

SAN MIGUEL PURE FOODS COMPANY INC.

3. Province, country and other jurisdiction of incorporation or organization:

Metro Manila, Philippines

4. SEC Identification Number: **11840**

5. BIR Tax Identification Code: **000-100-341-000**

6. Address of principal office Postal code

**The JMT Corporate Condominium, 23rd Floor
ADB Avenue, Ortigas Center, Pasig City
Metro Manila**

1605

7. Registrant's telephone number, including area code: **(632) 702-5000**

8. Date, time and place of the meeting of security holders:

Date: **MAY 8, 2015, FRIDAY**

Time: **2:00 P.M.**

Place: **Executive Dining Room, 2nd Floor,
San Miguel Head Office Complex,
No. 40 San Miguel Avenue, Mandaluyong City
Metro Manila**

9. Approximate date at which the Information Statement is to be first sent or given to security holders:

APRIL 16, 2015

10. Name of Person Filing the Statement: **San Miguel Pure Foods Company Inc.**
Address: **The JMT Corporate Condominium, 23rd Floor
ADB Avenue, Ortigas Center, Pasig City 1605**
Telephone Number: **(02) 702-5000**

11. Securities registered pursuant to Sections 8 and 12 of the SRC:

<u>Title of Each Class</u> (As of February 28, 2015)	<u>Issued and Outstanding</u>
Common shares	166,667,096
Preferred shares	<u>15,000,000</u>
	181,667,096

Total Liabilities as of December 31, 2014 (in '000) P 30,692,132

12. Are any or all of Registrant's securities listed on a Stock Exchange?
☒ Yes ☐ No

If yes, disclose the name of such Stock Exchange and the class of securities listed thereon:

Philippine Stock Exchange - Common and Preferred shares

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

The Annual Stockholders' Meeting of San Miguel Pure Foods Company, Inc. (SMPFC or the "Company") shall be held as follows:

Date: May 8, 2015, Friday
Time: 2:00 P.M.
Place: Executive Dining Room, 2nd Floor, San Miguel HOC,
No. 40 San Miguel Avenue, Mandaluyong City

The complete mailing address of the principal office of the Company is at the 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City 1605, Metro Manila, Philippines.

Approximate date on which the Information Statement and form of proxy are first to be sent or given to security holders

April 16, 2015

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Nevertheless, should you be unable to attend the meeting but would like to be represented thereat, please submit your proxies to the Office of the Corporate Secretary, 22nd Floor The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City 1605. A sample form of a proxy is attached to this report and may also be obtained at the Company's website at www.sanmiguelpurefoods.com.ph. For stockholders that are partnerships, corporations or associations, please submit with the proxy a sworn certification of your resolutions evidencing authority of your designated proxy and signatories.

The deadline for submission of proxies is on April 23, 2015. Validation of proxies will be on April 30, 2015 at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City.

Dissenters' Right of Appraisal

Under Title X of the Corporation Code, stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the corporation's articles and by-laws that has the effect of changing and restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.

There are no corporate matters or actions for approval at the 2015 annual stockholders' meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X and other relevant provisions of the Corporation Code of the Philippines (the "Corporation Code").

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of February 28, 2015, the Company had the following outstanding shares of stock:

<u>Title of Class</u>	<u>No. of shares outstanding</u>
Common Shares	166,667,096
Preferred Shares	<u>15,000,000</u>
	181,667,096

All stockholders of record as of **April 7, 2015** are entitled to vote at the Annual Stockholders' Meeting.

A stockholder entitled to vote at the meeting has the right in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporate Code, a stockholder may vote the number of shares held in his name in the Company's stock books as of April 7, 2015, and may vote the number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company is computed as follows:

Number of shares held on record as of record date x 9 directors

Security Ownership of Certain Record and Beneficial Owners

Owner of record of more than 5% of Company's voting¹ securities as of February 28, 2015 are as follows:

¹ *The holders of common shares have the right to vote on all matters requiring stockholders' approval. The holders of preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code:*

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Corporation ² SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, intermediate parent company of issuer	San Miguel Corporation	Filipino	142,279,267	78.3186%
Common	PCD Nominee Corporation ³ 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various ⁴	Filipino	14,325,692	15.8563%
Preferred				14,480,015	

amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution.

² *The Board of Directors of San Miguel Corporation (SMC) authorizes any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Joseph N. Pineda and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Virgilio S. de Guzman, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan Jr.*

³ *Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry of handling securities in the Philippines.*

⁴ *None of the holders of the Company's common or preferred shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.*

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation ⁵ 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various ⁶	Non-Filipino	9,961,538	5.5051%
Preferred				39,440	

The following are the number of shares of the Company's capital stock, all of which are voting shares with the exception of the preferred shares, owned of record by the Chairman, directors, key officers of the Company and nominees for election as director as of February 28, 2015:

Title of Class	Name of Owner	Amount and Nature of Ownership	Citizenship	Total No. of Shares
Common	Eduardo M. Cojuangco, Jr.	1 (Direct)	Filipino	5,501 (0.00%)
Preferred		5,500 (Beneficial)		
Common	Ramon S. Ang	1 (Direct)	Filipino	1 (0.00%)
Common	Francisco S. Alejo III	43,001 (Direct)	Filipino	53,001 (0.03%)
Preferred		10,000 (Direct)		
Common	Menardo R. Jimenez	1 (Direct)	Filipino	1 (0.00%)
Common	Edgardo P. Cruz	1 (Direct)	Filipino	1 (0.00%)
Common	Mario C. Garcia	1 (Direct)	Filipino	1 (0.00%)
Common	Carmelo L. Santiago	1 (Direct)	Filipino	1 (0.00%)
Common	Silvestre H. Bello III	1 (Direct)	Filipino	1 (0.00%)
Preferred	Zenaida M. Postrado	7,000 (Beneficial)	Filipino	7,000 (0.00%)
Preferred	Ma. Soledad E. Olives	3,400 (Beneficial)	Filipino	3,400 (0.00%)
Preferred	Alexandra Bengson Trillana	500 (Beneficial)	Filipino	500 (0.00%)

The aggregate number of shares owned of record by the Chairman, key officers and directors as a group as of February 28, 2015 is 69,408 shares or approximately 0.0382% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of February 28, 2015 is 76,458 shares or approximately 0.0421% of the Company's outstanding capital stock.

⁵ Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry of handling securities in the Philippines.

⁶ None of the holders of the Company's common or preferred shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days, from options, warrants, conversion privileges or similar obligations or otherwise.

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

DIRECTORS AND EXECUTIVE OFFICERS

Directors, Including Independent Directors and Nominees, and Executive Officers

The names of the incumbent and nominee directors and key executive officers of the Company, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Board of Directors

Eduardo M. Cojuangco, Jr., Filipino, 79, is the Chairman and a non-executive director of the Company, a position he has held since May 22, 2001, and Chairman of the Company's Executive Committee (since April 25, 2002). He is also Chairman and Chief Executive Officer of San Miguel Corporation and Ginebra San Miguel, Inc. He is likewise the Chairman of Petron Corporation, ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and a Director of Caiñaman Farms, Inc. He was previously Director of Manila Electric Company (February 2009 to May 2009). Mr. Cojuangco attended the College of Agriculture, University of the Philippines, as well as California Polytechnic College in San Luis Obispo, U.S.A. Among others, he was conferred the Degree of Doctor of Economics *Honoris Causa* by the University of Mindanao and the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture.

Ramon S. Ang, Filipino, 61, is the Vice Chairman of the Company, a position he has held since May 13, 2011. He has been a Director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002) and Executive Compensation Committee (since November 7, 2013). He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman of San Miguel Brewery Inc., San Miguel Properties, Inc., San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited, San Miguel Energy Corporation, Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc. and Atea Tierra Corporation. He is also the President and Chief Executive Officer of Top Frontier Investment Holdings Inc. and Petron Corporation; and a Director of Ginebra San Miguel, Inc. Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University.

Francisco S. Alejo III, Filipino, 66, is the President of the Company, a position he has held since May 20, 2005. He has been a Director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002) and Nomination and Hearing Committee (since May 20, 2005). He also holds the following positions: Chairman and President of Realsnacks Mfg. Corp.; Chairman of Sugarland Corporation, Golden Food & Dairy Creamery Corporation, San Miguel Hormel (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and Philippine Prime Meat Marketing Corporation; Vice Chairman of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., and Magnolia Inc.; Director of San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI), San Miguel Pure Foods Investment (BVI) Ltd. and San Miguel Pure Foods International, Limited (BVI); and President Commissioner of PT San Miguel Pure Foods Indonesia. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

Menardo R. Jimenez, Filipino, 82, has been a Director of the Company since April 25, 2002. He is Chairman of the Company's Executive Compensation Committee (since May 12, 2006), and member of its Audit Committee (since June 27, 2008) and Nomination and Hearing Committee (since November 7, 2013). He is also a Director of San Miguel Corporation and Magnolia Inc. He likewise holds the following positions: Chairman and President of Majent Management and Development Corporation; Chairman of United Coconut Planters Bank and Meedson Properties Corporation; President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; and a Director of Mabuhay Philippines Satellite Corporation, CBTL Holdings, Inc. and Pan-Phil Aqua Culture Corporation. Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management *Honoris Causa* by University of Pangasinan and Pamantasan Ng Lungsod ng Maynila.

Mario C. Garcia, Filipino, 63, has been a Director of the Company since November 4, 2009. He is also a Director of San Miguel Properties, Inc.; Member of International Reporters and Editors Association, USA; and Consultant of Radio Affairs, *Pulis Ng Bayan* (PNP). He was a former TV Host of *Kapihan Ng Bayan*, NBN-4 and *Comentaryo*, NBN-4, a Radio Host/Anchorman of *Uno Por Dos*, PBS *Radyo Ng Bayan*, Interim National President of KBP Society of Broadcast Journalists; and Director of the Subic Bay Metropolitan Authority. He was previously a Director and Vice Chairman of Quezon City Red Cross, Vice President for Programming and Operations and Station Manager of Radio Veritas. Mr. Garcia holds a Bachelor's Degree in Journalism from Lyceum of the Philippines.

Carmelo L. Santiago, Filipino, 72, has been an Independent Director of the Company since August 12, 2010. He is the Chairman of the Company's Nomination and Hearing Committee (since May 13, 2011) and Audit Committee (since November 7, 2013), and a member of the Company's Executive Compensation Committee (since June 27, 2008). He is an Independent Director of San Miguel Brewery Inc. and Liberty Telecoms Holdings, Inc.; and Director of Terbo Concept, Inc. He is also an Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. He was previously Independent Director of San Miguel Corporation, Ginebra San Miguel Inc., Anchor Insurance Brokerage Corporation and San Miguel Properties, Inc. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and the founder of Wagyu Restaurant. Mr. Santiago holds a Bachelor's Degree in Business Administration from University of the East.

Silvestre H. Bello III, Filipino, 70, has been an Independent Director of the Company since May 10, 2013. He was elected Representative of the Party List 1 BAP during the national elections held in May 2013. He is a Director of College Assurance Plan, Comprehensive Annuity Plan & Pension Corp., CAP Life Insurance Corp., CAP General Insurance Corp., Camp John Hay Development Corporation and CAP Realty, Inc. Atty. Bello is a Partner at Yulo Carpio & Bello Law Offices. He was previously Director of San Miguel Corporation (October 2006 to July 2009) and Red Eagle Lending Investors Corp. (2009). Atty. Bello also served as Secretary to the Cabinet, Office of the President from July 2008 to February 2010, and was Presidential Adviser for New Government Centers from July 2007 to July 2008. Mr. Bello holds a Bachelor of Arts Degree in Political Science from Manuel L. Quezon University and a Bachelor of Laws Degree from Ateneo de Manila University College of Law.

Edgardo P. Cruz, Filipino, 75, has been an Independent Director of the Company and a member of the Audit Committee since November 7, 2013. He is also an Independent Director of San Miguel Properties, Inc. He is a professorial lecturer at the Pamantasan ng Lungsod ng Maynila, Graduate School of Law (since June 2009) and Philippine Christian University College of Law (since November 2010), and a Member of the Philippine Judicial Academy, Department of Ethics and Judicial Conduct (since April 2004), a Member of the Board of Trustees, Society for Judicial Excellence (since April 2007), and a Member of the Screening Committee of the Awards for Judicial Excellence Foundation for Judicial Excellence (since 2010). He was previously a Consultant at the Philippine Amusement and Gaming Corporation (from July 2009 to June 2010) and an Associate Justice of the Court of Appeals (from May 1999 to May 2009). Justice Cruz holds a Bachelor of Laws Degree from University of the Philippines.

Minita V. Chico-Nazario, Filipino, 75, is a nominee for Independent Director of the Company. She is currently an Independent Director of Ginebra San Miguel, Inc., San Miguel Properties, Inc. and Top Frontier Investment Holdings Inc. She is also a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines. She is the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (from January 2010 to June 2010) and Metro Manila Development Authority (from March 2010 to June 2010); and Chairman of the Board of Directors (from June 2010 to August 2010) and Director (from September 2010 to September 2011) of PNOC Exploration Corporation. She has served the Judiciary in various capacities for 47 years, with the last position she held being Associate Justice of the Supreme Court (from February 2004 to December 2009). Justice Nazario holds a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.

Key Executive Officers

Zenaida M. Postrado, Filipino, 59, is the Vice President, Treasurer and Chief Finance Officer of the Company (since May 2005). She also holds the following positions: Director and Treasurer of The Purefoods-Hormel Company, Inc., San Miguel Mills, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., Sugarland Corporation, Golden Food & Dairy Creamery Corporation and Realsnacks Mfg. Corp.; Treasurer of San Miguel Foods, Inc., Magnolia Inc. and San Miguel Super Coffeemix Co., Inc.; Commissioner of PT San Miguel Pure Foods Indonesia; and Director of San Miguel Pure Foods Investment (BVI) Limited and San Miguel Hormel (Vn) Co., Ltd. Before joining the Company, Ms. Postrado was an auditor at SGV & Co. Ms. Postrado holds a Bachelor's Degree in Business Administration Major in Accountancy from University of the East.

Ma. Soledad E. Olives, Filipino, 55, is the Compliance Officer of the Company (since September 15, 2010). She is also Vice President and Corporate Planning & Management Group Services Manager of the Company; Director of The Purefoods-Hormel Company, Inc., San Miguel Mills, Inc., Golden Avenue Corp., Golden Food & Dairy Creamery Corporation, Sugarland Corporation, Realsnacks Mfg. Corp. and San Miguel Hormel (Vn) Co., Ltd.; and Commissioner of PT San Miguel Pure Foods Indonesia. She was a former Director of PT San Miguel Pure Foods Indonesia (from November 4, 2008 to November 19, 2009); and was previously Assistant Vice President and Planning, Projects & Management Group Services Manager of the Company (from May 16, 2005 to March 29, 2010). Ms. Olives holds a Bachelor's Degree in Industrial Management Engineering, minor in Chemical Engineering, from De La Salle University, and completed the Management Development Program at Asian Institute of Management.

Alexandra Bengson Trillana, Filipino, 41, is the Corporate Secretary of the Company (since September 15, 2010). She is also Assistant Vice President and General Counsel of the Company; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Sugarland Corporation, Golden Food & Dairy Creamery Corporation, Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and Realsnacks Mfg. Corp. She was previously

Assistant Corporate Secretary of the Company (from April 26, 2004 to September 14, 2010); and Senior Manager – Commercial Transactions of San Miguel Corporation’s Office of the General Counsel (from August 2005 to December 2009). Atty. Trillana holds a Bachelor’s Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

Florentino C. Policarpio, Filipino, 65, is the President and General Manager of San Miguel Mills, Inc. He is also the President of Golden Bay Grain Terminal Corporation and Golden Avenue Corp.; and Director of Realsnacks Mfg. Corp. He was previously General Manager of San Miguel Foods, Inc.’s Flour Business (2002-2005) and Group Manager of the Purchasing Department of the Company. Mr. Policarpio holds a Bachelor of Arts Degree Major in Economics and a Bachelor of Science Degree Major in Accountancy from De La Salle University.

Rita Imelda B. Palabyab, Filipino, 55, is the President of San Miguel Foods, Inc. and Head of the agro-industrial and franchising business of the Company, which comprises the poultry, fresh meats and feeds businesses of San Miguel Foods, Inc. She is also Director of Golden Bay Grain Terminal Corporation. She was previously General Manager of San Miguel Foods, Inc.’s Poultry Business (from April 2004 to January 2010). Ms. Palabyab holds a Bachelor’s Degree in Mathematics from University of the Philippines.

Raul B. Nazareno, Filipino, 59, is the President of The Purefoods-Hormel Company, Inc, Magnolia, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food & Dairy Creamery Corporation and Sugarland Corporation. He is also Director of PT San Miguel Pure Foods Indonesia and San Miguel Hormel (Vn) Co., Ltd. He was previously General Manager of The Purefoods-Hormel Company, Inc. (from May 2010 to July 2012) and the President of the Philippine operations of Burger King. Mr. Nazareno holds a Bachelor’s Degree in Agribusiness Management from University of the Philippines and a Master’s Degree in Business Management from Asian Institute of Management.

Oscar R. Sañez, Filipino, 57, is the Vice President and head of the foreign operations and export business of the Company. He is Director of PT San Miguel Pure Foods Indonesia, San Miguel Pure Foods International, Limited, San Miguel Pure Foods Investment (BVI) Limited and San Miguel Hormel (Vn) Co., Ltd. He was previously President and Chief Executive Officer of the Business Process Association of the Philippines (from February 2007 to February 2011). Mr. Sañez holds a Bachelor’s Degree in Business Administration Major in Marketing Management from University of the Philippines.

Jennifer T. Tan, Filipino, 53, is the Vice President and Business Procurement Group Head of the Company. She was previously Vice President and Senior Procurement Manager of the Company (from April 2008 to May 2012) and Assistant Vice President and Senior Procurement Manager of the Corporate Procurement Unit attached to the Office of the President and Chief Operating Officer of San Miguel Corporation (from November 2003 to March 2008). Ms. Tan holds a Bachelor’s Degree in Commerce Major in Accounting from College of the Holy Spirit.

Rodolfo M. Abaya, Filipino, 52, is the Vice President and Division Human Resources Manager of the Company. Mr. Abaya joined the Company on September 1, 2014. Prior thereto, he held various HR positions in Procter & Gamble Philippines from 1987 to 2007 the last of which being P&G Global Business Services Asia HR Associate Director. He was also HR Partner Leader and Project Executive, Country HR Operations of IBM Global Process Services (from 2011 to 2014) and HR Leader of Concentrix Philippines (from February to July 2014). Mr. Abaya holds a Bachelor of Arts Degree in Economics from University of the Philippines.

Board Attendance

In 2014, the Board of Directors held seven (7) meetings. The attendance of the directors in these meetings and in the 2014 annual stockholders’ meeting (“ASM”) is as follows:

	Date of Board Meeting, All in Year 2014						
Director	Feb. 4	Mar. 26	May 7	May 9	Jun. 25	Aug. 8	Nov. 5
Eduardo M. Cojuangco, Jr.	Present	Present	Present	Absent	Present	Present	Present
Ramon S. Ang	Present	Present	Present	Present	Present	Present	Present
Francisco S. Alejo III	Present	Present	Present	Present	Present	Present	Present
Menardo R. Jimenez	Present	Present	Present	Present	Present	Present	Present
Mario C. Garcia	Present	Present	Present	Present	Present	Present	Present
Carmelo L. Santiago	Present	Absent	Present	Present	Present	Present	Present
Angelina S. Gutierrez (until her resignation effective October 8, 2014)	Present	Present	Absent	Present	Present	Present	Not Applicable
Silvestre H. Bello III	Present	Present	Present	Absent	Present	Present	Present
Edgardo P. Cruz	Present	Present	Present	Present	Present	Present	Present

	Date of Stockholders' Meeting
Director	May 9, 2014 (Annual Stockholders' Meeting)
Eduardo M. Cojuangco, Jr. (<i>Chairman</i>)	Absent
Ramon S. Ang (<i>Vice-Chairman</i>)	Present
Francisco S. Alejo III (<i>President</i>)	Present
Menardo R. Jimenez	Present
Mario C. Garcia	Present
Edgardo P. Cruz (<i>Independent Director</i>)	Present
Carmelo L. Santiago (<i>Independent Director</i>)	Present
Angelina S. Gutierrez (<i>Independent Director</i>)	Present
Silvestre H. Bello III (<i>Independent Director</i>)	Absent

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on May 8, 2015 are as follows:

1. Eduardo M. Cojuangco, Jr.
2. Ramon S. Ang
3. Francisco S. Alejo III
4. Menardo R. Jimenez
5. Mario C. Garcia
6. Carmelo L. Santiago
7. Silvestre H. Bello III
8. Edgardo P. Cruz
9. Minita V. Chico-Nazario

Independent Directors

The independent directors of the Company in 2014 are as follows:

1. Carmelo L. Santiago
2. Angelina S. Gutierrez (until her resignation effective October 8, 2014)
3. Silvestre H. Bello
4. Edgardo P. Cruz

These directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of independence of the independent directors of the Company in 2014 are attached hereto as **Annexes “A-1”, Annex “A-2”, Annex “A-3” and Annex “A-4”**.

The nominees for election as independent directors of the Board of Directors on May 8, 2015 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Carmelo L. Santiago	Ramon S. Ang	None
Silvestre H. Bello III	Ramon S. Ang	None
Edgardo P. Cruz	Ramon S. Ang	None
Minita V. Chico-Nazario	Ramon S. Ang	None

In approving the nomination for independent director, the Nomination and Hearing Committee took into consideration the guidelines on the nomination of independent directors prescribed in SRC Rule 38.

The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before such date that the Board of Directors may fix, provided that such date shall be prior to the stockholders' meeting. The nominations are forwarded to the Nomination and Hearing Committee, which shall pre-screen the qualifications of the nominees and prepare a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

Under Section 1, Article II of the Company's Amended By-Laws, at least two (2) directors shall be residents of the Philippines, and all of them should be stockholders of record of the Company.

The Amended Manual on Corporate Governance of the Company also provides for the qualifications and disqualifications of directors.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 1, Article II of the Company's Amended By-Laws, and possess all the qualifications and

none of the disqualifications under the Company's Amended Manual on Corporate Governance and applicable rules and regulation, including the new rules on term limits of independent directors of the Securities and Exchange Commission (SEC).

The nominees for independent directors have been determined to be, in general, persons who, other than for their shareholdings and any fees received from the Company, do not have any business or relationship with the Company that could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities. The incumbent independent directors have submitted their respective certifications of qualification as discussed above. Upon election or re-election, as the case may be, the independent directors shall submit their respective certifications of qualification in accordance with SEC Notice dated October 20, 2006.

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

The Human Resources Division of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

Disagreement of Directors and Executive Officers

None of the directors has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Intermediate Parent Company

As of February 28, 2015, San Miguel Corporation (SMC) owns and controls 142,279,267 common shares comprising 85.37% of the outstanding capital stock of the Company entitled to vote.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date of this Information Statement.

The Company is not a party to, nor is its properties the subject of, any significant pending legal proceeding that could be expected to have a material adverse effect on the Company or its business, financial condition and results of operations.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The aggregate compensation paid or incurred during the last two fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Company's President and senior executive officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the President and Senior Executive Officers ⁷	2015 (estimated)	P 61.3 Million	P 14.7 Million	P 4.2 Million	P 80.2 Million
	2014	P 57.3 Million	P 22.9 Million	P 4.3 Million	P 84.5 Million
	2013	P 56.2 Million	P 8.8 Million	P 4.1 Million	P 69.1 Million
All other officers and directors as a group unnamed	2015 (estimated)	P157.1 Million	P 42.8 Million	P 39.0 Million	P238.9 Million
	2014	P153.9 Million	P 47.9 Million	P 41.1 Million	P242.9 Million
	2013	P157.1 Million	P 40.9 Million	P 46.0 Million	P244.0 Million

⁷ The President and senior executive officers of the Company are as follows: Francisco S. Alejo III, Zenaida M. Postrado, Florentino C. Policarpio, Rita Imelda B. Palabyab and Ma. Soledad E. Olives.

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
TOTAL	2015 (estimated)	P218.4 Million	P 57.5 Million	P 43.2 Million	P319.1 Million
	2014	P211.2 Million	P 70.8 Million	P 45.4 Million	P327.4 Million
	2013	P213.3 Million	P 49.7 Million	P 50.1 Million	P313.1 Million

Article II, Section 5 of the Amended By-laws of the Company provides that the members of the Board of Directors shall each be entitled to a director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose.

In 2014, each director received a per diem of P10,000.00 per attendance at Board and Board Committee meetings of the Company.

There are no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, by the Company for services rendered during the last fiscal year, and the ensuing fiscal year.

There are no employment contracts between the Company and its executive officers.

