

CR02733-2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
Dec 31, 2013
2. SEC Identification Number
11840
3. BIR Tax Identification No.
000-100-341-000
4. Exact name of issuer as specified in its charter
SAN MIGUEL PURE FOODS COMPANY, INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
23/F The JMT Corporate Condominium , ADB Avenue, Ortigas Center, Pasig City
Postal Code
1605
8. Issuer's telephone number, including area code
(02) 702-5000
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	166,667,096
Preferred	15,000,000

11. 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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- ☒ Yes ☐ No (b) has been subject to such filing requirements for the past ninety (90) days
☒ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

P6,487,162,514 as of March 31, 2014

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY SUSPENSION OF PAYMENTS
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

- ☒ Yes ☐ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

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 17-1 - Annual Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2013
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2013	Dec 31, 2012
Current Assets	53,683,093	37,266,163
Total Assets	72,844,280	68,571,587
Current Liabilities	24,971,487	22,234,003
Total Liabilities	30,484,355	27,549,205
Retained Earnings/(Deficit)	18,679,528	16,582,541
Stockholders' Equity	42,359,925	41,022,382
Stockholders' Equity - Parent	40,191,233	38,233,917
Book Value per Share	165.19	157.16

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2013	Dec 31, 2012
Operating Revenue	99,772,930	95,787,365
Other Revenue	1,168,443	1,205,299
Gross Revenue	100,941,373	96,992,664
Operating Expense	94,262,933	90,610,065
Other Expense	1,082,402	574,898
Gross Expense	95,345,335	91,184,963
Net Income/(Loss) Before Tax	5,596,038	5,807,701
Income Tax Expense	1,512,203	1,545,135
Net Income/(Loss) After Tax	4,083,835	4,262,566

Net Income/(Loss) Attributable to Parent Equity Holder	4,069,989	4,171,984
Earnings/(Loss) Per Share (Basic)	17.38	17.83
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2013	Dec 31, 2012
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.15	1.68
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.31	0.7
Solvency Ratio	Total Assets / Total Liabilities	2.4	2.49
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.42	0.4
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.72	0.67
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	10.81	10.64
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.72	1.67
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.2	0.19
Net Profit Margin	Net Profit / Sales	0.04	0.04
Return on Assets	Net Income / Total Assets	0.06	0.06
Return on Equity	Net Income / Total Stockholders' Equity	0.1	0.1
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	13.69	13.68

Other Relevant Information

Please see attached.

Filed on behalf by:

Name	Alexandra Trillana
Designation	AVP & Corporate Secretary

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

SEC Form

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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.

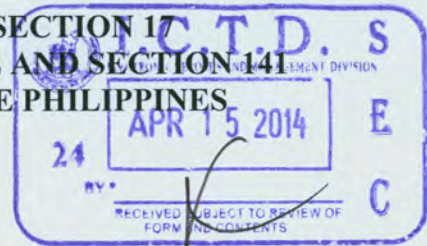
_____ Cashier

S T A M P S

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1. For the calendar year ended December 31, 2013
2. SEC Identification Number 11840 3. BIR Tax Identification No. 000-100-341-000
4. Exact name of issuer as specified in its charter

SAN MIGUEL PURE FOODS COMPANY, INC.

5. Philippines
Province, country or other jurisdiction
of incorporation or organization
6. _____ SEC Use Only
Industry classification code
7. 23/F The JMT Corporate Condominium
ADB Avenue, Ortigas Center, Pasig City
Address of principal office
- 1605
Postal Code
8. (02) 702-5000
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Stock Outstanding and Debt Outstanding (As of December 31, 2013)
Common - P 10 par value	166,667,096
Preferred - P 10 par value	<u>15,000,000</u>
	181,667,096
Total Liabilities (in '000)	P 30,484,355

11. Are any or all securities listed on the Philippine Stock Exchange?

Yes (☒) _____ No (☐) _____

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SAN MIGUEL PURE FOODS COMPANY, INC.

5. **Philippines** 6. _____ SEC Use Only
Province, country or other jurisdiction Industry classification code
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7. **23/F The JMT Corporate Condominium**
ADB Avenue, Ortigas Center, Pasig City **1605**
Address of principal office Postal Code
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9. **N/A**
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Preferred - P 10 par value	<u>15,000,000</u>
	181,667,096
Total Liabilities (in '000)	P 30,484,355

11. Are any or all securities listed on the Philippine 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

12. Check whether the issuer:

- a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or such shorter period that the registrant was required to file such reports):

Yes (☒) _____ No (☐) _____

- b) Has been subject to such filing requirements for the past 90 days:

Yes (☒) _____ No (☐) _____

13. Aggregate market value of the voting stocks held by non-affiliates as of December 31, 2013 and March 31, 2014 were P5,804,303,302 and P6,487,162,514, respectively.

Documents incorporated by reference

14. The following documents are incorporated by reference:

None

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

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. The Company, 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. The Company has been listed on the PSE since 1971.

SMPFC holds in its portfolio the names of some of the most formidable brands in the Philippine food industry, among them, *Magnolia*, *Purefoods*, *Tender Juicy*, *Monterey*, *Star*, *Dari Crème*, *B-Meg*, *San Mig Coffee* and *JellYace*. To date, SMPFC has a product line up that is unparalleled in the industry, offering a variety of food products and services for both individual and food service customers. Its products range from feeds, flour and flour-based products, poultry, fresh and value-added meats, breadfill, dairy, cooking oils, coffeemix and coffeemix with cereals.

The support of parent company San Miguel Corporation (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 5 (Investments in Subsidiaries), Note 8 (Trade and Other Receivables), Note 12 (Investment), Note 14 (Property, Plant and Equipment) and Note 20 (Equity) of the Audited Consolidated Financial Statements, attached hereto as **Annex “E”**, and in the Management’s Discussion and Analysis of Financial Position and Performance attached hereto as **Annex “D”**.

Products

The Company 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 food service 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 food service 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 three (3) retail concepts, namely *San Mig Food Ave.*, which consolidates the former *San Miguel Food Shop* outlets and the *Treats* convenience store network acquired by SMFI from Petron Corporation in September 2011, *Smokey's* hotdog bars and *Hungry Juan* roast barbecue outlets, showcase the San Miguel Group's food and beverage products. There are a total of 253 outlets for the three retail concepts operating as at December 31, 2013.
 - 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 food service 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. GFS used to handle also the *Smokey's* hotdog bars franchising operations. In the Company's BOD meeting on November 9, 2011, management's intention to transfer its franchising and food service businesses under GFS, the operating division of SMPFC, to SMFI was reported and properly noted by the Board. The transfer of the franchising and food services 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 and premixes. 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, bacon, hams and nuggets, while its

canned meat products include corned beef, luncheon meat, sausages, spreads and ready-to-eat 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. Production of milk, jelly snacks, cooking oils and salad aids is outsourced to third party tollers, while production of ice cream is outsourced to a third party toller who leases the production facility owned by ***Golden Food & Dairy Creamery Corporation***, a wholly-owned subsidiary of Magnolia since September 2011.
- ***PT San Miguel Pure Foods Indonesia (PTSMPI)*** - 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 PTSMPI 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 PTSMPI 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 PTSMPI.
- ***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 Coffee, a functional line of coffee mixes, 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 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 ***San Miguel Hormel (Vn) Co., Ltd. (SMHVN, formerly San Miguel Pure Foods (Vn) Co., Ltd.)***, a company incorporated in Vietnam that engages in live hog farming and the production of feeds and fresh and processed meats.
- ***San Miguel Pure Foods Investment (BVI) Limited ("SMPFI Limited", formerly TTCV Investment (B.V.I.) Co. Ltd.)*** - is a company incorporated in the British Virgin Islands in August 1996 and started as a 51%-49% joint venture between San Miguel Foods and Beverage International Limited (SMFBIL) and Hormel Netherlands B.V.. In July 2010, SMPFIL acquired SMC's 51% interest (through SMFBIL) in SMPFI Limited. SMPFI Limited owns 100% of SMHVN.
- ***RealSnacks Mfg. Corp.*** - was incorporated in April 2004 as a 100%-owned subsidiary of SMPFC. However, commercial operations have yet to commence.

The list of products and/or services of the Company and its subsidiaries (collectively referred to as the “Group”) is attached hereto as **Annex “A”**.

Amounts of revenue, profitability, and identifiable assets attributable to domestic operations for 2013, 2012 and 2011 follow:

	(in 000's)		
	2013	2012*	2011*
Sales	₱ 99,772,930	₱ 95,787,365	₱ 89,591,080
Operating income	5,509,997	5,177,300	6,080,312
Total Assets	72,844,280	68,571,587	61,087,807

** As restated (see Note 3 of the Notes to the Consolidated Financial Statements)*

Percentage of Sales Contributed by Export Sales

Information as to the relative contribution of the operating segments to total sales is as follows:

	(in 000's)		
	2013	2012*	2011*
Sales	₱ 99,772,930	₱ 95,787,365	₱ 89,591,080
Agro-Industrial	64.53%	64.60%	63.60%
Value-Added Meats	14.91%	14.27%	13.51%
Milling	8.71%	8.80%	9.32%
Others	11.85%	12.33%	13.57%
TOTAL	100.00%	100.00%	100.00%

** As restated (see Note 3 of the Notes to the Consolidated Financial Statements)*

The consolidated 2013 revenues include ₱1,653.5 million or about 1.66% in export sales of the Company’s several businesses.

Distribution Methods of Products and Services

The Group utilizes different modes of distribution depending on the location and how the subsidiary/division operates. In general, third party logistics providers are hired to provide services related to warehousing, transporting and delivery of goods from the businesses’ plants and warehouses to the distributors/dealers, depots and meat shops or directly to key retail and institutional customers based in Metro Manila and Luzon. For those based in Visayas and Mindanao, goods are transported through forwarders and shipping lines.

To maximize utilization of haulers/truckers that cater to the requirements of the value-added businesses of the Company, namely, Magnolia, PF-Hormel, SMMI’s retail flour line and SMSCCI, the Company’s Division Logistics Group centrally manages and directs the warehousing, hauling and delivery activities of the third party logistics providers.

To ensure product availability at all times, the Poultry and Fresh Meats business maintains a sales force to handle selling of their products to major accounts like supermarkets/hypermarkets and meat

shops, and engage third party distributors and dealers to handle the selling of their products to groceries and wet markets. SMMI relies mainly on its distributors/dealers for the marketing and selling of flour to major noodle factories and bakeries. The value-added businesses, through SMIS, likewise utilize the services of distributors for the marketing of their products to tertiary channels such as *sari-sari* stores and market stalls. The Feeds business, on the other hand, largely depends on its strategically located distributors nationwide.

Selling of Magnolia, PF-Hormel, SMMI's retail flour and SMSCCI products to general trade and modern trade such as major supermarket chains, hypermarkets, groceries and convenience stores are being handled by SMIS. GFS, meanwhile, takes care of selling Poultry, Fresh Meats, SMMI, PF-Hormel, SMSCCI and Magnolia goods to key foodservice customers such as hotels, restaurants, bakeshops, and fast-food and pizza chains.

Development of New Product or Service

The Group does not have any publicly announced new major product that is being developed.

Competition

The Company is identified in the market for its portfolio of well-recognized brands known for quality, and is regarded as one of the leaders in the food manufacturing industry.

It is estimated that SMFI's Feeds business accounts for more than one-third of the total commercial feeds industry sales volume and competes with other major industry players such as Univet Nutrition and Animal Healthcare Co., Universal Robina Corporation (URC), Pilmico, New Hope, Charoen Pokphand Foods and Tateh, as well as with numerous regional feed mill companies and local feed millers. The Feeds milling industry is a commodity-based industry with most of its major raw materials consisting of commodities such as corn, soybean meal, cassava and feed wheat. Since most feed millers use imported major raw materials, the industry is affected by foreign exchange fluctuations. The industry derives its sales mainly from hog and poultry producers. Majority of local industry players have evolved from merely selling feeds products to offering total value service packages to customers such as technical services and after-harvest payment schemes. In terms of product promotion, some market players aggressively invest in various types of visibility campaigns, the most popular of which is through tri-media placements.

SMFI's Poultry business is considered a major player in its industry group and competes with integrators such as Bounty Fresh Foods, Inc./Bounty Agro Ventures, Inc., Cobb Vantress Philippines, Inc., URC and other independent commercial growers. The poultry industry has commodity characteristics and is subject to frequent changes in demand and supply. Most of the major integrated producers employ contract-growing schemes for the production of live broilers and have likewise engaged in contract breeding and toll dressing arrangements. SMFI Poultry's competitive advantage lies in the areas of breed management, growing efficiencies, sales and distribution network, and customer care. By the end of 2013, there are 910 *Magnolia* Chicken Stations nationwide that served as the Poultry business' exclusive retail outlets.

SMFI's Fresh Meats business is regarded as a major player in the highly fragmented domestic pork and beef markets, and its main competitors are Robina Farms and Foremost Farms. It also competes with several other commercial-scale and numerous small-scale hog farms that supply live hogs and

cattle to traders, who, in turn supply hog and cattle carcasses to wet markets and supermarkets. While the majority of fresh meat sales in the Philippines continue to be made in the more traditional, outdoor wet markets, SMPFC considers supermarkets selling their own house-brand products as its main competition. Since fresh meats are regarded as commodity products, the industry's performance greatly depends on the law of supply and demand. Backyard players largely dominate the unbranded fresh meats segment while SMFI's Fresh Meats business, carrying the "*Monterey*" brand, accounts for a larger share in the branded segment. SMFI Fresh Meats business competes on quality, distribution network and customer service. As at December 31, 2013, there are 589 *Monterey* meat shops nationwide distributing quality meats to consumers.

SMMI's Flour business belongs to a highly commoditized industry sensitive to price movements and generally characterized by low brand loyalty. It accounts for the largest market share in the industry and competes on the basis of price, quality, customer service and distribution. Main competitors of SMMI are Philippine Foremost Milling, Pilmico Foods Corporation and URC. Other players in the industry are GMC, Wellington Flour Mills, RFM Corporation (RFM), Morning Star, Liberty Flour Mills, Philippine Flour Mill, Delta and Monde Nissin. Competition within the industry is intense due to the prevailing excess capacity and the presence of lower-priced imported flour. Considered growth drivers of the industry are population growth, demand for bread and other flour-based products, growth of the bakery sector and home baking. Although price is the main purchasing consideration, the quality of products and services offered cannot be discounted in acquiring customer patronage. Flour continues to be more of an intermediary product used as a raw material rather than a consumer product.

The Processed Meats business under PF-Hormel remains the dominant player in the hotdogs and whole hams categories, as well as in the premium segment of corned beef category. PF-Hormel competes on quality, product innovation, distribution network and customer service. Competitors and competing brands in the value-added or processed meats business include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), RFM (*Swift*), Meken Food Corporation (*Mekeni*), Pacific Meats Company, Inc. (*Argentina* and *555*) and Frabelle Corporation (*Frabelle Foods*). To maintain its leadership position and to address increased competition from both established local players, which are employing aggressive pricing and promotion schemes, and from new entrants to the market, PF-Hormel has responded by maintaining high product quality, continuing innovation, increasing advertising and promotions, and forming strategic alliances with institutions such as theme parks, events venues and schools. Noted trends in the industry are the increased demand for out-of-home consumption, consumers' preference for ready-to-eat meals, smaller size and mid-priced brands, and the growing demand for healthy products.

Magnolia offers a wide array of products to Filipino consumers and its *Magnolia* brand is recognized as one of the most trusted brands in the country. It competes in various categories, which include bread spreads such as butter, margarine (refrigerated and non-refrigerated), cheese and salad dressings, ready-to-drink milk, jelly-based snacks, cooking oils and ice cream. Magnolia caters to both retail and institutional sectors of the market. While brand building is critical to the retail sector, the institutional segment is more price-driven. Magnolia is believed to be the leader in the butter category followed by Fonterra Brands Philippines Inc. and New Zealand Creamery, Inc. (NZC). In the refrigerated margarine category where NZC and RFM also compete, Magnolia accounts for a significant market share. The same holds true in the non-refrigerated margarine category. In the cheese category, however, Mondelez Philippines, Inc. (Mondelez, formerly Kraft Foods Philippines) is believed to be the leading player followed by Magnolia and NZC. Major players in the bread spreads industry continue to reach consumers via tri-media to spur trial and usage for their products, and have resorted to downsizing to reduce cash outlay in line with efforts to sustain consumption. The milk industry, on the other hand, has Nestle Philippines, Inc. (Nestle) as the major player with

Magnolia following suit. For the jelly-based snacks industry, the main players are Magnolia and Knotsberry Farm. The ice cream market, where RFM, maker of *Selecta*, and Nestle are dominant, with Magnolia ranking as the third largest player, further contracted in 2013 despite new products launched and heavy advertising and promotion spending by major players.

The Company's coffee business under SMSCCI is estimated to be occupying the number four position in terms of market share in the coffee mix segment. The coffee industry, composed of instant coffee, coffee mixes and ready-to-drink coffee, is still dominated by Nestle who is the market leader in almost all coffee sub-categories. Another key player is Tridharma Marketing Corp., maker of *Kopiko*. Other players and competing brands in the coffee industry include URC (*Great Taste*), Mondelez (*Maxwell House*), Commonwealth Foods, Inc. (*Café Puro*) and Goldshine Pharmaceuticals, Inc. (*Jimm's*). Coffee remains to be among the top beverages consumed in the country, and appeals to a much broader market coming from all socio-economic classification demographics.

Major industry players have taken advantage of the growing popularity of the digital medium, thus, the use of social networking sites as alternative in promoting their products.

SMPFC believes it could sustain the competitiveness of its different businesses. It will continue to improve and introduce quality products and create product differentiation.

Purchase of Raw Materials and Supplies

Major suppliers of SMFI's Feeds business for its soybean meal requirements are Singapore-based Louis Dreyfus Commodities Asia and U.S.A.-based AG Processing, Inc. The business' feed wheat requirements, on the other hand, are imported from Australia-based Touton Far East PTE Ltd. and Grain Corp Operations Limited. Other raw materials are sourced from various local suppliers.

SMFI's Poultry business' breeder stocks are imported mostly from Aviagen and Cobb Vantress Inc., both are agribusiness firms based in U.S.A.

SMFI's Fresh Meats business imports more than 20% of its growing cattle requirements from Australia Rural Exports Pty. Ltd. based in Brisbane, Australia while majority of its breeding hogs are sourced locally from TOPIGS Philippines, Inc. and PIC Philippines, Inc.

The internal feeds and more than 20% of veterinary medicine requirements of SMFI's Poultry and Fresh Meats business are served by its Feeds business.

SMMI's Flour business imports more than 20% of its wheat requirements from Singapore-based Bunge Agribusiness Singapore Pte. Ltd. and U.S.A.-based Columbia Grains International.

PF-Hormel gets its pork requirements from various local suppliers and from affiliate, SMFI. On the other hand, India-based Allansons Limited served as the major supplier of PF-Hormel's meat requirements.

Magnolia imports more than 20% of its major raw materials, such as cheese curds and anhydrous milk fat, from Fonterra (SEA) Pte. Ltd. based in Singapore while the bulk of its oil requirements are sourced from Tap Oil Manufacturing Corp., a domestic company.

SMSCCI imports its coffee mixes for repacking from SCCPL based in Singapore, SCML (Thailand) Company Ltd. and Super Coffeemix Vietnam Ltd. (SCVL).

Except for SMSCCI whose coffee mixes are provided solely by SCCPL, SCML and SCVL, the Company and its subsidiaries are not dependent on one or a limited number of suppliers for its essential raw materials and supplies, such that, operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

Customers

The Company and its subsidiaries have a broad market base that includes supermarkets, hypermarkets, grocery stores, cooperative stores, sari-sari stores, convenience stores, warehouse clubs, mini-marts, market stalls, wet market vendors/dealers and commissaries, wholesalers/distributors, animal raisers, buyers of live birds and institutional accounts (*i.e.*, fast food outlets and restaurants, burger and pizza chains, bakeshops/bakeries, hotels, kiosks, snack/biscuit manufacturers, noodle manufacturers, membership clubs, school/office canteens and franchise holders). The Company sells its products to Luzon, Visayas and Mindanao through its own sales force or SMIS and through strategically located partners/distributors all over the country.

SMPFC and its subsidiaries taken as a whole is not dependent on a single customer or a few customers the loss of any or more of which would have a material adverse effect on the Group's operations. This allows flexibility in managing the Group's sales activities.

Transactions with and/or Dependence on related parties

The Group, in the ordinary course of its business, has entered into transactions with affiliates and other related parties. These transactions, which consist principally of sale and/or purchase of goods and/or services as discussed in the foregoing section on Purchase of Raw Materials and Supplies, are also described in Note 29 (Related Party Disclosures) of the Audited Consolidated Financial Statements attached hereto as **Annex "E"**. Transactions with related parties are fair, entered into on an arm's length basis and at market rates.

Patents, Trademarks, Copyrights, Licenses

Brands, trademarks, patents and other related intellectual property rights used by the Company and its subsidiaries on its principal products in the Philippines and foreign markets, including processed meats, dairy, coffee, food service and franchising, as well as stable-priced commodity products that have undergone additional processing, such as marinated meats and products sold through Monterey Meatshops, Magnolia Chicken Stations and other branded distribution outlets, are either registered or pending registration in the name of SMPFC or an affiliate company.

The Group regularly renews the registrations of those brand names, related trademarks and other intellectual property rights already registered, which it uses or intends to use, upon expiry of their respective terms. Maintenance and protection of these brands and related intellectual property rights are important to ensuring the Group's distinctive corporate and market identities.

The Group is also responsible for defending against any infringements on its brands or other proprietary rights. In this connection, the Group monitors products released in the market that may

mislead consumers as to the origin of such products and attempt to ride on the goodwill of the Group's brands and other proprietary rights. The Group also retains independent external counsels to alert the Company of any such attempts and to enjoin third parties from the use of colorable imitations of the Group's brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

Government Approvals

The Company and its subsidiaries have obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Governmental Regulation

The Company and its subsidiaries have no knowledge of recent or probable governmental regulations, the implementation of which will result in a material adverse effect on the Company and its significant subsidiaries' business or financial position.

Various laws and government agencies in the Philippines regulate the manufacturing, processing, sale and distribution aspects of the Group's businesses. The Company and its subsidiaries are subject to regulation under these laws by the relevant government authorities.

The following are noteworthy laws specific to the food business:

The Food Safety Act of 2013

The Food Safety Act of 2013 aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. The law provides that the Department of Agriculture (the "DA") and the Department of Health (the "DOH") shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

The Foods, Drugs and Devices, and Cosmetics Act

The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the "FDDC Act"), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The Food and Drug Administration (the "FDA", previously referred to as the Bureau of Food and Drugs) is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product it sells in the market.

The DOH also prescribes Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers, the Code on Sanitation of the Philippines, and the Philippine National Standards for Drinking Water.

The Consumer Act

The Consumer Act of the Philippines (the “Consumer Act”) establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of food products. The DOH (which includes the FDA) is the government agency tasked to implement the Consumer Act with respect to food products.

The Consumer Act provides for minimum labeling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

The Livestock and Poultry Feeds Act

The Livestock and Poultry Feeds Act and its implementing rules and regulations (the “Livestock and Poultry Feeds Act”), regulates and controls the manufacture, importation, labeling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the “BAI”) is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. Further, all commercial feeds must comply with the nutrient standards prescribed by the DA. The Livestock and Poultry Feeds Act also provides branding, labeling and advertising requirements for feeds and feed products.

The Meat Inspection Code

The Meat Inspection Code of the Philippines (the “Meat Inspection Code”) establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labeling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products. The National Meat Inspection Service (the “NMIS”), a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. In this regard, the DA mandates the application of Good Manufacturing Practices in all NMIS accredited meat establishments.

The Meat Inspection Code provides for labeling, branding and packaging requirements for meat and meat products to enable consumers to obtain accurate information and ensure product traceability.

The Price Act

The Price Act covers unbranded basic necessities, such as fresh pork, beef and poultry meat, milk, coffee and cooking oil, and prime commodities, such as flour, dried, processed and canned pork, beef and poultry meat, other dairy products and swine and poultry feeds. The Price Act is primarily enforced and implemented by the DA and the Department of Trade and Industry in relation to such products.

Under the Price Act, the prices of basic commodities may be automatically frozen or placed under price control in areas declared as disaster areas, under emergency or martial law, or in a state of rebellion or war, for a maximum period of 60 days only. In cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels, it is the President of the Philippines who can impose a price ceiling on basic necessities and prime commodities.

The Philippine Food Fortification Act

The Philippine Food Fortification Act of 2000 (the “PFF Act”) provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The FDA is the government agency responsible for the implementation the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity.

Research and Development

The total amount spent by the Company and its subsidiaries on research and development for the years 2013, 2012 and 2011 were P275.3 million, P195.0 million and P184.4 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2011 to 2013 barely ranged from 0.2% to 0.3%.

Cost of Compliance with Environmental Laws

The Company and its subsidiaries incurred about P31.3 million in expenses for environmental compliance for the year 2013. On an annual basis, operating expenses incurred by the Group to comply with environment laws are not significant or material relative to the Company and its subsidiaries’ total cost and revenues.

Human Resources and Labor Matters

Please see the list of Collective Bargaining Agreements entered into by the Company and its significant subsidiaries with its various employee unions, as well as the Group’s employee headcount by position attached hereto as **Annex “B”**.

The Group does not expect any significant change in its existing workforce level within the ensuing 12 months.

The Company and majority of its subsidiaries have funded, noncontributory defined benefit retirement plans covering all of its permanent employees.

Under the Company’s plan, all regular monthly-paid and daily paid employees of the Company are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company may, however, at its own discretion, continue an employee’s membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service with the Company. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of

their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date if they have completed at least five years of service with the Company. The retirement plans are further described in Note 28 (Retirement Plans) of the Audited Consolidated Financial Statements of the Company attached hereto as **Annex “E”**.

Major Business Risks

The major business risks the Company and its subsidiaries have to contend with are the following:

Competitor/Market Risks

New and existing competitors can erode the Group’s competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, costs reductions and the reconfiguration of the industry’s value chain. To manage all these, the Group continuously comes up with new exciting products, improves product propositions and packaging, and redefines the manner of product distribution. The Company’s Corporate Innovations Group helped primarily in identifying breakthrough ideas for new product categories, synergize marketing initiatives of the Group and develop innovation opportunities.

Catastrophy and Environmental Risks

Rigorous weather conditions and outbreaks of animal diseases such as bird flu or avian influenza (chicken), foot-and-mouth and *Ebola Reston* (hogs) and mad cow are all beyond the control of the Group, but could have severe effect on its business operations. To manage these occasional outbreaks, the Group adopted preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from these diseases.

Social and Cultural Risks

Consumer taste and preferences have evolved through time due to a host of reasons such as health, fads and fast-paced lifestyles. The Group manages these risks by establishing a small presence first in food products where consumer preferences seem to be leaning towards. Should demand take off and stabilize, operations are expanded.

Sourcing Risks/Price Risks

Alternative sources of raw materials are used in the Group’s operations to avoid and manage risks on unstable supply and higher costs. This is true for most businesses that have foreign-denominated raw material requirements.

The Company and some of its subsidiaries enter into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows predictability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Company, with the objective of protecting raw material cost and preserving margins.

Financial Risks

For the various financial risks, please refer to Note 32 (Financial Risk Management Objectives and Policies) of the Audited Consolidated Financial Statements attached hereto as **Annex “E”**.

Other risk factors that could materially and adversely affect the business, financial condition and results of operations of the Group are discussed in more detail in the Offering Circular dated November 19, 2012 (filed with the SEC, disclosed to the PSE and uploaded in the Company’s website), relating to the offer and sale of a portion of the common shares in the Company held by SMC to comply with the minimum public float requirement of the PSE and SEC.

Item 2. Properties

A summary of information on the various properties owned and leased by the Group, including the conditions thereof, are attached hereto as **Annex “C”**.

The Group owns its major facilities, *i.e.*, flour mills, meats processing plants, ice cream plant, and butter, margarine and cheese plant. Its Feeds, Fresh Meats and Poultry operations, including the poultry dressing operation, however, are mostly contracted out to third parties.

The Company and its subsidiaries have no principal properties that are subject to a mortgage, lien or encumbrance.

There are no imminent acquisitions of any material property, which cannot be funded by the working capital of the Group.

For additional information on the Group’s properties, please refer to Note 13 (Investment Properties) and Note 14 (Property, Plant and Equipment) of the Audited Consolidated Financial Statements attached hereto as **Annex “E”**.

Item 3. Legal Proceedings

The Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company or its results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of SMPFC’s shareholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2013.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

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

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

Quarter	2013		2013		2012		2012	
	Common		Preferred		Common		Preferred	
	High	Low	High	Low	High	Low	High	Low
1 st	314.60	239.80	1,045.00	1,010.00	1,450.00	801.00	1,050.00	1,020.00
2 nd	309.40	210.00	1,080.00	1,040.00	-	-	1,040.00	1,016.00
3 rd	251.00	200.00	1,072.00	1,020.00	950.00	850.00	1,030.00	1,005.00
4 th	246.40	214.00	1,060.00	1,035.00	750.00	240.00	1,030.00	1,005.00

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

Common shares	P 229.00	February 28, 2014
Preferred shares	P 1,040.00	February 27, 2014

The approximate numbers of shareholders of the Company as of December 31, 2013, are as follows:

Common shareholders	121
Preferred shareholders	231

The top 20 stockholders of the Company as at December 31, 2013 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%
2	PCD Nominee Corporation (Filipino)	14,789,042	14,451,545	27,240,587	14.994783%
3	PCD Nominee Corporation (Non-Filipino)	11,514,652	51,880	11,566,532	6.366883%
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	22,975	0	22,975	0.012647%
9	Cecille Y. Ortigas	19,374	0	19,374	0.010665%
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	Allan Catindig Lanip or Nilda Caponpon Lanip	0	10,000	10,000	0.005505%
13	FLG Management and Development Corporation	0	10,000	10,000	0.005505%
14	Gervel, Inc.	0	10,000	10,000	0.005505%
15	Carolina N. Dionisio	0	8,000	8,000	0.004404%

16	Ramon L. Chua	6,538	0	6,538	0.003599%
17	Jorge Ramos	5,868	0	5,868	0.003230%
18	Enrique Ll. Yusingco	0	5,100	5,100	0.002807%
19	Safeway Customs Brokerage, Inc.	0	5,000	5,000	0.002752%
20	Daisy Que Lim &/or Lolita Que Lim	0	5,000	5,000	0.002752%

As of December 31, 2013, the Company had a public float of 14.6%, as reflected in the Public Ownership Report for the said period submitted to the PSE on January 10, 2014.

In 2013 and 2012, the Company paid out cash dividends of P4.80 per common share and P80.00 per preferred share.

In 2011, the Company paid out cash dividends of P3.00 per common share and P60.00 per preferred share.

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, and the PSE approved, subject to certain conditions, the application of the Company to list up to 15,000,000 preferred shares with a par value of P10.00 per share 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 15,000,000 preferred shares with a par value of P10.00 per share and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public 15,000,000 preferred 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 15,000,000 preferred 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.

Description of the securities of the Company may be found in Note 20 (Equity) of the Audited Consolidated Financial Statements, attached hereto as **Annex "E"**.

As stated in Note 20 of the Audited Consolidated Financial Statements, the Company's accumulated earnings in subsidiaries and equity in net earnings of an associate are not available for dividend declaration until declared by the respective investees.

Item 6. Management's Discussion and Analysis or Plan of Operation

The information required by Item 6 may be found on **Annex "D"** attached hereto.

Item 7. Financial Statements (FS) and Other Documents Required to be filed with the FS under SRC Rule 68, as Amended

The 2013 Audited Consolidated Financial Statements of the Company (with the auditors' PTR, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "E"** with the Supplementary Schedules (including the report of the external auditors on the Supplementary Schedules) attached hereto as **Annex "E-1"**.

The additional components of the FS together with their corresponding separate report of auditor, required to be filed with the FS under SRC Rule 68, as amended, are hereto attached as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4 [c])	Annex "E-2"
Tabular schedule of standards and interpretations as of reporting date (Part 4 [I]), and a Map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, parent company, subsidiaries or co-subsidiaries, and associates (Part 4 [h])	Annex "E-3"
Schedule of indicators of financial soundness	Annex "D", Item VI (Key Performance Indicators)

Item 8. Information on Independent Accountant and Other Related Matters

A. External Audit Fees and Services

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 2013. The Board of Directors will again nominate RGM & Co. for re-appointment for fiscal year 2014.

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. Wilfredo Z. 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.

Fees billed for the regular audit 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 2012 amounted to about P1.2 million per year. For the Company's follow-on preferred shares offering in February 2011, the fees billed by the external auditors for the review of the consolidated interim financial statements of SMPFC and its subsidiaries as of and for the nine months ended September 2010, amounted to P1.9 million. No other services were rendered by the external auditors to the Company.

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.

B. 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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the directors and key executive officers of the Company that served as such in the year 2013, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions in the last five (5) years, are as follows:

Board of Directors

Eduardo M. Cojuangco, Jr., Filipino, 78, 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 ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and a Director of Caiñaman Farms, Inc. and Petron Corporation. 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, 60, 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; President and Chief Operating Officer of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation and Zuma Holdings and Management Corporation; 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 and San Miguel Energy Corporation; and a Director of Ginebra San Miguel, Inc., Top Frontier Investment Holdings Inc. and Air Philippines Corporation. He is also the Chairman and Chief Executive Officer of Petron Corporation and SMC Global Power Holdings Corp.; Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation. Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University.

Francisco S. Alejo III, Filipino, 65, 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 Nominations 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, 81, 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 Nominations 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, 66, has been a Director of the Company since November 4, 2009. He is also a Director of San Miguel Properties, Inc.; Member of Board of Advisers of Freeport Service Corporation, 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, 71, has been an Independent Director of the Company since August 12, 2010. He is the Chairman of the Company's Nominations 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.

Angelina S. Gutierrez, Filipino, 76, has been an Independent Director of the Company since May 10, 2013 and a member of the Company's Executive Committee (since November 7, 2013) and Audit Committee (since May 10, 2013). She is an Independent Director of Ginebra San Miguel, Inc. (since May 12, 2012) and Dean of the Graduate School of Law of *Pamantasan ng Lungsod ng Maynila* (since May 2009). Justice Gutierrez is a former Associate Justice of the Supreme Court of the Philippines (December 2000 to February 2008). On August 17, 2008, the Quezon Province awarded her the "Manuel L. Quezon *Medalya ng Karangalan* for her achievements in Law and Judiciary." Justice

Gutierrez holds a Bachelor of Laws Degree from University of Sto. Tomas, and among others was conferred the Degree of Doctor of Law *Honoris Causa* by Bulacan State University Marcelo H. Del Pilar College of Law.

Silvestre H. Bello III, Filipino, 69, 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, 74, has been an Independent Director of SMPFC and a member of the Audit Committee since November 7, 2013. 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.

Cancio C. Garcia, Filipino, 75, was an Independent Director of the Company since June 27, 2008 and Chairman of the Company's Audit Committee and member of its Executive Committee, Executive Compensation Committee and Nominations and Hearing Committee, until his demise on October 15, 2013. He was also an Independent Director of San Miguel Properties, Inc. and Union Bank of the Philippines. Justice Garcia was a former Associate Justice of the Supreme Court of the Philippines and Presiding Justice of the Court of Appeals. Justice Garcia held a Bachelor of Laws Degree from University of the Philippines.

Key Executive Officers

Zenaida M. Postrado, Filipino, 58, is the Vice President and Division 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, Realsnacks Mfg. Corp. and Philippine Prime Meat Marketing Corporation; Treasurer of San Miguel Foods, Inc., Magnolia Inc. and San Miguel Super Coffeemix Co., Inc.; and Commissioner of PT San Miguel Pure Foods Indonesia. 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, 54, 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., Golden Food & Dairy Creamery

Corporation, Realsnacks Mfg. Corp. and Philippine Prime Meat Marketing Corporation; 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, 40, 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., Realsnacks Mfg. Corp. and Philippine Prime Meat Marketing Corporation. 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, 64, 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. 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, 54, 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 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, 58, is the President of The Purefoods-Hormel Company, Inc, Magnolia, Inc., Golden Food & Dairy Creamery Corporation and Sugarland Corporation. He is also Director of PT San Miguel Pure Foods Indonesia. 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, 56, 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 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, 52, 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.

Eliezer O. Capacio, Filipino, 57, was the Vice President and Division Human Resources Head of the Company until his demise on February 23, 2014. He was a former Director of PT San Miguel Pure Foods Indonesia. He was previously Vice President and Account Manager of the Food Group Human Resources of San Miguel Corporation's Corporate Human Resources Group. Mr. Capacio held a Bachelor's Degree in Behavioral Science from De La Salle University and a Master's Degree in Management from Asian Institute of Management.

Board Attendance

In 2013, the Board of Directors held six (6) meetings. The attendance of the directors in these meetings and in the 2013 annual stockholders' meeting ("ASM") is as follows:

	Date of Board Meeting, All in Year 2013						
Director	Feb. 6	Mar. 20	May 7	May 10	Aug. 8	Nov. 7	ASM (May 10)
Eduardo M. Cojuangco, Jr.	Present	Present	Present	Present	Present	Present	Present
Ramon S. Ang	Present	Present	Present	Present	Present	Absent	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
Cancio C. Garcia (until his demise on October 15, 2013)	Present	Present	Present	Present	Present	Not Applicable	Present
Carmelo L. Santiago	Present	Present	Present	Present	Present	Present	Present
Angelina S. Gutierrez (elected during the ASM on May 10, 2013)	Not Applicable	Not Applicable	Not Applicable	Present	Present	Present	Present
Silvestre H. Bello III (elected during the ASM on May 10, 2013)	Not Applicable	Not Applicable	Not Applicable	Present	Present	Present	Present
Edgardo P. Cruz (elected during the Board meeting on November 7, 2013 vice	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Present	Not Applicable

<i>Cancio C. Garcia)</i>							
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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 Company's Amended By-Laws provide that the annual stockholders' meeting shall be held on the second Friday of May of every year.

Independent Directors

The independent directors of the Company in 2013 are Justice Cancio C. Garcia (until his demise on October 15, 2013), Mr. Carmelo L. Santiago, Justice Angelina S. Gutierrez, Mr. Silvestre H. Bello III and Justice Edgardo P. Cruz (elected November 7, 2013 vice Justice Garcia). All the independent directors of the Company are independent of its management and substantial shareholders.

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.

Parent Company

As of December 31, 2013, 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 that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item 10. Executive Compensation

The aggregate compensation paid or incurred during the last two (2) 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 (Francisco S. Alejo III) and Senior Executive Officers (Zenaida M. Postrado, Florentino C. Policarpio, Rita Imelda B. Palabyab and Ma. Soledad E. Olives)	2014 (estimated)	P 57.2 Million	P 5.9 Million	P 4.2 Million	P 67.3 Million
	2013	P 56.2 Million	P 8.8 Million	P 4.1 Million	P 69.1 Million
	2012	P 50.8 Million	P 16.4 Million	P 7.9 Million	P 75.1 Million
All other officers and directors as a group unnamed	2014 (estimated)	P178.5 Million	P 65.2 Million	P 47.2 Million	P290.9 Million
	2013	P157.1 Million	P 40.9 Million	P 46.0 Million	P244.0 Million
	2012	P165.7 Million	P 55.9 Million	P 47.3 Million	P268.9 Million
TOTAL	2014 (estimated)	P235.7 Million	P 71.1 Million	P 51.4 Million	P358.2 Million
	2013	P213.3 Million	P 49.7 Million	P 50.1 Million	P313.1 Million
	2012	P216.5 Million	P 72.3 Million	P 55.2 Million	P344.0 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.

Each director receives a per diem of P10,000.00 per attendance at Board and Board Committee meetings of the Company.

The stockholders have not fixed any fee, and thus 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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting² securities as at December 31, 2013 are as follows:

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

² *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: 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.*

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 ³ SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, parent company of issuer	San Miguel Corporation	Filipino	142,279,267	78.3186%
Common	PCD Nominee Corporation ⁴ 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various ⁵	Filipino	12,789,042	14.9947%
Preferred				14,451,545	
Common	PCD Nominee Corporation ⁶ 37th Floor, Tower One, Enterprise	Various ⁷	Non-Filipino	11,514,652	6.3668%

³ The Board of Directors of 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 Maria Cristina M. Menorca, Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Virgilio S. de Guzman, Almira C. Dalusung and Ma. Raquel Paula G. Lichauco.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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
Preferred	Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer			51,880	

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 directors and key officers of the Company as of December 31, 2013:

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	Angelina S. Gutierrez	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, President, key officers and directors as a group as of December 31, 2013 is 69,409 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 December 31, 2013 is 81,509 shares or approximately 0.0449% of the Company's outstanding capital stock.

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.

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

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

See Note 5 (Investments in Subsidiaries), Note 12 (Investments), Note 15 (Other Intangible Assets), Note 29 (Related Party Disclosures) and Note 34 (Employee Stock Purchase Plan (of the Audited Consolidated Financial Statements of the Company attached hereto as **Annex “E”**, as well as the discussion under *Transactions with and/or Dependence on related parties* in Item 1 (Business) of this report.

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 regular course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. There were no related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities. 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.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the Annual Corporate Governance Report (SEC Form-ACGR) of SMPFC posted in the Company’s corporate website www.sanmiguelpurefoods.com, in compliance with SEC Memorandum Circular No. 1, Series of 2014.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(A) Exhibits

The 2013 Audited Consolidated Financial Statements and the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) are attached hereto as **Annex “E”**.

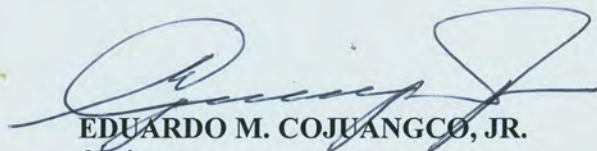
(B) Reports on SEC Form 17-C

The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as **Annex “F”**.

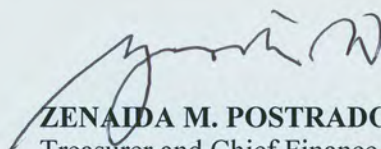
SIGNATURES

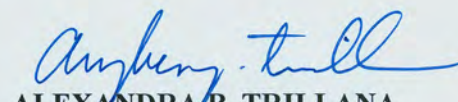
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on MAR 26 2014 April 1, 2014.

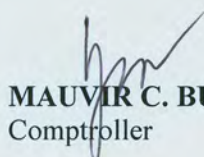
By:


EDUARDO M. COJUANGCO, JR.
 Chairman


FRANCISCO S. ALEJO III
 President


ZENAIDA M. POSTRADO
 Treasurer and Chief Finance Officer



ALEXANDRA B. TRILLANA
 Corporate Secretary


MAUVIR C. BUZON
 Comptroller

SUBSCRIBED AND SWORN to before me this MAR 26 2014 day of _____, 2014 affiants exhibiting to me their Passports, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>EXPIRY DATE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	XX-0410612	February 15, 2017	Manila
Francisco S. Alejo III	EB-6193070	August 23, 2017	Manila
Zenaida M. Postrado	XX-4870820	October 29, 2014	Manila
Alexandra B. Trillana	EC0224777	February 4, 2019	Manila
Mauvir C. Buzon	EB8458523	June 21, 2018	Manila

Page No. 00 ;
 Doc. No. 101 ;
 Book No. IV ;
 Series of 2014.


MA. FRANCESCA Q. BALTAZAR
 Notary Public for Pasig City
 22nd Floor, JMT Corporate Condominium,
 ADB Ave., Ortigas Center, Pasig City
 APPT No. 221 (2013-2014)/Roll No. 57174
 IBP No. 954690; 1/8/2014; Makati City
 PTR No. 9845697; 1/10/2014; Pasig City

Annex “A”

San Miguel Pure Foods Company, Inc. and Subsidiaries
List of Products and/or Services as at December 31, 2013

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)

- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Jumbo Chicken (Fresh & Frozen)
- Magnolia Free Range Chicken (Fresh & Frozen)
- Purefoods Supermanok (Fresh Chilled & Frozen)
- Housebrand and Unbranded Chicken (Fresh Chilled & Frozen)

Cut-ups

- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Magnolia Chicken Station Cut-ups
- Magnolia Chicken Station Convenient Cuts
- Magnolia Chicken Breast & Leg Meat Yakitori
- Magnolia Chicken Quick Chix
- Housebrand and Unbranded Chicken Cut-ups

Marinated

- Magnolia Chicken Station Cook Easy products
- Magnolia Chicken Station Twist (Inasal Longganisa, Burger & Tapa)
- Magnolia Chicken Station Lite (Mango Maple, Citrus Burst, Italian & Pesto Balsamic Chicken Chunks)
- Magnolia Chicken Chicks for Every Juan (Apple Cinnamon, Pineapple Rosemary & Kiwi Chili)

Giblets

- Magnolia Chicken Giblets (Frozen Liver and Gizzard)

Export

- Frozen Chicken Yakitori
- Frozen Bone-in Chicken Cut-ups
- Frozen Deboned Chicken Cut-ups
- Magnolia Fresh Chicken Griller (Fresh & Frozen)
- Frozen Marinated Deboned Products

Brown Eggs

- Unbranded

FRESH MEATS

Monterey Meatshop

Fresh Meats Primals (Pork, Beef, Lamb)

Fresh Meats Individual Portion Cuts (Pork, Beef, Lamb)

Ready-to-Cook Marinated Meats or Timplados (Pork, Beef, Lamb)

Pork Patariffic

Pork Blood Trio

Crispy Feet

Pork Tenderloin Skewered BBQ

Burgers (BBQ, Teriyaki, Cheesy & Pizza)

Monterey Meatshop Burger Express (Bicol Express Burger Patty)

Montana Flavored Burgers (Fajita, Curry & Cajun Patty)

Monterey Longanisa Line (Garlic and Spicy Batutay Longanisa)

FEEDS

Animal & Aquatic Feeds

Hog Feeds

B-MEG Premium Hog Pellets

B-MEG Dynamix Hog Feeds

Pureblend Hog Pellets

B-MEG Expert Hog Feeds

B-MEG Expert Premium Hog Feeds

Bonanza Hog Pellets

B-MEG Essential Hog Feeds

Jumbo Hog Mash

Maton

Poultry Feeds

B-MEG Premium Layer

Pureblend Layer

B-MEG Expert Layer

B-MEG Layer (Regular)

B-MEG Essential Layer

Pureblend Layer Breeder

B-MEG Premium Broiler

Pureblend Broiler

Pureblend Special Broiler

B-MEG Broiler (Regular)

B-MEG Essential Broiler

B-MEG Essential Broiler Breeder

B-MEG Kabir

Duck Feeds

B-MEG Duck Feeds

Pureblend Duck Feeds

Gamefowl Feeds

- B-MEG Derby Ace
- B-MEG Integra
- B-MEG Integra Powermaxx
- Jumbo Pullet Developer Pellets
- B-MEG Alertone Mixed Grains
- B-MEG Fighting Cock Pellets
- B-MEG Pigeon Pellets

Quail & Ostrich Feeds

- B-MEG Quail
- Pureblend Quail
- B-MEG Ostrich Breeder Pellets

Calf and Horse Feeds

- B-MEG Horse Pellets
- B-MEG Calf Pellets

Aquatic Feeds

- B-MEG Super Premium Floating Feeds
- B-MEG Premium Tilapia Pellets
- B-MEG Premium Bangus Pellets
- B-MEG Aquaration
- B-MEG Expert Fish Feeds
- B-MEG Prize Catch Floating Feeds
- B-MEG Prize Catch Extruded Sinking Feeds
- B-MEG Nutrifloat Floating Feeds
- B-MEG Nutrisink
- B-MEG CE-90 Shrimp Feeds
- B-MEG VN-21 Shrimp Feeds
- Pinoy Sinking Pellets
- Pinoy Floating Feeds

Concentrate

- B-MEG Hog Concentrate
- B-MEG Poultry Concentrate
- B-MEG Layer Concentrate
- B-MEG Pullet Concentrate
- B-MEG Cattle Concentrate
- B-MEG Goat Concentrate
- B-MEG Pig Protein Concentrate
- B-MEG Broiler Protein Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparation

Amoxicillin 20%
 Cephalexin 20%
 Chlortetracycline 25%
 Cotrimoxazole 48%
 Doxycycline 20%
 Dox-C-Lin
 Dox-C-Trin Premium

Supplement/Vitamins - Water Soluble Preparation

Electrolytes
 Multivitamins
 Multivitamins +Minerals + Amino Acids
 Vitamin B Complex for Broiler
 Vitamin B Complex for Breeder
 Vitamin E 50%

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Paracetamol 25%

Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD
 Levamisole 20%

Disinfectant

Protect Plus

Injectables

Norotyl LA
 Alamycin LA
 Iron-Vet
 Norovit

Oral Preparation

First Pulse D
 Worm-X

Feed Premixes

Amoxicillin 10% and 20%
 Chlortetracycline 15%
 Tiamulin 10%
 Swine Mineral Premix
 Poultry Mineral Premix
 Swine Vitamin Premix
 Poultry Vitamin Premix
 Cotrimazine 48%

Liquid Preparation

Vitamin ADE
 Vitamin E 60%
 Norfloxacin 20%

Vaccines

- Para Shield
- Parvo Shield L5E
- Pneumostar SIV
- Pneumostar Myco
- Porcine Pili Shield
- Porcine Ecolizer 3

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparation

- Amoxicillin 20%
- Cephalexin 20%
- Chlortetracycline 25%
- Cotrimoxazole 48%
- Doxycycline 20%
- Dox-C-Lin
- Dox-C-Trin Premium

San Miguel Mills, Inc.