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Company for the year ended December 31, 2014;
2. Minutes of the Annual Stockholders' Meeting held on May 9, 2014 with the following items, as covered by the appropriate resolutions duly adopted during the meeting:
 - a) Approval of the Minutes of the Annual Stockholders' Meeting held on May 10, 2013
 - b) Presentation of the Annual Report
 - c) Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
 - d) Amendment to the Company's Articles of Incorporation, particularly –
 - (i) Article Third on principal office address
 - (ii) Article Eighth on redemption of shares of stock

- (iii) Article Eleventh on further amendments to the Articles of Incorporation
 - e) Amendment to the Company's By-laws, particularly –
 - (i) Article I on the period of closing of the Stock Transfer Book for annual stockholder meetings
 - (ii) Article II on the two-thirds vote requirement for certain Board decisions
 - f) Appointment of External Auditors
 - g) Election of the Board of Directors
- 3. Ratification of all acts of the Board of Directors and Officers since the 2014 Annual Stockholders' Meeting, including the following, as covered by the appropriate resolutions duly adopted during Board meetings, disclosed to the SEC and Philippine Stock Exchange (PSE), and posted in the Company's website:
 - a) Declaration of cash dividends
 - b) Appointment of officers
 - c) Amendments to the Manual on Corporate Governance
 - d) Public offer of up to 25 million unissued preferred shares
 - e) Redemption of 15 million preferred shares issued on March 3, 2011
 - f) Series 2 preferred shares offer term sheet
 - g) Approval of signing authorities and limits.

Minutes of the 2014 Annual Stockholders' Meetings and resolutions of the Board of Directors since the date of the 2014 Annual Stockholders' Meeting will be available for examination during office hours at the office of the Corporate Secretary.

NUMBER OF INDEPENDENT DIRECTORS **(Rationale and Explanation for Amendment to the By-laws)**

The By-laws of the Company, in Article II, Section 1-A, provides that one out of the nine members of the Board of Directors of the Company, shall be an independent director. This is consistent with Rule 38(7)(A) of the Securities Regulation Code, which requires listed companies to have at least two independent directors or at least 20% of its Board size, whichever is lesser.

In June 2014, however, the Markets and Securities Regulation Department (MSRD) of the SEC observed that the Company elected four independent directors during its Annual Stockholders' Meeting on May 9, 2014, even though the Company's By-laws provide for the election of only one independent director. The MSRD directed the Company to submit an undertaking to amend such By-laws to make the Company "compliant not only in practice but also on paper". The Company thus submitted an undertaking to further amend its By-laws to remove doubt as to its compliance with law and regulations, insofar as the election of the required number of independent directors is concerned.

Accordingly, the Company is now seeking the approval of the shareholders to amend Article II, Section 1-A of the Company's By-laws, to expressly state that the Company shall have at least two independent directors or such other number as may be required by applicable laws and regulations.

Upon approval by the stockholders of this amendment and subsequently by the SEC, the Company will have complied with its undertaking to the MSRD, and the minimum number of independent directors under applicable law and regulations that the Company should have, will be clearly reflected in its By-laws.

AMENDMENT TO CHARTER, BY-LAWS OR OTHER DOCUMENTS

On March 20, 2015, the Board of Directors of the Company unanimously approved the following amendment to the **By-laws** of the Company:

Article II (Board of Directors)

xxx

1-A. Independent Directors

- (a) **The Corporation shall have at least two independent directors or such other number as may be required by applicable laws and regulations.** ~~One (1) of the nine (9) directors provided in Section 1, above shall be independent directors.~~ For this purpose, an independent director shall mean a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

xxx

VOTING PROCEDURES

For the further amendment of the By-laws to clarify the number of independent directors the Company should have, a vote of two-thirds of the outstanding capital stock held by shareholders holding both common and preferred shares, in person or represented by proxy at the meeting, is necessary for the approval thereof.

For the election of directors, the nine (9) nominees with the greatest number of votes will be elected directors.

For the other proposals or matters submitted to a vote, a vote of the majority of the common stockholders present or represented by proxy at the meeting is necessary for the approval of such proposal or matter.

Shareholders vote *viva voce* or by a show of hands, unless a motion to cast votes by ballot is made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting.

The Corporate Secretary and Assistant Corporate Secretary, with the assistance of SMC Stock Transfer Service Corporation, as the Company's stock transfer agent, as well as the Company's independent external auditors, is authorized to count any votes cast during the meeting. The method of counting the votes shall be in accordance with the general provisions of the Corporation Code of the Philippines.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote. In case of election of directors, the stockholder may choose to do any of the following:

1. Vote such number of shares for as many person(s) as there are directors to be elected;

2. Cumulate such shares and give one candidate as many votes as the number of shares to be elected multiplied by the number of his shares; or
3. Distribute his/her shares on the same principle as option (2) above among as many candidates as he/she shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Other than the nominees for election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way, of the matters to be taken up during the meeting. The Company has not received any information than an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

San Miguel Pure Foods Company, Inc. (SMPFC or the "Company") was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution. In the last quarter of 2013, SMPFC, through its wholly-owned subsidiary, San Miguel Mills, Inc. (SMMI), inaugurated and commenced operations of the Golden Bay Grain Terminal in Mabini, Batangas which can accommodate panamax vessels. SMPFC has been listed on the PSE since 1973.

SMPFC is a leading Philippine food company with market-leading positions in many key products and offers a broad range of high-quality food products and services to household, institutional and foodservice customers in the Philippines. SMPFC has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* for refrigerated processed meats and canned meats, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee and *B-Meg* for animal feeds.

The support of intermediate parent company SMC and partnerships with major international companies like United States-based Hormel Foods International Corporation and Singapore-based Super Coffee Corporation Pte Ltd (SCCPL) and Penderyn Pte Ltd. ("Penderyn") have given SMPFC access to the latest technologies and expertise, allowing it to deliver flavor, freshness, safety, quality and value-for-money to its customers.

Major developments in the Company are discussed in Note 8 (Trade and Other Receivables), Note 12 (Investment), Note 12 (Investment), Note 14 (Property, Plant and Equipment), Note 20 (Equity) and Note 36 (Events After the Reporting Date) of the Audited Consolidated Financial Statements, attached hereto as **Annex "B"**, and in the Management's Discussion and Analysis of Financial Position and Performance attached hereto as **Annex "C"**.

Products

SMPFC operates its businesses through the following subsidiaries:

- ***San Miguel Foods, Inc. (SMFI)*** - is a 99.97%-owned subsidiary of SMPFC and operates the integrated Feeds, and Poultry and Fresh Meats businesses, the Franchising business, the San Miguel

Integrated Sales selling and distribution activities, and the Great Food Solutions foodservice business.

- a) **Feeds business** - manufactures and sells different types of feeds to commercial farms and distributors. Internal requirements of SMFI's Poultry and Fresh Meats businesses are likewise being served by the Feeds business.
- b) **Poultry and Fresh Meats business** - engages in integrated poultry operations and sells live broilers, dressed chicken, cut-ups and cook-easy formats, as well as customized products for export and for domestic foodservice accounts. It also manages fully-integrated operations for pork and beef, and engages in the sale and distribution of fresh meats and value-added meat products in *Monterey* meat shops located in major supermarkets and cities throughout the country. The business also sells live hogs and supplies the requirements of The Purefoods-Hormel Company, Inc. (PF-Hormel), an affiliate, for the latter's manufacture of meat-based value-added products.
- c) **Franchising business** - engages in franchising operations and was established in September 2011 primarily to strengthen and grow SMFI's retail business model through faster franchise expansion, brand performance improvement and development of new business concepts for retail. Its two (2) retail concepts, namely *San Mig Food Ave.* and *Hungry Juan* roast barbecue outlets, showcase the San Miguel Group's food and beverage products. There are a total of 241 outlets for the two retail concepts operating as at December 31, 2014.
- d) **San Miguel Integrated Sales (SMIS)** - was formed in May 2009 when the receivables, inventories and fixed assets of SMC's Centralized Key Accounts Group were transferred to SMFI. SMIS is engaged in the business of selling and distributing various products of the value-added businesses of the Company, namely Magnolia, PF-Hormel, SMMI's retail flour line and SMSCCI, to both modern and general trade customers.
- e) **Great Food Solutions (GFS)** - engages in the foodservice business and caters to hotels, restaurants, convenience stores and other institutional accounts for their meat, poultry, dairy, coffee and flour-based requirements, as well as provides food solutions/recipes and menus. In the Company's BOD meeting on November 9, 2011, management's intention to transfer its franchising and foodservice businesses under GFS, the operating division of SMPFC, to SMFI was reported and properly noted by the Board. The transfer of the franchising and foodservice businesses took effect in February and April 2012, respectively.
- **San Miguel Mills, Inc. (SMMI)** - is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour, flour mixes and bakery ingredients. In September 2011, SMMI formed **Golden Bay Grain Terminal Corporation (GBGTC)** as its wholly-owned subsidiary. GBGTC, which started commercial operations in September 2013, is a domestic company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others. In June 2012, SMMI acquired **Cobertson Realty Corporation (CRC)**, which became a wholly-owned subsidiary of SMMI. CRC is a Philippine corporation engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law. In December 2012, CRC's corporate name was changed to **Golden Avenue Corp. (GAC)** following the necessary approvals of CRC's BOD and stockholders, and the SEC.

- ***The Purefoods-Hormel Company, Inc. (PF-Hormel)*** - is a 60%-40% joint venture between the Company and Hormel Netherlands B.V., which produces and markets value-added refrigerated processed meats and canned meat products. PF-Hormel's refrigerated processed meats include, among others, hotdogs, cold cuts, hams, bacons, nuggets and other ready-to-eat meat products, while its canned meat products include corned beef, luncheon meats, sausages, meat spreads and canned viands.
- ***Magnolia, Inc. (Magnolia)*** - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk, ice cream, jelly snacks, cooking oils and salad aids.
- ***PT San Miguel Pure Foods Indonesia (PTSMPFI)*** - started as a 49%-51% joint venture between the Company and the Hero Group of Companies and organized in 1995 for the manufacture and distribution of processed meats in Indonesia. In 2004, SMPFC increased its ownership to 75% following the Hero Group's divestment of its interest in PTSMPFI to Lasalle Financial Inc. ("Lasalle"). The remaining 25% is currently owned by Penderyn of Singapore by virtue of the sale and transfer by Lasalle of its entire shareholding in PTSMPFI to Penderyn effective February 2, 2010. On February 5, 2010, Lasalle, Penderyn and SMPFC executed an Adherence Agreement pursuant to which Penderyn agreed to observe and perform all obligations of Lasalle under the Joint Venture Agreement relating to PTSMPFI.
- ***San Miguel Super Coffeemix Co., Inc. (SMSCCI)*** - is a 70%-30% joint venture between the Company and Super Coffeemix Manufacturing Ltd (SCML) of Singapore, which started commercial operations in April 2005 by marketing its 3-in-1 regular coffee mixes in the Philippines. Since then, SMSCCI has introduced a good number of products that include a sugar-free line of coffee mixes, 100% Premium Instant Black Coffee, 3-in-1 flavored coffeemixes and coffeemix with cereals. In November 2009, by virtue of the Deed of Assignment and Deed of Novation of Joint Venture Agreement executed by and among SMSCCI, SCML and SCCPL, SCML assigned and transferred its entire shareholding in SMSCCI to SCCPL, and SCCPL agreed to perform and comply with all obligations of SCML under the Joint Venture Agreement relating to SMSCCI.
- ***San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)*** - is a company incorporated in the British Virgin Islands in August 1996 as a wholly-owned subsidiary of SMC, through San Miguel Foods and Beverage International Limited (SMFBIL). SMPFI Limited owns 100% of San Miguel Hormel (Vn) Co., Ltd. (SMHVN, formerly San Miguel Pure Foods (Vn) Co., Ltd.), a company incorporated in Vietnam which is licensed to engage in live hog farming and the production of feeds, and fresh and processed meats. In December 2006, SMFBIL sold to Hormel Netherlands B.V. (Hormel) its 49% interest in SMPFI Limited.
- ***San Miguel Pure Foods International, Limited (SMPFIL)*** - is a company incorporated in the British Virgin Islands in February 2007 and is 100%-owned by SMPFC. In July 2010, SMPFC, through SMPFIL, acquired SMC's 51% interest (through SMFBIL) in SMPFI Limited. In January 2015, SMPFIL signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited.
- ***RealSnacks Mfg. Corp.*** - was incorporated in April 2004 as a 100%-owned subsidiary of SMPFC. However, commercial operations have yet to commence.

Financial Statements

The Audited Consolidated Financial Statements of San Miguel Pure Foods Company Inc. (also referred to in said financial statements as the “Parent Company”) and its Subsidiaries (collectively referred to as the “Group”) as at December 31, 2014 are attached hereto as **Annex “B”**.

The additional components of the financial statements required by the SEC under SRC Rule 68, as amended, are attached to this Information Statement as follows:

- (a) Reconciliation of Retained Earnings Available for Dividend Declaration (**Annex “D-1”**)
- (b) Tabular schedule of standards and interpretations (**Annex “D-2”**)
- (c) Map of the group of companies within which the Parent Company belongs (**Annex “D-3”**)
- (d) Schedule of indicators of financial soundness (**page 13 of Annex “C”**)
- (e) Amounts receivables from related parties eliminated during consolidation (**Annex “D-4”**)
- (f) Amounts payable to related parties eliminated during consolidation (**Annex “D-5”**)

Management’s Discussion and Analysis or Plan of Operation

Management’s Discussion and Analysis or Plan of Operation of SMPFC and its Subsidiaries as at December 31, 2014 is attached hereto as **Annex “C”**.

Independent Public Accountants

The accounting firm of R.G. Manabat & Co. (“RGM & Co.”, formerly Manabat Sanagustin & Company, CPAs) served as the Company’s external auditors for fiscal year 2014.

Fees billed for the services rendered by the external auditors to the Company in connection with the Company’s annual financial statements and other statutory and regulatory filings for 2013 and 2014 amounted to about P1.5 million per year. For the Company’s offering of perpetual series 2 preferred shares in February 2015, the fees billed for the services rendered by the external auditors amounted to around P1.8 million. No other services were rendered by the external auditors to the Company.

RGM & Co. has been the Company’s external auditors since 2007. The signing partner for the Company beginning fiscal year 2013, Mr. John Molina, replaced the previous signing partner Mr. Wilfredo Z. Palad. Mr. Palad was the signing partner for the Company for fiscal years 2008 to 2012. This is in compliance with the rule on rotation of the signing partner every five years under SRC Rule 68 (3) (b) (iv) in respect of the Company’s engagement of RGM & Co.

For fiscal year 2015, the Board of Directors of the Company will nominate Reyes Tacandong & Co. (“RT & Co.”). The change in the external auditors of the Company from RGM & Co. to RT & Co. in the 2015 annual stockholders’ meeting of SMPFC is in accordance with the recommendation to vary external auditors for good corporate governance purposes. Representatives of both RGM & Co. and RT & Co. are expected to be present at the stockholders’ meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

The Company's common equity is traded in the PSE.

On April 12, 2010, the SEC approved the de-classification of the Company's Class A and Class B common shares to a single class of common shares.

On December 23, 2010, the SEC approved the reclassification of the Company's 40,000,000 common shares to preferred shares.

The Company's high and low prices for each quarter of the last two fiscal years are as follows:

Quarter	2014		2014		2013		2013	
	Common		Preferred		Common		Preferred	
	High	Low	High	Low	High	Low	High	Low
1 st	275.00	216.00	1,068.00	1,030.00	314.60	239.80	1,050.00	1,020.00
2 nd	267.60	210.00	1,060.00	1,000.00	309.40	210.00	1,040.00	1,016.00
3 rd	235.20	220.00	1,037.00	997.00	251.00	200.00	1,030.00	1,005.00
4 th	238.00	208.00	1,050.00	1,008.00	246.40	214.00	1,030.00	1,005.00

The closing prices as of the latest practicable trading date are:

Common shares	P 206.80	March 3, 2015
Preferred shares	P 1,011.00	February 11, 2015

The approximate numbers of shareholders of the Company as of February 28, 2015, are as follows:

Common shareholders	129
Preferred shareholders	224

The top 20 stockholders of record⁸ of the Company as of February 28, 2015 are as follows:

Rank	Stockholder Name	No. of Shares			% vs
		Common	Preferred	Total	Outstanding Shares
1	San Miguel Corporation	142,279,267	0	142,279,267	78.318677%

⁸ Excluding the beneficial shares held by Company's key officers lodged with PCD Nominee Corp. (Filipino).

2	PCD Nominee Corporation (Filipino)	14,325,692	14,480,015	28,805,707	15.856315%
3	PCD Nominee Corporation (Non-Filipino)	9,961,538	39,440	10,000,978	5.505112%
4	San Miguel Corporation Retirement Plan – FIP	0	100,000	100,000	0.055046%
5	San Miguel Foods, Inc. Retirement Plan	0	54,835	54,835	0.030184%
6	M. A. Jimenez Enterprises, Inc.	0	50,000	50,000	0.027523%
7	First Life Financial Co., Inc.	0	40,000	40,000	0.022018%
8	PFC ESOP/ESOWN Account	27,110	0	27,110	0.014923%
9	Cecille Y. Ortigas	22,861	0	22,861	0.012584%
10	Republic Glass Holdings Corporation	0	16,000	16,000	0.008807%
11	Francisco S. Alejo III	1	10,000	10,001	0.005505%
12	FLG Management and Development Corporation	0	10,000	10,000	0.005505%
13	Gervel, Inc.	0	10,000	10,000	0.005505%
14	Carolina N. Dionisio	0	8,000	8,000	0.004404%
15	Ramon L. Chua	7,714	0	7,714	0.004246%
16	Jorge Ramos	6,924	0	6,924	0.003811%
17	Ana Maria de Olondriz Ortigas	5,531	0	5,531	0.003045%
18	Enrique Ll. Yusingco	0	5,100	5,100	0.002807%
19	Willy Te Go &/or Anita Go Ong	0	5,000	5,000	0.002752%
20	Andronica T. Roma	0	5,000	5,000	0.002752%

Description of the following securities of SMPFC may be found in Note 20 (Equity) of the Audited Consolidated Financial Statements, attached hereto as **Annex “B”**.

Common and Preferred Shares

Note 20

As stated in Note 20 of the Audited Consolidated Financial Statements, accumulated equity in undistributed net earnings of the consolidated subsidiaries are not available for dividend distribution until declared by the subsidiaries.

Dividends may be declared at the discretion of the Board and will depend upon the Company’s future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations both at the parent and subsidiary level and other factors the Board may deem relevant.

Since March 30, 2010, the cash dividend policy of the Company has been to distribute cash dividends to the holders of its common shares in an amount equivalent to approximately 70% of the prior year’s recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. The Company expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of the Board. In considering dividend declarations for each quarter, the Board has in the past and will in the future, take into consideration dividend payments on the preferred shares, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

On March 26, 2014, the Company's Board of Directors declared a P48.00 per share special cash dividend to all common shareholders of record as of April 11, 2014 and payable on May 12, 2014.

Under the terms of the preferred shares offer of the Company in February 2011, as and if dividends are declared by the Board, dividends on the preferred shares shall be at a fixed rate of 8.0% per annum applicable up to the fifth anniversary of the issue date of such shares.

In accordance with the foregoing, the Company paid out cash dividends as follows:

<u>Fiscal Year</u>	<u>Stock Type</u>	<u>Aggregate Amount (per share)</u>
2014	Common	P51.60
	Preferred	P80.00
2013	Common	P 4.80
	Preferred	P80.00

There were no securities sold by the Company within the past three (3) years that were not registered under the Securities Regulation Code.

In January 2011, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of P10.00 per share (the "PFP Shares"), and the PSE approved, subject to certain conditions, the application of the Company to list the PFP Shares to cover the Company's follow-on preferred shares offering at an offer price of P1,000.00 per share. In February 2011, on the basis of the SEC order for the registration of the Company's PFP Shares and Certificate of Permit to Offer Securities for Sale, SMPFC offered for subscription by the public the PFP Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 8% per annum. The offering was fully subscribed and the PFP Shares were issued on March 3, 2011, its listing date on the PSE.

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares in the Company following the crossing of the shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares, at a price of P240.00 per share. The completion of the secondary offering resulted in the increase of the Company's public float to more than 10%, in compliance with the minimum public ownership requirement of the PSE for listed companies.

On February 3, 2015, the Board of Directors of SMPFC approved the redemption of the PFP Shares issued by the Company on March 3, 2011 at the redemption price of P1,000.00 per share. The redemption price and all accumulated unpaid cash dividends, were paid on March 3, 2015 to the preferred stockholders of record as of February 17, 2015, in accordance with the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose.

Later in the same month of February 2015, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 perpetual series 2 preferred shares with a par value of P10.00 per share (the "PFP2 Shares"), and the PSE approved, subject to certain conditions, the application of the Company to list the PFP2 Shares to cover the Company's preferred shares offering at an offer price of P1,000.00 per share. On the basis of the SEC order for the registration of the Company's PFP2 Shares and Certificate of Permit to Offer Securities for Sale, SMPFC offered for subscription by the public the PFP2 Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 5.6569% per annum. The offering was fully subscribed and the PFP2 Shares were issued on March 12, 2015, its listing date on the PSE.

Compliance with leading practices on Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance (the “Manual”) is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. Compliance by the Board of Directors and top level management with the Manual is evaluated on the basis of their compliance with the policies and procedures of the Company specifically adopted for good corporate governance. In 2014, particularly in September and November, all incumbent directors and key officers of the Company, as well as its internal audit group head, attended a seminar on corporate governance conducted by a SEC-accredited provider. On this basis, the Company certifies that, for 2014, its Board of Directors and top level management has complied with the provisions of the Manual.

In order to aid the Board of Directors in complying with the principles of good corporate governance, the Board of Directors constituted the Executive, Audit, Nomination and Hearing, and Executive Compensation Committees, all of which include at least one independent director as member. Each of the said Committees has adopted its own charter in 2012 that sets out the Committee’s role, authority, duties and responsibilities, and the procedure which guide the conduct of its functions.

The Company’s Manual on Corporate Governance was approved by the Board of Directors on August 16, 2002 and amended on March 30, 2010 and August 12, 2011 in accordance with SEC Memorandum Circular No. 2, Series of 2002.

On March 26, 2014, the Board of Directors approved further amendments to the Manual to align with recent SEC Memorandum Circulars issued, particularly SEC Memorandum Circular No. 1, series of 2014, SEC Memorandum Circular No. 20, series of 2013, and SEC Memorandum Circular No. 5, series of 2013.

Then, on June 25, 2014, the Board of Directors again approved certain amendments to the Manual, in compliance with SEC Memorandum Circular No. 9, Series of 2014, to emphasize the role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities, and the material information disclosure obligation of the Company to its stockholders and such other stakeholders.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Company and its stockholders.

UNDERTAKING

Upon the written request of the stockholder, the Company shall furnish such stockholder a copy of SEC Form 17-A free of charge. Such written request for a copy of SEC Form 17-A shall be addressed to:

**SMC Stock Transfer Service Corporation
2/F, San Miguel Corporation
No. 40 San Miguel Avenue, Mandaluyong City,
1550 Metro Manila, Philippines**

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on March 27, 2015.

SAN MIGUEL PURE FOODS COMPANY INC.

By:


ALEXANDRA BENGSON TRILLANA
Corporate Secretary

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

Certification of Independent Director

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Month

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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARMELO L. SANTIAGO**, Filipino, of legal age and a resident of 1730 Banyan Street, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of San Miguel Pure Foods Company, Inc.
2. I am affiliated with the following companies or organizations:

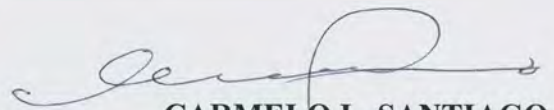
Company / Organization	Position / Relationship	Period of Service
	Please see attached Annex "A"	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Pure Foods Company, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

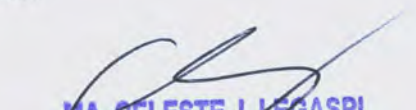
5. I shall inform the Corporate Secretary of San Miguel Pure Foods Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 09 2014 at Pasig City.


CARMELO L. SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2014 day of _____ at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. XX7866633 issued on April 13, 2013.

Doc. No. 41 ;
Page No. 08 ;
Book No. V ;
Series of 2014.