Hard Wheat Flour

- King
- Emperor
- Monarch
- Pacific
- Harina de Pan de Sal

Soft Wheat Flour

- Queen
- Countess
- Red Dragon

Specialty Flour

- Baron All-Purpose Flour
- Baron Siopao Flour
- Princess Cake Flour
- Golden Wheat Whole Wheat Flour (Coarse & Fine)

Customized Flour

- Royal Premium Noodle Flour
- Prince Miki Flour
- Prince Noodle Flour
- Prince Wrapper Flour

Premixes

- Mix' n Bake
- Brownie Mix
- Crinkle Mix
- Mix' n Steam
- Puto Mix

Retail Mixes

- Magnolia Pancake Plus with Syrup (Maple, Chocolate, Strawberry)
- Magnolia Pancake & Waffle Mix
- Magnolia All Purpose Flour

Bakery Ingredients

- Bake Best Bread Improver
- Bake Best Baking Powder
- Bake Best Instant Yeast

Services

- Product Customization
- Recipe Development
- Technical Training in Flour Applications

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs

- Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili)
- Purefoods Star Hotdog (Regular, Jumbo, Super Jumbo, Footlong, Cheezeedog, Chicken Franks)
- Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
- Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
- Purefoods Beefies Hotdog (Regular, Jumbo, Lots A Cheese)
- Purefoods Chick'N Tasty Chicken Hotdog (Regular, Jumbo, Cheese)
- Vida Hotdog (Regular, Jumbo, Mini-Regular)

Battered, Breaded & Fried

- Purefoods Fun Stuff Nuggets (Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Chicken & Cheese, Pepperoni & Cheese, Cheese Overload, Christmas Nuggets)
- Purefoods Crisp 'n Juicy (Drumsticks - Classic, Buffalo-style, Chicken Burger, Fish Nuggets, Chicken Breast Nuggets, Wingers, Tonkatsu)
- Purefoods Star (Chicken Nuggets, Burger Bites, Crispy Burger)

Bacon

- Purefoods Honeycured Bacon (Regular, Thick Cut)
- Purefoods Maple-flavored Bacon
- Purefoods Lean 'N Mean Bacon
- Purefoods Bacon Crumble
- Hormel Black Label Bacon
- Vida Bacon
- Purefoods Honey Roast Bacon (Thick Cut)
- Purefoods Spicy Barbecue Bacon (Thick Cut)

Sliced Hams

- Purefoods Regular Ham (Sweet, Cooked, Chicken Ham)
- Purefoods Fiesta Ham Slices
- Purefoods Deli (Salami, Spiced Ham, Bologna, Farmers Ham, Roast Chicken Ham)
- Purefoods Star Sweet Ham
- Vida Sweet Ham

Whole Hams

- Purefoods Fiesta Ham (Classic, Smoked Bone-in Ham, Smoked Honeycured Ham, Smoked Chicken)
- Purefoods Jamon de Bola
- Purefoods Chinese Ham
- Purefoods Brick Ham
- Purefoods Pear-Shaped Ham
- Jamon Royale

Ready-to-Cook/Ready-to-Eat

- Monterey Sisig
- Purefoods Tender Cuts (Asado, Estofado, Patatim)

Native Line

- Purefoods Pork Longanisa (Hamonado, Recado)
- Purefoods Tocino (Classic Pork, Sweet Chili)

GROCERY PRODUCTS

Corned Meats

- Purefoods Corned Beef (Classic, Hash, Chili)
- Purefoods Chunkee Corned Beef
- Purefoods Carne Norte
- Purefoods Star Corned Beef
- Purefoods Star Carne Norte

Luncheon Meats

- Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper)
- Purefoods Chinese Luncheon Meat
- Purefoods Beef Loaf
- Purefoods Chicken Luncheon Meat

Sausages

- Purefoods Vienna Sausage
- Purefoods Vienna Tidbits
- Purefoods Chicken Vienna Sausage

Canned Viands

- Purefoods Sizzling Delights (Sisig, Chicken Sisig, Bopis)
- Ulam King - (Asado, Caldereta, Lechon Paksiw, Menudo, Mechado)

Specialty Grocery Products
 Purefoods Liver Spread
 Purefoods Spaghetti Meat Sauce
 Purefoods Meaty Spaghetti Sauce
 Purefoods Chorizo Filipino

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE

Butter

Magnolia Gold (Salted, Unsalted) and Magnolia Gold Lite
 Magnolia Butter-licious! (Classic, Garlic)

Refrigerated Margarine

Dari Crème (Classic, Buttermilk, Herb and Garlic, Bacon) and Dari Crème Lite
 Buttercup
 Baker's Best

Non-Refrigerated Margarine

Star Margarine (Classic, Sweet Blend, Garlic, Vanilla, Chocolate)
 Delicious Margarine
 Magnolia Non-Refrigerated Margarine (Food Service)

Cheese

Magnolia Cheezee (Block, Spread - Cheddar, Pimiento)
 Daily Quezo
 Magnolia Quickmelt
 Magnolia Cheddar
 Magnolia Cream Cheese (Block, Spread - Classic, Bacon)
 Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal
 Magnolia Cheese Sauce (Food Service)
 Magnolia Cheesefood (Food Service)
 Mozzarella (Food Service)

JELLY SNACKS AND DESSERTS

JellYace Fruiteez
 JellYace Bites
 JellYace Snackers (Regular, Twin Pack)
 JellYace Suki Pack/ Gara Jar/ Buhos Pack/ Pene Pack
 Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Mango)

MILK

Magnolia Chocolait
 Magnolia Chocolait Choco Magic (Mocha, Strawberry, Rocky Road, Cookies & Cream)
 Magnolia Purefresh Natural Cow's Milk
 Magnolia Purefresh Low Fat Cow's Milk
 Magnolia Full Cream Milk

SPECIALTY OILS

- Magnolia Nutri-Oil Coconut Oil
- Magnolia Nutri-Oil Palm Oil
- Magnolia Pure Oil
- Primex Shortening (Food Service)

ALL-PURPOSE CREAM

- Magnolia All-Purpose Cream

SALAD AIDS (Food Service)

- Magnolia Real Mayonnaise
- Magnolia Herb and Garlic Dip N' Dressing
- Magnolia Sandwich Spread
- Magnolia All-Purpose Dressing

ICE CREAM

Bulk Ice Cream

- Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango, Caramel)
- Magnolia Classic Medley (Black & White, Dare Devil, Bumble Bee)
- Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Dulce de Leche, Creamy Halo-Halo Delight, Ube Macapuno Swirl, Buko Salad Royale, Quezo Primero, Choco Chip Cookie Dough, Coffee Vienna, Buttery Sweet Corn)
- Magnolia Double Gold Label (Double Dutch and Choco Chip Cookie Dough, Ube Keso and Creamy Halo-Halo , Cookies N' Cream and Rocky Road, Double Dutch and Rocky Road, Double Dutch and Cookies & Cream , Ube Keso and Buttery Sweet Corn)
- Magnolia President's Tub (Butter Pecan, Blueberry Cheesecake, Vanilla Almond Fudge, Belgian Chocolate Truffle, Red Velvet)
- Magnolia Best of the Phillippines (Ube Keso, Macapuno Banana, Macapuno Langka, Tsokolate Table, Coffee Crumble, Mangoes and Cream, Pinipig Pandan, Durian Pastillas, Caramel Cashew Tart, Strawberry Shortcake, Butterscotch, Kesong Puti, Coffee Mangosteen)
- Magnolia Sorbetes (Ube, Tsokolate, Keso)
- Magnolia No Sugar Added (Vanilla, Chocolate, Cheese, Cafe Latte)
- Magnolia Yogurt Ice Cream (Mango, Strawberry)

Frozen Novelties

- Magnolia Spinner (Chocolate, Vanilla, Caramel, Hazelnut)
- Magnolia Fizz (Rootbeer, Orange, Lemon Lime)
- Magnolia Cookie Monster (Chocolate, Choco Hazelnut, Caramel)
- Magnolia Party Cups (Vanilla, Chocolate, Ube, Mango)
- Magnolia Sweetie Bites (Cookie Craze, Cheesy Bliss)
- Magnolia Fun Bar (Choco Loco, Cool Bubblegum, Cotton Candy)
- Magnolia Popsies (Orange Chill, Choco Cool)
- Magnolia Pinipig Crunch (Vanilla Crisp, Sweet Corn)
- Magnolia K-Pop (Banana, Honeydew, Strawberry, Mango)
- Magnolia Yogurt Stick Ice Cream (Strawberry, Mango)

San Miguel Gold Label (For Export)
 SMGL Mellorine
 SMGL Frozen Dessert
 SMGL Ice Confectionery

San Miguel Super Coffeemix Co., Inc.

COFFEE

San Mig Coffee Regular 3-in-1 Coffeemix- Original & Salo-Salo Pack
 San Mig Coffee Sugar Free 3-in-1 Coffeemix- Mild, Original & Strong
 San Mig Coffee Super Packs - Super, Brown, White, Chococino, Cremdensada & Honeycino
 San Mig Coffee 100% Premium Instant Black Coffee
 San Mig Coffee Pro-Health Line - Pro-Fiber & Pro-Slim
 San Mig Fastbreak

GREAT FOOD SOLUTIONS

Poultry and Meats
 Value-Added Meats
 Pizza Toppings
 Burgers and Patties
 Hotdogs and Deli Items
 Ready-to-Serve Viands

Flour and Dry Bakery Ingredients
 Basic Flour and Premixes
 Dessert mixes

Dairy, Fats and Oils
 Butter, Margarine and Cheese
 Mozzarella
 Sliced-on-Slice Cheese
 Sliced-on-Slice Cheese
 Skimmed Milk Powder
 Iberico Promace and Olive Oil

Coffee and Milk

GFS Services
 Marketing Services and Promotional Tie-Ups
 Product Customization
 Menu & Recipe Development
 Packaging Development
 Food Safety Trainings and Consultancy
 Quality Assurance Services
 Food Laboratory Analysis

FRANCHISING

Smokey's

Hotdogs (Bacon-wrapped Cheesedog, Chicken, Classic Style Frank 6", Hungarian Sausage, Jumbo Supreme, King Size Frank 12"/Footlong, Schublig)
Burgers (Classic, Cheese, Chicago Style, Spicy Jalapeno, Bacon Cheesy Garlic Mushroom)
Pizzas (Bacon, Hawaiian, Pepperoni)
Toppings (Bacon Bits, Chili Sauce, Jalapeno Sauce, Sauteed Garlic Mushroom, Salsa)

Hungry Juan

Roasts (Sweet Garlic, Inasal - Chicken & Liempo)
Juanito's Pritos (24pcs cut fried chicken)
Single Serve (Pork BBQ Skewered, Chicken Isaw, Sisig)
Rice Meals (Roast Chicken, Roast Liempo, BBQ Belly, Sisig, Bangus Belly, Pork BBQ Skewered, Juanitos Pritos)
Quick Meals (Tapa, Beef Caldereta, Korean Beef Stew, Corned Beef, Adobo Flakes, Lechon Paksiw)
Family Feast
Barkada Blow-out

San Mig Food Ave.

Convenient Store
Ready-to-eat Products

P.T. San Miguel Pure Foods Indonesia

Bakso (Meat Balls)

Farmhouse
Vida

Sausages

Farmhouse (Beef, Chicken, Beef Cocktail, Beef Frankfurter, Beef Wiener, Fried Beef, Fried Chicken, Jumbo Fried Beef, Hot & Spicy, Cheese, Beef Frankfurter, Beef Wiener)
FunKidz Chubbies (Cheese)
Purefoods Choice (Chicken, Beef, Jumbo, Beef Weiner, Beef Black Pepper, Beef Pepper, Chicken Pepper, Fried Beef, Fried Chicken, Cheese, Jumbo, Fried Beef, Hot & Spicy)
Vida (Chicken, Beef, Frank, Wiener, Fried Sosis Goreng)
Vida Saving (Beef, Chicken)

Retort Sausage

Vida Cociz (Chicken, Ready-to-Eat)

Cold Cuts

Farmhouse (Beef Pepperoni, Chicken Roll, Garlic Salami, Smoked Beef, Smoked Beef Block, Smoked Chicken, Smoked Chicken Roast)
Purefoods Choice (Chicken Chunk, Sliced Chicken Chunk, Minced Beef BBQ, Minced Chicken Teriyaki, Meat Block Papz, Smoked Beef FS)

Luncheon Burger

Farmhouse (Chicken, Beef, Cheese Burger)
 Purefoods Choice (Chicken, Beef, Bakery Burger)
 Vida (Beef, Mini)
 Vida Saving (Beef)

Value Added

Farmhouse Corned Beef

Services

Customization

San Miguel Hormel (Vn) Co., Ltd.

Feeds Business

BMEG (Hog, Poultry, Aquatic)
 Pureblend (Hog, Poultry)

Live Pigs

Value-Added Meats

Le Gourmet (Bacon, Ham, Beef, Pate, Sausage, Traditional)
 Dua Moc (Traditional)

Annex “B”

San Miguel Pure Foods Company, Inc. and Subsidiaries
List of Collective Bargaining Agreements (CBA) and Number of Employees
As at December 31, 2013

Level	Union	Expiration of CBA (Economic)	Headcount
Rank and File	<i>SMFI</i>		
	MPEU - PTGWO	December 31, 2016	41
	SMFIEU - PTGWO	December 31, 2016	118
	<i>SMMI</i>		
	PFMEU	December 31, 2016	31
	<i>MAGNOLIA</i>		
	PWU IBM 47 - Cavite	February 28, 2014	104
	<i>PTSMPSFI</i>		
	Federasi Serikat Pekerja Seluruh Indonesia sector Rokok, Tembakau, Makanan & Minuman (FSPSI RTMM)	December 31, 2013	119
	<i>SMHVN</i>		
	Trade Union Foundation of SMHVN	December 31, 2013	452
	Non-Unionized/Exempt		2,114
	<i>Total Rank & File</i>		2,979
Supervisors			273
Managers			235
Executives			42
TOTAL			3,529

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
LIST OF PROPERTIES
For the Year 2013

ANNEX "C"

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In Php, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Main Office						
JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
Administration Office						
Feeds, Poultry and Great Food Solutions Iloilo Office	Melliza St., Brgy. Zamora, Iloilo City	Owned	Good			
Sta. Maria Vetmed Office	Brgy. Guyong, Sta. Maria, Bulacan	Owned	Good			
Manufacturing Plants/Facilities/Farms/Hatcheries/Cold Storage						
Processed Meats Cavite Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good			
Golden Bay Grain Terminal	Brgy. Balibaguan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good			
Davao Poultry Dressing Plant	Brgy. Sirawan, Toril Davao City	Owned	Good			
Feeds Spent Drying Plant	SMC Complex, San Fernando, Pampanga	Owned	Good			
Feeds Spent Drying Plant	Mc Arthur Hi-way, Valenzuela City	Owned	Good			
Bulacan Feedmill	Brgy. Magmarale, San Miguel, Bulacan	Owned	Good			
Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good			
BMEG Pangasinan Feedmill	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
Isabela Feedmill	Brgy. Soyung, Echague, Isabela	Owned	Good			
Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good			
Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Owned	Good			
Bukidnon Feedmill	Milmar Compound, Impalutao, Impasug-ong, Bukidnon	Owned	Good			
Magnolia Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
Magnolia Ice Cream Plant	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
Monterey Meat Plant	Governor's Drive, Langkaan, Dasmariñas, Cavite	Owned	Good			
Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Indonesia	Owned	Good			
Bin Duong Feedmill and Farm	Cau Sat Hamlet, Lai Hung Village, Ben Cat, Binh Duong, Vietnam	Owned	Good			
Processed Meats Vietnam Plant	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good			
Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta. Maria, Bulacan	Owned	Good			
Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good			
Orion Experimental Training Farm	Brgy. General Lim, Orion, Bataan	Owned	Good			
Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good			
Isabela Cattle Farm	Bo. San Luis, Cauayan, Isabela	Owned	Good			
San Miguel Farm	Magmarale, San Miguel, Bulacan	Owned	Good			
Sumilao Farm	San Vicente, Sumilao, Bukidnon	Owned	Good			
Polomolok Cattle Farm	Matin-ao, Polomolok, South Cotabato	Owned	Good			
Laguna Warehouse	Brgy. Malilit, Sta. Rosa, Laguna	Owned	Good			
General Santos Warehouse	SMPFC Cmpd., Rivera St., Brgy. Calumpang, Gen. Santos City	Owned	Good			
Processed Meats Fairview Warehouse	34 Consul St., Fairview Park Subdivision, Fairview, Quezon City	Owned	Good			
Otis Warehouse	Mendiola Ext., Otis, Pandacan, Manila	Owned	Good			
Land						
Golden Avenue Corp.	San Miguel Ave., corner Tektite Road, Pasig City	Owned	Good			
Manufacturing Plants/Facilities/Farms/Hatcheries						
Great Food Solutions Commissary	2 MIA Road, Tambo, Paranaque City	Rented	Good	70,000.00	April 30, 2014	Renewable upon mutual agreement by the parties
BMEG Pangasinan Feedmill (lot only)	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Rented	Good	269,181.79	December 31, 2014	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Orion Experimental Training Farm (lot only)	Brgy. General Lim, Orion, Bataan	Rented	Good	124,670.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Bataan Feedmill (lot only)	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Rented	Good	940,800.00	February 28, 2054	Renewable for a maximum of 25 years after the expiration of the contract
	Cagayan de Oro Feedmill (lot only)	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented	Good	226,516.33	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Golden Bay Grain Terminal (lot only)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	1,152,950.00	March 31, 2014	Renewable upon mutual agreement by the parties
	Magnolia Ice Cream Plant (lot only)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	1,550,000.00	December 31, 2013	Renewable upon mutual agreement by the parties
	Polomolok Cattle Farm (lot only)	Matin-ao, Polomolok, South Cotabato	Rented	Good	33,000.00	March 2014	Continuing unless terminated and agreed by both parties
Foreshore							
	Flour Mabini	Brgy. Bulacan, Mabini, Batangas	Rented	Good	14,166.67	December 20, 2014	Renewable for another period of 25 yrs at the option lessor
	Flour Tabangao	Brgy. Tabangao, Batangas City	Rented	Good	2,412.16	August 2024	Renewable for another period of 25 yrs at the option lessor
Sales & Administration Offices/Warehouses							
	Food Group Consolidated Warehouse	403 F. Legaspi Street, Maybunga, Pasig City	Rented	Good	5,853,979.65	SMIS - Continuing unless terminated and agreed by both parties; Flour - May 31, 2014; PHC - April 30, 2014	Renewable upon mutual agreement of both parties
	Food Group Admin Office	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Rented	Good	217,077.84	December 31, 2014	Renewable upon mutual agreement of both parties
	Food Group Purchasing Office	4F JMT Corp. Cond. ADB Avenue, Ortigas Center, Pasig City	Rented	Good	191,983.44	December 30, 2014	Renewable upon mutual agreement of both parties
	Food Group Shared Services Center	10F Raffles Corporate Center, F Ortigas Jr Road, Ortigas Center Pasig City	Rented	Good	516,186.97	October 09, 2016	Renewable for another period of 5 yrs under such terms and conditions as may be agreed upon by the parties
	Bulacan Warehouse - Flour	Sta. Rita, Guiguinto, Bulacan	Rented	Good	70,125.89	May 31, 2018	Renewable subject to terms and conditions as may be agreed upon by the parties
	Pampanga - Poultry	RRK Building, Jose Abad Santos Ave., Dolores, City of San Fernando, Pampanga	Rented	Good	141,000.00	September 30, 2014	Continuing unless terminated and agreed by both parties
	Calamba - Poultry	3rd Flr Dencris Bus. Center, Brgy. Halang, Calamba City, Laguna	Rented	Good	457,482.79	Admin Office - May 31, 2015; Sales - June 30, 2014; Vetmed Warehouse - Aug 2015	Continuing unless terminated and agreed by both parties
	Parian Office - Poultry	Anderson Bldg. II, Parian, Calamba City, Laguna	Rented	Good	26,880.00	June 30, 2013	Contract not renewed
	Naga - Poultry	G9 DMG Bldg., Peñafrancia Ave., Naga City	Rented	Good	41,318.27	January 2014	Contract not renewed
	Bohol - Poultry	Albur Dressing Plant, Eastern Poblacion, Albuquerque, Bohol	Rented	Good	7,200.00	January 01, 2014	Continuing unless terminated and agreed by both parties
	Bacolod - Poultry and Great Food Solutions	Door 3 & 4, VCY Center, Hilado Extension, Kamagong St., Bacolod City	Rented	Good	45,000.00	July 15, 2014	Continuing unless terminated and agreed by both parties
	Dumaguete - Poultry	2F THS Bldg., Real St., Brgy. 7, North Hi-way, Dumaguete Civ. Negros Oriental	Rented	Good	12,100.00	June 30, 2015	Continuing unless terminated and agreed by both parties
	Tacloban - Poultry	Brgy. 79, Marasbaras, Tacloban, Leyte	Rented	Under Rehabilitation	13,580.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Cebu - Poultry	6th Flr Clotilde Bldg., Casuntingan, Mandaue City	Rented	Good	175,952.00	July 31, 2014	Continuing unless terminated and agreed by both parties
	Ormoc - Poultry	Door 4, 2nd Flr Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good	8,808.80	January 01, 2014	Continuing unless terminated and agreed by both parties
	Davao - Poultry and Great Food Solutions	2nd Flr. ARC Bldg., cor Dakudao Ave. and Lakandula St., Agdao, Davao City	Rented	Good	125,200.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Zamboanga - Poultry	Door #2, Nuño Bldg, MCLL Highway, Guiwan, Zamboanga City	Rented	Good	17,306.50	December 31, 2014	Continuing unless terminated and agreed by both parties
	Cagayan de Oro - Poultry, Feeds and Great Food Solutions	3rd Flr, HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good	104,196.43	June 30, 2014	Continuing unless terminated and agreed by both parties
	Bukidnon - Poultry	Gellor Bldg., Propia St., Malaybalay City	Rented	Good	58,928.57	December 31, 2014	Continuing unless terminated and agreed by both parties
	Ozamis - Poultry	Mialen, Clarin, Misamis Occidental	Rented	Good	8,000.00	June 17, 2014	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Butuan - Poultry	Km 9, Tag-ibo, Butuan City	Rented	Good	5,892.86	March 31, 2014	Continuing unless terminated and agreed by both parties
		Bulacan Sales Office - Feeds	Cabiawan St., Banga 1st, Plaridel, Bulacan	Rented	Good	83,671.88	January 2014	Continuing unless terminated and agreed by both parties
		Cebu Office - Feeds	7F Cleotilde Bldg. Casuntingan, Mandaue City	Rented	Good	50,400.00	September 2014	Continuing unless terminated and agreed by both parties
		Bacolod Sales Office - Feeds	JA Building, San Patricio, Brgy. Banago, Bacolod City	Rented	Good	46,519.33	December 2014	Continuing unless terminated and agreed by both parties
		Tacoma - Feeds	Tacoma & 2nd St., Port Area, Manila	Rented	Good	559,647.86	December 30, 2013	Continuing unless terminated and agreed by both parties
		Chino Warehouse	Chino Terminal 3385 Lubiran St. Bacoood, Sta. Mesa	Rented	Good	307,337.50	Warehouse 1 - August 15, 2013; Warehouse 2 - October 31, 2013	Contract not renewed
		Namayan Warehouse	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	300,000.00	October 15, 2014	Continuing unless terminated and agreed by both parties
		Baseco Warehouse	Yard 2, Baseco Warehouse Engineering Compound, 2nd Street, Port Area, Manila	Rented	Good	286,750.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		UTI Warehouse	Lot 2 C Access Rd. Multinational Village, Paranaque City	Rented	Good	36,000.00	March 31, 2014	Continuing unless terminated and agreed by both parties
		PNOC - Feeds	Mainaga, Mabini, Batangas	Rented	Good	844,800.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		G1 Airmoving Logistics - Feeds	3270 Merville, MIA District, Brgy. 201, Pasay City	Rented	Good	102,144.00	April 15, 2015	Continuing unless terminated and agreed by both parties
		NFA Isabela - Feeds	Northern Philippine Grains Complex, Echague, Isabela	Rented	Good	125,625.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Fortune Warehouse - Feeds	Bacnotan, La Union	Rented	Good	117,850.00	September 15, 2014	Continuing unless terminated and agreed by both parties
		Poros Warehouse	Port Area, San Fernando Port, Poro Point Special Economic and Freeport Zone	Rented	Good	127,609.71	May 26, 2014	Continuing unless terminated and agreed by both parties
		Alejo Sim - Feeds	Nancayasan, Urdaneta City, Pangasinan	Rented	Good	227,520.00	March 15, 2014	Continuing unless terminated and agreed by both parties
		William Sim - Feeds	Nancayasan, Urdaneta City, Pangasinan	Rented	Good	359,988.66	December 31, 2014	Continuing unless terminated and agreed by both parties
		UGMC Warehouse - Feeds	Cabatuan, Isabela	Rented	Good	346,500.00	May 31, 2014	Continuing unless terminated and agreed by both parties
		JNPL Morning Star Warehouse - Feeds	Brgy. Rizal, Moncada, Tarlac	Rented	Good	165,990.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		YKK Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	211,970.00	June 26, 2014	Continuing unless terminated and agreed by both parties
		Warensburg Warehouse - Feeds	Mariveles, Bataan	Rented	Good	1,594,875.00	December 30, 2013	Continuing unless terminated and agreed by both parties
		Wedison Warehouse	Nungnungan II, Cauayan City, Isabela	Rented	Good	138,000.00	April 03, 2014	Continuing unless terminated and agreed by both parties
		CRM Warehouse - Feeds	San Fermin, Cauayan, Isabela	Rented	Good	103,680.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Paddad Warehouse - Feeds	Brgy. Victoria, Alicia, Isabela	Rented	Good	77,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Ramon Warehouse - Feeds	Bugallon Norte, Ramon, Isabela	Rented	Good	71,428.57	May 03, 2014	Continuing unless terminated and agreed by both parties
		MCAR Warehouse - Feeds	Bacnotan, La Union	Rented	Good	119,107.14	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Fieldman Warehouse - Feeds	Sta. Rita East, Agoo, La Union	Rented	Good	112,410.00	May 31, 2014	Continuing unless terminated and agreed by both parties
		Pozzurubio Warehouse - Feeds	Pozzurubio, Pangasinan	Rented	Good	101,250.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Marilao Warehouse	Bo. Loma De Gato, Marilao, Bulacan	Rented	Good	294,642.86	October 31, 2013	Contract not renewed
		Coliat Warehouse - Feeds	Brgy. Tinga Labak, Batangas	Rented	Good	116,517.86	December 30, 2013	Continuing unless terminated and agreed by both parties
		CEC Warehouse - Feeds	San Jose, Batangas	Rented	Good	66,964.29	December 30, 2013	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In Php, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	PJ Chen Warehouse - Feeds	Brgy. San Jose, Batangas	Rented	Good	161,280.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Masaya Warehouse - Feeds	Brgy. Masaya, Rosario, Batangas	Rented	Good	195,960.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Malitlit Warehouse - Feeds	Brgy. Malitlit, Sta. Rosa, Laguna	Rented	Good	308,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Pili Isarog Warehouse - Feeds	National Hi-way, Pili, Camarines Sur	Rented	Good	167,142.86	March 24, 2014	Continuing unless terminated and agreed by both parties
	Pili- COSAY Warehouse - Feeds	Maharlika Hi-way, Santiago, Pili, Camarines Sur	Rented	Good	280,125.00	May 20, 2014	Continuing unless terminated and agreed by both parties
	PKS Shipping - Feeds	Sitio Tawagan, Tayud Consolacion, Cebu	Rented	Good	184,329.17	December 2014	Continuing unless terminated and agreed by both parties
	San Miguel Shipping and Lighterage - Feeds	Looc, Mandaue City, Cebu	Rented	Good	3,645,444.60	December 31, 2013	Continuing unless terminated and agreed by both parties
	Bassett Land, Inc. - Feeds	Sitio Tawagan, Tayud Consolacion, Cebu	Rented	Good	279,892.80	December 2014	Continuing unless terminated and agreed by both parties
	SIAIN Warehouse - Feeds	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good	135,183.04	December 2014	Continuing unless terminated and agreed by both parties
	LMDC Enterprises Co. - Feeds	Brgy. Guaan, Leganes, Iloilo City	Rented	Good	1,247,935.27	December 2014	Continuing unless terminated and agreed by both parties
	CSU Warehouse	Brgy. Pavia, Iloilo	Rented	Good	477,678.57	December 2014	Continuing unless terminated and agreed by both parties
	KIMWA Warehouse - Feeds	KIMWA Cmpd., Baloy, Cagayan de Oro City	Rented	Good	1,111,256.25	December 2014	Continuing unless terminated and agreed by both parties
	MITIMCO Warehouse - Feeds	Mitimco Cmpd., Baloy, Cagayan de Oro City	Rented	Good	494,182.37	December 2014	Continuing unless terminated and agreed by both parties
	CATIMCO Warehouse - Feeds	Puntod, Cagayan de Oro City	Rented	Good	312,400.00	December 2014	Continuing unless terminated and agreed by both parties
	Manzano Warehouse - Feeds	Puntod, Cagayan de Oro City	Rented	Good	160,714.29	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Tan Warehouse - Feeds	Lam-an, Ozamiz City	Rented	Good	92,220.00	December 2014	Continuing unless terminated and agreed by both parties
	Blue 2 Warehouse - Feeds	Sasa, Davao City	Rented	Good	96,600.00	January 2013	Contract terminated
	Tan Warehouse - Feeds	Makar Highway, General Santos City	Rented	Good	76,692.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	MIMIOE - Feeds	Ladislawa Village, Buhangin, Davao City	Rented	Good	312,157.44	December 31, 2013	Continuing unless terminated and agreed by both parties
	LSL Multi-Serve Company - Feeds	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao City	Rented	Good	438,900.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	Rich Winson Warehouse - Feeds	Diversion Road, Buhangin, Davao City	Rented	Good	419,400.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	AFSI Warehouse - Feeds	1st Industrial Zone, Ecozone, Sitio San Ramon, Brgy. Talisavan, Zamboanga City	Rented	Good	100,800.00	March 31, 2014	Continuing unless terminated and agreed by both parties
	Continental Warehouse - Feeds	Old Airport Road, Sasa, Davao City	Rented	Good	138,600.00	June 15, 2013	Contract terminated
	ANAKCIANO Warehouse	Valencia City, Bukidnon	Rented	Good	285,714.29	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Tony Ko Warehouse	National Highway, Koronadal City	Rented	Good	91,800.00	April 30, 2014	Continuing unless terminated and agreed by both parties
	GHMC Warehouse - Feeds	Culianan, Zamboanga	Rented	Good	106,686.72	December 31, 2013	Continuing unless terminated and agreed by both parties
	BOT - Fresh Meats	Mega Q Mart and Farmers Market, Quezon City	Rented	Good	222,537.60	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Pampanga Livestock Selling Station - Fresh Meats	Sta. Barbara, Bacolor, Pampanga	Rented	Good	138,392.00	October 01, 2014	Renewable upon mutual agreement of both parties
	Padre Garcia Selling Station - Fresh Meats	Quilo-Quilo North Padre Garcia, Batangas	Rented	Good	50,000.00	December 2013	Continuing unless terminated and agreed by both parties
	Iloilo Office - Fresh Meats	F. Palmares St., Passi City, Iloilo	Rented	Good	1,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Bukidnon Live Operations Office - Fresh Meats	Gellor Bldg., Propia St., Malaybalay City	Rented	Good	58,928.57	December 2015	Renewable upon mutual agreement of both parties
	Pasig Office - San Miguel Integrated Sales	El Magnifico Bldg., No. 19 General Atienza St., San Antonio Village, Pasig City	Rented	Good	380,440.00	March 21, 2014	Automatic renewal on a month-to-month basis

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Pampanga Office - San Miguel Integrated Sales	2F Rickshaw Arcade, Greenfield Square, Km. 76, Mc Arthur Highway, Sindalan, San Fernando City, Pampanga	Rented	Good	26,550.00	September 15, 2014	Renewable upon mutual agreement of both parties
		Laguna Office - San Miguel Integrated Sales	Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	33,240.00	December 31, 2013	Automatic renewal on a month-to-month basis
		Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay cor. Araneta Sts., Singcang, Bacolod City	Rented	Good	18,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
		Iloilo Office - San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good	15,430.00	October 31, 2014	Renewable upon mutual agreement of both parties
		Mandaue Office - San Miguel Integrated Sales	2nd Flr. Planters Bldg., West Office, SMC Shipping & Lighterage Comp., Ouanu Wharf, Mandaue City, Cebu	Rented	Good	43,709.00	September 30, 2014	Renewable upon mutual agreement of both parties
		Cagayan de Oro Office - San Miguel Integrated Sales	Door 5, Banyan Place, Alwana Compound, Cugman, Cagayan de Oro City	Rented	Good	24,200.00	October 13, 2014	Renewable upon mutual agreement of both parties
		Bandung Office - San Miguel Pure Foods Indonesia	3rd Flr Jl. Soekarno Hatta No. 606 Bandung	Rented	Good	IDR 4,200,000.00	January 02, 2014	Renewable upon consent of both parties
		Surabaya Office - San Miguel Pure Foods Indonesia	Perumahan Citra Harmoni Block C1 No. 25 Trosobo Sidoarjo Jawa Timur	Rented	Good	IDR 2,731,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Yogyakarta Office & Warehouse - San Miguel Pure Foods Indonesia	Jl. Palagan Tentara Pelajar Gg. Gambir No. 100B, Sleaman-Yogyakarta	Rented	Good	IDR 2,385,670.00	March 31, 2014	Renewable upon consent of both parties
		Medan Office - San Miguel Pure Foods Indonesia	Medan Sumatra Utara	Rented	Good	IDR 1,975,000.00	October 01, 2014	Renewable upon consent of both parties
		Makassar Office - San Miguel Pure Foods Indonesia	Makassar Sulawesi Selatan	Rented	Good	IDR 648,000.00	November 01, 2014	Renewable upon consent of both parties
		Bali Office - San Miguel Pure Foods Indonesia	Bali Indonesia	Rented	Good	IDR 926,000.00	November 01, 2014	Renewable upon consent of both parties
		Ho Chi Minh Admin Office - San Miguel Hormel Vietnam	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City	Rented	Good	VND 32,000,000.00	August 31, 2015	Renewable upon mutual agreement of both parties
		Long An Sales Office - San Miguel Hormel Vietnam	High Way 1A, 1 Hamlet, My Yen, Ben Luc, Long An	Rented	Good	VND 7,000,000.00	May 15, 2014	Renewable upon mutual agreement of both parties
		Ho Chi Minh Sales Office - San Miguel Hormel Vietnam	Tan Thanh Tay, Cu Chi District, Ho Chi Minh City	Rented	Good	VND 5,500,000.00	November 30, 2015	Renewable upon mutual agreement of both parties
		Tay Ninh Sales Office - San Miguel Hormel Vietnam	Long Binh, Long Thanh Nam, Hoa Thanh, Tay Ninh	Rented	Good	VND 5,000,000.00	June 09, 2014	Renewable upon mutual agreement of both parties
		Chau Thanh Sales Office - San Miguel Hormel Vietnam	Phuoc Hoa, Phuoc Thanh, Chau Thanh, Tien Giang	Rented	Good	VND 7,000,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
		Go Cong Tay Sales Office - San Miguel Hormel Vietnam	Tan Thanh, Thanh Nhut, Go Cong Tay, Tien Giang	Rented	Good	VND 4,000,000.00	March 15, 2014	Renewable upon mutual agreement of both parties
		Trang Bom Sales Office - San Miguel Hormel Vietnam	39/2 An Hoa, Tay Hoa, Trang Bom, Dong Nai	Rented	Good	VND 5,000,000.00	June 30, 2014	Renewable upon mutual agreement of both parties
		Xuan Loc District Sales Office - San Miguel Hormel Vietnam	Bao Hoa Village, Xuan Loc District, Dong Nai	Rented	Good	VND 3,500,000.00	November 30, 2014	Contract terminated due to sales office closures
		Tan Phu Sales Office - San Miguel Hormel Vietnam	160 Tho Lam 2, Phu Xuan, Tan Phu, Dong Nai	Rented	Good	VND 4,000,000.00	April 14, 2015	Renewable upon mutual agreement of both parties
		Vinh Long Sales Office - San Miguel Hormel Vietnam	194/2 Pham Hung St., Ward 9, Vinh Long	Rented	Good	VND 4,800,000.00	May 31, 2014	Renewable upon mutual agreement of both parties
		Soc Trang Sales Office - San Miguel Hormel Vietnam	Dong Hai, Dai Hai, Ke Sach, Soc Trang	Rented	Good	VND 3,200,000.00	October 31, 2014	Renewable upon mutual agreement of both parties
		Tra Vinh Sales Office - San Miguel Hormel Vietnam	Xom Trang, Nguyet Hoa, Chau Thanh, Tra Vinh	Rented	Good	VND 5,000,000.00	December 18, 2013	Contract not renewed
		Bac Ninh Sales Office - San Miguel Hormel Vietnam	Dinh Bang Village, Tu Son District, Bac Ninh	Rented	Good	VND 15,000,000.00	March 31, 2013	Contract not renewed
		Bao Loc Sales Office - San Miguel Hormel Vietnam	1023 Tran Phu Road, Loc Tien, Bao Loc, Lam Dong	Rented	Good	VND 4,000,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
		Duc Trong Sales Office - San Miguel Hormel Vietnam	5 Thon An Hiep I, Lien Hiep, Duc Trong, Lam Dong	Rented	Good	VND 3,500,000.00	January 31, 2013	Contract not renewed
		Dak Lak Sales Office - San Miguel Hormel Vietnam	Tan Hoa Ward, Buon Ma Thuoc City, Dak Lak	Rented	Good	VND 5,000,000.00	December 31, 2014	Contract terminated due to sales office closures
		Binh Dinh Sales Office - San Miguel Hormel Vietnam	150 Tran Phu Street, Tuy Phuoc Town, Tuy Phuoc District, Binh Dinh	Rented	Good	VND 2,600,000.00	June 14, 2017	Renewable upon mutual agreement of both parties
		Ben Tre Sales Office - San Miguel Hormel Vietnam	Phu Nhon, Thi Tran Chau Than, Cau Than, Ben Tre	Rented	Good	VND 3,500,000.00	July 19, 2015	Contract terminated due to sales office closures
Cold Storage / Reefer Vans/Depots								
		Vifel Ice Plant and Cold Storage Inc. - Poultry and Purefoods-Hormel	North Bay Blvd., Navotas, Metro Manila	Rented	Good	5,401,945.45	Poultry - Continuing unless terminated and agreed by both parties and PF-Hormel - Jan 1, 2015	Poultry - Continuing unless terminated and agreed by both parties; Purefoods-Hormel - Renewable upon mutual agreement of both parties

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Diaz Dressing Plant - Poultry	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good	560,156.00	October 31, 2014	Continuing unless terminated and agreed by both parties
		San Vicente Dressing Plant - Poultry and Fresh Meats	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good	741,131.55	July 06, 2015	Continuing unless terminated and agreed by both parties
		LDP Farms Food Corporation - Poultry	Brgy. Rabon, Rosario, La Union and Mabilao, San Fabian, Pangasinan	Rented	Good	932,166.12	July 06, 2015	Continuing unless terminated and agreed by both parties
		ARS Dressing Plant - Poultry and Fresh Meats	Purok 5, Brgy. Rizal, Santiago City, Isabela	Rented	Good	348,300.48	Poultry - Decembr 31, 2014; Fresh Meats - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Aces AMS Integrated Poultry Processing Corporation - Poultry	Km. 342, Purok III, Garit Norte, Echague, Isabela	Rented	Good	511,454.93	November 30, 2014	Continuing unless terminated and agreed by both parties
		New Vreed Dressing Plant - Poultry	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good	85,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Integrated Meat and Poultry Processing, Inc. - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	574,275.39	October 31, 2014	Continuing unless terminated and agreed by both parties
		557 Feathemeal Corporation	Brgy. San Nicolas Balas, Concepcion, Tarlac	Rented	Good	386,123.98	July 09, 2015	Continuing unless terminated and agreed by both parties
		Adriano Dressing Plant - Poultry	95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	63,916.67	May 31, 2016	Continuing unless terminated and agreed by both parties
		Mayharvest Corp. - Poultry & Fresh Meats	Caysio, Sta. Maria, Bulacan	Rented	Good	998,840.00	July 31, 2016	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Automatic renewal on a month-to-month basis upon expiry
		La Primera Pollo, Inc. - Poultry	111 Pulong Gubat, Balagtas, Bulacan	Rented	Good	67,067.00	February 01, 2015	Continuing unless terminated and agreed by both parties
		Poltyrade Sales and Services, Inc. - Poultry	Lagundi, Mexico, Pampanga	Rented	Good	99,000.00	December 2013	Continuing unless terminated and agreed by both parties
		Poltyrade Sales and Services, Inc. - Poultry	Sta. Rita Industrial Estate, San Jose, Pili, Camarines Sur	Rented	Good	739,760.71	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		SG Farms - Poultry	San Simon, Pampanga	Rented	Good	437,000.00	June 30, 2015	Continuing unless terminated and agreed by both parties
		Estrella Ice Plant & Cold Storage Co. Inc. - Poultry	Lawang Bato, East Canumay, Valenzuela City	Rented	Good	3,084,198.29	September 30, 2016	Continuing unless terminated and agreed by both parties
		Inland Corporation - Poultry	114 East Science Drive, Laguna Technopark, Binan, Laguna	Rented	Good	191,926.48	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		V & F Ice Plant and Cold Storage, Inc. - Poultry, Fresh Meats and Purefoods-Hormel	San Roque, Sto. Tomas, Batangas and Sumulong Highway, Brgy. Mambugan, Antipolo, Rizal	Rented	Good	8,026,166.04	Poultry - Aug 31, 2014; PF-Hormel - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Johanna's Chicken Processing Center - Poultry	Brgy. Bocohan, Lucena City and Brgy. Lagalag, Tiaong, Quezon	Rented	Good	136,798.20	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Silangan Poultry Farms - Poultry	Brgy. Kayumangi, Lipa City, Batangas	Rented	Good	250,157.40	February 28, 2015	Continuing unless terminated and agreed by both parties
		Cariño & Sons Agri-Dev't Inc.- Poultry	Brgy. Aya, San Jose, Batangas	Rented	Good	161,579.96	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Asialink VAO Office - Poultry	San Roque, Sto. Tomas, Batangas	Rented	Good	7,840.00	December 31, 2013	Continuing unless terminated and agreed by both parties
		MKC Poultry Dressing Plant - Poultry	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good	22,512.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		GMV Coldkeepers, Inc. - Poultry & Fresh Meats	Puerto Princesa, Palawan	Rented	Good	86,759.17	Meats - March 1, 2014; Poultry - March 31, 2014	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Gallintina Industrial Corp. - Poultry	GIC Compound, Brgy. Tagbong, Pili, Camarines Sur	Rented	Good	150,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		CCSO Tolling Services - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	66,000.00	August 31, 2014	Continuing unless terminated and agreed by both parties
		Malogo Agri-ventures & Management Service Corporation - Poultry	Singko de Noviembre St., Silay City, Negros Occidental	Rented	Good	355,576.67	June 30, 2015	Continuing unless terminated and agreed by both parties
		First Farmers Food Corp. - Poultry	Brgy. Dos Hermanas, Talisay City, Negros Occidental	Rented	Good	128,283.50	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Corden Agro Industries - Poultry	Brgy. Tungay, Sta. Barbara, Iloilo	Rented	Good	304,124.66	June 30, 2015	Continuing unless terminated and agreed by both parties
		Gentec Cold Storage, Inc	Brgy. Maliao, Pavia, Iloilo City	Rented	Good	45,132.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		O-Star Foods Plant Corp. - Poultry	Brgy. Calabnugan, Sibulan, Negros Oriental	Rented	Good	70,880.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Agape R & R Foods - Poultry	Campaclan, Sibulan, Neg. Oriental	Rented	Good	47,571.72	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Quest Blast Freezing and Cold Storage Corp. - Poultry	Brgy. Canduman, Mandaue City, Cebu	Rented	Good	118,641.60	Continuing unless terminated and agreed by both parties	Contract not renewed
		3G Logistics and Storage, Inc. - Poultry and Fresh Meats	Hernan Cortes St., Tipolo, Mandaue City, Cebu	Rented	Good	750,257.99	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Cebu Sherilin Agro-Industrial Corp. - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	1,108,880.00	May 31, 2015	Continuing unless terminated and agreed by both parties
		Pavia Warehouse - Poultry	19 B San Jose St., Cogon Dist., Tagbilaran City	Rented	Good	7,526.32	June 30, 2014	Continuing unless terminated and agreed by both parties
		Saligna Real Estate - Poultry	Robledo Compound, Real St., Brgy. Campitik, Palo, Leyte	Rented	Good	24,358.97	February 15, 2014	Continuing unless terminated and agreed by both parties
		San Roberto Development Corporation - Poultry	San Patricio, Banago, Bacolod City	Rented	Good	32,032.00	June 30, 2014	Continuing unless terminated and agreed by both parties
		St. Jude Dressing Plant - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	256,319.76	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Elim Dressing Plant - Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	146,911.53	December 31, 2014	Continuing unless terminated and agreed by both parties
		Green Pine Dressing Plant - Poultry	Km 9 Tag-ibo Butu-an City	Rented	Good	193,366.64	December 31, 2013	Continuing unless terminated and agreed by both parties
		Maharlika Agro Marine Ventures Corp. - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	600,963.50	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Polar Bear Storage - Poultry	Daliao, Toril Davao City	Rented	Good	1,431,044.26	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Polar Bear Freezing & Storage - Poultry & Fresh Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	558,580.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Koldstor Centre Philippines, Inc. - Poultry, Fresh Meats & Magnolia	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good	6,863,517.88	Poultry - April 2014; Fresh Meats - Continuing unless terminated and agreed by both parties; Magnolia - July 31, 2014	Continuing unless terminated and agreed by both parties
		METS Logistics, Inc. - Purefoods, Hormel	Governor's Drive, Bo. Bancal, Carmona, Cavite	Rented	Good	1,222,422.44	August 2013	Renewable upon mutual written agreement of the parties