MA. CELESTE J. LEGASPI
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 85 (2013-2014)/Roll No. 47611
ISP No. 954691 1/8/2014, RSM
PTR No. 0846098; 1/10/2014, Pasig City

BIO-DATA
OF CARMELO L. SANTIAGO

DATE OF BIRTH : January 29, 1943

PLACE OF BIRTH : Manila

EDUCATION :

Elementary	:	San Beda College
High School	:	San Beda College
College	:	University of the East

EDUCATIONAL
ATTAINMENT : BUSINESS ADMINISTRATION

- | | | |
|-----------------------------------|---|---|
| 1. 2008 to present | : | Founder of Wagyu Restaurant |
| 2. July 1987 to present | : | Founder and Chairman – Melo’s Chains of Restaurants |
| 3. Oct. 8, 2007 to April 30, 2009 | : | |
| February 2010 to present | : | Independent Director – San Miguel Brewery, Inc. |
| 4. August 12, 2010 to present | : | Independent Director – San Miguel Pure Foods Co., Inc. |
| 5. December 2008 to present | : | Independent Director – Liberty Telecoms Holdings, Inc. |
| 6. 2003-2005; | : | |
| September 2007 to date | : | Independent Non-Executive Director – San Miguel Brewery Hong Kong Limited |
| 7. March 2005 to date | : | Director – Terbo Concept, Inc. |
| 8. 1998-2004 | : | Director – Manila Standard, Inc. |
| 9. 1998-2004 | : | Director – National Power Corporation |
| 10. 1998-2004 | : | Director – Philippine National Bank – Hong Kong |
| 11. 1998-2000 | : | Chairman – Western Visayas Sugar Mills |
| 12. 1975-1980 | : | Director – Guinoo Publication, Inc. |
| 13. 2012 to present | : | Director – Aurora Pacific Economic Zone Freeport |

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

Certification of Independent Director

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Month

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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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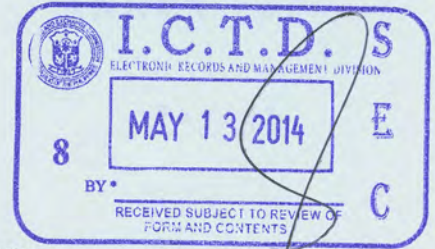
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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDGARDO P. CRUZ**, Filipino, of legal age and a resident of 89-C 11th St., 10th Ave. (East), Grace Park, Caloocan City after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of San Miguel Pure Foods Company, Inc.
2. I am affiliated with the following companies or organizations:

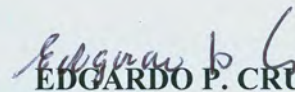
Company / Organization	Position / Relationship	Period of Service
	Please see attached Annex "A"	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Pure Foods Company, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

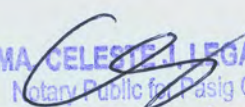
5. I shall inform the Corporate Secretary of San Miguel Pure Foods Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of May, 2014 at Pasig City.


EDGARDO P. CRUZ
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2014 day of _____ at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. XX7984215 issued on April 26, 2013 at Manila.

Doc. No. 422 ;
Page No. 8 ;
Book No. ✓ ;
Series of 2014.


MA. CELESTE I. LEGASPI
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 85 (2013-2014)/Roll No. 47611
IBP No. 954691 1/8/2014; RSM
PTR No. 9845698; 1/10/2014, Pasig City

**BIO-DATA
OF
Justice EDGARDO CRUZ y POLICARPIO (ret.)**

I. PERSONAL INFORMATION

Residence	:	89-C 11 th St., 10 th Ave. (East), Grace Park, Caloocan City												
Telephone	:	332-9355												
Date of Birth	:	May 12, 1939												
Place of Birth	:	Cabanatuan City												
Civil Status	:	Married												
Wife	:	Ester R. Chua												
Father	:	Atty. Teodulo M. Cruz, deceased (Cuyapo, Nueva Ecija)												
Mother	:	Arsenia J. Policarpio, deceased (Cabanatuan City)												
Children	:	<table border="0"> <tbody> <tr> <td>Carolyn</td> <td>b. February 16, 1965</td> </tr> <tr> <td>Edgardo, Jr.</td> <td>b. July 19, 1966</td> </tr> <tr> <td>Christine</td> <td>b. November 15, 1968</td> </tr> <tr> <td>Edgar Allan</td> <td>b. January 16, 1973</td> </tr> <tr> <td>Margaret Esther</td> <td>b. April 18, 2001</td> </tr> <tr> <td>Madelyn Esther</td> <td>b. April 18, 2001</td> </tr> </tbody> </table>	Carolyn	b. February 16, 1965	Edgardo, Jr.	b. July 19, 1966	Christine	b. November 15, 1968	Edgar Allan	b. January 16, 1973	Margaret Esther	b. April 18, 2001	Madelyn Esther	b. April 18, 2001
Carolyn	b. February 16, 1965													
Edgardo, Jr.	b. July 19, 1966													
Christine	b. November 15, 1968													
Edgar Allan	b. January 16, 1973													
Margaret Esther	b. April 18, 2001													
Madelyn Esther	b. April 18, 2001													

II. EDUCATIONAL ATTAINMENT

Primary	:	Gregorio del Pilar Elementary School (1945-49), Tondo, Manila
Intermediate	:	San Beda Collge (1949-51)
High School	:	San Beda College (1951-55)
College	:	<p>Associate in Commercial Science (1955-57), University of Santo Tomas</p> <p>Bachelor of Science in Jurisprudence (1957-61), University of the Philippines</p> <p>Bachelor of Laws (1957-61) University of the Philippines</p>

Collegiate Extra-Curricular Activities

Class Representative (1958-59)
Law Student Government
University of the Philippines

Executive Editor, Philippinesian (1960-61)
University of the Philippines

Member, Editorial Board
Senior Newsletter (1960-61)
University of the Philippines

III. GOVERNMENT EXAMINATIONS TAKEN

General Clerical Examinations	(1956) Passed
Statistical Aide Examinations	(1959) 84.5% (7 th placer)
Bar Examinations	(1961) 85.25% (13 th placer)

IV. WORK EXPERIENCE

Gil R. Carlos & Associates	Assistant Attorney (1962-63)
Sun Bros. Appliances, Inc.	Legal Counsel (1963-66)
Vicente P. Fernando & Associates	Associate Attorney (1964-69)
Felipe L. Gozon & Associates	Associate Attorney (1970-71)
Sycip Salazar Luna Manalo & Feliciano	Associate Attorney (1970-76) Senior Associate (1976-80)
Cruz & Feliciano	Partner (1981-88)
Luna, Sision & Manas	Associate Attorney (1983-88)
Polytechnic University of the Philippines College of Accountancy & Law	Lecturer (1986-92)
Office of the Deputy Executive Secretary, Malacañang	Consultant (March 1, 1988 to December 15, 1988)

Philippine Charity Sweepstakes Office	Member, Board of Judges (July 1988 to December 15, 1988)
Regional Trial Court Third Judicial Region Branch 34, Gapan, Nueva Ecija	Presiding Judge (December 16, 1988 to March 31, 1992)
Regional Trial Court Third Judicial Region Branch 35, Gapan, Nueva Ecija	Acting Presiding Judge (November 1989 to December 31, 1990)
Regional Trial Court Third Judicial Region Gapan, Nueva Ecija	Acting Executive Judge (November 1989 to December 31, 1990)
Regional Trial Court National Capital Judicial Region Branch 27, Manila	Presiding Judge (April 1, 1992 to May 27, 1999)
Regional Trial Court National Capital Judicial Region Branch 27, Manila	3 rd Vice Executive Judge (January 15, 1997 to October 20, 1997)
Regional Trial Court National Capital Judicial Region Branch 27, Manila	2 nd Vice Executive Judge (October 21, 1997 to May 27, 1999)
Associate Justice, Court of Appeals (May 28, 1999 to May 11, 2009[ret.])	
Far Eastern University Institute of Law	Professional Lecturer VII (1991-99)
Far Eastern University Institute of Law	Pre-Bar Reviewer Special Proceedings, Legal and Judicial Ethics and Succession (1991-97)
University of Manila	Pre-Bar Reviewer Special Proceedings (1994)
Cosmopolitan Review Center	Pre-Bar Reviewer Legal Ethics (1996)
Philippine Christina University	Pre-Bar Reviewer (Remedial Law, 2011; Provisional Remedies, 2013)
Pamantasan ng Lungsod ng Maynila Graduate School of Law	Professional Lecturer (June 2009 to present)

Philippine Christian University
College of Law

Professional Lecturer
(November 2010 to present)

Judiciary Planning, Development
and Implementing Office
Supreme Court

Assisting Judge
(January 1991 to March 31, 1992)

PAGCOR

Consultant
(July 28, 2009 to June 30, 2010)

Member, Committee on Revision of the Rules of Court,
Supreme Court
(1999 to January 2001)

Participant, Judicial Career Development for Regional Trial Court Judges
Supreme Court of the Philippines
Philippine Judicial Academy and U.P.
Institute of Judicial Administration
(July 1 to 4, 1997)

Emcee/Moderator, Orientation Seminar of Newly-Appointed Judges
Supreme Court of the Philippines, Philippine Judicial Academy and
U.P. Institute of Judicial Administration
(August 14, 1997)

Resource Speaker, Special Seminar on Campus Journalism
Polytechnic University of the Philippines
(October 30, 1986)

Resource Speaker, Metropolitan Trial Court Judges
Association of the Philippines Seminar-Convention
(November 27, 1997)

Resource Speaker (Arrest, Search and Seizure)
Western Police District Legal Symposium
(October 14, 1998)

Resource Speaker 9Judicial Perspectives on Probation: A Two Decade Observation)
Dialogue with Judges and Parole and Probation Administration
National Capital Judicial Region
(March 19, 1999)

Lecturer, Regional Seminar on the Revised Rules of Criminal Procedure for Judges
Clerks of Court and Legal Researchers of Region I
(January 30, 2001)

Lecturer, 10th Regional Judicial Career Enhancement Program
(Level 2) for Judges etc., of Region XII
(January 28, 2003)

Closing Remarks, Convention and Seminar of the Philippine Judges Association
(October 25, 2003)

Member, Philippine Judicial Academy
Department of Ethics and Judicial Conduct
(April 11, 2004 to present)

Member, Board of Trustees
Society for Judicial Excellence
(April 2007 to present)

Member, Screening Committee
(1997, 2008, 2010 and 2011 to present)

Awards for Judicial Excellence Foundation for Judicial Excellence

V. **AWARDS AND OTHER HONORS**

Outstanding Regional Trial Court Judge (1996), Foundation for Judicial Excellence

Outstanding Regional Trial Court Judge of Manila (1997)

1st Oras National MAAGAP Awardee for the Judiciary (1997)

Bar Examiner, Remedial Law (1993; 2005)

Finalist, Outstanding Regional Trial Court Judge (1995)
Foundation for Judicial Excellence

Huwarang Pilipino (1996), Office of the Press Secretary
Philippine Broadcasting Service Bureau of Broadcast Services

VI. **SOCIAL AFFILIATIONS**

THE RTC JUDGES OF MANILA	President (April 8, 1997 to April 21, 1998)
Integrated Bar of the Philippines	Member
Alpha Phi Beta Fraternity UP College of Law	Member
Knight of Commerce UST College of Commerce	Member

CERTIFIED TRUE AND CORRECT:

EDGARDO P. CRUZ

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

Certification of Independent Director

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Month

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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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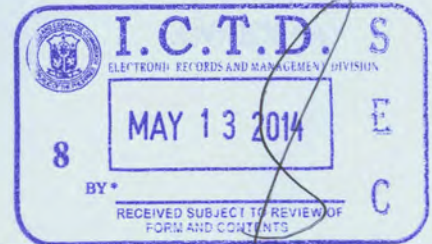
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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SILVESTRE H. BELLO III**, Filipino, of legal age and a resident of 16 Hon. Benito Soliven Avenue, III Loyola Grand Villas, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of San Miguel Pure Foods Company, Inc.
2. I am affiliated with the following companies or organizations:


Company / Organization	Position / Relationship	Period of Service
	Please see attached Annex "A"	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Pure Foods Company, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.


5. I shall inform the Corporate Secretary of San Miguel Pure Foods Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of May, 2014 at Pasig City.


SILVESTRE H. BELLO III
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2014 day of _____ at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. EB4954091 issued on March 15, 2012 at Manila.

Doc. No. 423 ;
Page No. 8 ;
Book No. V ;
Series of 2014.


MA. CELESTE J. LEGASPI
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Avo., Ortigas Center, Pasig City
A.P.T. No. 85 (2013-2014)/Roll No. 47611
IBP No. 954691 1/8/2014; RSM
PRR No. 9845698; 1/10/2014, Pasig City

Curriculum Vitae:

SILVESTRE H. BELLO III

*Lawyer, Human Rights Advocate, Peace Worker
& Public Servant*

I. PERSONAL DATA

Date & Place of Birth	:	23 June 1944 Gattaran, Cagayan
Wife	:	Regina Gerona
Children	:	Katrina Marie Kyrill Karlo Kristofer Pia Alexandra
Provincial Address	:	Barangay Baligatan Ilagan, Isabela
City Address	:	16 Hon. Benito Soliven Avenue III Loyola Grand Villas Quezon City
Father	:	Silvestre H. Bello, Sr.
Mother	:	Remedios Hernando
Religion	:	Roman Catholic
Languages	:	Filipino, English
Local Dialects	:	Ibanag, Ilocano, Cebuano

II. ACADEMIC BACKGROUND

Bachelor of Laws (LLB)	:	College of Law Ateneo de Manila University Manila 1966-1970
Bachelor's of Arts Degree in Political Science	:	Manuel L. Quezon University Manila 1966-1961

III. GOVERNMENT POSTS HELD

- **Secretary to the Cabinet** (July 2008-Feb 2010)
- **Cabinet Officer for Regional Development (CORD) for Region II**
- **Cabinet Oversight Officer for IP & NCIP Matters**
- **Presidential Adviser for New Government Centers** (July 2007- July 2008)
- **General Manger & Chief Executive Officer, Philippine Reclamation Authority** (January 2006 – December 2006)
- **President & Chief Executive Office, PNOC Development & Management Corporation** (November 2004-December 2005)
- **Chairman, GRP Negotiating Panel for Talks with the CPP/NPA/NDF** (January 2001- August 2004)
- **Secretary, Department of Justice** (from July 1990 to February 1992 under the Aquino Administration and from January 1998 to June 1998 under the Ramos Administration)
- **Solicitor General** (September 1996 – June 1998)
- **Undersecretary, Department of Justice** (March 1986-July 1990)

IV. CORPORATE MEMBERSHIPS

- **Board of Directors, Camp John Hay Development Corporation** (2008 to date)
- **Board of Directors, San Miguel Corporation** (October 2006 to July 2009)
- **Board of Directors CAP Realty, Inc.** (June 01, 2010 to date)
- **Board of Directors, College Assurance Plan** (September 2006 to date)
- **Board of Directors, Comprehensive Annuity Plan & Pension Corp.** (September 08, 2006 to date)
- **Board of Directors Red Eagle Lending Investors Corp.** (September 19, 2009)
- **Board of Directors CAP Life Insurance Corp.** (Feb. 12, 2007 to date)
- **Board of Directors CAP General Insurance Corp.** (April. 24, 2007 to date)
- **Board of Advisors, Philippine Airlines** (1993-1998)
- **Board of Directors, Puerto Azul** (1993-1998)
- **Board of Directors, Baguio Country Club** (1993-1998)
- **Board of Directors, Philippine Plaza Hotel** (1993-1998)
- **Board of Directors, Urbank Bank** (1988-1990)
- **Board of Directors, Ambassador Hotel** (1988-1990)

V. LAW OFFICES PARTNERSHIPS/AFFILIATIONS

- **Yulo Carpio & BelloLaw Offices**
- **Yulo, Torres & Bello Law Offices**
- **Yulo, Quisumbing, Torres, Ali & Bello Law Offices**
- **Yulo, Torres, Tarriela & Bello Law Offices**
- **Tanjuatco, Oreta & Factoran Law Firm**
- **Pinlac, Feliciano, Partoza, Mojica & Bello Law Offices**
- **C. Alcantara & Sons Law Offices** (Legal Counsel)

VI. MEMBERSHIPS TO CIVIL & PROFESSIONAL ORGANIZATIONS

- **Integrated Bar of the Philippines**
- **Free Legal Assistance Group (FLAG)**
- **International Initiatives Dialogue (IID)**
- **Apha Phi Omega (APO) Service Fraternity**
- **Aquila Legis Fraternity, College of Law, Ateneo de Manila University**

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S. E. C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

Certification of Independent Director

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Month

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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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Document I. D.

Cashier-----
STAMPS-----
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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANGELINA S. GUTIERREZ**, Filipino, of legal age and a resident of 9333 Dungan Street, San Antonio Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of San Miguel Pure Foods Company, Inc.
2. I am affiliated with the following companies or organizations:

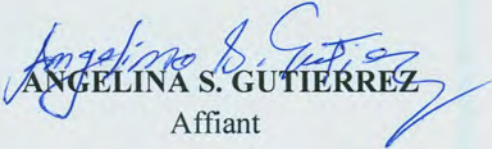
Company / Organization	Position / Relationship	Period of Service
	Please see attached Annex "A"	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Pure Foods Company, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

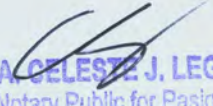
5. I shall inform the Corporate Secretary of San Miguel Pure Foods Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of May, 2014 at Pasig City.


ANGELINA S. GUTIERREZ
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2014 day of _____ at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. EB4699517 issued on February 14, 2012 at Manila.

Doc. No. 420 ;
Page No. 67 ;
Book No. ✓ ;
Series of 2014.


MA. CELESTE J. LEGASPI
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 85 (2013-2014)/Roll No. 47611
ISP No. 954691 1/8/2014; RSM
PTR No. 9845698; 1/10/2014, Pasig City

CURRICULUM VITAE

**Supreme Court Justice
ANGELINA SANDOVAL-GUTIERREZ (ret.)**

EDUCATION:

Justice ANGELINA SANDOVAL GUTIERREZ hails from Alitagtag, Batangas. She graduated salutatorian from Alitagtag Elementary School; with high honors in high school, St. Bridget's College, Batangas City; and with distinction from the same school upon finishing her Music Teacher's Course in piano. In 1960, she finished law at the University of Sto. Tomas Faculty of Civil Law and passed the bar examinations given that same year.

LEGAL/JUDICIAL SERVICE:

After earning her law degree, Justice Gutierrez engaged in the practice of law. Prior to her appointment on the bench, she served the government in different capacities: Legal Aide II in the National Bureau of Investigation (1963-1965); Legal Researcher in the Department of Justice (1965-1968); Judicial Supervisor in the same Department (1968-1973); and Judicial Assistant and Attorney in the Supreme Court (1973-1983).

On January 17, 1983, she was appointed Judge of the Metropolitan Trial Court of Manila, Branch 19, and on November 5, 1986, Judge of the Regional Trial Court of Manila, Branch 37. On October 22, 1991, she was elevated to the Court of Appeals, and on December 22, 2000, to the Supreme Court.

STUDIES ABROAD:

Desiring to advance in her profession, Justice Gutierrez pursued legal and judicial courses abroad. She attended Harvard Law School Courses in 1989 and 1994, taking up Constitutional Law, Advanced Constitutional Law, Legal Medicine, Family Law, and Federal Courts. She also studied, as a fellow, American and International Law at the Academy of the American and International Law, University of Texas in Dallas. She attended the course on trial techniques at the National Judicial College, University of Nevada at Reno and took up management and delinquency control at the University of Southern California Delinquency Control Institute, Los Angeles.

AWARDS/RECOGNITIONS:

Justice Gutierrez has received various awards and recognitions.

On October 18, 2007, the Bulacan State University Marcelo H. Del Pilar College of Law conferred on her the Degree of Doctor of Law *Honoris Causa*.

On April 3, 2008, the University of Batangas honored her with the Degree of Doctor of Humanities *Honoris Causa*.

She is the first recipient of the prestigious Cayetano Arellano Award as an Outstanding RTC Judge of the Philippines for 1990 given for the first time on June 11, 1991 by the Foundation for Judicial Excellence, through President Corazon C. Aquino. Four months thereafter, or on October 22, 1991, this award catapulted her to the Court of Appeals.

She has also the distinction of being the first winner (First Prize Awardee, 1989) in the judicial essay/best written decision contest among Regional Trial Court women judges sponsored by the Philippine Women Judges Association yearly for having written the best "Proposed Innovations in Judicial Management and Procedure."

In view of her promotional appointment to the Supreme Court, the University of Sto. Tomas conferred on her the most prestigious award being given to its distinguished alumni – The Outstanding Thomasian Alumni Award (TOTAL AWARD). Likewise, the Court of Appeals, the Philippine Judges Association, the UST Faculty of Civil Law, St. Bridget's College, the Integrated Bar of the Philippines, Quezon Chapter and the Quezon Judges Association, the Parangal ng Bayan Awards Foundation, and other organizations extended to her Awards of Distinction and Recognition.

On March 7, 2003, the Provincial Government of Batangas honored her with the "Dangal ng Batangas Award" in recognition of her outstanding achievements as a Lawyer, Justice, Writer and for being a distinguished Batangueña worth emulating by the youth. Also, on the same date, the Batangas Provincial Women Coordinating Council, Inc. awarded her a Plaque of Recognition as an Outstanding Batangueña "for successfully demonstrating positive values and inspiring other Batangueña toward a better quality of life."

On August 13, 2003, the Lipa Lawyers League presented her a Plaque of Appreciation.

On August 7, 2005, she received a Plaque of Highest Appreciation from the Integrated Bar of the Philippines Nueva Ecija Chapter.

On September 2, 2005, a Plaque of Appreciation was also given to her by the Metrobank Foundation, Inc. for rendering valuable assistance to the 2005 Search for Outstanding Teachers.

On December 20, 2005, the Women Lawyer's Association of the Philippines, Inc. (WLAP) extended to her a Plaque of Appreciation.

On August 30, 2006, "Plake ng Karangalan" was endowed upon her by the Bulacan State University Marcelo H. Del Pilar College of Law "Dahil sa kanyang pagiging matapat, marangal at walang dungis na paglilingkod sa Hudikatura na naglalarawan ng kaganapan ng isang tunay na Pilipina sa ugali, kilos, talino at paninindigan na siyang pinangarap ni Dr. Jose Rizal sa kanyang Sulat sa mga Kababaihang taga Malolos."

On November 24, 2006, the Angeles (Pampanga University Foundation) gave her an Award of Appreciation.

On November 25, 2006, the UST Law Alumni Foundation, Inc. awarded her a "Citation" stating that her commitment as a legal scholar provides her appointment as Chairperson of the 2006 Bar Examinations with wisdom, fairness, and irreproachability.

Again, on March 31, 2007, the Bulacan State University Marcelo H. Del Pilar College of Law awarded her with a Plaque of Recognition "in recognition of her high competence, proven leadership, courage, independence of mind, balanced judgment, unassailable integrity as Chairman in the conduct of the 2006 Bar Examinations."

On June 8, 2007, a Certificate of Appreciation was presented to her by the Integrated Bar of the Philippines Batangas Chapter for her "demonstration of the fame, respect, and distinction she has brought to the Province of Batangas."

On September 23, 2007, a Plaque of Recognition from the Metropolitan and City Judges Association of the Philippines was given to her "for her magnanimity, concern, and continued support for the achievement of its goals."

Early on, in recognition of her achievements, the Sto. Tomas University Law Alumni Foundation, Inc. honored her with several awards, such as Plaque of Appreciation on September 5, 1992; Award of Merit on November 9, 1991; Plaque of Recognition on September 7, 1991; and Testimonial on March 2, 1987.

On June 28, 1991, the Integrated Bar of the Philippines (Chapter IV, Manila) conferred on her an Award of Recognition "for her speedy disposition of cases, for her proven integrity and knowledge of the law and for personifying the ideals of justice and the rule of law."

In a "Special Award" dated May 5, 1989, she was hailed as an Outstanding Citizen of Alitagtag, Batangas."

She was chosen "Most Outstanding Alumna" on May 1, 1992 by St. Bridget's College where she finished her secondary course.

On October 23, 1998, she received from the Integrated Bar of the Philippines (Quezon Chapter) a Plaque of Appreciation "for her appointment to the Court of Appeals, a judicial post reserved only to those who possess high judicial calibre, integrity and morality, and whose rare achievement serves as a truly inspiring guide to the profession."

On May 14, 2000, she was bestowed the "Ulirang Ina Award" by the National Mother's Day and Father's Day Foundation.

After her retirement, or on August 17, 2008, the Quezon Province awarded her the "Manuel L. Quezon Medalya ng Karangalan for her achievements in Law and Judiciary."

OTHER ACTIVITIES:

Justice Gutierrez was twice chosen by the Supreme Court as Bar Examiner in Criminal Law – in 1994 and 1998.