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
		Rombe Philippines, Inc. - Fresh Meats and Purefoods-Hormel	Dampol 1st, Pulilan, Bulacan	Rented	Good	1,044,250.74	Fresh Meats -February 28, 2013; Purefoods-Hormel - December 31, 2017	Fresh Meats -contract not renewed; Purefoods-Hormel - Continuing unless terminated and agreed by both parties
		Icon Reefer Corp. - Fresh Meats	F. Palmares St., Passi City, Iloilo	Rented	Good	156,270.00	February 28, 2014	Renewable upon mutual written agreement of the parties
		San Juan Reefer Van - Fresh Meats	San Juan, La Union	Rented	Good	40,000.00	June 2014	Continuing unless terminated and agreed by both parties
		San Simon Products Corp. - Fresh Meats	San Simon, Pampanga	Rented	Good	1,817,414.66	December 31, 2018	Automatic renewal on a month-to-month basis upon expiry
		Jentec Storage, Inc. - Poultry, Fresh Meats and Magnolia	JG Building, Raymundo Ave., Brgy. Rosario, Pasig City; Luisita Industrial Park San Miguel Tarlac City; Pili, Camarines Sur; Brgy 99. Diit, Maharlika Highway, Tacloban City; Brgy. Malipao, Pavia, Iloilo; G. Ouano St., Brgy. Opao Mnadaue City; Purok 9 K. 20 Tibungco Davao City; Brgy. Agusan, Cagayan De Oro City	Rented	Good	1,577,453.95	Poultry May 15, 2014; Fresh Meats and Magnolia - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Everest Cold Storage, Inc. - Poultry & Fresh Meats	Sambag, Jaro, Iloilo City	Rented	Good	780,829.12	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - March 2017	Continuing unless terminated and agreed by both parties
		St. Jude Slaughterhouse - Fresh Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	14,560.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		ECA Resources, Inc. - Poultry	Turnblir, Polomolok South Cotabato	Rented	Good	177,013.75	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Royal Cargo Combined Logistics Inc. -Purefoods-Hormel	Sta. Aqueda Ave., Pascor Drive, Parañaque City	Rented	Good	10,386,194.92	July 31, 2014	Renewable upon mutual written agreement of the parties
		UTS Logistics & Distribution Co., Inc. - Purefoods-Hormel	New Cavite Industrial Center, Stateland Subd., Brgy. Manggahan Gen. Trias, Cavite	Rented	Good	440,583.33	June 2014	Renewable upon mutual written agreement of the parties
		PT Haga Jaya Kemasindo Sarana - San Miguel Pure Foods Indonesia	Graha Cempaka, Mas Block C-28, Jl. Letjend Suprato, Jakarta Pusat	Rented	Good	IDR 7,800,000.00	January 03, 2014	Renewable upon consent of both parties
		Tiga Raksa Satria- San Miguel Pure Foods Indonesia	3rd Flr. Jl. Soekarno Hatta No. 606 Bandung	Rented	Good	IDR 3,067,000.00	January 02, 2014	Renewable upon consent of both parties
		PT. Sewu Segar Nusantara	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/08 Taman Sepayang Surabaya	Rented	Good	IDR 27,500,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Cebu - San Miguel Integrated Sales	SMC-SL Compound, Ouano Wharf, Brgy. Looc, Mandaue City	Rented	Good	170,000.00	December 31, 2013	Renewable upon mutual agreement of both parties

Note: All owned properties are free of liens and encumbrances.



Annex "D"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL 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 "Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2013. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2013 and 2012, 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, 2013. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2013 and the financial performance and cash flows for the year ended December 31, 2013 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).

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 (obligation)	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 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 or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2013, and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would not be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statements of comprehensive income to consolidated statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the consolidated statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position.

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

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement

with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

As a result of the adoption of PFRS 10, the Group reassessed control over its investees based on the new control model effective January 1, 2013. The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 11, *Joint Arrangements*, focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

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

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*. The amendments simplify the process of adopting PFRS 10, PFRS 11, and PFRS 12 and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

The Group has applied the transitional provision of the amendments to PFRS 10, PFRS 11 and PFRS 12.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It

defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

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

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
 - *Comparative Information beyond Minimum Requirements (Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third consolidated statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in

the consolidated financial statements) are not required.

As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Presentation of the Opening Statement of Financial Position and Related Notes (*Amendments to PAS 1*). The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different.

As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

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

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove the perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*.

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

- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

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

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

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 money market placements and substantial decline in interest 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 Manila Electric Company (Meralco) in September 2013.

Gain on sale of investment and property and equipment grew significantly versus same period in 2012 as the Company 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

Notwithstanding the prolonged backyard hog market contraction in the first semester of 2013 which resulted in the decline in feeds volume, San Miguel Foods, Inc.'s (SMFI) 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.

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.

Value-Added

The Purefoods-Hormel Company, Inc.'s (PF-Hormel) 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 last year'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 San Miguel Mills, Inc. (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 combined effect of the 4% increase in revenue, brought about by higher volume across all categories, and the drop in prices of dairy ingredients enabled the Company's Dairy, Fats and Oils business under Magnolia, Inc. (Magnolia) to achieve an operating income that surpassed 2012's level.

San Miguel Super Coffeemix Co., Inc. (SMSCCI) posted a revenue growth of 18% on account of the improved sales in the general trade. The business, however, did not reach the 2012 operating performance level mainly due to increased advertising and promotion spending.

2012 vs 2011

SMPFC and subsidiaries posted a record performance for 2012 as consolidated revenues reached P95.8 billion, a 7% growth or a P6.2 billion increase versus 2011. Robust sales across major businesses, new product introductions and continued expansion of distribution network, combined with slightly better selling prices, all contributed to the increase in the Group's sales turnover.

Cost of sales rose by 6% mainly due to high costs of some major raw materials and limited supply of alternative lower-priced raw materials in the early part of 2012, particularly in the Company's Agro-Industrial cluster.

The growth in sales revenues and the Group's initiatives to continuously improve operational efficiencies tempered the impact of higher raw materials, thus, the 10% increase in gross profit versus 2011.

Selling and administrative expenses went up by 25% due to higher distribution and transportation costs brought about by higher volume and increase in shipping and hauling rates, increased rental, warehousing and third party services costs, and higher advertising and promotions spending on brand-building activities. The increase in product development costs, driven by the Group's thrust to come up with breakthrough product concepts, likewise contributed to higher than 2011's selling and administrative expenses.

Higher monthly average level of borrowings to partly finance expansion projects of certain subsidiaries resulted in an 8% increase in interest expense and other financing charges versus 2011's level.

Interest income was lower in 2012 as 2011's income included interest earned from short-term placements of net proceeds from SMPFC's P15.0 billion worth of preferred shares offering in March 2011. These funds were subsequently used to fully settle the remaining balance of the Vietnam food business acquisition and purchase of Meralco shares from San Miguel Corporation (SMC) in May and August 2011, respectively.

Equity in net earnings of an associate represents SMPFC's share in Meralco's net income relative to the purchase of Meralco shares in August 2011.

Gain on sale of investment and property and equipment rose as gain was recognized from the sale of Rockwell Land Corporation (Rockwell Land) shares which were received as property dividend from Meralco in the early part of 2012.

Other income (charges) - net contrasted that of 2011 largely due to mark-to-market gains recognized from the Group's embedded third currency transactions brought about by the favorable foreign exchange rates and better market price of wheat options in 2012.

The quarter-on-quarter operating income improvement, which started in the second quarter of 2012, was sustained by the Group. The softening of some raw material prices, improved production efficiencies, and favorable supply-demand environment in hog meat and chicken contributed to the Group's rebound from a weak first quarter 2012 results. However, compared to 2011, raw material prices remained high and supply of certain alternative lower-priced raw materials continued to be low, driving up production costs. Combined with increases in operating and financing costs, these affected the Group's total year profitability resulting in lower than 2011's income before income tax and income tax expense. Nevertheless, a modest growth of 2% in net income was registered by the Group by the end of 2012.

Net income attributable to non-controlling interests dropped by 18% due to the decline in profit of certain subsidiaries where non-controlling stockholders hold stake.

Business Highlights:

Agro-Industrial

SMFI's Feeds business posted 9% revenue growth due to better selling prices and the 3% increase in volume, mainly driven by the gamefowl, aquatic and layer feeds segments. The continuous drive to improve operational efficiencies and reduce costs enabled the business to achieve double-digit growth in operating income.

SMFI's combined Poultry and Fresh Meats business registered 7% and 9% increases in volume and revenue, respectively. Operating income, however, was lower versus 2011 level mainly on account of higher feed cost that resulted in hog and broiler costs to rise as well. In addition, the increased proliferation of lower-priced imported frozen meats in the market during the first four months of 2012, resulted in industry-wide decline in selling prices, thus, affecting the performance of the Fresh Meats business.

Value-Added

PF-Hormel's Processed Meats business continued to deliver commendable results with revenue increasing by 13% and operating profit registering double-digit growth, mainly due to the strong performance of PF-Hormel's core brands led by Tender Juicy, Purefoods Star Hotdog, Purefoods Fun Nuggets and Purefoods Corned Beef.

Milling

Notwithstanding the challenges posed by the increasing volume of lower-priced imported flour, the Company's Milling business under SMMI posted modest volume and revenue growth of 2% and 1%, respectively. The improvement in wheat cost helped the business achieve an operating income higher than 2011's level.

Dairy & Others

The Company's Dairy, Fats and Oils business under Magnolia posted a modest 2% growth in revenue versus 2011 level mainly due to the increase in cheese, ice cream and oils volume. Although prices of some of the business' major raw materials have started to show improvements, Magnolia did not reach the 2011 operating performance level due to higher distribution and transportation costs and increased advertising and promotion spending.

SMSCCI's volume and revenue grew by 41% and 30%, respectively, on account of the improved sales in the general trade. However, the increased level of advertising and promotions spending for brand-building activities tempered the growth in operating income.

III. FINANCIAL POSITION

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 2.15:1 in 2013 from 1.68:1 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 P68.6 billion to P72.8 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

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 P2,605.2 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 December 31, 2013, 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 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 Power Holdings Corp., entered into a Share Purchase Agreement with JG Summit Holdings, Inc., 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 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 22% 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 the year of a subsidiary likewise contributed to the increase in deferred tax assets.

Other noncurrent assets went down by 9% due to the reclassification of input taxes from noncurrent to current status.

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 17% 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.

2012 vs 2011

SMPFC's good operating performance in 2012 is similarly reflected in the Group's consolidated statements of financial position as current ratio and debt to equity ratio registered at 1.68:1 and 0.67:1, respectively, in 2012 from 1.95:1 and 0.55:1, respectively, in 2011. Total equity increased from P39.5 billion to P41.0 billion while total assets base rose from P61.1 billion to P68.6 billion or a growth of 12% due to increase in working capital requirements and capital expenditures.

Below were the major developments in 2012:

INVESTMENTS IN SUBSIDIARIES

c) SMMI

- i) In June 2012, following the approval of its BOD, SMMI, a wholly-owned subsidiary of the Company, acquired from the individual stockholders of Cobertson Realty Corporation (CRC) the subscribed capital stock of CRC equivalent to 25,000 shares for P357.7 million. CRC is a Philippine company engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law. As such, CRC became a subsidiary of SMMI and was consolidated into SMPFC through SMMI.

Subsequently, SMMI subscribed to an additional 45,000 CRC shares with a par value of P1,000.00 per share and paid P45.0 million.

In December 2012, following the approval of the BOD and stockholders of CRC to change the latter's corporate name, the Securities and Exchange Commission (SEC) issued the Certificates of Filing of Amended Articles of Incorporation and Amended By-laws reflecting the change in the corporate name of CRC to Golden Avenue Corp.

- ii) In February and April 2012, SMMI paid in full the remaining balance of its subscription in GBGTC amounting to an aggregate of P375.0 million. GBGTC was incorporated in November 2011 and is a wholly-owned subsidiary of SMMI. 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 July 2012, SMMI subscribed to an additional 7,000,000 GBGTC shares with a par value of P100.00 per share. Total payment made by SMMI for the additional subscription amounted to P500.0 million as at December 31, 2012.

GBGTC has not yet started commercial operations. Total cost incurred for the construction of its grain terminal amounted to P1,071.2 million in 2012.

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 20, 2013.

INVESTMENT IN AN ASSOCIATE

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 with a book value of P243.1 million. In July 2012, SMPFC sold, through the Philippine Stock Exchange, Inc. (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 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 Company applied the equity method of accounting on its investment in shares of stock of Meralco.

LONG-TERM DEBT

In December 2012, Golden Food & Dairy Creamery Corporation (GFDCC), a wholly-owned subsidiary of Magnolia, pre-terminated its unsecured loan facility with Bank of Commerce (BOC). GFDCC paid BOC the remaining balance, including applicable interest, amounting to P186.9 million.

EQUITY

On March 3, June 3, September 3, and December 3, 2012, cash dividends of P1.20 per share were paid to all common shareholders of record as of February 21, May 22, August 29, and November 19, 2012, respectively.

On March 3, June 3, September 3, and December 3, 2012, cash dividends of P20.00 per share were paid to all preferred shareholders of record as of February 21, May 22, August 29, and November 19, 2012, respectively.

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares of stock in SMPFC 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 SMPFC's public ownership from 0.08% to 15.08% of its outstanding common shares.

RELATED PARTY

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.

Analysis of Financial Position Accounts

Cash and cash equivalents decreased by 13% due to higher working capital and expansion requirements of the Group.

Trade and other receivables - net grew by 28% largely on account of higher sales and delays in collection brought about by the Group's migration to an upgraded software system in November 2012.

The Group took advantage of certain breaks in raw material costs and engaged in purposive buying of corn, coco oil, pollard and other feed ingredients. A subsidiary has likewise started building up its stock for new coffee products, thus, the increase in inventories and trade payables and other current liabilities by 30% and 32%, respectively.

Current biological assets declined by 8% due to the rationalization of contract breeders.

The increase in derivative assets by 22% is largely attributed to better market price of wheat options and the favorable peso to dollar exchange rate at valuation date.

Prepaid expenses and other current assets went up by 18% mainly due to the increase in the level of creditable withholding taxes for application against future tax liabilities.

Investment properties - net rose by 10% on account of additional properties acquired through foreclosure proceedings in 2012.

Property, plant and equipment - net increased by 16% mainly due to fixed asset acquisitions and as the Group pursued its expansion projects.

Noncurrent biological assets grew by 7% due to higher feed costs and the increase in volume of breeding stock.

Other intangible assets - net increased by 8% largely due to expenditures incurred in connection with the Group's upgrading of its business processes, hardware and software systems.

The remeasurement of the Group's plan assets and obligations for the year 2012 resulted in the recognition of deferred tax asset, thus, the increase of 11%.

Notes payable went up by 47% due to short-term borrowings made to finance capital expenditures and working capital requirements.

The pretermination of GFDCC's long-term loan caused the 100% drop in the current maturities of long-term debt.

Income tax payable increased by 27% on account of the improved performance of certain subsidiaries that translated to higher income tax liability.

The reversal of certain deferred tax liability provisions in 2012 resulted in the 13% drop in deferred tax liabilities.

Other noncurrent liabilities increased by 47% mainly due to higher retirement liabilities in 2012.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2012.

The increment in cumulative translation adjustments is primarily due to foreign currency translation difference.

Unappropriated retained earnings grew by 16% on account of the income earned in 2012, 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 10% 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		
	2013	2012	2011
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	P 6,956	P 3,099	P 3,694
Net cash flows used in investing activities	(2,899)	(3,570)	(18,874)
Net cash flows provided by (used in) financing activities	(1,311)	(192)	13,071

Net cash from operations basically consisted of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash used in investing activities included the following:

	December 31		
	2013	2012	2011
		<i>(In Millions)</i>	
Acquisitions of property, plant and equipment	(P1,978)	(P1,957)	(P598)
Increase in noncurrent biological assets and other noncurrent assets	(1,489)	(1,771)	(1,429)
Acquisitions of intangible assets	(43)	(332)	(3,129)
Acquisition of a subsidiary net of cash received	-	(358)	(98)
Dividends received from an associate	603	479	-
Proceeds from sale of investment and property and equipment	8	369	8
Net addition to investment	-	-	(12,907)
Additional investment in a subsidiary	-	-	(721)

Major components of cash flow provided by (used in) financing activities are as follows:

	December 31		
	2013	2012	2011
		<i>(In Millions)</i>	
Net availments (payments) of notes payable	P1,288	P2,412	(P171)
Cash dividends paid	(2,599)	(2,400)	(1,580)
Payments of long-term debt	-	(204)	(7)
Proceeds from issuance of preferred shares	-	-	14,829

The effect of exchange rate changes on cash and cash equivalents amounted to P4.4 million, P10.0 million and (P0.8 million) in 2013, 2012 and 2011, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2013	2012
	<i>(In Millions)</i>	
Accumulated earnings in subsidiaries and equity in net earnings of an associate (included in the unappropriated retained earnings balance)	P7,962	P7,403
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 2013	December 2012
Liquidity: Current Ratio	2.15	1.68
Solvency: Debt to Equity Ratio	0.72	0.67
Asset to Equity Ratio	1.72	1.67
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	11.88%	13.23%
Interest Rate Coverage Ratio	15.61	14.64

KPI	As at December 2013	As at December 2012
Operating Efficiency:		
Volume Growth	2.44%	4.74%
Revenue Growth	4.16%	6.92%
Operating Margin	5.52%	5.40%

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 4, 2014, the Company's BOD declared cash dividends to all preferred and common shareholders of record as of February 19, 2014 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2014.

On March 26, 2014, the Company's BOD declared cash dividends to all common shareholders of record as of April 11, 2014 amounting to P48.00 per share payable on May 12, 2014.

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 as at December 31, 2013 and 2012 amounted to P12,981.5 million and P16,502.5 million, respectively.

d) 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 P44.395 and P41.05 in 2013 and 2012, respectively, for consolidated statements of financial position accounts; and average rates of P42.43, P42.24 and P43.31 in 2013, 2012 and 2011, respectively, for income and expense accounts.

e) 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.

f) 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 Financial Performance.

g) 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.

h) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

i) 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.

j) 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.

k) 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, 2013.

l) 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.

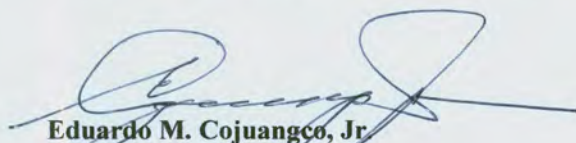


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

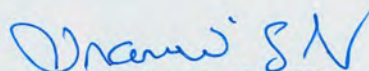
The management of San Miguel Pure Foods Company, Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

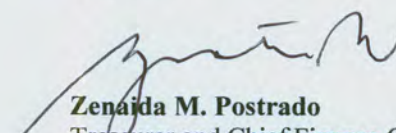
R. G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.



Eduardo M. Cojuangco, Jr.
Chairman of the Board



Francisco S. Alejo III
President



Zenaida M. Postrado
Treasurer and Chief Finance Officer

Signed this 26th day of March 2014

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY City) S.S.


Before me, a Notary Public for and in PASIG CITY, City this _____ day
of MAR 26 2014 2014, personally appeared:

<u>Name</u>	<u>Passport No.</u>	<u>Expiry Date/Place Issued</u>
Eduardo M. Cojuangco, Jr.	XX-0410612	Feb. 15, 2017 / Manila
Francisco S. Alejo III	EB-6193070	Aug. 3, 2017 / Manila
Zenaida M. Postrado	XX-4870820	Oct. 29, 2014 / Manila

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereto affixed my notarial seal at the date and place first above written.

Doc. No. 499 ;
Page No. 101 ;
Book No. IV ;
Series of 2014.


MA. FRANCESCA Q. BALTAZAR
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 221 (2013-2014)/Roll No. 57174
IBP No. 954690; 1/8/2014; Makati City
PTR No. 9845697; 1/10/2014; Pasig City

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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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						

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

Ms. Zenaida M. Postrado

Contact Person

702-5000

Company Telephone Number

1	2
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Month

3	1
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Day

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FORM TYPE

0	5
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Month

0	9
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Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011**



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

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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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

A handwritten signature in black ink that reads 'John Molina'.

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

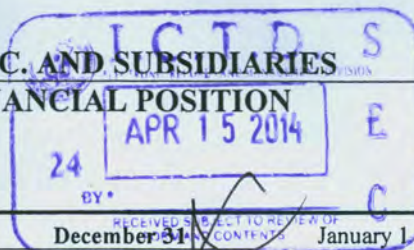
PTR No. 4225136MC

Issued January 2, 2014 at Makati City

March 26, 2014

Makati City, Metro Manila

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



	Note	2013	As restated (Note 3) 2012	As restated (Note 3) 2012
ASSETS				
Current Assets				
Cash and cash equivalents	7, 32, 33	P7,030,943	P4,280,418	P4,932,718
Trade and other receivables - net	4, 8, 12, 29, 32, 33	25,662,903	11,143,836	8,700,217
Inventories	4, 9	14,784,992	15,690,751	12,068,381
Biological assets	10	3,427,280	3,792,238	4,123,777
Derivative assets	32, 33	4,621	38,934	31,869
Prepaid expenses and other current assets	11	2,772,354	2,319,986	1,968,552
Total Current Assets		53,683,093	37,266,163	31,825,514
Noncurrent Assets				
Investment	4, 8, 12	-	13,342,080	13,177,979
Investment properties - net	4, 13, 14	632,679	628,865	571,541
Property, plant and equipment - net	4, 14	11,254,188	10,104,268	8,744,321
Biological assets - net of current portion	4, 10	1,910,906	1,931,510	1,811,570
Other intangible assets - net	4, 15	3,867,720	3,947,970	3,657,384
Goodwill - net	4, 16	425,655	406,922	422,547
Deferred tax assets	4, 27	840,422	690,238	622,360
Other noncurrent assets	4, 14, 28, 29, 32, 33	229,617	253,571	254,591
Total Noncurrent Assets		19,161,187	31,305,424	29,262,293
		P72,844,280	P68,571,587	P61,087,807
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	17, 32, 33	P8,647,785	P7,351,040	P4,987,929
Trade payables and other current liabilities	18, 29, 32, 33	15,936,038	14,495,476	11,018,877
Current maturities of long-term debt	19	-	-	25,000
Income tax payable		387,664	387,487	305,012
Total Current Liabilities		24,971,487	22,234,003	16,336,818
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	19, 32, 33	4,483,300	4,475,318	4,646,449
Deferred tax liabilities	27	135,782	164,453	188,359
Other noncurrent liabilities	4, 28, 32, 33	893,786	675,431	460,224
Total Noncurrent Liabilities		5,512,868	5,315,202	5,295,032
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock		1,858,748	1,858,748	1,858,748
Additional paid-in capital		20,500,284	20,500,284	20,500,284
Revaluation surplus		18,219	18,219	18,219
Reserve for retirement plan		(434,714)	(290,506)	(169,651)
Cumulative translation adjustments		(248,738)	(253,275)	(85,766)
Retained earnings				
Appropriated		750,000	750,000	750,000
Unappropriated		17,929,528	15,832,541	13,660,560
Treasury stock		(182,094)	(182,094)	(182,094)
		40,191,233	38,233,917	36,350,300
Non-controlling Interests		2,168,692	2,788,465	3,105,657
Total Equity		42,359,925	41,022,382	39,455,957
		P72,844,280	P68,571,587	P61,087,807

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, 2013, 2012 AND 2011

(In Thousands, Except Per Share Data)

	<i>Note</i>	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
REVENUES	21, 29	P99,772,930	P95,787,365	P89,591,080
COST OF SALES	22, 29, 35	79,584,594	77,949,732	73,417,057
GROSS PROFIT		20,188,336	17,837,633	16,174,023
SELLING AND ADMINISTRATIVE EXPENSES	23, 29	(14,678,339)	(12,660,333)	(10,093,711)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	17, 19, 26	(549,606)	(574,898)	(530,972)
INTEREST INCOME	7, 26	58,918	148,518	393,572
EQUITY IN NET EARNINGS OF AN ASSOCIATE	12	714,946	884,884	270,478
GAIN ON SALE OF INVESTMENT AND PROPERTY AND EQUIPMENT	12	394,579	115,097	6,708
OTHER INCOME (CHARGES) - Net	26	(532,796)	56,800	(323,696)
INCOME BEFORE INCOME TAX		5,596,038	5,807,701	5,896,402
INCOME TAX EXPENSE	27	1,512,203	1,545,135	1,725,794
NET INCOME		P4,083,835	P4,262,566	P4,170,608
Attributable to:				
Equity holders of the Parent Company		P4,096,989	P4,171,984	P4,060,557
Non-controlling interests		(13,154)	90,582	110,051
		P4,083,835	P4,262,566	P4,170,608
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	30	P17.38	P17.83	P18.40

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, 2013, 2012 AND 2011
(In Thousands)

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
NET INCOME		P4,083,835	P4,262,566	P4,170,608
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	3, 28	(210,550)	(178,659)	(472,075)
Income tax benefit		63,896	54,108	140,881
Share in other comprehensive income (loss) of an associate - net	12	(1,144)	988	156
		(147,798)	(123,563)	(331,038)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		1,642	(173,989)	7,676
Net gain (loss) on available-for-sale financial assets		(149)	1,571	(2,250)
Income tax benefit (expense)		15	(157)	225
		1,508	(172,575)	5,651
OTHER COMPREHENSIVE LOSS - Net of tax		(146,290)	(296,138)	(325,387)
TOTAL COMPREHENSIVE INCOME - Net of tax		P3,937,545	P3,966,428	P3,845,221
Attributable to				
Equity holders of the Parent Company		P3,957,318	P3,883,620	P3,740,612
Non-controlling interests		(19,773)	82,808	104,609
		P3,937,545	P3,966,428	P3,845,221

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, 2013, 2012 AND 2011
(In Thousands)

	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, As previously reported		P1,858,748	P20,500,284	P18,219	P -	(P252,569)	P4,143	P750,000	P15,950,249	(P182,094)	P38,646,980	P2,789,065	P41,436,045
Adjustments due to Amended Philippine Accounting Standards (PAS) 19	3	-	-	-	(290,506)	(4,849)	-	-	(117,708)	-	(413,063)	(600)	(413,663)
As at January 1, 2013, As restated		1,858,748	20,500,284	18,219	(290,506)	(257,418)	4,143	750,000	15,832,541	(182,094)	38,233,917	2,788,465	41,022,382
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

	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)			
						Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated				
										Total			
As at January 1, 2012, As previously reported		P1,858,748	P20,500,284	P18,219	P -	(P86,675)	P1,741	P750,000	P13,725,689	(P182,094)	P36,585,912	P3,101,169	P39,687,081
Adjustments due to Amended PAS 19	3	-	-	-	(169,651)	(832)	-	-	(65,129)	-	(235,612)	4,488	(231,124)
As at January 1, 2012, As restated		1,858,748	20,500,284	18,219	(169,651)	(87,507)	1,741	750,000	13,660,560	(182,094)	36,350,300	3,105,657	39,455,957
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	12	-	-	-	-	-	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

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, 2011, As previously reported	P1,708,748	P5,821,288	P18,219	P -	(P96,102)	P3,610	P750,000	P11,023,185	(P182,094)	P19,046,854	P3,171,144	P22,217,998
Adjustments due to Amended PAS 19	-	-	-	157,020	-	-	-	(23,181)	-	133,839	10,061	143,900
As at January 1, 2011, As restated	1,708,748	5,821,288	18,219	157,020	(96,102)	3,610	750,000	11,000,004	(182,094)	19,180,693	3,181,205	22,361,898
Net gain (loss) on exchange differences on translation of foreign operations	-	-	-	-	8,595	-	-	-	-	8,595	(919)	7,676
Net loss on available-for-sale financial assets, net of tax	-	-	-	-	-	(2,025)	-	-	-	(2,025)	-	(2,025)
Equity reserve for retirement plan, net of tax	-	-	-	(326,671)	-	-	-	-	-	(326,671)	(4,523)	(331,194)
Share in other comprehensive income of an associate	-	-	-	-	-	156	-	-	-	156	-	156
Other comprehensive income (loss)	-	-	-	(326,671)	8,595	(1,869)	-	-	-	(319,945)	(5,442)	(325,387)
Net income	-	-	-	-	-	-	-	4,060,557	-	4,060,557	110,051	4,170,608
Total comprehensive income (loss)	-	-	-	(326,671)	8,595	(1,869)	-	4,060,557	-	3,740,612	104,609	3,845,221
Issuance of preferred shares	150,000	14,678,996	-	-	-	-	-	-	-	14,828,996	-	14,828,996
Cash dividends	-	-	-	-	-	-	-	(1,400,001)	-	(1,400,001)	(180,157)	(1,580,158)
As at December 31, 2011	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

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, 2013, 2012 AND 2011**

(In Thousands)

			2012	2011
	<i>Note</i>	2013	As restated (Note 3)	As restated (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P5,596,038	P5,807,701	P5,896,402
Adjustments for:				
Depreciation and amortization	24	2,639,083	2,297,200	2,120,433
Allowance for impairment losses on receivables and inventory losses		258,961	127,065	177,005
Interest expense and other financing charges	26	549,606	574,898	530,972
Other charges net of gain on derivative transactions		249,566	10,426	69,986
Interest income	26	(58,918)	(148,518)	(393,572)
Equity in net earnings of an associate	12	(714,946)	(884,884)	(270,478)
Impairment loss on property and equipment and idle assets	26	-	19,455	5,800
Gain on sale of investment, property and equipment, investment properties and idle assets	12	(394,579)	(115,097)	(6,708)
Operating income before working capital changes		8,124,811	7,688,246	8,129,840
Decrease (increase) in:				
Trade and other receivables		(701,164)	(2,431,495)	(891,484)
Inventories		555,116	(3,755,137)	(117,118)
Biological assets		341,719	363,550	(857,731)
Prepaid expenses and other current assets		(461,339)	(355,108)	(174,466)
Increase (decrease) in trade payables and other current liabilities		1,196,834	3,646,158	(643,149)
Cash generated from operations		9,055,977	5,156,214	5,445,892
Interest paid		(540,730)	(664,911)	(468,266)
Income taxes paid		(1,630,355)	(1,503,206)	(1,594,143)
Interest received		70,900	111,118	310,665
Net cash flows provided by operating activities		6,955,792	3,099,215	3,694,148
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	14	(1,977,893)	(1,957,476)	(597,806)
Increase in biological assets and other noncurrent assets		(1,488,512)	(1,770,628)	(1,429,029)
Acquisitions of intangible assets	15	(42,784)	(332,259)	(3,128,805)
Acquisition of a subsidiary net of cash received	5	-	(357,705)	(97,878)
Dividends received from associate	12	602,727	478,636	-
Proceeds from sale of investment and property and equipment	12	7,734	369,606	7,905
Net addition to investment	12	-	-	(12,907,345)
Additional investment in subsidiary	5	-	-	(720,605)
Net cash flows used in investing activities		(2,898,728)	(3,569,826)	(18,873,563)

Forward

	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments (payments) of notes payable	P1,288,011	P2,411,615	(P170,848)
Cash dividends paid	(2,598,989)	(2,399,589)	(1,580,015)
Payments of long-term debt	-	(203,750)	(6,591)
Proceeds from issuance of preferred shares	-	-	14,828,996
Net cash flows provided by (used in) financing activities	(1,310,978)	(191,724)	13,071,542
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,439	10,035	(754)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,750,525	(652,300)	(2,108,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,280,418	4,932,718	7,041,345
CASH AND CASH EQUIVALENTS AT END OF YEAR	P7,030,943	P4,280,418	P4,932,718

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 “Company”), a subsidiary of San Miguel Corporation (“SMC” or the “Parent Company”), was incorporated in the Philippines. 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 Company and its Subsidiaries (collectively referred to as the “Group”). The 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).

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 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 26, 2014.

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 (obligation)	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 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 Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2013	2012
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 (PTSMPSFI)	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) SMMI acquired 100% equity interest in Golden Avenue Corp. (GAC), formerly Cobertson Realty Corporation (CRC), in June 2012 (Note 5).

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 interest 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 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 2013 and 2012 (Note 5).

A change in the ownership interest in 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 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 or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2013, and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would not be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statements of comprehensive income to consolidated statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the consolidated statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position.

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

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

As a result of the adoption of PFRS 10, the Group reassessed control over its investees based on the new control model effective January 1, 2013. The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 11, *Joint Arrangements*, focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

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

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*. The amendments simplify the process of adopting PFRS 10, PFRS 11, and PFRS 12 and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

The Group has applied the transitional provision of the amendments to PFRS 10, PFRS 11 and PFRS 12.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

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

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
 - Comparative Information beyond Minimum Requirements (*Amendments to PAS 1*). The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third consolidated statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required.

As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Presentation of the Opening Statement of Financial Position and Related Notes (*Amendments to PAS 1*). The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different.

As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

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

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove the perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*.

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

- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

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

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

The following table summarizes the impact of the adoption of the changes in accounting policy related to defined benefit retirement obligation on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows.

Consolidated Statements of Financial Position Accounts						
	December 31, 2012			January 1, 2012		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
ASSETS						
Deferred tax assets	P506,226	P184,012	P690,238	P502,677	P119,683	P622,360
Other noncurrent assets	691,323	(1,138)	690,185	676,051	15,154	691,205
LIABILITIES						
Deferred tax liabilities	155,617	8,836	164,453	166,572	21,787	188,359
Other noncurrent liabilities	87,730	587,701	675,431	116,050	344,174	460,224
EQUITY						
Reserve for retirement plan	-	(290,506)	(290,506)	-	(169,651)	(169,651)
Cumulative translation adjustment	(248,426)	(4,849)	(253,275)	(84,934)	(832)	(85,766)
Unappropriated retained earnings	15,950,249	(117,708)	15,832,541	13,725,689	(65,129)	13,660,560
Non-controlling interests	2,789,065	(600)	2,788,465	3,101,169	4,488	3,105,657
Consolidated Statements of Income Accounts						
	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Selling and administrative expenses	P12,583,192	P77,141	P12,660,333	P10,032,129	P61,582	P10,093,711
Income tax expense	1,568,306	(23,171)	1,545,135	1,744,378	(18,584)	1,725,794
Net Income Attributable to:						
Equity holders of the Parent Company	4,224,562	(52,578)	4,171,984	4,102,505	(41,948)	4,060,557
Non-controlling interests	91,974	(1,392)	90,582	111,101	(1,050)	110,051
Basic and Diluted Earnings per Common Share Attributable to Equity holders of the Parent Company	P18.15	(P0.32)	P17.83	P18.65	(P0.25)	P18.40
Consolidated Statements of Comprehensive Income Accounts						
	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Net income	P4,316,536	(P53,970)	P4,262,566	P4,213,606	(P42,998)	P4,170,608
Item that will not be reclassified to profit or loss						
Reserve for retirement plan	-	(178,659)	(178,659)	-	(472,075)	(472,075)
Income tax benefit	-	54,108	54,108	-	140,881	140,881
	P -	(P124,551)	(P124,551)	P -	(P331,194)	(P331,194)
Consolidated Statements of Cash Flows Accounts						
	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Net cash flows provided by operating activities	P3,176,356	(P77,141)	P3,099,215	P3,755,730	(P61,582)	P3,694,148
Net cash flows used in investing activities	(3,646,967)	77,141	(3,569,826)	(18,935,145)	61,582	(18,873,563)

The impact of the adoption of PAS 19 for the current year is as follows: increase in other comprehensive loss by P146.7 million, increase in retirement expense by P67.6 million and decrease in income tax expense by P20.3 million.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- Recoverable Amount Disclosures for Non-financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.
- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32*). 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 the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.
- 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, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.

- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to PAS 39, Financial Instruments: Recognition and Measurement).* The amendments will 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 amendments are effective for annual periods beginning on or after January 1, 2014. Early application is permitted. However, if an entity applies the amendments for an earlier period, then it should disclose that fact. Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, then the previous hedge accounting for that relationship cannot be reinstated.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e. employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.

- *PFRS 9, Financial Instruments (2009, 2010 and 2013).* PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities. The Group does not plan to adopt this standard early.

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 Group’s 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 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 change 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's management 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, 2013 and 2012.

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, 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, 2013 and 2012.

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, 2013 and 2012.

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, 2013 and 2012.

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 shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be 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 poultry livestock, hogs and cattle, 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 poultry livestock, hogs and cattle, 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 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 value. 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 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) and interest incurred during the construction period on funds borrowed to finance the construction of the projects. 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 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 economic best 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 Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the 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 are deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the 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 benefits 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 benefits 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 reasonably be 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.

Retirement Costs

The 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 obligation 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 obligation or asset
- Remeasurements of net defined benefit retirement obligation 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 obligation 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 obligation or asset. Net interest on the net defined benefit retirement obligation or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefit retirement obligation 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, 2013, 2012 and 2011, 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 P1,470.4 million, P1,153.4 million and P824.1 million in 2013, 2012 and 2011, 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 P504.1 million and P495.4 million as at December 31, 2013 and 2012, respectively.

The carrying amounts of trade and other receivables amounted to P25,662.9 million and P11,143.8 million as at December 31, 2013 and 2012, 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 P270.2 million and P143.4 million as at December 31, 2013 and 2012, respectively.

The carrying amounts of inventories amounted to P14,785.0 million and P15,690.8 million as at December 31, 2013 and 2012, 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 P9.4 million and P9.5 million as at December 31, 2013 and 2012, 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 P11,254.2 million and P10,104.3 million as at December 31, 2013 and 2012, respectively. Accumulated depreciation of property, plant and equipment amounted to P9,403.1 million and P8,567.9 million as at December 31, 2013 and 2012, respectively (Note 14).

Investment properties, net of accumulated depreciation and impairment losses, amounted to P632.7 million and P628.9 million as at December 31, 2013 and 2012, respectively. Accumulated depreciation and impairment losses of investment properties amounted to P11.5 million and P10.8 million as at December 31, 2013 and 2012, 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 P509.6 million and P594.3 million as at December 31, 2013 and 2012, 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.

The carrying amounts of goodwill as at December 31, 2013 and 2012 amounted to P425.7 million and P406.9 million, respectively (Note 16).

The carrying amounts of trademarks and brand names, and formulas and recipes amounted to P3,358.1 million and P3,353.7 million as at December 31, 2013 and 2012, 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 P493.7 million and P470.4 million as at December 31, 2013 and 2012, 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 carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P840.4 million and P690.2 million as at December 31, 2013 and 2012, 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, 2013 and 2012 (Notes 13 and 14).

The aggregate amount of biological assets - net of current portion, investments, investment properties, property, plant and equipment, goodwill and other intangible assets, and idle assets amounted to P18,181.1 million and P30,455.2 million as at December 31, 2013 and 2012, 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 P3,108.4 million and P3,145.5 million as at December 31, 2013 and 2012, 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, 2013 and 2012.

5. Investments in Subsidiaries

The following are the developments relating to the Company's investments in subsidiaries in 2013 and 2012:

a) SMMI

- i. In June 2012, following the approval of its BOD, SMMI, a wholly-owned subsidiary of the Company, acquired from CRC's individual stockholders the subscribed capital stock of CRC equivalent to 25,000 shares for P357.7 million. As such, CRC became a subsidiary of SMMI and was consolidated into SMPFC through SMMI. CRC is a Philippine company engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at acquisition date:

	<i>Note</i>	
Assets		
Cash		P10
Property, plant and equipment	<i>14</i>	399,990
Liabilities		
Advances from shareholders		(42,285)
Total identifiable net assets at fair value		P357,715

Subsequently, SMMI subscribed to an additional 45,000 CRC shares with a par value of P1,000.00 per share and paid P45.0 million.

In December 2012, following the approval of the BOD and stockholders of CRC to change the latter's corporate name, the Securities and Exchange Commission (SEC) issued the Certificates of Filing of Amended Articles of Incorporation and Amended By-laws reflecting the change in the corporate name of CRC to Golden Avenue Corp. (GAC).

- ii. 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 December 31, 2013.

GBGTC started its commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,605.2 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 26, 2014.

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.

The following summarizes the recognized amounts of assets acquired, liabilities assumed and goodwill recognized at acquisition date:

	<i>Note</i>
Assets	
Cash and cash equivalents	P6,997
Trade and other receivables and other current assets	61,679
Property, plant and equipment - net and other noncurrent assets	308,611
Liabilities	
Trade payables and other current liabilities	(22,367)
Current maturities of long-term debt	(25,000)
Long-term debt - net of current maturities and other noncurrent liabilities	(231,282)
Total identifiable net assets at fair value	98,638
Goodwill arising on acquisition	<i>16</i> 6,237
Total cash consideration transferred	P104,875

Trade and other receivables with fair value of P25.3 million was collected in 2012.

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, 2013				December 31, 2012			
	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	P1,962,997	P16,113	P153,172	P34,090	P2,303,393	P62,638	P381,932	P38,426
Net income (loss) attributable to non-controlling interests	P264,817	(P46,590)	(P228,759)	(P2,905)	P315,677	P455	(P215,746)	(P10,115)
Other comprehensive income (loss) attributable to non-controlling interests	(P4,808)	(P227)	P -	(P2,029)	(P405)	P292	P -	(P3,288)
Dividends paid to non-controlling interests	P600,000	P -	P -	P -	P400,000	P -	P -	P -

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

	December 31, 2013				December 31, 2012			
	PF-HORMEL	SMSCCI	SMHVN*	PTSMPFI	PF-HORMEL	SMSCCI	SMHVN*	PTSMPFI
Current assets	P5,289,447	P686,005	P800,583	P253,533	P5,480,995	P728,039	P919,255	P249,277
Noncurrent assets	3,865,733	82,305	976,644	71,447	3,547,914	9,289	1,120,796	75,193
Current liabilities	(4,214,661)	(713,721)	(1,501,112)	(200,879)	(3,252,620)	(524,021)	(1,480,640)	(169,534)
Noncurrent liabilities	(33,030)	(877)	(159,881)	(33,232)	(17,800)	(1,627)	(199)	(41,181)
Net assets	P4,907,489	P53,712	P116,234	P90,869	P5,758,489	P211,680	P559,212	P113,755
Revenues	P14,932,779	P1,126,035	P1,723,136	P683,432	P13,684,722	P952,751	P2,140,385	P692,807
Net income (loss)	P662,033	(P158,185)	(P238,096)	(P11,620)	P789,442	P4,404	(P224,552)	(P40,462)
Other comprehensive income (loss)	(13,033)	217	-	-	(13,764)	(243)	-	-
Total comprehensive income (loss)	P649,000	(P157,968)	(P238,096)	(P11,620)	P775,678	P4,161	(P224,552)	(P40,462)
Cash flows provided by (used in) operating activities	P1,412,540	(P155,089)	P24,071	P14,396	P994,085	(P426,639)	(P234,944)	P13,169
Cash flows from (used in) investing activities	(627,701)	(780)	94,507	(9,510)	(518,536)	(438)	129,127	(5,806)
Cash flows from (used in) financial activities	(819,364)	160,333	69,180	(1,104)	(509,300)	273,600	(100,529)	3,063
Effects of exchange rate changes on cash and cash equivalents	-	(3,459)	(4,439)	(3,035)	-	(255)	10,035	(1,377)
Net increase (decrease) in cash and cash equivalents	(P34,525)	P1,005	P183,319	P747	(P33,751)	(P153,732)	(P196,311)	P9,049

*see Note 5d

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		
	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*
<i>(In Millions)</i>																					
Revenues																					
External	P64,383	P61,877	P56,982	P14,876	P13,665	P12,103	P8,693	P8,425	P8,354	P87,952	P83,967	P77,439	P11,821	P11,820	P12,152	P -	P -	P -	P99,773	P95,787	P89,591
Inter-segment	1,137	1,031	870	57	20	9	751	697	641	1,945	1,748	1,520	269	271	155	(2,214)	(2,019)	(1,675)	-	-	-
Total revenues	P65,520	P62,908	P57,852	P14,933	P13,685	P12,112	P9,444	P9,122	P8,995	P89,897	P85,715	P78,959	P12,090	P12,091	P12,307	(P2,214)	(P2,019)	(P1,675)	P99,773	P95,787	P89,591
Result																					
Segment operating result	P1,956	P1,769	P2,342	P990	P1,163	P1,017	P2,021	P1,860	P1,820	P4,967	P4,792	P5,179	P545	P353	P862	(P2)	P32	P39	P5,510	P5,177	P6,080
Interest expense and other financing charges	(345)	(327)	(364)	(61)	(87)	(21)	(10)	(4)	(4)	(416)	(418)	(389)	(157)	(157)	(142)	23	-	-	(550)	(575)	(531)
Interest income	6	42	118	26	23	7	6	24	11	38	89	136	44	60	258	(23)	-	-	59	149	394
Equity in net earnings of an associate	-	-	-	-	-	-	-	-	-	-	-	-	715	885	271	-	-	-	715	885	271
Gain on sale of property and equipment	-	22	7	-	-	-	2	-	-	2	22	7	2	2	-	-	-	-	4	24	7
Other income (charges) - net	(161)	(22)	(92)	(10)	28	(4)	(321)	73	(15)	(492)	79	(111)	350	69	(213)	-	-	-	(142)	148	(324)
Income tax expense	(415)	(486)	(601)	(284)	(339)	(285)	(515)	(586)	(543)	(1,214)	(1,411)	(1,429)	(301)	(145)	(297)	3	11	-	(1,512)	(1,545)	(1,726)
Net income	P1,041	P998	P1,410	P661	P788	P714	P1,183	P1,367	P1,269	P2,885	P3,153	P3,393	P1,198	P1,067	P739	P1	P43	P39	P4,084	P4,263	P4,171
Attributable to:																					
Equity holders of the Parent Company																			P4,097	P4,172	P4,061
Non-controlling interests																			(13)	91	110
Net income																			P4,084	P4,263	P4,171
Other Information																					
Segment assets	P25,176	P26,160	P22,046	P8,930	P8,731	P8,448	P6,923	P4,836	P4,219	P41,029	P39,727	P34,713	P31,993	P14,985	P14,225	(P5,312)	(P4,527)	(P5,730)	P67,710	P50,185	P43,208
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	13,342	13,178	-	-	-	-	13,342	13,178
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	1,622	1,603	1,619	(1,196)	(1,196)	(1,196)	426	407	423
Other intangible assets - net	61	35	254	239	243	257	-	-	-	300	278	511	3,690	3,792	3,268	(122)	(122)	(122)	3,868	3,948	3,657
Deferred tax assets	361	169	156	58	16	21	135	89	78	554	274	255	229	359	306	57	57	61	840	690	622
Consolidated total assets																			P72,844	P68,572	P61,088
Segment liabilities	P9,414	P9,182	P6,211	P2,071	P1,702	P1,674	P1,533	P806	P828	P13,018	P11,690	P8,713	P9,152	P8,037	P8,404	(P5,362)	(P4,575)	(P5,725)	P16,808	P15,152	P11,392
Interest and dividends payable	17	16	18	2	2	2	-	-	-	19	18	20	2	2	93	-	-	-	21	20	113
Notes payable	3,785	4,460	3,273	2,085	1,405	914	1,535	314	-	7,405	6,179	4,187	1,243	1,172	801	-	-	-	8,648	7,351	4,988
Income tax payable	-	-	-	155	115	134	171	151	167	326	266	301	62	121	4	-	-	-	388	387	305
Deferred tax liabilities	17	33	28	5	8	19	63	72	84	85	113	131	19	20	17	32	31	40	136	164	188
Long-term debt (including current maturities) - net of debt issue costs	4,483	4,475	4,468	-	-	-	-	-	-	4,483	4,475	4,468	-	-	178	-	-	-	4,483	4,475	4,646
Consolidated total liabilities																			P30,484	P27,549	P21,632
Capital expenditures	P69	P117	P79	P109	P541	P172	P1,591	P1,153	P78	P1,769	P1,811	P329	P209	P146	P269	P -	P -	P -	P1,978	P1,957	P598
Depreciation and amortization	1,772	1,537	1,413	338	303	280	124	100	111	2,234	1,940	1,804	405	357	316	-	-	-	2,639	2,297	2,120
Impairment loss	-	-	6	-	-	-	-	19	-	-	19	6	-	-	-	-	-	-	-	19	6

*As restated (Note 3)

7. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand and in banks	P2,010,284	P1,289,831
Short-term investments	5,020,659	2,990,587
	P7,030,943	P4,280,418

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	2013	2012
Trade receivables		P10,336,911	P9,527,662
Amounts owed by related parties	29	149,454	153,582
Insurance claims		37,140	122,584
Tax certificates receivables		104,151	68,481
Others		15,539,298	1,766,967
		26,166,954	11,639,276
Less allowance for impairment losses	4	504,051	495,440
		P25,662,903	P11,143,836

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

Insurance claims pertain to the value of certain inventories and property, plant and equipment damaged by typhoons.