In the Supreme Court, Justice Gutierrez was a member of the Senate Electoral Tribunal/House of Representatives Electoral Tribunal; Chairman of the Committee on Halls of Justice; Chairman of the Management Committee, Judicial Reform Support Project (JRSP) of the Action Program for Judicial Reform (APJR); Chairman of the Knowledge Sharing Committee of the APJR; Chairman of the Committee on the 2006 Bar Examinations; Chairman *Emeritus* of the Society for Judicial Excellence; Co-Chairman of the Organizing Committee on the Global Forum on Liberty and Prosperity (2006); member of the Computerization Committee, APJR; member of the Raffle Committee for the *En Banc*; member of the Organizing Committee on the International Conference and Show Case on Judicial Reform (2005).

She is also a member of the Board of Editorial Consultants of the Supreme Court Reports Annotated (SCRA); member of the American Society of International Law; Secretary for Life of the 87th Class, University of Southern California Delinquency Control Institute; Executive Vice-President of the UST Alumni Foundation, Inc.; Director of the *Federacion Internacional De Abogadas*; and member of the Board of Directors of the Dallas Group Foundation.

She served as National Treasurer and Secretary General of the Philippine Judges Association (1989-1991) and as First Woman President of the Manila Regional Trial Court Judges Association in 1991.

CONVENTIONS/SEMINARS:

Justice Gutierrez attended various conferences, conventions, and seminars here and abroad. Prior to her retirement on February 27, 2008, she conferred with U.S. Supreme Court Justices Sandra Day O'Connor and Anthony M. Kennedy on the U.S. Supreme Court Case Management System. On May 27, to 30, 2007, she was a participant in the 2nd Asia Pacific Judicial Reform Forum Round Table Discussion in Putrajaya, Malaysia. On October 31 to November 9, 2006, she attended the conference/signing of the Cooperation Agreement between the Supreme Court of the Philippines and the Supreme Constitutional Court of Egypt. On June 28 to July 2, 2006, she attended the conference/signing of the Cooperation Agreement between the Supreme Court of the Philippines and the Supreme Constitutional Court of Spain. Also, with three other Justices, she made an official call to President (Chief Justice) Evelyn Higgins of the International Court of Justice at the Hague, Netherlands. On March 16 to 17, 2006, she as a participant in the Action Program for Judicial Reform Forum 1st Round Table Discussion in Sydney, Australia. From November 8 to 10, 2005, she was a participant (with Chief Justice Hilario G. Davide, Jr.) in the Conference on the Rule of Law sponsored by the American Bar Association held in Washington, D.C. She participated in the Knowledge Sharing and Technical Visit to Judicial Reform Projects in Spain (June 29 to July 10, 2005) and in Mexico, Guatemala and Venezuela (August 20 to September 4, 2004.)

She also attended the Policy/Technical Discussion and ICT Best Practice Exposure in Washington D.C. (May 30 to June 2, 2005.) The Asia Pacific Program for the Judiciary on Intellectual Property Rights Enforcement in Geneva and Washington, D.C. (July 9 to 18, 2003); the World Jurist Association's Conference in Stuttgart, Germany (September 19 to October 2, 2002); the Program Arbitration of Global Projects in Dallas, Texas, (June, 1997); the Appellate Judges Seminar in Jackson Hole, Wyoming and Portland, Oregon (July, 1996 and August, 1996); the International Convention for Women Judges in Wellington, New Zealand (September, 1993); the Harmonization of Trade and Investment Practices in the Asia-Pacific Region held in Tokyo, Japan (May, 1990); the World Law Conference in Beijing, China (September, 1989); the UNDP-Supreme Court Seminars-Workshops in various cities in the Philippines (1998-1999); and Seminars for the Justices of the Court of Appeals (1997-1999); and other local conventions/seminars on the Judiciary and the Bar.

After she retired, she participated in the Asia-Pacific Judicial Reform Forum held in Singapore in January, 2007.

WRITINGS:

She wrote several articles which have been published. Among them are:

- | | |
|---|--|
| 1. LANDMARK DECISIONS | Published by the Manila Bulletin and other newspapers. |
| 2. I DID MY BEST (Valedictory Speech) | Manila Bulletin
February 28, 2008 issue |
| 3. THOUGHTS ON THE SABIO BROTHERS IN SUPREME COURT DECISION | Philippine Daily Inquirer
September 12, 2008 issue |
| 4. SOCIETY FOR JUDICIAL EXCELLENCE: REAPER OF GOOD SEEDS | Manila Bulletin
June 20, 2007 issue |
| 5. SOLIDARITY OF THE BAR TOWARD THE IMPROVEMENT OF BATANGAS PROVINCE | Manila Bulletin
June 20, 2007 issued |
| 6. A TREASURY OF LEGAL WISDOM | Manila Bulletin
May 4, 2007 issue |
| 7. LAW GRADUATES URGED TO ALWAYS UPHOLD THE TRUTH IN HER SPEECH BEFORE THE GRADUATES OF THE MARCELO H. DEL PILAR COLLEGE OF LAW OF THE BULACAN STATE UNIVERSITY | Manila Bulletin
April 6, 2007 issue |

8. CHIEF JUSTICE REYNATO S. PUNO,
A BORN LEADER Manila Bulletin
February 1, 2007 issue
9. SOCIETY FOR JUDICIAL
EXCELLENCE: AN AUSPICIOUS
BEGINNING Manila Bulletin
September 22, 2006
10. TRIBUTE TO HILARIO G. DAVIDE, JR.,
JUSTICE FROM ARGAO, CEBU Manila Bulletin
December 9, 2005 issue
11. TRAFFICKING IN PERSONS:
ISSUES AND STRATEGIES The Court Systems Journal
No. 3, Vol. X, September
22, 2006 issue
12. SOAR HIGH, BEDAN LAWYERS Manila Bulletin
May 7, 2005 issue
13. INTEGRITY: AN ENDURING VIRTUE Manila Bulletin
April 18, 2005 issue
14. JUSTICE ARTEMIO V. PANGANIBAN'S
"THE BIO-AGE DAWNS ON THE
JUDICIARY" Manila Bulletin
December 23, 2002 issue
15. ON INTELLECTUAL PROPERTY: A
CHALLENGE TO TRIAL JUDGES The Lawyer's Review No.12
Vol. XV, December 31,
2001 issue
16. INSPIRATIONAL MESSAGE FOR
NEWLY APPOINTED JUDGES The Lawyer's Review No. 8,
Vol. XV, August 31, 2001
issue
17. PURSUIT FOR JUDICIAL
EXCELLENCE Manila Bulletin
April 2, 2000 issue
18. A TRIBUTE TO COURT OF APPEALS
JUSTICE ARTEMON D. LUNA The Lawyer's Review No.11
Vol. XIII, November 30, 1999
issue
19. A TRIBUTE TO PRESIDING JUSTICE
JESUS M. ELBINIAS The Lawyer's Review No.11
11, Vol. XIII, November 30,
1999 issue
20. A TRIBUTE TO JUSTICE JAIME
M. LANTIN The Lawyer's Review
No. 9, Vol. XI, September
30, 1997 issue
21. LET US LOOK AT THE TRIAL
JUDGES Court Systems Journal,
July, 1997 issue

- | | |
|--|---|
| 22. SOME THOUGHTS ON PROBLEMS
OF PRACTITIONERS | Philippine Judges Association (PJA) Newsletter,
September, 1991 issue |
| 23. I HAVE A DREAM | Philippine Judges' Association (PJA) Newsletter,
May, 1991 issue |
| 24. MY FELLOWSHIP AT THE
ACADEMY OF AMERICAN AND
INTERNATIONAL LAW | 1990 Philippine Women
Judges' Association (PWJA)
Newsletter
December, 1990 issue |
| 25. WHY LITIGATE? | Manila Bulletin
December 26, 1990 issue |
| 26. CHIEF JUSTICE FERNAN'S
FINEST MOMENT | Manila Bulletin
September 13, 1990 issue |
| 27. EASY LIFE ON THE BENCH? | Manila Bulletin
May 25, 1990 issue |
| 28. JUDICIAL TEMPERAMENT | Manila Bulletin
February 11, 1990 issue |
| 29. THE ROLE OF THE JUDICIARY
ON DELIQUENCY CONTROL | Manila Bulletin
December 9, 10 and 11,
1989 issues |
| 30. PROPOSED INNOVATIONS IN
JUDICIAL MANAGEMENT AND
PROCEDURE | Manila Bulletin
September 21 and 22,
1989 issues |

and others.

FAMILY:

Justice Gutierrez was married to the late NBI Assistant Director Diego H. Gutierrez. They have three children, namely:

- AILEEN MARIE
38 years old, Lawyer
San Beda College of Law
Senior State Prosecutor
Department of Justice
Manila
- ROBERT VICTOR C. MARCON (son-in-law)
Law Practitioner
Cruz Capule, Marcon & Nabaza Law Offices
United Nations Avenue, Manila
- FRANCIS JOSEPH
36 years old, Esquire
American University, George Washington,
College of Law
Washington, D.C., U.S.A.
Policy Advisor, International Bureau,
Federal Communications Commission
Washington, D.C., U.S.A.

Bachelor of Arts (Cum Laude)
Member of the International Honor Society,
(Phi Kappa Beta) and the American National Honor Society
Rutgers University (State University of New Jersey)
New Brunswick, New Jersey, U.S.A.
- JAMES GERARD
33 years old, Esquire
Boston University, Boston, Massachusetts, U.S.A.
Associate Attorney, Stroock & Stroock & Lavan Law Firm, New York City

Bachelor of Arts (Cum Laude)
Rutgers University (State University of New Jersey)
Member of the American National Honor Society

PRESENT WORK ENGAGEMENTS:

- | | |
|--|---|
| I. Partner | - JurisPraesidium Secundum Partnership (Provider of Mandatory Continuing Legal Education) |
| II. Dean | - Graduate School of Law Pamantasan Ng Lungsod Ng Maynila |
| III. Chairman of the Board of Directors | - Radio Station DWIZ |
| IV. Independent Director of the Board of Directors | - Philippine Polypropelene, Inc. San Miguel Corporation |
| V. Independent Director of the Board of Directors | - Ginebra, San Miguel, Inc. |
| VI. Independent Director Of the Board of Directors | - San Miguel Pure Foods Company, Inc. |

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

[illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

2 3 r d F l o o r , T h e J M T C o r p o r a t e
C o n d o m i n i u m , A D B A v e n u e
O r t i g a s C e n t e r , P a s i g C i t y

Form Type

A	A	F	S
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Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

702-5000

Mobile Number

No. of Stockholders

Common-129; Preferred-228Annual Meeting
Month/DayMay 08Fiscal Year
Month/DayDecember 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Ms. Zenaida M. Postrado

Email Address

zpostrado@smg.san
miguel.com.ph

Telephone Number/s

Number/s
702-5000

Mobile Number

09178403316

Contact Person's Address

23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**SAN MIGUEL PURE FOODS COMPANY INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Pure Foods Company Inc.

We have audited the accompanying consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Pure Foods Company Inc. and Subsidiaries as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

March 20, 2015
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Pure Foods Company Inc.
23rd Floor, The JMT Corporate Condominium
ADB Avenue, Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

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Opinion

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R.G. MANABAT & CO.

JOHN MOLINA

Partner

CPA License No. 0092632

SEC Accreditation No. 1101-AR-1, Group A, valid until March 25, 2017

Tax Identification No. 109-916-107

BIR Accreditation No. 08-001987-23-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 4748118

Issued January 5, 2015 at Makati City

March 20, 2015

Makati City, Metro Manila

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

		December 31	
	<i>Note</i>	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	7, 32, 33	P14,215,875	P7,030,943
Trade and other receivables - net	4, 8, 29, 32, 33	10,827,434	25,662,903
Inventories	4, 9	16,426,482	14,657,292
Biological assets	10, 32	3,319,916	3,427,280
Derivative assets	32, 33	12,422	4,621
Prepaid expenses and other current assets	11	3,390,063	2,709,676
Total Current Assets		48,192,192	53,492,715
Noncurrent Assets			
Investment properties - net	4, 13	638,736	632,679
Property, plant and equipment - net	4, 14	10,719,721	11,254,188
Biological assets - net of current portion	4, 10, 32	1,973,151	1,910,906
Other intangible assets - net	4, 15	3,776,353	3,867,720
Goodwill - net	4, 16	177,029	425,655
Deferred tax assets	4, 27	802,981	738,591
Other noncurrent assets	4, 14, 28, 29, 32, 33	374,792	419,995
Total Noncurrent Assets		18,462,763	19,249,734
		P66,654,955	P72,742,449
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	17, 32, 33	P8,753,425	P8,647,785
Trade payables and other current liabilities	18, 29, 32, 33	16,231,401	15,936,038
Current maturities of long-term debt - net of debt issue costs	19, 32, 33	4,491,685	-
Income tax payable		305,039	387,664
Total Current Liabilities		29,781,550	24,971,487
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	19, 32, 33	-	4,483,300
Deferred tax liabilities	27	27,857	33,951
Other noncurrent liabilities	4, 28, 32, 33	882,725	893,786
Total Noncurrent Liabilities		910,582	5,411,037

Forward

	<i>Note</i>	2014	2013
Equity	20		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		P1,858,748	P1,858,748
Additional paid-in capital		20,500,284	20,500,284
Revaluation surplus		18,219	18,219
Reserve for retirement plan		(470,628)	(434,714)
Cumulative translation adjustments		(253,428)	(248,738)
Retained earnings			
Appropriated		1,200,000	750,000
Unappropriated		11,564,027	17,929,528
Treasury stock		(182,094)	(182,094)
		34,235,128	40,191,233
Non-controlling Interests	5	1,727,695	2,168,692
Total Equity		35,962,823	42,359,925
		P66,654,955	P72,742,449

See Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(In Thousands, Except Per Share Data)

	<i>Note</i>	2014	2013	2012
REVENUES	21, 29	P102,999,401	P99,772,930	P95,787,365
COST OF SALES	22, 29, 35	82,549,791	79,584,594	77,949,732
GROSS PROFIT		20,449,610	20,188,336	17,837,633
SELLING AND ADMINISTRATIVE EXPENSES	23, 29	(13,986,766)	(14,678,339)	(12,660,333)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	17, 19, 26	(419,676)	(549,606)	(574,898)
INTEREST INCOME	7, 26	135,851	58,918	148,518
GAIN ON SALE OF INVESTMENT AND PROPERTY AND EQUIPMENT	12, 14	307	394,579	115,097
EQUITY IN NET EARNINGS OF AN ASSOCIATE	12	-	714,946	884,884
OTHER INCOME (CHARGES) - Net	26	(503,391)	(532,796)	56,800
INCOME BEFORE INCOME TAX		5,675,935	5,596,038	5,807,701
INCOME TAX EXPENSE	27	1,832,460	1,512,203	1,545,135
NET INCOME		P3,843,475	P4,083,835	P4,262,566
Attributable to:				
Equity holders of the Parent Company		P3,884,521	P4,096,989	P4,171,984
Non-controlling interests		(41,046)	(13,154)	90,582
		P3,843,475	P4,083,835	P4,262,566
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	30	P16.11	P17.38	P17.83

See Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In Thousands)

	<i>Note</i>	2014	2013	2012
NET INCOME		P3,843,475	P4,083,835	P4,262,566
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	28	(50,958)	(210,550)	(178,659)
Income tax benefit		15,287	63,896	54,108
Share in other comprehensive income (loss) of an associate - net	12	-	(1,144)	988
		(35,671)	(147,798)	(123,563)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		(5,342)	1,642	(173,989)
Net gain (loss) on available-for-sale financial assets		509	(149)	1,571
Income tax benefit (expense)		(51)	15	(157)
		(4,884)	1,508	(172,575)
OTHER COMPREHENSIVE LOSS - Net of tax		(40,555)	(146,290)	(296,138)
TOTAL COMPREHENSIVE INCOME - Net of tax		P3,802,920	P3,937,545	P3,966,428
Attributable to:				
Equity holders of the Parent Company		P3,843,917	P3,957,318	P3,883,620
Non-controlling interests		(40,997)	(19,773)	82,808
		P3,802,920	P3,937,545	P3,966,428

See Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In Thousands)

	Attributable to Equity Holders of the Parent Company										Non-controlling Interests	Total Equity
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Revaluation Surplus	Reserve for Retirement Plan	Cumulative Translation Adjustments		Retained Earnings (Note 20)		Treasury Stock (Note 20)	Total		
					Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated				
As at January 1, 2014	P1,858,748	P20,500,284	P18,219	(P434,714)	(P251,603)	P2,865	P750,000	P17,929,528	(P182,094)	P40,191,233	P2,168,692	P42,359,925
Net loss on exchange differences on translation of foreign operations	-	-	-	-	(5,148)	-	-	-	-	(5,148)	(194)	(5,342)
Net gain on available-for-sale financial assets, net of tax	-	-	-	-	-	458	-	-	-	458	-	458
Equity reserve for retirement plan, net of tax	-	-	-	(35,914)	-	-	-	-	-	(35,914)	243	(35,671)
Other comprehensive income (loss)	-	-	-	(35,914)	(5,148)	458	-	-	-	(40,604)	49	(40,555)
Net income (loss)	-	-	-	-	-	-	-	3,884,521	-	3,884,521	(41,046)	3,843,475
Total comprehensive income (loss)	-	-	-	(35,914)	(5,148)	458	-	3,884,521	-	3,843,917	(40,997)	3,802,920
Appropriations during the year	-	-	-	-	-	-	450,000	(450,000)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(9,800,022)	-	(9,800,022)	(400,000)	(10,200,022)
As at December 31, 2014	P1,858,748	P20,500,284	P18,219	(P470,628)	(P256,751)	P3,323	P1,200,000	P11,564,027	(P182,094)	P34,235,128	P1,727,695	P35,962,823

Forward

	Note	Attributable to Equity Holders of the Parent Company										Non-controlling Interests	Total Equity
		Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Revaluation Surplus	Reserve for Retirement Plan	Cumulative Translation Adjustments		Retained Earnings (Note 20)		Treasury Stock (Note 20)	Total		
						Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated				
As at January 1, 2013		P1,858,748	P20,500,284	P18,219	(P290,506)	(P257,418)	P4,143	P750,000	P15,832,541	(P182,094)	P38,233,917	P2,788,465	P41,022,382
Net gain (loss) on exchange differences on translation of foreign operations		-	-	-	-	5,815	-	-	-	-	5,815	(4,173)	1,642
Net loss on available-for-sale financial assets, net of tax		-	-	-	-	-	(134)	-	-	-	(134)	-	(134)
Equity reserve for retirement plan, net of tax		-	-	-	(144,208)	-	-	-	-	-	(144,208)	(2,446)	(146,654)
Share in other comprehensive loss of an associate - net	12	-	-	-	-	-	(1,144)	-	-	-	(1,144)	-	(1,144)
Other comprehensive income (loss)		-	-	-	(144,208)	5,815	(1,278)	-	-	-	(139,671)	(6,619)	(146,290)
Net income (loss)		-	-	-	-	-	-	-	4,096,989	-	4,096,989	(13,154)	4,083,835
Total comprehensive income (loss)		-	-	-	(144,208)	5,815	(1,278)	-	4,096,989	-	3,957,318	(19,773)	3,937,545
Cash dividends		-	-	-	-	-	-	-	(2,000,002)	-	(2,000,002)	(600,000)	(2,600,002)
As at December 31, 2013		P1,858,748	P20,500,284	P18,219	(P434,714)	(P251,603)	P2,865	P750,000	P17,929,528	(P182,094)	P40,191,233	P2,168,692	P42,359,925

Forward

	Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Revaluation Surplus	Reserve for Retirement Plan	Cumulative Translation Adjustments		Retained Earnings (Note 20)		Treasury Stock (Note 20)	Total			
					Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated					
As at January 1, 2012	P1,858,748	P20,500,284	P18,219	(P169,651)	(P87,507)	P1,741	P750,000	P13,660,560	(P182,094)	P36,350,300	P3,105,657	P39,455,957	
Net loss on exchange differences on translation of foreign operations	-	-	-	-	(169,911)	-	-	-	-	(169,911)	(4,078)	(173,989)	
Net gain on available-for-sale financial assets, net of tax	-	-	-	-	-	1,414	-	-	-	1,414	-	1,414	
Equity reserve for retirement plan, net of tax	-	-	-	(120,855)	-	-	-	-	-	(120,855)	(3,696)	(124,551)	
Share in other comprehensive income of an associate	-	-	-	-	-	988	-	-	-	988	-	988	
Other comprehensive income (loss)	-	-	-	(120,855)	(169,911)	2,402	-	-	-	(288,364)	(7,774)	(296,138)	
Net income	-	-	-	-	-	-	-	4,171,984	-	4,171,984	90,582	4,262,566	
Total comprehensive income (loss)	-	-	-	(120,855)	(169,911)	2,402	-	4,171,984	-	3,883,620	82,808	3,966,428	
Cash dividends	-	-	-	-	-	-	-	(2,000,003)	-	(2,000,003)	(400,000)	(2,400,003)	
As at December 31, 2012	P1,858,748	P20,500,284	P18,219	(P290,506)	(P257,418)	P4,143	P750,000	P15,832,541	(P182,094)	P38,233,917	P2,788,465	P41,022,382	

See Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In Thousands)

	<i>Note</i>	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P5,675,935	P5,596,038	P5,807,701
Adjustments for:				
Depreciation and amortization	24	2,844,329	2,639,083	2,297,200
Allowance for impairment losses on receivables and inventory losses		452,227	258,961	127,065
Interest expense and other financing charges	26	419,676	549,606	574,898
Impairment loss on goodwill and idle assets	16, 26	250,947	-	19,455
Interest income	26	(135,851)	(58,918)	(148,518)
Other charges (income) net of loss (gain) on derivative transactions		(198,091)	249,566	10,426
Gain on sale of investment and property and equipment	12, 14	(307)	(394,579)	(115,097)
Equity in net earnings of an associate	12	-	(714,946)	(884,884)
Operating income before working capital changes		9,308,865	8,124,811	7,688,246
Decrease (increase) in:				
Trade and other receivables		735,000	(701,164)	(2,431,495)
Inventories		(2,015,774)	583,218	(3,655,539)
Biological assets		107,366	341,719	363,550
Prepaid expenses and other current assets		(680,343)	(449,483)	(304,284)
Increase in trade payables and other current liabilities	29	590,098	1,196,834	3,646,158
Cash generated from operations		8,045,212	9,095,935	5,306,636
Interest received		139,903	70,900	111,118
Income taxes paid		(1,981,614)	(1,630,355)	(1,503,206)
Interest paid		(417,116)	(540,730)	(664,911)
Net cash flows provided by operating activities		5,786,385	6,995,750	3,249,637
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment and property and equipment	8, 12, 14	P13,887,119	P7,734	P369,606
Increase in biological assets and other noncurrent assets	10	(1,680,890)	(1,528,470)	(1,921,050)
Acquisitions of property, plant and equipment	14	(647,458)	(1,977,893)	(1,957,476)
Acquisition of a subsidiary net of cash received	5	-	-	(357,705)
Acquisitions of intangible assets	15	(70,932)	(42,784)	(332,259)
Dividends received from associate	12	-	602,727	478,636
Net cash flows provided by (used in) investing activities		11,487,839	(2,938,686)	(3,720,248)

Forward

	<i>Note</i>	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availments of notes payable		P107,444	P1,288,011	P2,411,615
Cash dividends paid	20	(10,196,236)	(2,598,989)	(2,399,589)
Payments of long-term debt		-	-	(203,750)
Net cash flows used in financing activities		(10,088,792)	(1,310,978)	(191,724)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(500)	4,439	10,035
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,184,932	2,750,525	(652,300)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,030,943	4,280,418	4,932,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	P14,215,875	P7,030,943	P4,280,418

See Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Unless Otherwise Indicated)

1. Reporting Entity

San Miguel Pure Foods Company Inc. (“SMPFC” or the “Parent Company”), a subsidiary of San Miguel Corporation (“SMC” or the “Intermediate Parent Company”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 31, 1956. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed in the Philippine Stock Exchange (PSE) since 1973. Top Frontier Investment Holdings, Inc. (“Top Frontier”) is the ultimate parent company of the Group. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the “Group”).

The Group is involved in poultry operations, livestock farming and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, cooking oils, breadfill, desserts and dairy-based products, and importation and marketing of coffee and coffee-related products.

The registered office address of the Parent Company is 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 20, 2015.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded off to the nearest thousand (P000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2014	2013
San Miguel Mills, Inc. and subsidiaries (SMMI) ^(a)	Philippines	100.00	100.00
Magnolia, Inc. and subsidiaries (Magnolia) ^(b)	Philippines	100.00	100.00
San Miguel Foods, Inc. (SMFI)	Philippines	99.97	99.97
PT San Miguel Pure Foods Indonesia (PTSMPFI)	Indonesia	75.00	75.00
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	Philippines	70.00	70.00
The Purefoods-Hormel Company, Inc. (PF-Hormel)	Philippines	60.00	60.00
RealSnacks Mfg. Corp. (RealSnacks) ^(c)	Philippines	100.00	100.00
San Miguel Pure Foods International, Limited (SMPFIL) [including San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited) and subsidiary, San Miguel Hormel (Vn) Co., Ltd. (SMHVN, formerly San Miguel Pure Foods (Vn) Co., Ltd. (SMPFVN))]	British Virgin Islands	100.00	100.00

(a) Golden Bay Grain Terminal Corporation (GBGTC) was incorporated as a wholly-owned subsidiary of SMMI in November 2011 and has started commercial operations in September 2013 (Note 5).

(b) Magnolia acquired 100% equity interests in Golden Food & Dairy Creamery Corporation (GFDCC) in September 2011 (Note 5)

(c) Incorporated in April 2004 and has not yet started commercial operations.

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Parent Company in SMFI, PTSMPFI, SMSCCI, PF-Hormel and SMPFI Limited in 2014 and 2013 (Note 5).

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and, (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2014

The Group has adopted the following PFRS effective January 1, 2014 and accordingly, changed its accounting policies in the following areas:

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36, Impairment of Assets*). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Novation of Derivatives and Continuation of Hedge Accounting (*Amendments to PAS 39, Financial Instruments: Recognition and Measurement*). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope.

The adoption of this interpretation did not have an effect on the consolidated financial statements.

Additional disclosures required by the new and amended standards and interpretation were included in the consolidated financial statements, where applicable.

New and Amended Standards and Interpretations Not Yet Adopted

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards and interpretation on the respective effective dates:

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group.
 - Meaning of 'Vesting Condition' (*Amendment to PFRS 2, Share-based Payment*). PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition.' The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.

- Scope Exclusion for the Formation of Joint Arrangements (*Amendment to PFRS 3, Business Combinations*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Disclosures on the Aggregation of Operating Segments (*Amendments to PFRS 8, Operating Segments*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Measurement of Short-term Receivables and Payables (*Amendment to PFRS 13, Fair Value Measurement*). The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, *Financial Instruments*, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Scope of Portfolio Exception (*Amendments to PFRS 13*). The scope of PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39 and PFRS 9. PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property* (*Amendment to PAS 40*). PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.

- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.
- Classification and Measurement of Contingent Consideration (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37 is amended to exclude provisions related to contingent consideration. The amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates*). The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which only the following are applicable to the Group.
 - Changes in Method for Disposal (*Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*). PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset (or disposal group) - i.e., reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and (b) if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in methods of disposal that occur on or after January 1, 2016.
 - PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest earned is recognized as part of "Interest income" account in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL is recognized in profit or loss when the right to receive payment has been established.

The Group's derivative assets are classified under this category (Notes 29, 32 and 33).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of “Interest income” account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” account in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group’s cash and cash equivalents and trade and other receivables are included under this category (Notes 7, 8, 32 and 33).

HTM Investments. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments is recognized as part of “Interest income” account in the consolidated statements of income on an accrual basis.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” account in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as at December 31, 2014 and 2013.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the “Fair value reserve” account in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of “Interest income” account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in shares of stock included under "Other noncurrent assets" account are classified under this category (Notes 32 and 33).

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category (Notes 18, 29, 32 and 33).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's liabilities arising from its trade or borrowings such as notes payable, trade payables and other current liabilities, long-term debt and other noncurrent liabilities are included under this category (Notes 17, 18, 19, 32 and 33).

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Group discontinues fair value hedge accounting if: (a) the hedging instrument expires, is sold, is terminated or is exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

The Group has no outstanding derivatives accounted for as fair value hedges as at December 31, 2014 and 2013.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The Group has no outstanding derivatives accounted for as cash flow hedges as at December 31, 2014 and 2013.

Net Investment Hedge. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in equity is transferred to and recognized in profit or loss.

The Group has no hedge of a net investment in a foreign operation as at December 31, 2014 and 2013.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

- | | | |
|---|---|--|
| Finished goods and goods in process | - | at cost, using the moving average method; includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce. |
| Raw materials, feeds, feed ingredients, factory supplies and others | - | at cost, using the moving average method. |

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

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

Net realizable value of raw materials, feeds, feed ingredients, factory supplies and others is the current replacement cost.

Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, cattle and poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, cattle and poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets have no active market and no active market for similar assets prior to point of harvest are available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group's agricultural produce, which consists of grown broilers and marketable hogs and cattle harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers, hogs and cattle or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

Transactions under Common Control

Transactions under common control entered into in contemplation of each other and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly-controlled entities are accounted for using the book value accounting.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investment in an Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate is recognized as "Equity in net earnings (losses) of an associate" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Group's share of those changes is recognized as "Share in other comprehensive income (losses) of an associate" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount. Such impairment loss is recognized as part of "Equity in net earnings (losses) of an associate" account in the consolidated statements of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 10
Buildings and improvements	5 - 50
Machinery and equipment	5 - 20
Office furniture and equipment	3 - 5
Transportation equipment	5
Factory furniture, equipment and others	2 - 5

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement or disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties, except for land, are measured at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation of buildings and improvements is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives, residual values and method of depreciation are reviewed and adjusted if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the retirement or disposal of investment property is recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization of computer software and licenses is computed using the straight-line method over the estimated useful life of 2 to 8 years.

The Group assessed the useful life of trademarks and brand names, and formulas and recipes to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Trademarks and brand names, and formulas and recipes with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset, is derecognized.

Impairment of Non-financial Assets

The carrying amounts of investments, property, plant and equipment, investment properties, biological assets - net of current portion, other intangible assets with finite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and brand names, and formulas and recipes with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods

Revenue from 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 the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

Revenue from Agricultural Produce

Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

Revenue from Terminal Handling

Revenue from terminal fees is recognized based on the quantity of items declared by vessels entering the port multiplied by a predetermined rate.

Revenue from usage fees is recognized based on the gross weight of vessels entering the port multiplied by a predetermined rate.

Others

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend income is recognized when the Group's right as a shareholder to receive the payment is established.

Rent income from investment properties is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or loss on sale of investments in shares of stock is recognized if the Group disposes of its investment in a subsidiary, associate, AFS financial assets and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Share-based Payment Transactions

Under SMC's Employee Stock Purchase Plan (ESPP), employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services as consideration for equity instruments of SMC. Such transactions are handled centrally by SMC.

Share-based payment transactions in which SMC grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions. SMC charges the Group for the costs related to such transactions with its employees. The amount is recognized in profit or loss by the Group.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price. The cumulative expense recognized for share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and SMC's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Operating Lease

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The Parent Company and majority of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

Defined benefit costs comprise of the following:

- Service costs
- Net interest on the net defined benefit retirement liability or asset
- Remeasurements of net defined benefit retirement liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary using the projected unit credit method.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

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

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Trade payables and other current liabilities” and “Income tax payable” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm’s length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the Long-term Incentive Plan for Stock Options of SMC which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the stock purchase and option plans of SMC would be anti-dilutive, diluted EPS is not presented.

As at December 31, 2014, 2013 and 2012, the Group has no dilutive equity instruments.

Operating Segments

The Group’s operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the “chief operating decision maker”) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm’s length prices.

Segment revenues, expenses and performance include sales and purchases between operating segments. Such sales and purchases are eliminated in consolidation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating Lease Commitments - Group as Lessee. The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all the significant risks and rewards of ownership of the properties leased from third parties under operating lease arrangements.

Rent expense recognized in the consolidated statements of income amounted to P1,687.6 million, P1,470.4 million and P1,153.4 million in 2014, 2013 and 2012, respectively (Notes 22, 23 and 31).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 35).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 13, 28 and 33.

Allowance for Impairment Losses on Trade and Other Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for impairment losses on trade and other receivables amounted to P635.6 million and P504.1 million as at December 31, 2014 and 2013, respectively.

The carrying amounts of trade and other receivables amounted to P10,827.4 million and P25,662.9 million as at December 31, 2014 and 2013, respectively (Note 8).

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P311.5 million and P270.2 million as at December 31, 2014 and 2013, respectively.

The carrying amounts of inventories amounted to P16,426.5 million and P14,657.3 million as at December 31, 2014 and 2013, respectively (Note 9).

Impairment of AFS Financial Assets. AFS financial assets are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

The carrying amounts of AFS financial assets amounted to P10.0 million and P9.4 million as at December 31, 2014 and 2013, respectively (Notes 32 and 33).

Estimated Useful Lives of Property, Plant and Equipment and Investment Properties. The Group estimates the useful lives of property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P10,719.7 million and P11,254.2 million as at December 31, 2014 and 2013, respectively. Accumulated depreciation of property, plant and equipment amounted to P10,299.4 million and P9,403.1 million as at December 31, 2014 and 2013, respectively (Note 14).

Investment properties, net of accumulated depreciation and impairment losses, amounted to P638.7 million and P632.7 million as at December 31, 2014 and 2013, respectively. Accumulated depreciation and impairment losses of investment properties amounted to P12.2 million and P11.5 million as at December 31, 2014 and 2013, respectively (Note 13).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful life amounted to P418.4 million and P509.6 million as at December 31, 2014 and 2013, respectively (Note 15).

Impairment of Goodwill, Trademarks and Brand Names, and Formulas and Recipes with Indefinite Useful Lives. The Group determines whether goodwill, trademarks and brand names, and formulas and recipes are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, and formulas and recipes. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, and formulas and recipes and to choose a suitable discount rate to calculate the present value of those cash flows.

Accumulated impairment loss on goodwill amounted to P250.9 million as at December 31, 2014 (Note 16).

The carrying amounts of goodwill as at December 31, 2014 and 2013 amounted to P177.0 million and P425.7 million, respectively (Note 16).

The carrying amounts of trademarks and brand names, and formulas and recipes amounted to P3,358.0 million and P3,358.1 million as at December 31, 2014 and 2013, respectively (Note 15).

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group's acquisitions have resulted in the recognition of goodwill and other intangible assets with indefinite lives.

The combined carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P244.8 million and P493.7 million as at December 31, 2014 and 2013, respectively (Notes 15 and 16).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P803.0 million and P738.6 million as at December 31, 2014 and 2013, respectively (Note 27).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments, property, plant and equipment, investment properties, biological assets - net of current portion, other intangible assets with finite useful lives and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investment properties and idle assets amounted to P86.9 million as at December 31, 2014 and 2013 (Notes 13 and 14).

The aggregate amount of biological assets - net of current portion, investment properties, property, plant and equipment, goodwill and other intangible assets, and idle assets amounted to P17,371.3 million and P18,181.1 million as at December 31, 2014 and 2013, respectively (Notes 10, 12, 13, 14, 15 and 16).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 28 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of defined benefit retirement obligation amounted to P3,214.5 million and P3,108.4 million as at December 31, 2014 and 2013, respectively (Note 28).

Asset Retirement Obligation. Determining the ARO requires estimation of the costs of dismantling, installing and restoring the leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2014 and 2013.

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2014 and 2013:

a) SMMI

In September 2011, SMMI formed GBGTC, a wholly-owned subsidiary with an authorized capital stock of P2,000.0 million. GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others. In November 2011, following the approval by the SEC of the incorporation of GBGTC, SMMI subscribed to 5,000,000 GBGTC shares with a par value of P100.00 per share for a total subscription value of P500.0 million. SMMI paid an initial consideration amounting to P125.0 million. In February and April 2012, SMMI paid in full the remaining balance of the subscription value amounting to an aggregate of P375.0 million.

In July 2012, SMMI subscribed to an additional 7,000,000 GBGTC shares for a total subscription value of P700.0 million. Total payment made by SMMI for the additional subscription amounted to P500.0 million as at March 20, 2015.

GBGTC started its commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,597.2 million.

b) SMFI and Monterey Foods Corporation (Monterey)

In August 2010, the SEC approved the merger of Monterey into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of Monterey and SMFI in June 2010 and July 2010, respectively. The merger became effective on September 1, 2010. SMFI's request for confirmation of the tax-free merger, filed in September 2010, is still pending with the Bureau of Internal Revenue (BIR) as at March 20, 2015.

c) Magnolia

In September 2011, Magnolia, a wholly-owned subsidiary of SMPFC, acquired the subscription rights of certain individuals in GFDCC, a Philippine company engaged in the toll manufacturing of ice cream products. As such, GFDCC became a subsidiary of Magnolia and was consolidated into SMPFC through Magnolia.

In June 2013, the BOD of GFDCC approved the temporary suspension of its manufacturing operations. The plant, and machinery and equipment are leased out under such terms and conditions deemed by management to be in the best interest of GFDCC.

d) SMPFIL

In July 2010, the Company, through its wholly-owned subsidiary, SMPFIL, acquired SMC's 51% interest (through San Miguel Foods and Beverage International Limited [SMFBIL]) in SMPFI Limited for US\$18.6 million. SMPFI Limited owns 100% of San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN). Pursuant to the Sale and Purchase Agreement between SMFBIL and SMPFIL, 10% of the purchase price was paid in July 2010 and the balance of US\$16.8 million (P734.3 million as at December 31, 2010) shall be payable: (i) upon change in controlling interest of SMPFIL to any third person other than an affiliate, or (ii) two years from July 30, 2010, subject to floating interest rate based on one-year LIBOR plus an agreed margin after one year, whichever comes first. The balance was recognized as part of the Company's payable to related parties.

In May 2011, SMPFC increased its investment in SMPFIL by an amount equivalent to the 90% balance of the purchase price of SMPFVN acquired by SMPFIL from SMFBIL. Subsequently, SMPFIL paid the remaining balance of the purchase price of the Vietnam food business amounting to US\$16.8 million.

As approved by the State Securities Commission of Vietnam on September 30, 2011, SMPFVN was renamed to San Miguel Hormel (Vn) Co., Ltd.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2014				December 31, 2013			
	PF-HORMEL	SMSCCI	SMHVN	PTSMPFI	PF-HORMEL	SMSCCI	SMHVN	PTSMPFI
Percentage of non-controlling interests:	40%	30%	49%	25%	40%	30%	49%	25%
Carrying amount of non-controlling interests	P1,824,524	(P13,189)	(P112,541)	P26,199	P1,962,997	P16,113	P153,172	P34,090
Net income (loss) attributable to non-controlling interests	P261,201	(P29,250)	(P265,714)	(P7,674)	P264,817	(P46,590)	(P228,759)	(P2,905)
Other comprehensive income (loss) attributable to non-controlling interests	P326	(P53)	P -	(P217)	(P4,808)	(P227)	-	(P2,029)
Dividends paid to non-controlling interests	P400,000	P -	P -	P -	P600,000	P -	P -	P -

Summarized financial information of investments in subsidiaries with material non-controlling interest:

	December 31, 2014				December 31, 2013			
	PF-HORMEL	SMSCCI	SMHVN	PTSMPFI	PF-HORMEL	SMSCCI	SMHVN	PTSMPFI
Current assets	P5,514,651	P682,228	P192,940	P294,053	P5,289,447	P686,002	P800,583	P253,533
Noncurrent assets	3,682,870	127,388	619,787	63,671	3,865,176	82,308	976,644	71,447
Current liabilities	4,606,781	853,965	718,676	263,824	4,214,661	713,721	1,501,112	200,879
Noncurrent liabilities	29,430	1,060	522,776	34,144	33,030	877	159,881	33,232
Net assets	P4,561,310	(P45,409)	(P428,725)	P59,756	P4,906,932	P53,712	P116,234	P90,869
Revenues	P15,069,154	P929,160	P1,055,223	P729,199	P14,932,779	P1,126,035	P1,723,136	P683,432
Net income (loss)	P653,005	(P98,945)	(P276,637)	(P31,265)	P662,033	(P158,185)	(P238,096)	(P11,620)
Other comprehensive income (loss)	816	(176)	-	-	(13,033)	217	-	-
Total comprehensive income (loss)	P653,821	(P99,121)	(P276,637)	(P31,265)	P649,000	(P157,968)	(P238,096)	(P11,620)
Cash flows provided by (used in) operating activities	P1,655,723	(P106,382)	P166,019	(P81,279)	P1,412,540	(P155,869)	P24,071	P14,396
Cash flows from (used in) investing activities	(165,851)	-	70,155	36,986	(627,701)	(121)	94,507	(9,510)
Cash flows from (used in) financial activities	(1,463,149)	110,756	(214,017)	48,594	(819,364)	160,333	69,180	(1,104)
Effects of exchange rate changes on cash and cash equivalents	-	(896)	(95)	(397)	-	(3,459)	(4,439)	(3,035)
Net increase (decrease) in cash and cash equivalents	P26,723	P3,478	P22,062	P3,904	(P34,525)	P884	P183,319	P747

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely, Agro-industrial, Value-added Meats and Milling. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Agro-industrial segment includes the integrated Feeds, Poultry and Fresh Meats operations. These businesses are involved in feeds production and in poultry and livestock farming, processing and selling of poultry and meat products.

The Value-added Meats segment is engaged in the processing and marketing of refrigerated and canned meat products.

The Milling segment is into manufacturing and marketing of flour products, premixes and flour-based products, and is engaged in grain terminal handling.

The non-reportable operating segments of the Group include dairy-based products, breadfill, desserts, cooking oils, importation and marketing of coffee and coffee-related products, and foreign operations which include hog farming, feeds production and sale of fresh and processed meats by foreign subsidiaries.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	Agro-Industrial			Value-Added Meats			Milling			Total Reportable Segments			Others			Eliminations			Consolidated		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
<i>(In Millions)</i>																					
Revenues																					
External	P68,181	P64,383	P61,877	P15,033	P14,876	P13,665	P8,854	P8,693	P8,425	P92,068	P87,952	P83,967	P10,931	P11,821	P11,820	P -	P -	P -	P102,999	P99,773	P95,787
Inter-segment	1,467	1,137	1,031	36	57	20	1,062	751	697	2,565	1,945	1,748	234	269	271	(2,799)	(2,214)	(2,019)	-	-	-
Total revenues	P69,648	P65,520	P62,908	P15,069	P14,933	P13,685	P9,916	P9,444	P9,122	P94,633	P89,897	P85,715	P11,165	P12,090	P12,091	(P2,799)	(P2,214)	(P2,019)	P102,999	P99,773	P95,787
Result																					
Segment operating result	P2,579	P1,956	P1,769	P964	P990	P1,163	P2,338	P2,021	P1,860	P5,881	P4,967	P4,792	P581	P545	P353	P1	(P2)	P32	P6,463	P5,510	P5,177
Interest expense and other financing charges	(241)	(345)	(327)	(51)	(61)	(87)	(35)	(10)	(4)	(327)	(416)	(418)	(126)	(157)	(157)	33	23	-	(420)	(550)	(575)
Interest income	2	6	42	34	26	23	11	6	24	47	38	89	122	44	60	(33)	(23)	-	136	59	149
Equity in net earnings of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	715	885	-	-	-	-	715	885
Gain on sale of investment and property and equipment	-	-	22	-	-	-	-	2	-	-	2	22	-	393	93	-	-	-	-	395	115
Other income (charges) - net	(213)	(161)	(22)	(6)	(10)	28	17	(321)	73	(202)	(492)	79	(301)	(41)	(22)	-	-	-	(503)	(533)	57
Income tax expense	(625)	(415)	(486)	(288)	(284)	(339)	(678)	(515)	(586)	(1,591)	(1,214)	(1,411)	(249)	(301)	(145)	7	3	11	(1,833)	(1,512)	(1,545)
Net income	P1,502	P1,041	P998	P653	P661	P788	P1,653	P1,183	P1,367	P3,808	P2,885	P3,153	P27	P1,198	P1,067	P8	P1	P43	P3,843	P4,084	P4,263
Attributable to:																					
Equity holders of the Parent Company																			P3,884	P4,097	P4,172
Non-controlling interests																			(41)	(13)	91
Net income																			P3,843	P4,084	P4,263
Other Information																					
Segment assets	P27,426	P25,176	P26,160	P8,938	P8,930	P8,731	P7,407	P6,923	P4,836	P43,771	P41,029	P39,727	P23,783	P31,992	P14,984	(P5,655)	(P5,312)	(P4,527)	P61,899	P67,709	P50,184
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,342	-	-	-	-	-	13,342
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	1,373	1,622	1,603	(1,196)	(1,196)	(1,196)	177	426	407
Other intangible assets - net	84	61	35	232	239	243	54	-	-	370	300	278	3,528	3,690	3,792	(122)	(122)	(122)	3,776	3,868	3,948
Deferred tax assets	410	345	136	29	53	8	10	72	18	449	470	162	297	212	344	57	57	57	803	739	563
Consolidated total assets	P27,920	P25,582	P26,331	P9,199	P9,222	P8,982	P7,471	P6,995	P4,854	P44,590	P41,799	P40,167	P28,981	P37,516	P34,065	(P6,916)	(P6,573)	(P5,788)	P66,655	P72,742	P68,444
Segment liabilities	P10,107	P9,414	P9,182	P2,948	P2,071	P1,702	P1,366	P1,533	P806	P14,421	P13,018	P11,690	P8,375	P9,152	P8,037	(P5,702)	(P5,362)	(P4,575)	P17,094	P16,808	P15,152
Interest and dividends payable	12	17	16	-	2	2	1	-	-	13	19	18	7	2	2	-	-	-	20	21	20
Notes payable	4,593	3,785	4,460	1,622	2,085	1,405	1,532	1,535	314	7,747	7,405	6,179	1,006	1,243	1,172	-	-	-	8,753	8,648	7,351
Income tax payable	-	-	-	67	155	115	171	171	151	238	326	266	67	62	121	-	-	-	305	388	387
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	3	2	6	25	32	31	28	34	37
Long-term debt (including current maturities) - net of debt issue costs	4,492	4,483	4,475	-	-	-	-	-	-	4,492	4,483	4,475	-	-	-	-	-	-	4,492	4,483	4,475
Consolidated total liabilities	P19,204	P17,699	P18,133	P4,637	P4,313	P3,224	P3,070	P3,239	P1,271	P26,911	P25,251	P22,628	P9,458	P10,461	P9,338	(P5,677)	(P5,330)	(P4,544)	P30,692	P30,382	P27,422
Capital expenditures	P60	P69	P117	P104	P109	P541	P392	P1,591	P1,153	P556	P1,769	P1,811	P91	P209	P146	P -	P -	P -	P647	P1,978	P1,957
Depreciation and amortization	1,873	1,772	1,537	329	338	303	255	124	100	2,457	2,234	1,940	387	405	357	-	-	-	2,844	2,639	2,297
Impairment loss on goodwill and idle assets	-	-	-	-	-	-	-	-	19	-	-	19	251	-	-	-	-	-	251	-	19

7. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	P2,289,923	P2,010,284
Short-term investments	11,925,952	5,020,659
	P14,215,875	P7,030,943

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

8. Trade and Other Receivables

This account consists of:

	Note	2014	2013
Trade		P9,628,139	P10,336,911
Non-trade		1,686,926	15,680,589
Amounts owed by related parties	29	147,970	149,454
		11,463,035	26,166,954
Less allowance for impairment losses	4	635,601	504,051
		P10,827,434	P25,662,903

Trade receivables are non-interest bearing and are generally on a 30-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, and insurance claims for the value of certain inventories and property, plant and equipment damaged by typhoons.

Also included under non-trade is the Parent Company's receivable from the sale of its investment in an associate in September 2013 amounting to P13,886.4 million which was collected in March 2014 (Note 12).

The movements in the allowance for impairment losses follow:

	2014	2013
Balance at beginning of year	P504,051	P495,440
Charges for the year	209,476	44,341
Amounts written off	(77,926)	(35,730)
Balance at end of year	P635,601	P504,051

As at December 31, 2014 and 2013, the aging of receivables is as follows:

2014	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P5,798,243	P584,968	P65,577	P6,448,788
Past due				
1-30 days	2,728,582	149,892	32,238	2,910,712
31-60 days	325,216	175,084	7,643	507,943
61-90 days	76,682	41,873	6,399	124,954
Over 90 days	699,416	735,109	36,113	1,470,638
	P9,628,139	P1,686,926	P147,970	P11,463,035

2013	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P5,624,188	P13,675,848	P87,057	P19,387,093
Past due				
1-30 days	3,146,262	114,294	24,459	3,285,015
31-60 days	579,029	134,178	4,456	717,663
61-90 days	125,377	59,126	321	184,824
Over 90 days	862,055	1,697,143	33,161	2,592,359
	P10,336,911	P15,680,589	P149,454	P26,166,954

Various collaterals for trade receivables such as bank guarantees, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

9. Inventories

This account consists of:

	2014	2013
Finished goods and goods in process	P4,370,901	P5,068,567
Raw materials, feeds and feed ingredients	10,227,044	9,466,160
Factory supplies and others	657	387
Materials in transit	1,827,880	122,178
	P16,426,482	P14,657,292

The cost of finished goods and goods in process amounted to P4,635.8 million and P5,303.2 million as at December 31, 2014 and 2013, respectively. The cost of raw materials, feeds and feed ingredients amounted to P10,273.7 million and P9,501.7 million as at December 31, 2014 and 2013, respectively.