“Others” include receivable from the Company’s sale of investment in an associate amounting to P13,886.4 million (Note 12). Also included in “Others” are the following: advances to suppliers, contract growers and breeders, receivables from employees, truckers and toll partners, and deposits.

The movements in the allowance for impairment losses follow:

	2013	2012
Balance at beginning of year	P495,440	P522,367
Charges for the year	44,341	39,587
Amounts written off	(35,730)	(66,514)
Balance at end of year	P504,051	P495,440

As at December 31, 2013 and 2012, the aging of receivables is as follows:

2013	Trade Receivables	Amounts Owed by Related Parties	Insurance Claims	Tax Certificates Receivables	Others	Total
Current	P5,624,188	P87,057	P31,136	P14,855	P13,629,857	P19,387,093
Past due						
1-30 days	3,146,262	24,459	373	19,228	94,693	3,285,015
31-60 days	579,029	4,456	3,276	26,294	104,608	717,663
61-90 days	125,377	321	2,355	11,043	45,728	184,824
Over 90 days	862,055	33,161	-	32,731	1,664,412	2,592,359
	P10,336,911	P149,454	P37,140	P104,151	P15,539,298	P26,166,954

2012	Trade Receivables	Amounts Owed by Related Parties	Insurance Claims	Tax Certificates Receivables	Others	Total
Current	P5,189,748	P34,576	P -	P17,237	P621,959	P5,863,520
Past due						
1-30 days	1,993,047	44,732	-	16,809	178,769	2,233,357
31-60 days	1,199,637	10,238	20,552	17,575	59,622	1,307,624
61-90 days	385,218	2,447	-	8,605	115,809	512,079
Over 90 days	760,012	61,589	102,032	8,255	790,808	1,722,696
	P9,527,662	P153,582	P122,584	P68,481	P1,766,967	P11,639,276

Various collaterals for trade receivables such as bank guarantees, time deposits 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 extensive analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

9. Inventories

This account consists of:

	2013	2012
Finished goods and goods in process	P5,068,567	P4,483,460
Raw materials, feeds and feed ingredients	9,466,160	11,008,606
Factory supplies and others	128,087	99,923
Materials in transit	122,178	98,762
	P14,784,992	P15,690,751

The cost of finished goods and goods in process amounted to P5,303.2 million and P4,580.2 million as at December 31, 2013 and 2012, respectively. The cost of raw materials, feeds and feed ingredients amounted to P9,501.7 million and P11,055.2 million as at December 31, 2013 and 2012, 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 P812.9 million and P549.9 million as at December 31, 2013 and 2012, respectively, with corresponding costs at point of harvest amounting to P653.9 million and P460.6 million, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P159.0 million and P89.3 million as at December 31, 2013 and 2012, respectively.

10. Biological Assets

This account consists of:

	2013	2012
Current:		
Growing stocks	P3,085,854	P3,501,706
Goods in process	341,426	290,532
	3,427,280	3,792,238
Noncurrent:		
Breeding stocks - net	1,910,906	1,931,510
	P5,338,186	P5,723,748

The amortization of breeding stocks recognized in profit or loss amounted to P1,523.5 million, P1,311.1 million and P1,186.4 million in 2013, 2012 and 2011, 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>	2013	2012
Cost			
Balance at beginning of year		P6,213,091	P6,294,778
Increase (decrease) due to:			
Production		38,170,094	37,093,097
Purchases		996,311	812,164
Mortality		(656,723)	(740,178)
Sales		(5,185,744)	(5,849,506)
Harvest		(32,252,433)	(30,194,550)
Reclassifications		(1,287,871)	(1,084,651)
Currency translation adjustments		39,746	(118,063)
Balance at end of year		6,036,471	6,213,091
Accumulated Amortization			
Balance at beginning of year		489,343	359,431
Additions	24	1,523,536	1,311,085
Disposals		(26,089)	(91,228)
Reclassifications		(1,287,871)	(1,084,651)
Currency translation adjustments		(634)	(5,294)
Balance at end of year		698,285	489,343
Carrying amount		P5,338,186	P5,723,748

The Group harvested approximately 472.5 million and 443.5 million kilograms of grown broilers in 2013 and 2012, respectively, and 0.86 million and 0.97 million heads of marketable hogs and cattle in 2013 and 2012, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Prepaid income tax	P1,145,241	P764,145
Input tax	1,314,893	1,211,985
Others	312,220	343,856
	P2,772,354	P2,319,986

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

12. Investment

This account consists of:

	2013	2012
Investment in an associate - at equity		
Acquisition cost:		
Balance at beginning of year	P13,007,800	P13,007,800
Disposal	(13,007,800)	-
	-	13,007,800
Accumulated equity in net earnings:		
Balance at beginning of year	334,280	170,179
Equity in net earnings during the year	714,946	884,884
Dividends	(602,727)	(721,771)
Disposal	(445,355)	-
Share in other comprehensive income (loss)	(1,144)	988
Balance at end of year	-	334,280
	P -	P13,342,080

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 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 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 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.

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 (Note 8).

The following table summarizes the financial information on the investment in an associate which is accounted for using the equity method.

	December 31, 2012*
	Meralco
Country of incorporation	Philippines
Percentage of ownership	5.2%
Current assets	P92,243
Noncurrent assets	124,830
Current liabilities	(59,518)
Noncurrent liabilities	(89,828)
Net assets	P67,727
Sales	P285,270
Net income	P17,158
Other comprehensive income	26
Total comprehensive income	P17,184

*Amounts in Millions

13. Investment Properties

The movements in investment properties are as follow:

	Land and Land Improvements	Buildings and Improvements	Total
Cost			
December 31, 2011	P579,039	P2,865	P581,904
Additions	41,275	1,606	42,881
Reclassifications	5,100	9,806	14,906
December 31, 2012	625,414	14,277	639,691
Additions	3,201	1,300	4,501
December 31, 2013	628,615	15,577	644,192
Accumulated Depreciation			
December 31, 2011	-	1,890	1,890
Additions	-	463	463
December 31, 2012	-	2,353	2,353
Additions	-	687	687
December 31, 2013	-	3,040	3,040
Accumulated Impairment Losses			
December 31, 2011, 2012 and 2013	8,473	-	8,473
Carrying Amount			
December 31, 2012	P616,941	P11,924	P628,865
December 31, 2013	P620,142	P12,537	P632,679

No impairment loss was recognized in 2013, 2012 and 2011.

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 2013, 2012 and 2011.

The fair value of investment properties was determined either by an 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 Company. The independent appraisers or the credit management group of the 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 P848.4 million and P831.3 million as at December 31, 2013 and 2012, respectively, has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

14. Property, Plant and Equipment

This account consists of:

	Note	Land and Improvements	Buildings and Improvements	Machinery Equipment, Furniture and Others	Transportation Equipment	Construction in Progress	Total
Cost							
December 31, 2011		P1,943,751	P6,008,481	P9,367,314	P458,474	P131,523	P17,909,543
GAC balance as at June 30, 2012	5	399,990	-	-	-	-	399,990
Additions		1,911	12,154	196,771	983	1,745,657	1,957,476
Disposals		(35,350)	(379,369)	(792,739)	(27,443)	-	(1,234,901)
Transfers, reclassifications and others		(7,408)	(81,236)	91,803	(3,975)	(206,910)	(207,726)
Currency translation adjustments		(3,158)	(88,675)	(55,120)	(4,508)	(764)	(152,225)
December 31, 2012		2,299,736	5,471,355	8,808,029	423,531	1,669,506	18,672,157
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
Accumulated Depreciation							
December 31, 2011		325,210	2,465,511	5,938,393	436,108	-	9,165,222
Additions	24	25,127	217,331	584,753	8,888	-	836,099
Disposals		(33,626)	(376,654)	(786,417)	(26,829)	-	(1,223,526)
Transfers, reclassifications and others		(8,376)	(51,537)	(55,319)	(2,825)	-	(118,057)
Currency translation adjustments		-	(42,712)	(44,667)	(4,470)	-	(91,849)
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
Carrying Amount							
December 31, 2012		P1,991,401	P3,259,416	P3,171,286	P12,659	P1,669,506	P10,104,268
December 31, 2013		P1,995,623	P4,890,987	P4,339,985	P16,161	P11,432	P11,254,188

Depreciation recognized in profit or loss amounted to P884.7 million in 2013, P836.1 million in 2012 and P846.8 million in 2011 (Note 24). These amounts include annual amortizations of capitalized interest amounting to P0.7 million in 2013, P0.9 million in 2012 and P1.1 million in 2011.

The Group has interest amounting to P10.4 million and P2.9 million which were capitalized in 2013 and 2012, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranges from 0.63% to 2.63% in 2013 and 3.25% to 4.88% in 2012. Unamortized balance of capitalized interest as at December 31, 2013, 2012 and 2011 amounted to P35.0 million, P25.3 million and P23.3 million, respectively.

Certain parcels of land with carrying amount of P436.6 million were reclassified to "Investment properties" in 2011 following the change in management's intention on these assets.

Idle assets, net of accumulated depreciation and impairment losses, amounted to P89.9 million and P93.6 million as at December 31, 2013 and 2012, 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 allowance period for MAPALAD to appeal the decision of the OP and the SC has prescribed as at March 26, 2014.

15. Other Intangible Assets

This account consists of:

	2013	2012
Trademarks and brand names	P3,300,557	P3,296,062
Formulas and recipes	57,591	57,591
Computer software and licenses - net	509,572	594,317
	P3,867,720	P3,947,970

The movements in other intangible assets are as follows:

	Trademarks and Brand Names	Others	Total
Cost			
December 31, 2011	P3,299,938	P487,772	P3,787,710
Additions	-	332,259	332,259
Reclassifications	-	(2,132)	(2,132)
Currency translation adjustments	(3,876)	-	(3,876)
December 31, 2012	3,296,062	817,899	4,113,961
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	P4,164,050
Accumulated Depreciation			
December 31, 2011	-	130,326	130,326
Additions	-	63,183	63,183
Reclassifications	-	(27,518)	(27,518)
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
Carrying Amount			
December 31, 2012	P3,296,062	P651,908	P3,947,970
December 31, 2013	P3,300,557	P567,163	P3,867,720

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 2013 and 2012.

Management assessed that there is no impairment loss on the value of trademarks and brand names in 2013, 2012 and 2011.

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.

The 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.

16. Goodwill

The movements in goodwill are as follows:

	2013	2012
Balance at beginning of year	P406,922	P422,547
Currency translation adjustments	18,733	(15,625)
Balance at end of year	P425,655	P406,922

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 2013 and 2012. 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.

Management assessed that there is no impairment loss on the value of goodwill in 2013, 2012 and 2011.

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>	2013	2012
Peso-denominated		P8,019,036	P6,637,900
Foreign currency-denominated		628,749	713,140
	32, 33	P8,647,785	P7,351,040

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 0.50% to 4.50% and 3.25% to 4.40% in 2013 and 2012, respectively. Interest rates for foreign currency-denominated loans range from 9.00% to 13.78% and 4.65% to 14.19% in 2013 and 2012, 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>	2013	2012
Trade payables		P6,357,842	P5,541,189
Amounts owed to related parties	29	1,495,881	1,456,782
Non-trade payables		6,081,128	5,997,761
Others		2,001,187	1,499,744
		P15,936,038	P14,495,476

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, accrued interest payable, dividends payable and derivative liabilities.

Derivative liabilities included under "Others" amounted to P249.8 million and P58.8 million as at December 31, 2013 and 2012, respectively (Notes 32 and 33).

19. Long-term Debt

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

	2013	2012
Floating interest rate based on 3-month PDST-F plus margin maturing in 2015	P3,686,303	P3,679,740
Fixed interest rate of 5.4885% maturing in 2015	796,997	795,578
	P4,483,300	P4,475,318

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	2013	2012
Balance at beginning of year		P24,682	P32,301
Amortizations	26	(7,982)	(7,619)
Balance at end of year		P16,700	P24,682

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, 2013 and 2012, 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

The Company's capital stock, at P10 par value, consists of the following number of shares as at December 31, 2013 and 2012:

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

On March 3, June 3, September 3, and December 3, 2012, cash dividends of P1.20 per share were paid to all common shareholders of record as of February 21, May 22, August 29, and November 19, 2012, respectively.

On March 3, June 3, September 3, and December 3, 2012, cash dividends of P20.00 per share were paid to all preferred shareholders of record as of February 21, May 22, August 29, and November 19, 2012, respectively.

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares of stock in SMPFC 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 SMPFC's public ownership from 0.08% to 15.08% of its outstanding common shares.

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.

Treasury shares, totaling 4,207,758 common shares in 2013 and 2012, are carried at cost.

As at December 31, 2013, the Company has a total of 121 and 231 common and preferred stockholders, respectively.

The Group's unappropriated retained earnings include the Company's accumulated earnings in subsidiaries and equity in net earnings of an associate amounting to P7,962.2 million, P7,403.4 million and P5,898.0 million in 2013, 2012 and 2011, 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, 2013 and 2012 is restricted in the amount of P182.1 million representing the cost of shares held in treasury.

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

21. Revenues

Revenue account consists of sales of goods and fair valuation adjustments on agricultural produce. Total sales of goods amounted to P99,609.9 million, P95,698.1 million and P89,522.0 million for the years ended December 31, 2013, 2012 and 2011, 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 P35,461.3 million, P33,840.1 million and P31,719.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Service revenue from the grain terminal operations amounted to P0.5 million in 2013.

22. Cost of Sales

This account consists of:

	<i>Note</i>	2013	2012	2011
Inventories used	35	P71,335,212	P69,740,162	P65,416,641
Freight, trucking and handling		2,493,461	2,700,307	2,521,354
Depreciation and amortization	24	2,251,686	1,992,331	1,896,970
Communication, light and water		1,265,047	1,183,209	1,090,978
Personnel expenses	25	667,601	646,824	759,079
Repairs and maintenance		387,613	390,868	400,274
Rentals	31	148,912	197,034	184,537
Others		1,035,062	1,098,997	1,147,224
		P79,584,594	P77,949,732	P73,417,057

23. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	2013	2012*	2011*
Freight, trucking and handling		P3,483,438	P2,944,715	P2,603,459
Advertising and promotions		3,239,145	2,564,759	1,479,563
Personnel expenses	25	2,487,255	2,521,441	2,316,173
Contracted services		1,899,408	1,544,071	1,224,360
Rentals	31	1,321,457	956,413	639,538
Depreciation and amortization	24	387,397	304,869	223,463
Taxes and licenses		349,437	321,286	256,173
Professional fees		290,008	473,130	306,577
Supplies		279,967	284,052	243,248
Communication, light and water		231,607	201,113	170,155
Repairs and maintenance		209,599	175,601	102,132
Travel and transportation		199,165	226,590	179,978
Others		300,456	142,293	348,892
		P14,678,339	P12,660,333	P10,093,711

*As restated (Note 3).

24. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	2013	2012	2011
Cost of sales:				
Property, plant and equipment	14	P682,052	P660,457	P691,678
Biological assets	10	1,523,536	1,311,085	1,186,384
Others		46,098	20,789	18,908
		2,251,686	1,992,331	1,896,970
Selling and administrative expenses:				
Property, plant and equipment	14	202,670	175,642	155,103
Others		184,727	129,227	68,360
		387,397	304,869	223,463
		P2,639,083	P2,297,200	P2,120,433

“Others” include amortization of containers, computer software and licenses, and small tools and equipment, and depreciation of investment properties amounting to P230.8 million, P150.0 million and P87.3 million in 2013, 2012 and 2011, respectively.

25. Personnel Expenses

This account consists of:

	<i>Note</i>	2013	2012*	2011*
Salaries and allowances		P1,755,331	P1,714,034	P1,742,824
Retirement costs	28	192,396	159,809	102,160
Other employee benefits		1,207,129	1,294,422	1,230,268
		P3,154,856	P3,168,265	P3,075,252

*As restated (Note 3).

Personnel expenses are distributed as follows:

	<i>Note</i>	2013	2012*	2011*
Cost of sales	22	P667,601	P646,824	P759,079
Selling and administrative expenses	23	2,487,255	2,521,441	2,316,173
		P3,154,856	P3,168,265	P3,075,252

*As restated (Note 3).

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

These accounts consist of:

a. Interest Expense and Other Financing Charges

	2013	2012	2011
Interest expense	P483,629	P527,778	P494,491
Other financing charges	65,977	47,120	36,481
	P549,606	P574,898	P530,972

Amortization of debt issue costs in 2013 and 2012 included in “Other financing charges” account amounted to P8.0 million and P7.6 million, respectively (Note 19).

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

	Note	2013	2012	2011
Notes payable	17	P288,522	P325,371	P289,637
Long-term debt	19	195,107	202,407	204,854
		P483,629	P527,778	P494,491

b. Interest Income

	2013	2012	2011
Short-term investments	P44,505	P92,022	P328,878
Cash in banks	14,413	56,496	64,694
	P58,918	P148,518	P393,572

c. Other Income (Charges)

	Note	2013	2012	2011
Gain (loss) on derivatives	33	(P475,173)	P205,454	(P28,137)
Dividend income		-	3	55
Foreign exchange gains				
(losses) - net	32	32,890	(47,297)	(59,803)
Impairment loss		-	(19,455)	(5,800)
Others - net		(90,513)	(81,905)	(230,011)
		(P532,796)	P56,800	(P323,696)

In 2012, the Group recognized provisions for impairment loss on idle assets amounting to P19.5 million.

27. Income Taxes

- a. The components of the Group's deferred tax assets and liabilities as at December 31 are as follows:

	2013	2012*
Deferred tax assets:		
Allowance for impairment losses on receivables and inventories	P200,594	P174,997
Unamortized past service cost	330,490	250,316
Unrealized mark-to-market loss	94,321	45,227
NOLCO	66,230	5,299
MCIT	10,202	4,422
Others	138,585	209,977
	P840,422	P690,238
Deferred tax liabilities:		
Unrealized mark-to-market gain	P12,622	P40,978
Accelerated depreciation	35,979	37,447
Others	87,181	86,028
	P135,782	P164,453

*As restated (Note 3)

As of December 31, 2013, 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			
Incurring/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2012	December 31, 2015	P324	P4,422
2013	December 31, 2016	220,443	5,780
		P220,767	P10,202

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

	2013	2012*	2011*
Current:			
Corporate income tax	P1,488,011	P1,494,906	P1,616,155
Final tax on interest and royalty income and on proceeds from sale of investment in shares of stock	152,756	90,775	120,842
	1,640,767	1,585,681	1,736,997
Deferred	(128,564)	(40,546)	(11,203)
	P1,512,203	P1,545,135	P1,725,794

*As restated (Note 3)

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

	2013	2012*	2011*
Statutory income tax rate	30.00%	30.00%	30.00%
Additions to (reductions in) income tax resulting from the tax effects of:			
Interest income subjected to final tax	(0.32)	(0.65)	(1.73)
Equity in net earnings of an associate	(3.83)	(4.57)	(1.38)
Others - net	1.17	1.82	2.38
Effective income tax rates	27.02%	26.60%	29.27%

**As restated (Note 3)*

28. Retirement Plans

The 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, 2013. 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 obligation and its components:

	Fair Value of Plan Assets			Present Value of Defined Benefit Obligation			Effect of Asset Ceiling			Net Defined Benefit Retirement Obligation		
	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*
Balance at beginning of year	P2,475,056	P2,536,179	P2,488,970	(P3,145,454)	(P2,978,538)	(P2,346,173)	P -	(P1,246)	(P21,991)	(P670,398)	(P443,605)	P120,806
Recognized in profit or loss												
Service costs	-	-	-	(147,546)	(133,119)	(110,860)	-	-	-	(147,546)	(133,119)	(110,860)
Interest expense	-	-	-	(165,277)	(167,909)	(175,559)	-	-	-	(165,277)	(167,909)	(175,559)
Interest income	120,427	141,294	182,834	-	-	-	-	-	-	120,427	141,294	182,834
Adjustment for curtailment	-	-	-	-	-	-	-	-	3,107	-	-	3,107
Interest on the effect of asset ceiling	-	-	-	-	-	-	-	(75)	(1,682)	-	(75)	(1,682)
	120,427	141,294	182,834	(312,823)	(301,028)	(286,419)	-	(75)	1,425	(192,396)	(159,809)	(102,160)
Recognized in other comprehensive income												
Remeasurements:												
Actuarial losses arising from:												
Experience adjustments	(12,686)	(57,951)	(2,014)	(197,864)	(122,029)	(489,381)	-	-	-	(210,550)	(179,980)	(491,395)
Changes in financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Return on plan asset excluding interest	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the effect of asset ceiling	-	-	-	-	-	-	-	1,321	19,320	-	1,321	19,320
	(12,686)	(57,951)	(2,014)	(197,864)	(122,029)	(489,381)	-	1,321	19,320	(210,550)	(178,659)	(472,075)
Others												
Benefits paid	(532,606)	(239,200)	(131,577)	534,759	241,565	133,714	-	-	-	2,153	2,365	2,137
Contributions	182,279	109,310	7,687	-	-	-	-	-	-	182,279	109,310	7,687
Transfers from other plans	6,984	125,487	7,485	(6,984)	(125,487)	(7,485)	-	-	-	-	-	-
Transfers to other plans	(20,001)	(140,063)	(17,206)	20,001	140,063	17,206	-	-	-	-	-	-
	(363,344)	(144,466)	(133,611)	547,776	256,141	143,435	-	-	-	184,432	111,675	9,824
Balance at end of year	P2,219,453	P2,475,056	P2,536,179	(P3,108,365)	(P3,145,454)	(P2,978,538)	P -	P -	(P1,246)	(P888,912)	(P670,398)	(P443,605)

*As restated (Note 3)

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 cost recognized in the consolidated statements of income by the Parent Company amounted to P0.2 million in 2011.