The fair values of marketable hogs and cattle, and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting

date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P552.6 million and P745.8 million as at December 31, 2014 and 2013, respectively, with corresponding costs at point of harvest amounting to P509.0 million and P652.6 million, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P43.6 million and P93.2 million as at December 31, 2014 and 2013, respectively.

10. Biological Assets

This account consists of:

	2014	2013
Current:		
Growing stocks	P2,977,284	P3,085,854
Goods in process	342,632	341,426
	3,319,916	3,427,280
Noncurrent:		
Breeding stocks - net	1,973,151	1,910,906
	P5,293,067	P5,338,186

The amortization of breeding stocks recognized in profit or loss amounted to P1,536.9 million, P1,523.5 million and P1,311.1 million in 2014, 2013 and 2012, respectively (Note 24).

Growing stocks pertain to growing broilers, hogs and cattle, and goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	<i>Note</i>	2014	2013
Cost			
Balance at beginning of year		P6,036,471	P6,213,091
Increase (decrease) due to:			
Production		38,786,660	38,170,094
Purchases		895,465	996,311
Mortality		(733,859)	(656,723)
Sales		(4,566,187)	(5,185,744)
Harvest		(32,844,617)	(32,252,433)
Retirement		(1,400,692)	(1,287,871)
Currency translation adjustments		(564)	39,746
Balance at end of year		6,172,677	6,036,471
Accumulated Amortization			
Balance at beginning of year		698,285	489,343
Additions	24	1,536,866	1,523,536
Disposals		(16,289)	(26,089)
Retirement		(1,339,265)	(1,287,871)
Currency translation adjustments		13	(634)
Balance at end of year		879,610	698,285
Carrying Amount		P5,293,067	P5,338,186

The Group harvested approximately 452.9 million and 472.5 million kilograms of grown broilers in 2014 and 2013, respectively, and 0.75 million and 0.86 million heads of marketable hogs and cattle in 2014 and 2013, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Prepaid income tax	P1,279,483	P1,145,241
Input tax	1,277,993	1,314,893
Others	832,587	249,542
	P3,390,063	P2,709,676

“Others” include prepaid insurance, advance payments and deposits, and prepayments for various operating expenses.

12. Investment

In August 2011, SMPFC entered into a Share Purchase Agreement (SPA) with SMC covering the sale by the latter of its 5.2% shareholdings in Manila Electric Company (Meralco) comprising of 59,090,909 common shares for a total consideration of P13,000.0 million. Capitalized transaction costs related to the acquisition of Meralco shares by SMPFC amounted to P7.8 million.

In May 2012, SMPFC received the stock certificate for the property dividend from Meralco consisting of 166,530,579 common shares of stock of Rockwell Land Corporation (Rockwell Land) with a book value of P243.1 million. In July 2012, SMPFC sold, through the PSE, its Rockwell Land shares at P2.01 per share and recognized a gain of P91.2 million, included as part of “Gain on sale of investment and property and equipment” account in the 2012 consolidated statement of income.

The Parent Company has determined that it has obtained significant influence over the financial and operating policies of Meralco in conjunction with SMC and subsidiaries’ ownership of 32.04% interest in Meralco. Accordingly, the Parent Company applied the equity method of accounting on its investment in shares of stock of Meralco.

In March and September 2013, SMPFC received cash dividends from Meralco amounting to P360.4 million and P242.3 million, respectively.

In September 2013, SMPFC, together with SMC and SMC Global Power Holdings Corp., entered into an SPA with JG Summit Holdings, Inc. for the sale of the Parent Company’s 59,090,909 shares of stock in Meralco for P13,886.4 million. Certain closing conditions covering the sale were satisfied by all of the parties in December 2013.

As at December 31, 2013, the account consists of:

Investment in an associate - at equity	
Acquisition cost:	
Balance at beginning of year	P13,007,800
Disposal	(13,007,800)
	-
Accumulated equity in net earnings:	
Balance at beginning of year	334,280
Equity in net earnings during the year	714,946
Dividends	(602,727)
Disposal	(445,355)
Share in other comprehensive loss	(1,144)
Balance at end of year	-
	P -

A gain of P390.7 million was recognized by SMPFC and this is included as part of “Gain on sale of investment and property and equipment” account in the 2013 consolidated statement of income.

The sale of SMPFC’s shares of stock in Meralco is included as part of non-trade receivable under “Trade and other receivables” account in the 2013 consolidated statement of financial position.

In March 2014, SMPFC received the proceeds from the sale of Meralco shares (Note 8).

13. Investment Properties

The movements in investment properties are as follow:

	Land and Land Improvements	Buildings and Improvements	Total
Cost			
December 31, 2012	P625,414	P14,277	P639,691
Additions	3,201	1,300	4,501
December 31, 2013	628,615	15,577	644,192
Additions	7,029	-	7,029
Disposals	(275)	-	(275)
Reclassifications	213	(213)	-
December 31, 2014	635,582	15,364	650,946
Accumulated Depreciation			
December 31, 2012	-	2,353	2,353
Additions	-	687	687
December 31, 2013	-	3,040	3,040
Additions	-	697	697
December 31, 2014	-	3,737	3,737
Accumulated Impairment Losses			
December 31, 2012, 2013 and 2014	8,473	-	8,473
Carrying Amount			
December 31, 2013	P620,142	P12,537	P632,679
December 31, 2014	P627,109	P11,627	P638,736

No impairment loss was recognized in 2014, 2013 and 2012.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2014, 2013 and 2012.

The fair value of investment properties was determined either by external independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, or by the credit management group of the Parent Company. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment properties annually.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied one or more or a combination of the three approaches below:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The fair value of investment properties amounting to P939.6 million and P848.4 million as at December 31, 2014 and 2013, respectively, has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

14. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery Equipment, Furniture and Others	Transportation Equipment	Construction in Progress	Total
Cost							
December 31, 2012		P2,299,736	P5,471,355	P8,808,029	P423,531	P1,669,506	P18,672,157
Additions		21,807	54,173	379,576	10,681	1,511,656	1,977,893
Disposals		-	-	(100,350)	(5,507)	-	(105,857)
Transfers, reclassifications and others		6,537	1,762,651	1,423,312	(88)	(3,169,094)	23,318
Currency translation adjustments		(4,155)	76,029	19,942	(1,437)	(636)	89,743
December 31, 2013		2,323,925	7,364,208	10,530,509	427,180	11,432	20,657,254
Additions		174,168	21,187	258,542	-	193,561	647,458
Disposals		-	(204)	(49,608)	(3,648)	-	(53,460)
Transfers, reclassifications and others		(15,512)	50,169	(186,286)	5,825	(79,103)	(224,907)
Currency translation adjustments		(297)	(3,563)	(2,944)	(296)	(74)	(7,174)
December 31, 2014		2,482,284	7,431,797	10,550,213	429,061	125,816	21,019,171
Accumulated Depreciation							
December 31, 2012		308,335	2,211,939	5,636,743	410,872	-	8,567,889
Additions	24	19,967	220,502	637,100	7,153	-	884,722
Disposals		-	-	(96,527)	(5,506)	-	(102,033)
Transfers, reclassifications and others		-	-	(4,305)	-	-	(4,305)
Currency translation adjustments		-	40,780	17,513	(1,500)	-	56,793
December 31, 2013		328,302	2,473,221	6,190,524	411,019	-	9,403,066
Additions	24	19,557	289,701	695,522	4,374	-	1,009,154
Disposals		-	(204)	(49,258)	(3,549)	-	(53,011)
Transfers, reclassifications and others		-	(16,940)	(43,680)	5,660	-	(54,960)
Currency translation adjustments		-	(1,829)	(2,677)	(293)	-	(4,799)
December 31, 2014		347,859	2,743,949	6,790,431	417,211	-	10,299,450
Carrying Amount							
December 31, 2013		P1,995,623	P4,890,987	P4,339,985	P16,161	P11,432	P11,254,188
December 31, 2014		P2,134,425	P4,687,848	P3,759,782	P11,850	P125,816	P10,719,721

Depreciation recognized in profit or loss amounted to P1,009.2 million in 2014, P884.7 million in 2013 and P836.1 million in 2012 (Note 24). These amounts include annual amortizations of capitalized interest amounting to P1.9 million in 2014, P0.7 million in 2013 and P0.9 million in 2012.

The Group has interest amounting to P10.4 million which was capitalized in 2013. The capitalization rates used to determine the amount of interest eligible for capitalization ranges from 0.63% to 2.63% in 2013. Unamortized balance of capitalized interest as at December 31, 2014, 2013 and 2012 amounted to P33.1 million, P35.0 million and P25.3 million, respectively.

Idle assets, net of accumulated depreciation and impairment losses, amounted to P86.3 million and P89.9 million as at December 31, 2014 and 2013, respectively.

Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs amounted to P37.4 million.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed among SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion.

SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court (SC) and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the SC and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the SC and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR's denial of their petition for the revocation of the conversion order. The Parent Company considers the said Order and Resolution to have attained finality as at March 20, 2015. SMPFC is not aware of any appeal or relief therefrom filed or applied for by MAPALAD.

15. Other Intangible Assets

This account consists of:

	2014	2013
Trademarks and brand names	P3,300,378	P3,300,557
Formulas and recipes	57,591	57,591
Computer software and licenses - net	418,384	509,572
	P3,776,353	P3,867,720

The movements in other intangible assets are as follows:

	Trademarks and Brand Names	Others	Total
Cost			
December 31, 2012	P3,296,062	P817,899	P4,113,961
Additions	-	42,784	42,784
Reclassifications	-	3,951	3,951
Currency translation adjustments	4,495	(1,141)	3,354
December 31, 2013	3,300,557	863,493	4,164,050
Additions	-	70,932	70,932
Reclassifications and others	-	(210)	(210)
Currency translation adjustments	(179)	(83)	(262)
December 31, 2014	3,300,378	934,132	4,234,510
Accumulated Depreciation			
December 31, 2012	-	165,991	165,991
Additions	-	126,694	126,694
Reclassifications	-	4,341	4,341
Currency translation adjustments	-	(696)	(696)
December 31, 2013	-	296,330	296,330
Additions	-	162,081	162,081
Reclassifications and others	-	(166)	(166)
Currency translation adjustments	-	(88)	(88)
December 31, 2014	-	458,157	458,157
Carrying Amount			
December 31, 2013	P3,300,557	P567,163	P3,867,720
December 31, 2014	P3,300,378	P475,975	P3,776,353

In July 2010, SMC and SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) for the transfer to SMPFC of SMC's food-related brands and intellectual property rights at a purchase price of P3,200.0 million. Pursuant to the Agreement, 10% of the purchase price was paid in July 2010 and the balance shall be payable: (i) upon change in controlling interest of SMPFC to any third person other than an affiliate, or (ii) two years from July 30, 2010, subject to floating interest rate based on one-year PDST-F plus an agreed margin after one year, whichever comes first. The balance was recognized as part of the Company's payable to related parties as at December 31, 2010. On March 8, 2011, the Company paid SMC the amount of P2,880.0 million representing the 90% balance of the purchase price of the food-related brands and intellectual property rights.

SMC and SMPFC engaged the services of Fortman Cline Capital Markets Limited (FCCM) as financial adviser to perform a third party valuation of the food-related brands. The purchase price was arrived at after taking into account the result of the independent valuation study and analysis of FCCM.

The recoverable amount of the trademarks and brand names was determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The range of growth rates is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections was 12% in 2014 and 2013.

The Parent Company used the weighted average cost of capital as the discount rate, which reflected management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Management assessed that there is no impairment loss on the value of trademarks and brand names in 2014, 2013 and 2012.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of trademarks and brand names is based would not cause its carrying amount to exceed its recoverable amount.

16. Goodwill

The movements in goodwill are as follows:

	2014	2013
Balance at beginning of year	P425,655	P406,922
Impairment loss	(250,947)	-
Currency translation adjustments	2,321	18,733
Balance at end of year	P177,029	P425,655

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 12% to 14% for 2014 and 2013. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

Impairment loss on goodwill amounting to P250.9 million was recognized in 2014. Management assessed that there is no impairment loss on the value of goodwill in 2013 and 2012.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates.* The Group uses the weighted average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

17. Notes Payable

This account consists of:

	<i>Note</i>	2014	2013
Peso-denominated		P8,461,744	P8,019,036
Foreign currency-denominated		291,681	628,749
	<i>32, 33</i>	P8,753,425	P8,647,785

Notes payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest rates for peso-denominated loans range from 2.00% to 4.25% and 0.50% to 4.50% in 2014 and 2013, respectively. Interest rates for foreign currency-denominated loans range from 7.00% to 13.40% and 9.00% to 13.78% in 2014 and 2013, respectively.

Notes payable of the Group are not subject to covenants and warranties.

18. Trade Payables and Other Current Liabilities

This account consists of:

	<i>Note</i>	2014	2013
Trade		P7,558,539	P6,357,842
Amounts owed to related parties	<i>29</i>	1,184,205	1,687,068
Non-trade		5,627,437	6,081,128
Output VAT		1,086,576	1,023,462
Others		774,644	786,538
		P16,231,401	P15,936,038

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables consist of freight payable, contract growers/breeders' fees, tolling fees, guarantee deposits, gift certificates payable and expenses payable.

"Others" include tax-related and payroll-related accruals, derivative liabilities, accrued interest payable and dividends payable.

19. Long-term Debt

This account consists of the following unsecured peso-denominated term notes:

	2014	2013
Floating interest rate based on 3-month PDST-F plus margin maturing in 2015	P3,693,186	P3,686,303
Fixed interest rate of 5.4885% maturing in 2015	798,499	796,997
	4,491,685	4,483,300
Less current maturities	4,491,685	-
	P -	P4,483,300

In December 2010, SMFI offered for sale and subscription to the public Philippine peso-denominated fixed rate and floating rate notes with principal amounts of P800.0 million and P3,700.0 million, respectively. Both types of notes have a term of five years and one day beginning on December 10, 2010 and ending on December 11, 2015. The fixed rate note has a fixed interest rate of 5.4885% per annum while the floating rate note has a floating interest rate based on 3-month PDST-F plus an agreed margin. Proceeds from the issuance of the notes were used to fund expansion and investment in new businesses by SMFI and for other general corporate purposes.

The movements in debt issue costs relative to the issuance of the unsecured peso-denominated floating and fixed term notes by SMFI are as follows:

	Note	2014	2013
Balance at beginning of year		P16,700	P24,682
Amortizations	26	(8,385)	(7,982)
Balance at end of year		P8,315	P16,700

The debt agreements contain, among others, covenants relating to the maintenance of certain financial ratios, usage of proceeds, significant change in the nature of the business, restrictions on loans and guarantees, disposal of a substantial portion of assets, merger and consolidation, and payment of interests.

As at December 31, 2014 and 2013, the Group is in compliance with the covenants of the debt agreements.

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 32.

20. Equity

- a. The following are the significant developments:

On February 2, 2010 and March 12, 2010, the Parent Company's BOD and stockholders, respectively, approved the: (i) de-classification of the Parent Company's common shares and increase in the Parent Company's authorized capital stock by P1,000.0 million or 100,000,000 shares at P10.00 par value, and (ii) declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

On April 12, 2010, the SEC approved the Parent Company's amendment to its Articles of Incorporation for the de-classification of common shares.

On May 21, 2010, the SEC issued to the Parent Company the Certificate for the Approval of Increase of Capital Stock from 146,000,000 common shares to 246,000,000 common shares with par value of P10.00 per share and the Certificate of Filing of Amended Articles of Incorporation.

On July 6, 2010, the PSE approved the application of the Parent Company to list additional 25,423,746 common shares, with a par value of P10.00 per share, to cover the 18% stock dividend declaration to stockholders of record as at June 30, 2010. Stock dividend distribution was made on July 26, 2010.

On September 15, 2010, the Parent Company's BOD approved, among others, the: (i) reclassification of up to 75,000,000 authorized and unissued common shares into cumulative, non-participating, non-voting and non-convertible preferred shares with par value of P10.00 per share; (ii) issuance of preferred shares with total issue size of up to P50,000.0 million; (iii) listing of such preferred shares at the appropriate exchanges; and (iv) amendment of the Parent Company's Articles of Incorporation to reflect the reclassification of such common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares.

On November 3, 2010, the Parent Company's stockholders approved, among others, the: (i) reclassification of the Parent Company's 40,000,000 authorized and unissued common shares into non-voting, cumulative and non-participating preferred shares with par value of P10.00 per share; (ii) issuance of such preferred shares and the listing thereof at the appropriate exchanges; and (iii) amendment of the Parent Company's Articles of Incorporation to reflect the reclassification of 40,000,000 common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares (Amendment).

On December 23, 2010, the SEC approved the foregoing Amendment to the Articles of Incorporation of the Parent Company.

b. *Capital Stock*

The Parent Company's capital stock, at P10 par value, consists of the following number of shares as at December 31, 2014 and 2013:

Authorized shares:	
Common	206,000,000
Preferred	40,000,000
	246,000,000
Issued shares:	
Common	170,874,854
Preferred	15,000,000
	185,874,854

Common Shares

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares of stock in the Parent Company following the crossing of such shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares at a price of P240.00 per share. The completion of the secondary offering resulted in the increase of the Parent Company's public ownership from 0.08% to 15.08% of its outstanding common shares.

The Parent Company has a total of 129 and 121 common stockholders as at December 31, 2014 and 2013, respectively.

Preferred Shares

On January 20, 2011, the SEC favorably considered the Parent Company's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of P10.00 per share.

On January 26, 2011, the PSE approved, subject to certain conditions, the application of the Parent Company to list up 15,000,000 preferred shares with a par value of P10.00 per share to cover the Parent Company's follow-on preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate determined by management on the dividend rate setting date.

On February 10, 2011, the SEC issued the order for the registration of the Parent Company's 15,000,000 preferred shares with a par value of P10.00 per share and released the Certificate of Permit to Offer Securities for Sale.

On February 11, 2011, the Parent Company's BOD approved the terms of the preferred shares offer (Terms of the Offer) and the amendment of the Articles of Incorporation of the Parent Company to reflect the additional optional redemption features of the preferred shares, to align with the Terms of the Offer. The stockholders of the Parent Company approved the said amendment during its annual meeting on May 13, 2011.

A summary of the Term of the Offer is set out below:

The Parent Company, through the underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5th year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events). Unless the preferred shares are redeemed by the Parent Company on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On March 3, 2011, the Parent Company's 15,000,000 preferred shares with par value of P10.00 per share were listed with the PSE.

On June 2, 2011, the SEC issued the Certificate of Filing of Amended Articles of Incorporation approving the additional redemption features of the preferred shares of the Parent Company.

On November 5, 2014, the Board of Directors of SMPFC approved, among others, the: (i) public offer of up to 25 million preferred shares at an issue price of P1,000.00 per share from the Parent Company's unissued capital stock as covered by the previous approval of the stockholders in its Special Stockholders' meeting held on November 3, 2010; and (ii) registration and listing of such preferred shares at the appropriate exchanges.

The Parent Company has a total of 228 and 231 preferred stockholders as at December 31, 2014 and 2013, respectively.

c. *Treasury Shares*

Treasury shares, totaling 4,207,758 common shares in 2014 and 2013, are carried at cost.

d. *Unappropriated Retained Earnings*

The Group's unappropriated retained earnings include the Parent Company's accumulated earnings in subsidiaries and equity in net earnings of an associate amounting to P7,954.0 million, P7,962.2 million and P7,403.4 million in 2014, 2013 and 2012, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The Parent Company's retained earnings as at December 31, 2014 and 2013 is restricted in the amount of P182.1 million representing the cost of common shares held in treasury.

e. *Appropriated Retained Earnings*

On March 7, 2013, the BOD of PF-Hormel approved the retention of the P1,250.0 million appropriated retained earnings as at December 31, 2013 and 2012 to finance future capital expenditure projects expected to be completed within two years.

On March 10, 2014, the BOD of PF-Hormel approved an additional appropriation amounting to P750.0 million, increasing its appropriated retained earnings from P1,250.0 million to P2,000.0 million, to finance a plant expansion. The project will start in 2015 and is expected to be completed in two years.

f. *Cash Dividends*

Cash dividends declared by the BOD of the Parent Company to common shareholders amounted to P51.60 and P4.80 per share in 2014 and 2013, respectively.

Cash dividends declared by the BOD of the Parent Company to preferred shareholders amounted to P80.00 per share in 2014 and 2013.

21. Revenues

Revenue account consists of sales of goods, fair valuation adjustments on agricultural produce and service revenue. Total sales of goods amounted to P102,894.5 million, P99,656.6 million and P95,698.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P30,899.5 million, P35,461.3 million and P33,840.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Service revenue amounted to P61.3 million and P23.1 million for the years ended December 31, 2014 and 2013, respectively.

22. Cost of Sales

This account consists of:

	<i>Note</i>	2014	2013	2012
Inventories used	35	P73,751,979	P71,335,212	P69,740,162
Freight, trucking and handling		2,748,988	2,493,461	2,700,307
Depreciation and amortization	24	2,466,899	2,251,686	1,992,331
Communication, light and water		1,349,780	1,265,047	1,183,209
Personnel expenses	25	740,084	667,601	646,824
Repairs and maintenance		345,828	387,613	390,868
Rentals	31	146,552	148,912	197,034
Others		999,681	1,035,062	1,098,997
		P82,549,791	P79,584,594	P77,949,732

23. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	2014	2013	2012
Freight, trucking and handling		P3,703,291	P3,483,438	P2,944,715
Personnel expenses	25	2,425,616	2,487,255	2,521,441
Contracted services		2,281,001	1,899,408	1,544,071
Advertising and promotions		1,561,481	3,239,145	2,564,759
Rentals	31	1,541,007	1,321,457	956,413
Taxes and licenses		589,927	349,437	321,286
Professional fees		427,905	290,008	473,130
Depreciation and amortization	24	377,430	387,397	304,869
Supplies		300,248	279,967	284,052
Communication, light and water		216,196	231,607	201,113
Repairs and maintenance		195,924	209,599	175,601
Travel and transportation		177,184	199,165	226,590
Others		189,556	300,456	142,293
		P13,986,766	P14,678,339	P12,660,333

24. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	2014	2013	2012
Cost of sales:				
Property, plant and equipment	14	P850,803	P682,052	P660,457
Biological assets	10	1,536,866	1,523,536	1,311,085
Others		79,230	46,098	20,789
		2,466,899	2,251,686	1,992,331
Selling and administrative expenses:				
Property, plant and equipment	14	158,351	202,670	175,642
Others		219,079	184,727	129,227
		377,430	387,397	304,869
		P2,844,329	P2,639,083	P2,297,200

“Others” include amortization of containers, computer software and licenses, and small tools and equipment, and depreciation of investment properties amounting to P298.3 million, P230.8 million and P150.0 million in 2014, 2013 and 2012, respectively.

25. Personnel Expenses

This account consists of:

	<i>Note</i>	2014	2013	2012
Salaries and allowances		P1,781,125	P1,755,331	P1,714,034
Retirement costs	28	185,644	192,396	159,809
Other employee benefits		1,198,931	1,207,129	1,294,422
		P3,165,700	P3,154,856	P3,168,265

Personnel expenses are distributed as follows:

	<i>Note</i>	2014	2013	2012
Cost of sales	22	P740,084	P667,601	P646,824
Selling and administrative expenses	23	2,425,616	2,487,255	2,521,441
		P3,165,700	P3,154,856	P3,168,265

26. Interest Expense and Other Financing Charges, Interest Income and Other Income (Charges)

These accounts consist of:

a. Interest Expense and Other Financing Charges

	2014	2013	2012
Interest expense	P353,782	P483,629	P527,778
Other financing charges	65,894	65,977	47,120
	P419,676	P549,606	P574,898

Amortization of debt issue costs in 2014 and 2013 included in "Other financing charges" account amounted to P8.4 million and P8.0 million, respectively (Note 19).

Interest expense on notes payable and long-term debt are as follows:

	<i>Note</i>	2014	2013	2012
Notes payable	17	P159,209	P288,522	P325,371
Long-term debt	19	194,573	195,107	202,407
		P353,782	P483,629	P527,778

b. Interest Income

	2014	2013	2012
Short-term investments	P128,904	P44,505	P92,022
Cash in banks	6,947	14,413	56,496
	P135,851	P58,918	P148,518

c. Other Income (Charges)

	<i>Note</i>	2014	2013	2012
Impairment loss on goodwill and idle assets	16	(P250,947)	P -	(P19,455)
Gain (loss) on derivatives	33	(19,064)	(475,173)	205,454
Foreign exchange gains (losses) - net	32	3,149	32,890	(47,297)
Others - net		(236,529)	(90,513)	(81,902)
		(P503,391)	(P532,796)	P56,800

In 2014 and 2012, the Group recognized provisions for impairment loss on goodwill and idle assets amounting to P250.9 million and P19.5 million, respectively.

27. Income Taxes

- a. The Group's deferred tax assets and liabilities as at December 31 arise from the following:

	2014	2013
Unamortized past service cost	P339,306	P316,808
Allowance for impairment losses on receivables and inventories	226,319	200,439
NOLCO	108,548	66,230
MCIT	14,893	10,202
Unrealized mark-to-market loss	12,882	81,629
Others	73,176	29,332
	P775,124	P704,640

The above amounts are reported in the Group's consolidated statements of financial position as follows:

	<i>Note</i>	2014	2013
Deferred tax assets	4	P802,981	P738,591
Deferred tax liabilities		(27,857)	(33,951)
		P775,124	P704,640

As at December 31, 2014, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year	Carryforward Benefits Up To	NOLCO	MCIT
Incurred/Paid			
2012	December 31, 2015	P -	P4,416
2013	December 31, 2016	220,443	5,782
2014	December 31, 2017	141,383	4,695
		P361,826	P14,893

- b. The components of the income tax expense consist of:

	2014	2013	2012
Current:			
Corporate income tax	P1,793,778	P1,488,011	P1,494,906
Final tax on interest and royalty income and on proceeds from sale of investment in shares of stock	105,212	152,756	90,775
	1,898,990	1,640,767	1,585,681
Deferred	(66,530)	(128,564)	(40,546)
	P1,832,460	P1,512,203	P1,545,135

- c. The reconciliation between the statutory income tax rates on income before income tax and the Group's effective income tax rates follows:

	2014	2013	2012
Statutory income tax rate	30.00%	30.00%	30.00%
Addition to (reduction in) income tax resulting from the tax effects of:			
Interest income subjected to final tax	(0.24)	(0.32)	(0.65)
Equity in net earnings of an associate	-	(3.83)	(4.57)
Others - net	2.52	1.17	1.82
Effective income tax rates	32.28%	27.02%	26.60%

28. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans covering all of their permanent employees (collectively, the "Retirement Plans"). The Retirement Plans of the Group pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2014. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees (BOT) of each Retirement Plan.

The BOT of the Group's Retirement Plans exercises voting rights over the shares and approve material transactions. The Retirement Plans' accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Obligation	
	2014	2013	2014	2013	2014	2013
Balance at beginning of year	P2,219,453	P2,475,056	(P3,108,365)	(P3,145,454)	(P888,912)	(P670,398)
Recognized in profit or loss						
Service costs	-	-	(144,261)	(147,546)	(144,261)	(147,546)
Interest expense	-	-	(137,524)	(165,277)	(137,524)	(165,277)
Interest income	96,141	120,427	-	-	96,141	120,427
	96,141	120,427	(281,785)	(312,823)	(185,644)	(192,396)
Recognized in other comprehensive income						
Remeasurements:						
Actuarial losses arising from:						
Experience adjustments	-	(12,686)	(116,925)	(197,864)	(116,925)	(210,550)
Changes in financial assumptions	-	-	8,980	-	8,980	-
Return on plan asset excluding interest	56,987	-	-	-	56,987	-
	56,987	(12,686)	(107,945)	(197,864)	(50,958)	(210,550)
Others						
Benefits paid	(281,035)	(532,606)	283,638	534,759	2,603	2,153
Contributions	245,060	182,279	-	-	245,060	182,279
Transfers from other plans	-	6,984	-	(6,984)	-	-
Transfers to other plans	-	(20,001)	-	20,001	-	-
	(35,975)	(363,344)	283,638	547,776	247,663	184,432
Balance at end of year	P2,336,606	P2,219,453	(P3,214,457)	(P3,108,365)	(P877,851)	(P888,912)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of Unfunded Past Service Liability.

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P185.6 million, P192.4 million and P159.8 million in 2014, 2013 and 2012, respectively.

Retirement assets and liabilities in 2014, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts, amounted to P4.8 million and P882.7 million, respectively.

Retirement assets and liabilities in 2013, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts, amounted to P4.8 million and P893.7 million, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2014 and 2013.

The Group's plan assets consist of the following:

	In Percentages	
	2014	2013
Marketable securities	19.5	18.8
Interest in pooled funds:		
Stock trading portfolio	17.9	14.8
Fixed income portfolio	53.4	52.6
Others	9.2	13.8

Investments in Marketable Securities

As at December 31, 2014, the plan assets include:

- 2,079,890 common shares of SMC, 600,000 Subseries "A" preferred shares of SMC and 730,000 Subseries "B" preferred shares of SMC with fair market value per share of P73.80, P 75.60 and P78.15, respectively;
- 455,000 preferred shares of Petron Corporation with fair market value per share of P101.80;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of P15.88;
- 225,110 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P208.00 and P1,009.00, respectively; and
- 207,989 common shares of Top Frontier with fair market value per share of P124.00.

As at December 31, 2013, the plan assets include:

- 2,079,890 common shares of SMC, 600,000 Subseries “A” preferred shares of SMC and 730,000 Subseries “B” preferred shares of SMC with fair market value per share of P62.50, P76.15 and P76.30, respectively;
- 455,000 preferred shares of Petron Corporation with fair market value per share of P109.00;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of P23.00; and
- 225,110 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P238.00 and P1,045.00, respectively.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P5.8 million and (P70.6 million) in 2014 and 2013, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P31.5 million and P56.6 million in 2014 and 2013, respectively.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The BOT approved the percentage of asset to be allocated for fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 41.5% and 39.7% of fixed income portfolio as at December 31, 2014 and 2013, respectively. The Retirement Plans' interests in net assets of the pooled funds were 17.9% and 17.8% of stock trading portfolio as at December 31, 2014 and 2013, respectively.

Approximately 2.8% and 2.6% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2014 and 2013, respectively.

Approximately 20.4% and 22.5% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31 2014 and 2013, respectively.

Others include the Group Retirement Plans' investments in real estate such as memorial lots and foreclosed properties, investments in government securities, cash and cash equivalents, and receivables which earn interest.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The group is expected to contribute the amount of P253.9 million to its defined benefit retirement plan in 2015.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2014	2013
Discount rate	4.1 to 8.0	3.9 to 8.8
Salary increase rate	7.0 to 8.0	7.0 to 8.0

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation range from 2.4 to 9.3 years and 2.4 to 12.6 years as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below.

	2014		2013	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P36,501)	P33,908	(P35,584)	P34,084
Salary increase rate	29,483	(33,089)	29,340	(31,849)

29. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, and associate in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions with related parties and the related balances include the following:

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	2013	P -	P -	P117	P -	On demand; non-interest bearing	Unsecured; no impairment
SMC	2014	7,226	676,076	18,162	313,408	On demand; non-interest bearing	Unsecured; no impairment
	2013	9,658	760,202	26,657	873,675	On demand; non-interest bearing	Unsecured; no impairment
	2012	14,136	628,502	49,853	633,213	On demand; non-interest bearing	Unsecured; no impairment
Entities under Common Control*	2014	27,397	3,235,328	116,118	710,989	On demand; non-interest bearing	Unsecured; no impairment
	2013	92,179	2,813,671	100,456	754,340	On demand; non-interest bearing	Unsecured; no impairment
	2012	20,455	2,829,044	69,222	814,533	On demand; non-interest bearing	Unsecured; no impairment
Shareholder in Subsidiaries	2014	-	-	14,886	159,808	On demand; non-interest bearing	Unsecured; no impairment
	2013	-	-	26,007	59,053	On demand; non-interest bearing	Unsecured; no impairment
	2012	-	-	47,736	62,044	On demand; non-interest bearing	Unsecured; no impairment
Associate**	2012	-	82,097	1,387	1,725	On demand; non-interest bearing	Unsecured; no impairment
Total	2014	P34,623	P3,911,404	P149,166	P1,184,205		
Total	2013	P101,837	P3,573,873	P153,237	P1,687,068		
Total	2012	P34,591	P3,539,643	P168,198	P1,511,515		

* "Entities under Common Control" refer to companies owned by SMC and Top Frontier. Amounts owed by "Entities under Common Control" amounting to P1.2 million and P1.7 million as at December 31, 2014 and 2013, respectively, are included under "Other noncurrent assets" account.

** Amount owed by Meralco as at December 31, 2012 amounting to P1.2 million is included under "Other noncurrent assets" account.

Amounts owed by related parties consist mainly of trade and non-trade receivables and derivative assets.

Amounts owed to related parties consist mainly of trade and non-trade payables, management fees and derivative liabilities.

Certain related party transactions were discussed in Notes 12 and 34. The following are the other significant related party transactions entered into by the Parent Company:

SMPFC transferred to SMFI, a 99.97%-owned subsidiary of the Company, its franchising and food service businesses under its operating division, Great Food Solutions, in February and April 2012, respectively, for a total consideration of P303.0 million.

On December 28, 2004, SMC and Monterey executed a Trademark Licensing Agreement (Agreement) with PF-Hormel to license the Monterey trademark for a period of 20 years renewable for the same period for a royalty based on net sales revenue. The royalty fee will apply only for as long as SMC and any of its subsidiaries own at least 51% of PF-Hormel. In the event that the ownership of SMC and any of its subsidiaries is less than 51%, the parties will negotiate and agree on the royalty fee on the license of the Monterey trademark. As a result of the merger of Monterey into SMFI, with SMFI as the surviving corporation (Note 5), all rights and obligations of Monterey under the Agreement are automatically transferred to and vested in SMFI per applicable law and following the provision in the Plan of Merger.

The compensation of the key management personnel of the Group, by benefit type, follows:

	2014	2013	2012
Short-term employee benefits	P119,703	P90,640	P75,117
Retirement costs	9,404	8,301	8,957
	P129,107	P98,941	P84,074

The compensation of key management personnel, which were paid and charged by SMC to the Group as management fees, amounted to P1.8 million and P2.3 million 2013 and 2012, respectively. In 2014, there were no changes made by SMC to the Group.

30. Basic and Diluted Earnings Per Common Share

Basic EPS is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	P3,884,521	P4,096,989	P4,171,984
Dividends on preferred shares for the year	1,200,000	1,200,000	1,200,000
Net income attributable to common shareholders of the Parent Company (a)	P2,684,521	P2,896,989	P2,971,984
Common shares issued and outstanding	166,667,096	166,667,096	166,667,096
Weighted average number of common shares (b)	166,667,096	166,667,096	166,667,096
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)	P16.11	P17.38	P17.83

As at December 31, 2014, 2013 and 2012, the Group has no dilutive equity instruments.

31. Operating Lease Agreements

The Group entered into various operating lease agreements. These non-cancellable leases will expire in various terms. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The minimum future rental payables under these operating leases as at December 31 are as follows:

	2014	2013	2012
Within one year	P639,801	P577,551	P396,855
After one year but not more than five years	1,024,007	616,886	143,201
After five years	932,756	954,951	975,543
	P2,596,564	P2,149,388	P1,515,599

Rent expense recognized in profit or loss amounted to P1,687.6 million, P1,470.4 million and P1,153.4 million in 2014, 2013 and 2012, respectively (Notes 22 and 23).

32. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure of the Group to each of the foregoing risks, objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, AFS financial assets, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity options are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price risks arising from the operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with risk management policies and procedures of the Group, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P37.0 million in 2014 and 2013. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

As at December 31, 2014 and 2013, the terms and maturity profile of the interest-bearing financial instruments, together with the gross amounts, are shown in the following tables:

December 31, 2014	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	Total
Fixed rate					
Philippine peso-denominated	P800,000	P -	P -	P -	P800,000
Interest rate	5.4885%				
Floating rate					
Philippine peso-denominated	3,700,000	-	-	-	3,700,000
Interest rate	3-month PDST-F plus margin				
	P4,500,000	P -	P -	P -	P4,500,000
December 31, 2013	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	Total
Fixed rate					
Philippine peso-denominated	P -	P800,000	P -	P -	P800,000
Interest rate		5.4885%			
Floating rate					
Philippine peso-denominated	-	3,700,000	-	-	3,700,000
Interest rate	3-month PDST-F plus margin				
	P -	P4,500,000	P -	P -	P4,500,000

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2014		2013	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$4,797	P214,522	US\$6,403	P284,261
Trade and other receivables	8,044	359,728	8,652	384,106
	12,841	574,250	15,055	668,367
Liabilities				
Notes payable	6,522	291,664	14,163	628,766
Trade payables and other current liabilities	9,899	442,683	14,182	629,610
Other noncurrent liabilities	1	45	1	44
	16,422	734,392	28,346	1,258,420
Net foreign currency-denominated monetary liabilities	(US\$3,581)	(P160,142)	(US\$13,291)	(P590,053)

The Group reported net foreign exchange gains (losses) amounting to P3.1 million, P32.9 million and (P47.3 million) in 2014, 2013 and 2012, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar during the year. Shown in the following table are the foreign exchange rates as at statement of financial position dates.

	Peso to US Dollar
December 31, 2012	41.050
December 31, 2013	44.395
December 31, 2014	44.720

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2014 and 2013.

2014

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P2,767)	(P3,968)	P2,767	P3,968
Trade and other receivables	(3,731)	(6,924)	3,731	6,924
	(6,498)	(10,892)	6,498	10,892
Notes payable	-	6,522	-	(6,522)
Trade payables and other current liabilities	4,230	8,630	(4,230)	(8,630)
Other noncurrent liabilities	-	1	-	(1)
	4,230	15,153	(4,230)	(15,153)
	(P2,268)	P4,261	P2,268	(P4,261)

2013

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P884)	(P6,138)	P884	P6,138
Trade and other receivables	(3,156)	(7,705)	3,156	7,705
	(4,040)	(13,843)	4,040	13,843
Notes payable	-	14,163	-	(14,163)
Trade payables and other current liabilities	4,588	12,805	(4,588)	(12,805)
Other noncurrent liabilities	-	1	-	(1)
	4,588	26,969	(4,588)	(26,969)
	P548	P13,126	(P548)	(P13,126)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show mark-to-market losses; however, any loss in the mark-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management.

2014

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P14,215,875	P14,215,875	P14,215,875	P -	P -	P -
Trade and other receivables - net	10,827,434	10,827,434	10,827,434	-	-	-
Derivative assets	12,422	12,422	12,422	-	-	-
AFS financial assets (included under "Other noncurrent assets" account)	9,962	9,962	-	-	-	9,962
Financial Liabilities						
Notes payable	8,753,425	8,763,524	8,763,524	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,726,814	14,726,814	14,726,814	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	55,310	55,310	55,310	-	-	-
Current maturities of long-term debt - net of debt issue costs	4,491,685	4,683,379	4,683,379	-	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	-	41	-	-

2013

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P7,030,943	P7,030,943	P7,030,943	P -	P -	P -
Trade and other receivables - net	25,662,903	25,662,903	25,662,903	-	-	-
Derivative assets	4,621	4,621	4,621	-	-	-
AFS financial assets (included under "Other noncurrent assets" account)	9,416	9,416	-	-	-	9,416
Financial Liabilities						
Notes payable	8,647,785	8,668,590	8,668,590	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,343,256	14,343,256	14,343,256	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	249,772	249,772	249,772	-	-	-
Long-term debt - net of debt issue costs	4,483,300	4,877,952	194,573	4,683,379	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	-	41	-	-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk. The Group has no significant concentration of the credit risk with any counterparty.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty.

The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets (Note 8)

Investments

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	2014	2013
Cash and cash equivalents	7	P14,215,875	P7,030,943
Trade and other receivables - net	8	10,827,434	25,662,903
Derivative assets	33	12,422	4,621
AFS financial assets	33	9,962	9,416
		P25,065,693	P32,707,883

The credit risk for cash and cash equivalents, derivative assets and AFS financial assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks.

Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The Group is not subject to externally-imposed capital requirements.

33. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2014 and 2013:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P14,215,875	P14,215,875	P7,030,943	P7,030,943
Trade and other receivables - net	10,827,434	10,827,434	25,662,903	25,662,903
Derivative assets	12,422	12,422	4,621	4,621
AFS financial assets (included under "Other noncurrent assets" account)	9,962	9,962	9,416	9,416
Financial Liabilities				
Notes payable	8,753,425	8,753,425	8,647,785	8,647,785
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,726,814	14,726,814	14,343,256	14,343,256
Derivative liabilities (included under "Trade payables and other current liabilities" account)	55,310	55,310	249,772	249,772
Long-term debt - net of debt issue costs	-	-	4,483,300	4,533,089
Current maturities of long-term debt - net of debt issue costs	4,491,685	4,514,109	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	41	41

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amounts of cash and cash equivalents, and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

Notes Payable and Trade Payables and Other Current Liabilities. The carrying amounts of notes payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used range from 2.54% to 2.69% and 0.47% to 2.48% as at December 31, 2014 and 2013, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as at December 31, 2014 and 2013 of 5,987 and 174,248 metric tons, respectively. These options can be exercised at various calculation dates in 2015 and 2014 with specified quantities on each calculation date. As at December 31, 2014 and 2013, the net negative fair value of these options amounted to P5.0 million and P185.9 million, respectively.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at December 31, 2014 and 2013, the total outstanding notional amount of such embedded currency forwards amounted to US\$85.6 million and US\$52.0 million, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As at December 31, 2014 and 2013, the net negative fair value of these embedded currency forwards amounted to P37.9 million and P59.2 million, respectively.

For the years ended December 31, 2014, 2013 and 2012, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to (P19.1 million), (P475.2 million) and P205.5 million, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2014	2013
Balance at beginning of year	(P245,151)	(P19,833)
Net changes in fair value of derivatives		
Not designated as accounting hedges	(19,064)	(475,173)
	(264,215)	(495,006)
Less fair value of settled instruments	(221,327)	(249,855)
Balance at end of year	(P42,888)	(P245,151)

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2014

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P12,422	P12,422
AFS financial assets	8,867	1,095	9,962
Financial Liabilities			
Derivative liabilities	-	55,310	55,310

2013

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P4,621	P4,621
AFS financial assets	8,312	1,104	9,416
Financial Liabilities			
Derivative liabilities	-	249,772	249,772

As at December 31, 2014 and 2013, the Group has no financial instruments valued based on Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Employee Stock Purchase Plan

SMC offers shares of stocks to employees of SMC and those of its subsidiaries under the ESPP. Under the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at a price equal to the weighted average of the daily closing market prices for three months prior to the offer period less 15% discount. A participating employee may acquire at least 100 shares of stocks, subject to certain conditions, through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

Expenses billed by SMC for share-based payments recognized by the Group in profit or loss and included in "Selling and Administrative Expenses" amounted to P18.6 million and P33.2 million in 2013 and 2012, respectively.

35. Other Matters

a. Toll Agreements

The significant subsidiaries are into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as "the Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.
- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses in 2014, 2013 and 2012 amounted to P6,406.4 million, P6,006.4 million and P5,275.9 million, respectively.

b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

c. Commitments

The outstanding capital and purchase commitments of the Group as at December 31, 2014 and 2013 amounted to P16,528.0 million and P12,981.5 million, respectively.

d. Registration with the Board of Investments (BOI)

Certain operations of consolidated subsidiaries are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives.

GBGTC

GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC's BOI registration and subject to certain requirements as provided in the Omnibus Investments Code of 1987, GBGTC is entitled to incentives which include, among others, income tax holiday (ITH) for a period of four years from July 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMFI

SMFI's (formerly Monterey) Sumilao Hog Project (Sumilao Project) was registered with the BOI under Registration No. 2008-192, in accordance with the provisions of the Omnibus Investments Code of 1987 on a pioneer status as New Producer of Hogs on July 30, 2008. As a BOI-registrant, the Sumilao Project is entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years, from February 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

- e. Certain changes in prior years' amounts were due to reclassifications for consistency with the current period presentation. These reclassifications had no effect on the reported financial position and financial performance for any period.
- f. *Foreign Exchange Rates*
The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P44.72 and P44.395 in 2014 and 2013, respectively, for consolidated statements of financial position accounts; and average rates of P44.39, P42.43 and P42.24 in 2014, 2013 and 2012, respectively, for income and expense accounts.

36. Events After the Reporting Date

- a. *Acquisition of Hormel Netherlands B.V.'s (Hormel) 49% interest in SMPFI Limited*

In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owns 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in SMHVN, a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

- b. *Acquisition of La Pacita Trademarks*

In February 2015, the acquisition by SMPFC of Felicisimo Martinez & Co. Inc.'s (FMC) trademarks, formulations, recipes and other intangible properties (IP Rights) relating to FMC's *La Pacita* biscuit and flour-based snack business was completed following the substantial fulfillment of the closing conditions and payment of the consideration for such IP Rights.

c. *Redemption of Outstanding Preferred Shares*

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter become part of the Parent Company's treasury shares.

d. *Issuance of Perpetual Series "2" Preferred Shares*

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (PFP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover the PFP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering, management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

SMPFC, through the underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter

to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 PFP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

e. *Declaration of Cash Dividends*

On February 3, 2015, the Parent Company's BOD declared cash dividends to all preferred and common shareholders of record as at February 17, 2015 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2015.



Annex "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Pure Foods Company Inc. ("SMPFC" or the "Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2014. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2014 and the financial performance and cash flows for the year ended December 31, 2014 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 20, 2015.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded off to the nearest thousand (P000), except when otherwise indicated.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Adopted Effective 2014

The Group has adopted the following PFRS effective January 1, 2014 and accordingly, changed its accounting policies in the following areas:

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36, Impairment of Assets*). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Novation of Derivatives and Continuation of Hedge Accounting (*Amendments to PAS 39, Financial Instruments: Recognition and Measurement*). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope.

The adoption of this interpretation did not have an effect on the consolidated financial statements.

Additional disclosures required by the new and amended standards and interpretation were included in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

2014 vs 2013

Consolidated revenues of the Group breached the P100.0 billion mark by posting P103.0 billion in revenues or a 3% growth from 2013 level driven by higher volume and better selling prices.

Selling and administrative expenses dropped by 5% as the Group managed its spending particularly in advertising and promotion. This cushioned the impact of higher distribution and transportation costs due to increased trucking rates brought about by the problem on truck ban.

Interest expense and other financing charges dropped by 24% due to lower average level of borrowings coupled with decreased average borrowing rates.

Interest income increased significantly as proceeds from the sale of SMPFC's investment in Manila Electric Company (Meralco) received in March 2014 was held in short-term placements.

Gain on sale of investment and property and equipment was lower in 2014 versus same period last year as 2013 includes the gain recognized from the sale of Meralco shares.

The sale of SMPFC's investment in Meralco shares in September 2013 likewise explained the 100% decline in the equity in net earnings of an associate.

Other charges - net was down by 6% mainly due to lower mark-to-market loss, mostly on wheat options.

Income tax expense grew by 21% as most of the income in 2014 was subjected to the 30% regular income tax rate in contrast with that of the same period in 2013 where the equity in net earnings of an associate and the gain recognized from the sale of investment in Meralco, which formed part of the income before income tax, were not subjected to tax.

Net income was 6% lower as the full year impact of the divestment in Meralco in the 2nd half of 2013 was partly offset by the lower net mark-to-market losses largely from wheat options.

Net income attributable to equity holders of the Parent Company similarly dropped by 5% due to the sale of SMPFC's investment in Meralco shares.

On the other hand, net loss attributable to non-controlling interests increased mainly due to the recognition of impairment loss on goodwill of a subsidiary where non-controlling stockholders hold stake.

Business Highlights:

Agro-Industrial

Revenue of the combined Poultry and Fresh Meats business of San Miguel Foods, Inc. (SMFI) went up by 6% largely on account of the increased sales volume of both poultry and meats products in stable-priced channels such as Magnolia Chicken Stations and Monterey Meat Shops, and favorable selling prices in the second and third quarters of 2014. This, combined with improvements in farm efficiencies, translated to an operating profit higher than 2013's level.

SMFI's Feeds business posted 7% revenue growth due to better selling prices and higher volume. Operating income, however, was lower than same period in 2013 due to higher raw material prices and incremental importation-related charges, such as demurrage and trucking, arising from the port congestion problem.

Value-Added Meats

The Purefoods-Hormel Company, Inc.'s (PF-Hormel) Processed Meats revenue grew by 1% due to better selling prices which offset lower volume. The business was affected by high trade inventory at the start of the year due to the aftermath effect of typhoon Yolanda, thus, resulting in volume shortfall in the first quarter of 2014. The impact of the Manila port congestion on the availability of some raw materials resulted in lost sales, higher demurrage and incremental storage costs while increased trucking rates brought about by the truck ban problem led to higher distribution and transportation costs. As a result, operating income of the business decreased versus 2013.

Milling

Revenue of the Company's Milling business under San Miguel Mills, Inc. (SMMI) grew by 5% on account of higher flour sales volume and additional revenue from the first full year operation of its grain terminal. This, combined with the reduction in wheat costs, enabled the business to surpass last year's operating income.

Dairy & Others

Volume growth in most categories under Magnolia, Inc.'s (Magnolia) Dairy, Fats and Oils business, as well as higher selling prices to partly cover the increasing costs of major raw materials, resulted in a 9% increase in revenue.

The drop in San Miguel Super Coffeemix Co., Inc.'s (SMSCCI) volume versus 2013's level, brought about by soft demand for its two categories, resulted in a 17% decline in revenue.

Combined operating income of businesses under Dairy and Others was 7% higher versus year ago level.

2013 vs 2012

The Group's consolidated revenues of P99.8 billion by the end of 2013 translated to a 4% growth or a P4.0 billion increase from 2012 mainly on account of higher sales volume and better selling prices in most of the businesses.

The increase in revenues, combined with cost breaks in some raw material prices and better efficiencies, resulted in gross profit growing by 13%.

Selling and administrative expenses went up by 16% due to higher advertising and promotions spending to support new product launches and brand building activities, higher distribution and transportation costs brought about by the increase in fuel prices, and higher rental, warehousing and third party services costs brought about by higher sales volume.

Interest income dropped by 60% due to lower average level of short-term placements and substantial decline in borrowing rates in 2013 as against 2012.

Equity in net earnings of an associate declined by 19% on account of the sale of SMPFC's shares in Meralco in September 2013.

Gain on sale of investment and property and equipment grew significantly versus same period in 2012 as SMPFC recognized gain from the sale of its Meralco shares in September 2013.

Other income (charges) - net contrasted that of 2012 mainly due to mark-to-market loss on wheat options, as market prices of wheat declined, and the depreciation of the peso, which affected the valuation of the Group's embedded third currency transactions.

Share of non-controlling interests in the Group's net income contrasted that of 2012 as certain subsidiaries, where non-controlling stockholders hold stake, did not achieve their profitability.

Business Highlights:

Agro-Industrial

SMFI's combined Poultry and Fresh Meats business registered a 5% increase in revenue mainly on account of volume growth on poultry products and favorable selling prices of pork. This was, however, tempered by the lower selling prices of broiler due to industry oversupply in the third quarter of 2013. Nevertheless, higher operating profit was registered as the business pursued its drive to improve production efficiencies.

Notwithstanding the prolonged backyard hog market contraction in the first semester of 2013 which resulted in the decline in feeds volume, SMFI's Feeds business posted 3% revenue growth due to better selling prices. The continuous drive to improve operational efficiencies and minimize costs, combined with the increased availability of cassava and reduced corn price, enabled the Feeds business to achieve double-digit growth in operating income.

Value-Added Meats

The PF-Hormel's Processed Meats business posted 9% revenue growth due to higher volume generated from PF-Hormel's core brands and improved selling prices. Operating income, however,

didn't surpass 2012's level as distribution and transportation costs went up due to increased volume and fuel prices, as well as higher rental and advertising and promotion spending.

Milling

The Company's Milling business under SMMI posted revenue growth of 4% on account of volume increase amidst the presence of lower-priced imported flour and tight competition. The reduction in wheat cost, although resulted in a slide in selling prices, enabled the business to surpass operating income recorded in 2012.

Dairy & Others

The Dairy, Fats and Oils business under Magnolia posted a revenue growth of 4% due to increased volume across all categories.

The Coffee business under SMSCCI registered an increase in revenue of 18% on account of the improved sales in the general trade.

Combined operating income of businesses under Dairy and Others was 41% higher versus same period in 2012.

III. FINANCIAL POSITION

2014 vs 2013

Consolidated financial position of the Group remained healthy. Debt to equity ratio registered at 0.85:1 in 2014 from 0.72:1 in 2013. Current ratio of 1.62:1 in 2014 is lower versus 2.14:1 in 2013 due to the reclassification of maturing long-term debt to current liabilities. Total equity declined from P42.4 billion to P36.0 billion while total assets base decreased from P72.7 billion to P66.7 billion mainly due to the declaration by the Board of Directors (BOD) of the Parent Company on March 26, 2014 of a P48.00 per share special cash dividend to all common shareholders of record as at April 11, 2014. Said cash dividend was subsequently paid by SMPFC on May 12, 2014.

Below were the major developments in 2014:

INVESTMENTS IN SUBSIDIARIES

a) SMMI

Golden Bay Grain Terminal Corporation (GBGTC), which was incorporated in November 2011 and is a wholly-owned subsidiary of SMMI, started commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,597.2 million.

GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others.

As at March 20, 2015, total payment made by SMMI for its additional subscription of 7,000,000 GBGTC shares with a par value of P100.00 per share amounted to P500.0 million.

b) SMFI and Monterey Foods Corporation (Monterey)

In August 2010, the SEC approved the merger of Monterey into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of Monterey and SMFI in June 2010 and July 2010, respectively. The merger became effective on September 1, 2010. SMFI's request for confirmation of the tax-free merger, filed in September 2010, is still pending with the Bureau of Internal Revenue (BIR) as at March 20, 2015.

TRADE AND OTHER RECEIVABLES

The Parent Company's receivable from the sale of its investment in Meralco shares in September 2013 amounting to P13,886.4 million was collected in March 2014.

INVESTMENT IN AN ASSOCIATE

In September 2013, SMPFC, together with SMC and SMC Global Power Holdings Corp. (SMC Global), entered into a Share Purchase Agreement with JG Summit Holdings, Inc. (JG Summit), for the sale of the Company's 59,090,909 shares of stock in Meralco for P13,886.4 million. Certain closing conditions covering the sale were satisfied by all the parties in December 2013.

As at December 31, 2013, the sale of SMPFC's shares of stock in Meralco is included as part of "Others" under "Trade and other receivables" account in the 2013 consolidated statement of financial position.

In March 2014, SMPFC received the proceeds from the sale of Meralco shares.

PROPERTY, PLANT AND EQUIPMENT

Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs amounted to P37.4 million.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed among SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion.

SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court (SC) and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the SC and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the SC and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR's denial of their petition for the revocation of the conversion order. The Parent Company considers the said Order and Resolution to have attained finality as at

March 20, 2015. SMPFC is not aware of any appeal or relief therefrom filed or applied for by MAPALAD.

EQUITY

Preferred Shares

On November 5, 2014, the BOD of SMPFC approved, among others, the: (i) public offer of up to 25 million preferred shares at an issue price of P1,000.00 per share from the Parent Company's unissued capital stock as covered by the previous approval of the stockholders in its Special Stockholders' meeting held on November 3, 2010; and (ii) registration and listing of such preferred shares at the appropriate exchanges.

Appropriated Retained Earnings

On March 10, 2014, the BOD of PF-Hormel approved an additional appropriation amounting to P750.0 million, increasing its appropriated retained earnings from P1,250.0 million to P2,000.0 million, to finance a plant expansion. The project will start in 2015 and is expected to be completed in two years.

Cash Dividends

Cash dividends declared in 2014 by the BOD of the Parent Company to common and preferred shareholders amounted to P51.60 per share and P80.00 per share, respectively.

Analysis of Financial Position Accounts

The increase in cash and cash equivalents and the corresponding decrease in trade and other receivables - net is mainly due to the receipt of payment from sale of SMPFC's investment in Meralco. Cash received was partly used to pay the P8.0 billion cash dividend declared to common shareholders of the Parent Company in March 2014.

Inventories grew by 12% mainly due to higher raw materials costs and increased level of input materials for feeds.

The increase in derivative assets is attributed to the favorable peso to dollar exchange rate at valuation date of outstanding purchase orders that are to be settled in third currencies.

Prepaid expenses and other current assets rose by 25% mainly due to advance payments for imported raw materials which are still in transit.

The 5% drop in property, plant and equipment - net is attributed to the depreciation of such assets.

The recognition of an impairment loss on the goodwill portion of the investment in a foreign subsidiary resulted in the decline of goodwill - net.

The increase in deferred tax assets by 9% was due to the recognition of tax asset on (i) future benefit from the tax loss position for 2014 of a subsidiary, and (ii) additional provisions for inventory losses and doubtful accounts. The remeasurement of a subsidiary's plan assets and obligations for the year 2014 likewise contributed to the increase in deferred tax assets.

Other noncurrent assets decreased by 11% due to the amortization of crates, coops, chicken boxes, egg trays and pallets.

The reclassification of maturing long-term debt to current liabilities caused the 100% increase in current maturities of long-term debt – net of debt issue costs and the corresponding 100% drop in long-term debt – net of current maturities and debt issue costs.

Income tax payable was 21% lower versus 2013 level due to the decline in the Group's taxable income in the fourth quarter of 2014 versus same period in 2013.

The reversal of a deferred tax liability provision in 2014 resulted in an 18% drop in deferred tax liabilities.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2014.

Appropriated retained earnings went up by 60% on account of a subsidiary's additional appropriation for plant expansion while unappropriated retained earnings decreased by 36% mainly due to the P8.0 billion cash dividend paid in May 2014 to all outstanding common shareholders of the Company.

The cash dividend declaration by a subsidiary where non-controlling stockholders hold stake resulted in a 20% decline in the balance of non-controlling interests.

2013 vs 2012

The Group's consolidated financial position remained strong. Debt to equity ratio registered at 0.72:1 in 2013 from 0.67:1 in 2012. Current ratio, on the other hand, improved to 2.14:1 in 2013 from 1.67:1 in 2012 as receivable of SMPFC from the sale of its investment in Meralco in September 2013 was recognized. Total equity increased from P41.0 billion to P42.4 billion while total assets base rose from P68.4 billion to P72.7 billion or a growth of 6% largely due to better cash flows from operating activities and increase in fixed assets brought about by the Group's expansion projects.

Below were the major developments in 2013:

INVESTMENTS IN SUBSIDIARIES

c) SMMI

GBGTC, which was incorporated in November 2011 and is a wholly-owned subsidiary of SMMI, started commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,605.2 million.

GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others.

As at March 26, 2014, total payment made by SMMI for its additional subscription of 7,000,000 GBGTC shares with a par value of P100.00 per share amounted to P500.0 million.

d) SMFI and Monterey

In August 2010, the SEC approved the merger of Monterey into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of Monterey and SMFI in June 2010 and July 2010, respectively. The merger became effective on September 1, 2010. SMFI's request for confirmation of the tax-free merger, filed in September 2010, is still pending with the Bureau of Internal Revenue (BIR) as at March 26, 2014.

INVESTMENT IN AN ASSOCIATE

In March and September 2013, SMPFC received cash dividends from Meralco amounting to P360.4 million and P242.3 million, respectively.

In September 2013, SMPFC, together with SMC and SMC Global, entered into a Share Purchase Agreement with JG Summit for the sale of the Company's 59,090,909 shares of stock in Meralco for P13,886.4 million. Certain closing conditions covering the sale were satisfied by all the parties in December 2013.

A gain of P390.7 million was recognized by SMPFC and this is included as part of "Gain on sale of investment and property and equipment" account in the 2013 consolidated statement of income.

As at December 31, 2013, the sale of SMPFC's shares of stock in Meralco is included as part of "Others" under "Trade and other receivables" account in the 2013 consolidated statement of financial position.

EQUITY

On March 3, June 3, September 3, and December 3, 2013, cash dividends of P1.20 per share were paid to all common shareholders of record as of February 20, May 23, August 27 and November 21, 2013, respectively.

On March 3, June 3, September 3, and December 3, 2013, cash dividends of P20.00 per share were paid to all preferred shareholders of record as of February 20, May 23, August 27 and November 21, 2013, respectively.

Analysis of Financial Position Accounts

Cash and cash equivalents increased by 64% mainly due to improved cash flows from operating activities.

Trade and other receivables - net grew as receivable of SMPFC from the sale of its investment in Meralco shares in September 2013 was recognized.

Inventories dropped by 6% due to reduced purchases of soybean meal and delayed shipment of wheat. Availability and quality of corn, which was affected by the typhoon in the fourth quarter of 2013, likewise contributed to the decline in inventories.

Current biological assets declined by 10% on account of regional subsidiary's reduction of sow level to temper the impact of industry's oversupply and rationalization of domestic subsidiary's contract breeders.

The substantial decline in derivative assets is largely due to the lower market price of wheat options and the unfavorable peso to dollar exchange rate at valuation date.

Prepaid expenses and other current assets grew by 19% mainly on account of the increase in the level of input and creditable withholding taxes for application against future tax liabilities.

The sale of the Company's shares in Meralco in September 2013 explained the 100% drop in investment balance.

Property, plant and equipment - net rose by 11% mainly due to expansion projects.

The 5% increase in goodwill is primarily on account of foreign currency translation difference.

The increase in deferred tax assets by 31% was due to the drop in the market price of wheat options and the depreciation of the peso which resulted in the recognition of tax asset on unrealized mark-to-market losses. The recognition of tax asset on future benefit from the tax loss position for 2013 of a subsidiary likewise contributed to the increase in deferred tax assets.

Notes payable rose by 18% largely due to short-term borrowings made to finance capital expenditures.

Delayed billings of some third party suppliers resulted in a 10% increase in trade payables and other current liabilities.

The 9% decrease in deferred tax liabilities resulted from the recognition of unrealized losses arising from unfavorable valuation of wheat options and peso to dollar exchange rate at valuation date.

Other noncurrent liabilities increased by 32% mainly due to higher retirement liabilities in 2013.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2013.

Unappropriated retained earnings grew by 13% on account of the income earned in 2013, net of dividends declared to common and preferred shareholders during the year.

The cash dividend declaration by a subsidiary where non-controlling stockholders hold stake resulted in a 22% decline in the balance of non-controlling interests.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2014	2013	2012
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	P5,786	P6,996	P3,250
Net cash flows provided by (used in) investing activities	11,488	(2,939)	(3,720)
Net cash flows used in financing activities	(10,089)	(1,311)	(192)

Net cash from operations basically consisted of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash provided by (used in) investing activities included the following:

	December 31		
	2014	2013	2012
	<i>(In Millions)</i>		
Proceeds from sale of investment and property and equipment	13,887	8	369
Increase in biological assets and other noncurrent assets	(1,681)	(1,529)	(1,921)
Acquisitions of property, plant and equipment	(647)	(1,978)	(1,957)
Acquisitions of intangible assets	(71)	(43)	(332)
Acquisition of a subsidiary net of cash received	-	-	(358)
Dividends received from associate	-	603	479

Major components of cash flow used in financing activities are as follows:

	December 31		
	2014	2013	2012
	<i>(In Millions)</i>		
Net availments of notes payable	P107	P1,288	P2,412
Cash dividends paid	(10,196)	(2,599)	(2,400)
Payment of long-term debt	-	-	(204)

The effect of exchange rate changes on cash and cash equivalents amounted to (P0.5 million), P4.4 million and P10.0 million in 2014, 2013 and 2012, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2014	2013
	<i>(In Millions)</i>	
Accumulated earnings in subsidiaries and equity in net earnings of an associate (included in the unappropriated retained earnings balance)	P7,954	P7,962
Treasury stock	182	182

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	December 2014	December 2013
Liquidity: Current Ratio	1.62	2.14
Solvency: Debt to Equity Ratio	0.85	0.72
Asset to Equity Ratio	1.85	1.72
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	11.99%	11.88%
Interest Rate Coverage Ratio	20.97	15.61

KPI	As at December 2014	As at December 2013
Operating Efficiency: Volume Growth	0.23%	2.35%
Revenue Growth	3.23%	4.16%
Operating Margin	6.27%	5.52%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}^{**}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* Excluding cash dividends paid to preferred shareholders

** Excluding preferred capital stock and related additional paid-in capital

VII. OTHER MATTERS

a) Cash Dividends

On February 3, 2015, the Parent Company's BOD declared cash dividends to all preferred and common shareholders of record as at February 17, 2015 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2015.

b) Commitments

The outstanding capital and purchase commitments of the Group as at December 31, 2014 and 2013 amounted to P16,528.0 million and P12,981.5 million, respectively.

- c) Except for the Processed Meats, Dairy, Poultry and Fresh Meats businesses, which consistently earn more revenues during the Christmas holiday season, the effect of seasonality or cyclicalities on the operations of the Company's other businesses is not material.
- d) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Performance.
- e) There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- f) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- g) There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- h) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 35 (b) of the Audited Consolidated Financial Statements. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- i) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended December 31, 2014.

SAN MIGUEL PURE FOODS COMPANY INC.
(A Subsidiary of San Miguel Corporation)
23rd Floor, The JMT Corporate Condominium, ADB Avenue
Ortigas Center, Pasig City

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		P9,968,252
Adjustments:		
Unrealized foreign exchange loss	P2,866	
Unrealized mark-to-market gain	(31)	
Treasury stock	(182,094)	
Deferred tax asset - net	(3,774)	(183,033)
Unappropriated Retained Earnings, as adjusted, beginning		9,785,219
Net Income based on the face of audited financial statements	3,442,704	
Add: Non-actual losses		
Impairment loss on goodwill	127,983	
Provision for income tax - deferred	47	
Net Income Actual/Realized		3,570,734
Less:		
Dividend declarations during the year		9,800,022
Unappropriated Retained Earnings, as adjusted, ending		P3,555,931

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRS 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRS 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27 (2011): Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRS 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRS 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

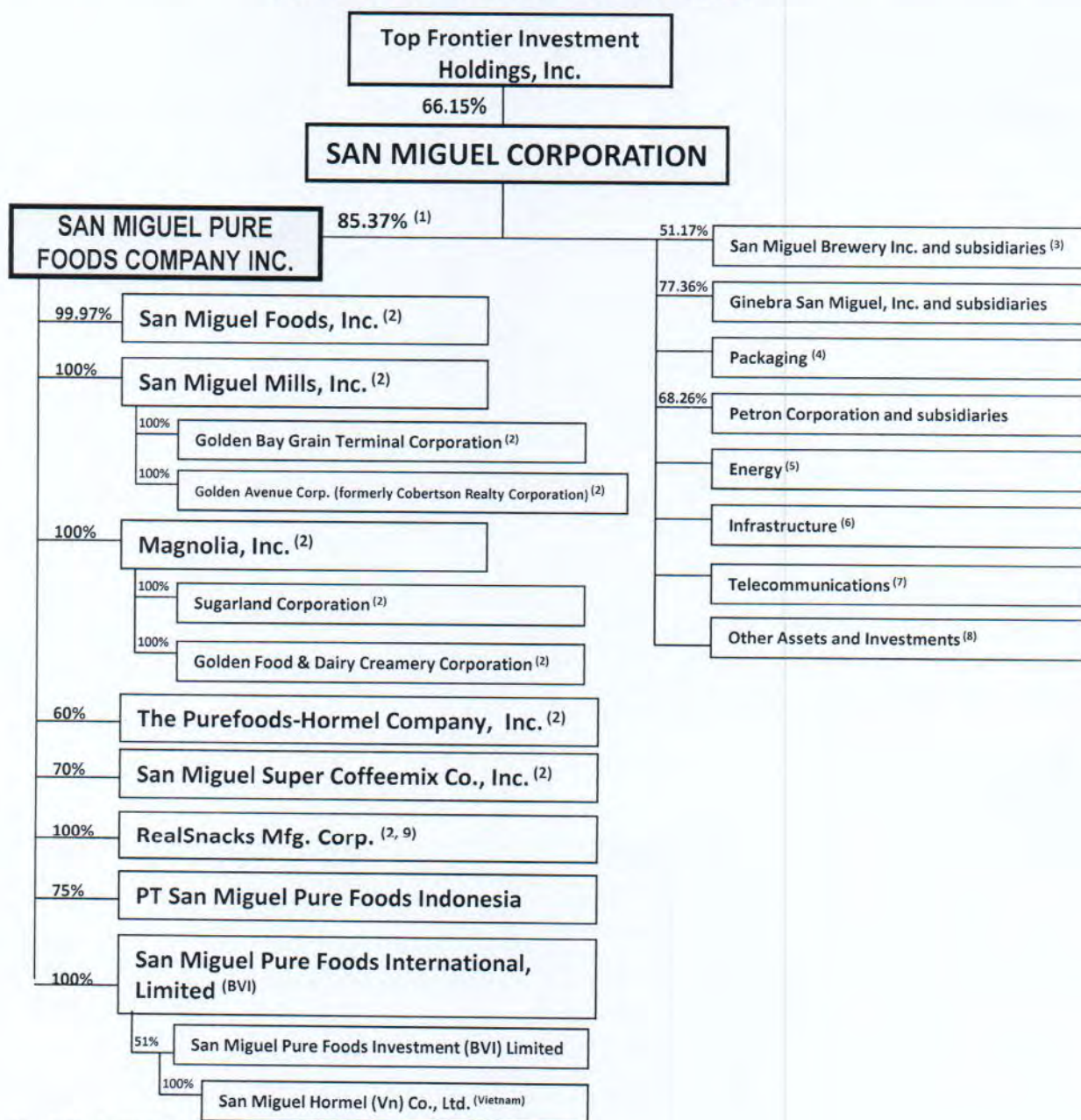
PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRS 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRS 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRS 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers (PIC Q&A)				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying Non-Publicly Accountable Entities (NPAAE)			✓
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	✓		
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

SAN MIGUEL PURE FOODS COMPANY INC. GROUP STRUCTURE



(1) Excluding issued and outstanding preferred shares

(2) Incorporated in the Philippines

(3) Group includes Brewery Properties Inc. (40%), Iconic Beverages, Inc. (100%) and San Miguel Brewing International Ltd. and subsidiaries (100%)

(4) Packaging business includes San Miguel Yamamura Packaging Corporation and subsidiaries (65%), San Miguel Yamamura Packaging International Limited and subsidiaries (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)

(5) Energy business includes SMC Global Power Holdings Corp. and subsidiaries (100%)

(6) Infrastructure business includes Atlantic Aurum Investments BV (46.53%), Private Infra Dev Corporation (45%), Trans Aire Development Holdings Corp. (99.77%), Vertex Tollways Dev't. Inc. (100%), Universal LRT Corporation (BVI) Limited (51%), Terramino Holdings, Inc. (100%), Alloy Manila Toll Expressways Inc. (78.61%) and Cypress Tree Capital Investments, Inc. and subsidiaries (53.32%)

(7) Telecommunications business includes Liberty Telecoms Holdings, Inc. (45.58%), Bell Telecommunication Philippines, Inc. (100%) and Eastern Telecommunications Philippines, Inc. (77.70%)

(8) Other Assets and Investments includes San Miguel Properties, Inc. (99.68%) and Bank of Commerce (39.93%)^A

(9) Incorporated in April 2004 and has not yet started commercial operations

^A Asset held for sale

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Pure Foods Company Inc.	P39,648	P410,898	(P415,128)	P -	P35,418	P35,418	P -	P35,418
San Miguel Foods, Inc.	1,123,480	6,091,406	(5,640,314)	-	1,574,572	1,574,572	-	1,574,572
San Miguel Mills, Inc. and subsidiaries	279,524	1,753,307	(1,806,086)	-	226,745	226,745	-	226,745
The Purefoods-Hormel Company, Inc.	3,061,020	16,357,486	(16,519,100)	-	2,899,406	2,368,331	531,075	2,899,406
Magnolia, Inc. and subsidiaries	762,721	8,496,059	(8,405,943)	-	852,837	852,837	-	852,837
San Miguel Super Coffcemix Co., Inc.	113,710	1,137,209	(1,174,224)	-	76,695	76,695	-	76,695
San Miguel Pure Foods International, Limited and subsidiaries	-	31,495	-	-	31,495	31,495	-	31,495
	P5,380,103	P34,277,860	(P33,960,795)	P -	P5,697,168	P5,166,093	P531,075	P5,697,168

ANNEX "D-4"

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Pure Foods Company Inc.	P12,387	P976	(P5,919)	P -	P7,444	P7,444	P -	P7,444
San Miguel Foods, Inc.	3,498,253	28,470,916	(28,687,169)	-	3,282,000	3,282,000	-	3,282,000
San Miguel Mills, Inc. and subsidiaries	76,381	482,075	(286,948)	-	271,508	271,508	-	271,508
The Purefoods-Hormel Company, Inc.	312,974	4,836,477	(4,294,717)	-	854,734	854,734	-	854,734
Magnolia, Inc. and subsidiaries	507,648	2,591,086	(2,844,693)	-	254,041	254,041	-	254,041
San Miguel Super Coffeenix Co., Inc.	170,438	214,902	(276,833)	-	108,507	108,507	-	108,507
San Miguel Pure Foods International, Limited and subsidiaries	750,448	363,569	(251,566)	-	862,451	339,716	522,735	862,451
PT San Miguel Pure Foods Indonesia	51,091	9,993	(595)	-	60,489	60,489	-	60,489
	P5,379,620	P36,969,994	(P36,648,440)	P -	P5,701,174	P5,178,439	P522,735	P5,701,174