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P192.4 million, P159.8 million and P102.0 million in 2013, 2012 and 2011, 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.

Retirement assets and liabilities in 2012, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts, amounted to P4.8 million and P675.2 million, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2013 and 2012.

The Group's plan assets consist of the following:

	In Percentages	
	2013	2012
Marketable securities	18.8	18.2
Interest in pooled funds:		
Stock trading portfolio	14.8	16.0
Fixed income portfolio	52.6	44.7
Others	13.8	21.1

Investments in Marketable Securities

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 the Company with fair market value per share of P238.00 and P1,045.00, respectively.

As at December 31, 2012, the plan assets include:

- 2,079,890 common shares of SMC with fair market value per share of P105.40;
- 750,000 common shares and P455,000 preferred shares of Petron Corporation with fair market value per share of P10.46 and P108.00, respectively;
- 3,136,032 common shares of Ginebra San Miguel, Inc. with fair market value per share of P17.80; and
- 225,110 common shares and 54,835 preferred shares of the Company with fair market value per share of P244.00 and P1,018.00, 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 losses on the investment in marketable securities of SMC and its subsidiaries amounting to P70.6 million and P36.3 million in 2013 and 2012, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P56.6 million and P15.1 million in 2013 and 2012, 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 39.7% and 36.5% of fixed income portfolio as at December 31, 2013 and 2012, respectively. The Retirement Plans' interests in net assets of the pooled funds were 17.8% and 22.7% of stock trading portfolio as at December 31, 2013 and 2012, respectively.

Approximately 2.6% and 3.2% 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, 2013 and 2012, respectively.

Approximately 22.5% and 20.3% 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 2013 and 2012, 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 expects to contribute about P248.2 million in its defined benefit retirement plan in 2014.

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 Risk. The present value of the defined benefit 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 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	
	2013	2012
Discount rate	3.9 to 8.8	4.6 to 5.8
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 obligation range from 2.4 to 12.6 years and 1.8 to 13.3 years as at December 31, 2013 and 2012, respectively.

As at December 31, 2013, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation by the amounts below.

	Defined Benefit Retirement Obligation	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P35,584)	P34,084
Salary increase rate	29,340	(31,849)

29. Related Party Disclosures

The 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
Parent Company	2013	9,658	760,202	24,558	685,654	On demand; non-interest bearing	Unsecured; no impairment
	2012	14,136	628,502	36,487	578,528		
	2011	13,907	670,729	43,062	545,723		
Affiliates*	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		
	2011	28,187	2,198,615	89,546	595,868		
Shareholder in subsidiaries	2013	-	-	26,007	55,887	On demand; non-interest bearing	Unsecured; no impairment
	2012	-	-	47,736	61,996		
	2011	-	-	18,838	60,621		
Associate**	2012	-	82,097	1,387	1,725	On demand; non-interest bearing	Unsecured; no impairment
	2011	-	85,761	32,209	9,400		
Total	2013	P101,837	P3,573,873	P151,138	P1,495,881		
Total	2012	P34,591	P3,539,643	P154,832	P1,456,782		
Total	2011	P42,094	P2,955,105	P183,655	P1,211,612		

* Affiliates refer to companies owned by SMC and Top Frontier. Amounts owed by affiliates as at December 31, 2013 amounting to P1,684 is included under "Other noncurrent assets" account.

** Amounts owed by Meralco as at December 31, 2012 and 2011 amounting to P1,249 and P32,072, respectively, are included under "Other noncurrent assets" account.

Amounts owed by related parties consist mainly of trade and non-trade receivables.

Amounts owed to related parties consist mainly of trade and non-trade payables, and management fees.

Certain related party transactions were discussed in Notes 12, 15 and 34. The following are the other significant related party transactions entered into by the 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:

	2013	2012	2011
Short-term employee benefits	P90,640	P75,117	P83,439
Retirement costs	8,301	8,957	3,403
	P98,941	P84,074	P86,842

The compensation of key management personnel, which were paid and charged by SMC to the Group as management fee, amounted to P1.8 million, P2.3 million and P3.2 million in 2013, 2012 and 2011, respectively.

30. Basic and Diluted Earnings Per Common Share

Basic EPS is computed as follows:

	2013	2012*	2011*
Net income attributable to equity holders of the Parent Company	P4,096,989	P4,171,984	P4,060,557
Dividends on preferred shares for the year	1,200,000	1,200,000	993,333
Net income attributable to common shareholders of the Parent Company (a)	P2,896,989	P2,971,984	P3,067,224
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)	P17.38	P17.83	P18.40

*As restated (Note 3)

As at December 31, 2013, 2012 and 2011, 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 years. 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:

	2013	2012	2011
Within one year	P577,551	P396,855	P349,344
After one year but not more than five years	616,886	143,201	136,648
After five years	954,951	975,543	904,151
	P2,149,388	P1,515,599	P1,390,143

Rent expense recognized in profit or loss amounted to P1,470.4 million, P1,153.4 million and P824.1 million in 2013, 2012 and 2011, 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 Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments 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 Group's trade-related financial assets and financial liabilities 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 Group's outstanding derivative instruments 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 Group's operating activities.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BOD on its activities.

The Group's risk management policies 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 the Group's 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's 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 Group's 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 Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's 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 Group's 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 Group's 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 Group's investment policy 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 Group's 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 Group's 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 2013 and 2012. 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, 2013 and 2012, the terms and maturity profile of the interest-bearing financial instruments, together with the gross amounts, are shown in the following tables:

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
<hr/>					
December 31, 2012	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	Total
Fixed rate					
Philippine peso-denominated	P -	P -	P800,000	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 -	P -	P4,500,000	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 Group's 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 Group's 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:

	2013		2012	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$6,403	P284,261	US\$3,288	P134,972
Trade and other receivables	8,652	384,106	10,172	417,561
	15,055	668,367	13,460	552,533
Liabilities				
Notes payable	14,163	628,766	17,373	713,162
Trade payables and other current liabilities	14,182	629,610	15,641	642,063
Other noncurrent liabilities	1	44	5	205
	28,346	1,258,420	33,019	1,355,430
Net foreign currency-denominated monetary liabilities	(US\$13,291)	(P590,053)	(US\$19,559)	(P802,897)

The Group reported net foreign exchange (gains) losses amounting to (P32.9 million), P47.3 million and P59.8 million in 2013, 2012 and 2011, 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, 2011	43.84
December 31, 2012	41.05
December 31, 2013	44.395

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 Group's 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, 2013 and 2012.

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)

2012

	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	(P1,804)	(P2,747)	P1,804	P2,747
Trade and other receivables	(3,392)	(9,154)	3,392	9,154
	(5,196)	(11,901)	5,196	11,901
Notes payable	-	17,372	-	(17,372)
Trade payables and other current liabilities	4,663	14,242	(4,663)	(14,242)
Other noncurrent liabilities	-	5	-	(5)
	4,663	31,619	(4,663)	(31,619)
	(P533)	P19,718	P533	(P19,718)

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 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.

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 in the consolidated statements of financial position)	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 in the consolidated statements of financial position)	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	-	-

2012

	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	P4,280,418	P4,280,418	P4,280,418	P -	P -	P -
Trade and other receivables - net	11,143,836	11,143,836	11,143,836	-	-	-
Derivative assets	38,934	38,934	38,934	-	-	-
AFS financial assets (included under “Other noncurrent assets” account in the consolidated statements of financial position)	9,540	9,540	-	-	-	9,540
Financial Liabilities						
Notes payable	7,351,040	7,393,608	7,393,608	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	13,374,772	13,374,772	13,374,772	-	-	-
Derivative liabilities (included under “Trade payables and other current liabilities” account in the consolidated statements of financial position)	58,767	58,767	58,767	-	-	-
Long-term debt - net of debt issue costs	4,475,318	5,072,526	194,573	194,573	4,683,380	-
Other noncurrent liabilities (excluding retirement liability)	199	199	-	199	-	-

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 Group’s trade 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 Group’s 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 Group's 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 Group's 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 Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are 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.

Investments

The Group recognizes provision for 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>	2013	2012
Cash and cash equivalents	7	P7,030,943	P4,280,418
Trade and other receivables - net	8	25,662,903	11,143,836
Derivative assets	33	4,621	38,934
AFS financial assets	33	9,416	9,540
		P32,707,883	P15,472,728

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 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 Group's 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, 2013 and 2012:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P7,030,943	P7,030,943	P4,280,418	P4,280,418
Trade and other receivables - net	25,662,903	25,662,903	11,143,836	11,143,836
Derivative assets	4,621	4,621	38,934	38,934
AFS financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	9,416	9,416	9,540	9,540
Financial Liabilities				
Notes payable	8,647,785	8,647,785	7,351,040	7,351,040
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,343,256	14,343,256	13,374,772	13,374,772
Derivative liabilities (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position)	249,772	249,772	58,767	58,767
Long-term debt - net of debt issue costs	4,483,300	4,533,089	4,475,318	4,518,841
Other noncurrent liabilities (excluding retirement liability)	41	41	199	199

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 0.47% to 2.48% and 0.62% to 3.82% as at December 31, 2013 and 2012, 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, 2013 and 2012 of 174,248 and 85,457 metric tons, respectively. These options can be exercised at various calculation dates in 2014 and 2013 with specified quantities on each calculation date. As at December 31, 2013 and 2012, the net negative fair value of these options amounted to P185.9 million and P41.3 million, respectively.

As at December 31, 2011, the Group has outstanding bought and sold options covering its soybean meal requirements with notional quantity of 7,439 metric tons. These options can be exercised at various dates in 2012 with specified quantities on each calculation date. As at December 31, 2011, the negative fair value of these options amounted to P5.5 million. There were no outstanding options on the purchase of soybean meal as at December 31, 2013 and 2012.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at December 31, 2013 and 2012, the total outstanding notional amount of such embedded currency forwards amounted to US\$52.0 million and US\$61.0 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, 2013 and 2012, the net positive (negative) fair value of these embedded currency forwards amounted to (P59.2 million) and P21.5 million, respectively.

For the years ended December 31, 2013, 2012 and 2011, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to (P475.2 million), P205.5 million and (P28.1 million), respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2013	2012
Balance at beginning of year	(P19,833)	P3,156
Net changes in fair value of derivatives		
Not designated as accounting hedges	(475,173)	205,454
	(495,006)	208,610
Less fair value of settled instruments	(249,855)	228,443
Balance at end of year	(P245,151)	(P19,833)

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:

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

2012

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P38,934	P38,934
AFS financial assets	8,399	1,141	9,540
Financial Liabilities			
Derivative liabilities	-	58,767	58,767

As at December 31, 2013 and 2012, 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, P33.2 million and P34.6 million in 2013, 2012 and 2011, 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 2013, 2012 and 2011 amounted to P6,006.4 million, P5,275.9 million and P4,709.2 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, 2013 and 2012 amounted to P12,981.5 million and P16,502.5 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 P44.395 and P41.05 in 2013 and 2012, respectively, for consolidated statements of financial position accounts; and average rates of P42.43, P42.24 and P43.31 in 2013, 2012 and 2011, respectively, for income and expense accounts.

36. Events After the Reporting Date

On February 4, 2014, the Company's BOD declared cash dividends to all preferred and common shareholders of record as of February 19, 2014 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2014.

On March 26, 2014, the Company's BOD declared cash dividends to all common shareholders of record as of April 11, 2014 amounting to P48.00 per share, payable on May 12, 2014.



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REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Pure Foods Company, Inc. (the "Company") and Subsidiaries as at and for the years ended December 31, 2013 and 2012, included in the Form 17-A, and have issued our report thereon dated March 26, 2014.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Company taken as a whole. The accompanying Supplementary Schedules of Annex 68-E is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

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. 4225136MC

Issued January 2, 2014 at Makati City

March 26, 2014

Makati City, Metro Manila

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2013

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE/ PAYABLE WITH RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS - OTHER ASSETS	
E	- LONG-TERM DEBT	
F	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
H	- CAPITAL STOCK	

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2013
(In Thousands, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2013	Income (Loss) Received and Accrued
Cash and cash equivalents	-	₱ 7,030,943	₱ 7,030,943	₱ 58,918
Trade and other receivables - net	-	25,662,903	25,662,903	-
Derivative assets	-	4,621	4,621	(475,173) *
Available-for-sale financial assets	89,260	9,416	9,416	-
	89,260	₱ 32,707,883	₱ 32,707,883	(₱ 416,255)

* *This represents net mark-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as at year-end.*

See Notes 26, 32 and 33 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A's AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2013
(In Thousands, except No. of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Valued Based on Market Quotation at End of Reporting Period
Available-for-Sale Financial Assets		
San Miguel Pure Foods Company, Inc.		
Club Filipino	1	P 100
Makati Sports Club, Inc.	1	300
Philippine Long Distance Tel. Co.	325	866
Valle Verde Country Club	1	300
Manila Electric Co.	14,895	149
San Miguel Foods, Inc.		
Club Filipino	1	100
Makati Sports Club, Inc.	1	250
Philippine Long Distance Tel. Co.	3,928	250
Manila Southwoods Golf & Country Club	1	380
Sta Elena Golf Club	1	3,000
Manila Electric Co.	58,999	590
Tagaytay Highland Golf and Country Club	1	500
Piltel	11,100	80
Royal Tagaytay Country Club	1	50
The Orchard Golf and Country Club (Fil-Estate Realty)	1	80
Magnolia, Inc.		
Alabang Country Club	1	2,150
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	28
PT San Miguel Pure Foods Indonesia		
Golf Club Bogor Raya	1	243
Total Available-for-Sale Financial Assets	89,260	P 9,416

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, 2013
(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.	P 50,138	P 335,129	(P 345,619)	P -	P 39,648	P 39,648	P -	P 39,648
San Miguel Foods, Inc.	931,532	4,692,800	(4,500,852)	-	1,123,480	1,123,480	-	1,123,480
San Miguel Mills, Inc. and subsidiaries	128,659	1,385,446	(1,234,581)	-	279,524	279,524	-	279,524
The Purefoods-Hormel Company, Inc.	2,598,765	16,227,237	(15,764,982)	-	3,061,020	2,588,232	472,788	3,061,020
Magnolia, Inc. and subsidiaries	767,264	7,806,698	(7,811,241)	-	762,721	762,721	-	762,721
San Miguel Super Coffeemix Co., Inc.	116,089	1,524,213	(1,526,592)	-	113,710	113,710	-	113,710
	P 4,592,447	P 31,971,523	(P 31,183,867)	P -	P 5,380,103	P 4,907,315	P 472,788	P 5,380,103

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, 2013
(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.	₱ 33,256	₱ 42,562	(₱ 63,431)	₱ -	₱ 12,387	₱ 12,387	₱ -	₱ 12,387
San Miguel Foods, Inc.	3,208,423	26,499,967	(26,210,137)	-	3,498,253	3,498,253	-	3,498,253
San Miguel Mills, Inc. and subsidiaries	51,786	288,675	(264,080)	-	76,381	76,381	-	76,381
The Purefoods-Hormel Company, Inc.	364,609	4,149,780	(4,201,415)	-	312,974	312,974	-	312,974
Magnolia, Inc. and subsidiaries	356,804	1,380,783	(1,229,939)	-	507,648	507,648	-	507,648
San Miguel Super Coffeemix Co., Inc.	101,830	237,593	(168,985)	-	170,438	170,438	-	170,438
San Miguel Pure Foods International, Limited and subsidiaries	429,634	391,257	(70,443)	-	750,448	277,660	472,788	750,448
PT San Miguel Pure Foods Indonesia	45,298	7,481	(1,688)	-	51,091	51,091	-	51,091
	₱ 4,591,640	₱ 32,998,098	(₱ 32,210,118)	₱ -	₱ 5,379,620	₱ 4,906,832	₱ 472,788	₱ 5,379,620

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2013
(In Thousands)

Part A - Goodwill and Other Intangible Assets

Description		Beginning Balance		Additions/ Acquisition of Subsidiaries		Other Changes/ Reclassifications/ (Disposal)		Charged to Costs and Expenses		Currency Translation Adjustments		Ending Balance
Goodwill	P	406,922	P	-	P	-	P	-	P	18,733	P	425,655
Trademarks and Other Intangibles												
Cost:												
Trademarks and brand names		3,296,062		-		-		-		4,495		3,300,557
Software and licenses		760,308		42,784		3,951		-		(1,141)		805,902
Formulas and recipes		57,591		-		-		-		-		57,591
		<u>4,113,961</u>		<u>42,784</u>		<u>3,951</u>		<u>-</u>		<u>3,354</u>		<u>4,164,050</u>
Accumulated Depreciation:												
Software and licenses		<u>165,991</u>		<u>126,694</u>		<u>4,341</u>		<u>-</u>		<u>(696)</u>		<u>296,330</u>
Net Book Value	P	3,947,970	(P)	83,910	(P)	390	P	-	P	4,050	P	3,867,720

See Notes 4, 15 and 16 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2013
(In Thousands)

Part B - Other Noncurrent Assets

<u>Description</u>		<u>Beginning Balance</u>	<u>Additions/ Acquisition of Subsidiaries</u>	<u>Other Changes/ Reclassifications/ (Disposal)</u>	<u>Charged to Costs and Expenses</u>	<u>Currency Translation Adjustments</u>	<u>Ending Balance</u>
Available for sale financial assets	P	9,540	P -	P -	P -	(P 124)	P 9,416
Idle Assets - net		93,551	-	(20)	(3,608)	-	89,923
Others - net		150,480 *	1,926	(22,128)	-	-	130,278
	P	<u>253,571</u>	P <u>1,926</u>	(P <u>22,148</u>)	(P <u>3,608</u>)	(P <u>124</u>)	P <u>229,617</u>

See Notes 4, 14, 32 and 33 of the Notes to the Consolidated Financial Statements.

* As restated; see Note 3 to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2013
(In Thousands)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Long-term	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Unsecured peso-denominated term notes:</u>												
San Miguel Foods, Inc.												
Floating	Banco de Oro Unibank, Inc.	P1,500,000	P -	P -	P -	P1,500,000	(P5,553)	P 1,494,447	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
Floating	China Banking Corporation	1,200,000	-	-	-	1,200,000	(4,442)	1,195,558	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
Floating	Land Bank of the Philippines	500,000	-	-	-	500,000	(1,851)	498,149	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
Floating	Maybank Philippines, Inc.	500,000	-	-	-	500,000	(1,851)	498,149	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
		3,700,000	-	-	-	3,700,000	(13,697)	3,686,303				
Fixed	Land Bank of the Philippines	500,000	-	-	-	500,000	(1,877)	498,123	5.4885%	Bullet	Quarterly	Dec 2015
Fixed	China Banking Corporation	229,600	-	-	-	229,600	(862)	228,738	5.4885%	Bullet	Quarterly	Dec 2015
Fixed	China Banking Corporation - Trust Group as Trustee	53,500	-	-	-	53,500	(201)	53,299	5.4885%	Bullet	Quarterly	Dec 2015
Fixed	China Bank Savings, Inc. - Trust as Trustee	16,900	-	-	-	16,900	(63)	16,837	5.4885%	Bullet	Quarterly	Dec 2015
		800,000	-	-	-	800,000	(3,003)	796,997				
Total Long-term Debt		P4,500,000	P -	P -	P -	P4,500,000	(P16,700)	P 4,483,300				

See Notes 19, 32 and 33 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2013
(In Thousands)

Description	Number of Shares Authorized	Number of Shares Issued	Treasury Shares	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options	Number of Shares Held		
						Related Party	Directors and Officers	Others
Common Shares	206,000,000	170,874,854	4,207,758	166,667,096	-	142,279,267	9	24,387,820
Preferred Shares	40,000,000	15,000,000	-	15,000,000	-	-	10,000	14,990,000
Total	246,000,000	185,874,854	4,207,758	181,667,096	-	142,279,267	10,009	39,377,820

See Note 20 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS AT DECEMBER 31, 2013

I. AGING OF ACCOUNTS RECEIVABLE

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	₱10,360,151,772.11	₱5,638,394,782.93	₱3,154,722,230.81	₱580,095,321.19	₱125,389,760.76	₱861,549,676.42
Less: Allowance	478,361,853.60	-	-	-	-	478,361,853.60
Net Trade Receivable	9,881,789,918.51	5,638,394,782.93	3,154,722,230.81	580,095,321.19	125,389,760.76	383,187,822.82
B. Non-Trade	15,806,802,318.02	13,748,698,814.15	130,291,918.23	137,567,940.11	59,433,379.99	1,730,810,265.54
Less: Allowance	25,689,010.12	-	-	-	-	25,689,010.12
Net Non-Trade Receivable	15,781,113,307.90	13,748,698,814.15	130,291,918.23	137,567,940.11	59,433,379.99	1,705,121,255.42
Net Receivables	₱25,662,903,226.41	₱19,387,093,597.08	₱3,285,014,149.04	₱717,663,261.30	₱184,823,140.75	₱2,088,309,078.24

Accounts Receivable Description

Trade - Receivables arising from the ordinary course of business.

Non - Trade - consist mostly of receivables from affiliates/SMC subsidiaries/receivables from employees and deposits/claims from suppliers.

II. Accounts Receivable Description

Type of Accounts Receivable:	Nature/Description	Collection Period
a. Trade Receivables	Sales of fresh and processed meats, poultry, feeds, flour, cooking oils, breadfill, desserts and dairy-based products and importation and marketing of coffee and coffee-related products	
	San Miguel Foods, Inc.	47 days
	San Miguel Mills, Inc. and subsidiaries	23 days
	Magnolia, Inc. and subsidiaries	27 days
	PT San Miguel Pure Foods Indonesia	73 days
	San Miguel Pure Foods International Limited	26 days
	San Miguel Super Coffeemix Co., Inc.	33 days
	The Purefoods-Hormel Company, Inc.	32 days
b. Non-Trade Receivables	Advances to affiliates and company loans extended to employees	
	Employee loans and advances	Every 15 th & 30 th of the month
	Advances to Affiliates	Upon demand

III. Normal Operating Cycle

San Miguel Foods, Inc.	102 days
San Miguel Mills, Inc. and subsidiaries	88 days
Magnolia, Inc. and subsidiaries	115 days
PT San Miguel Pure Foods Indonesia	200 days
San Miguel Pure Foods International Limited	101 days
San Miguel Super Coffeemix Co., Inc.	214 days
The Purefoods-Hormel Company, Inc.	114 days



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REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with Philippine Standards on Auditing, the parent financial statements of San Miguel Pure Foods Company, Inc. (the "Company") as at and for the years ended December 31, 2013 and 2012, included in the Form 17-A, and have issued our report thereon dated March 26, 2014.

Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic parent company financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic parent company financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

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. 4225136MC

Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila

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, 2013

(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		P8,430,398
Adjustments:		
Unrealized foreign exchange loss	P2,866	
Unrealized mark-to-market gain	(31)	
Treasury stocks	(182,094)	
Deferred tax asset - net	(4,068)	(183,327)
Unappropriated Retained Earnings, as adjusted, beginning		8,247,071
Net Income based on the face of audited financial statements	3,537,856	
Add: Non-actual losses		
Provision for income tax - deferred	294	
Net Income Actual/Realized		3,538,150
Less:		
Dividend declarations during the year		2,000,002
Unappropriated Retained Earnings, as adjusted, ending		P9,785,219



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REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Pure Foods Company, Inc. (the "Company") and Subsidiaries as at and for the years ended December 31, 2013 and 2012, included in the Form 17-A, and have issued our report thereon dated March 26, 2014.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations

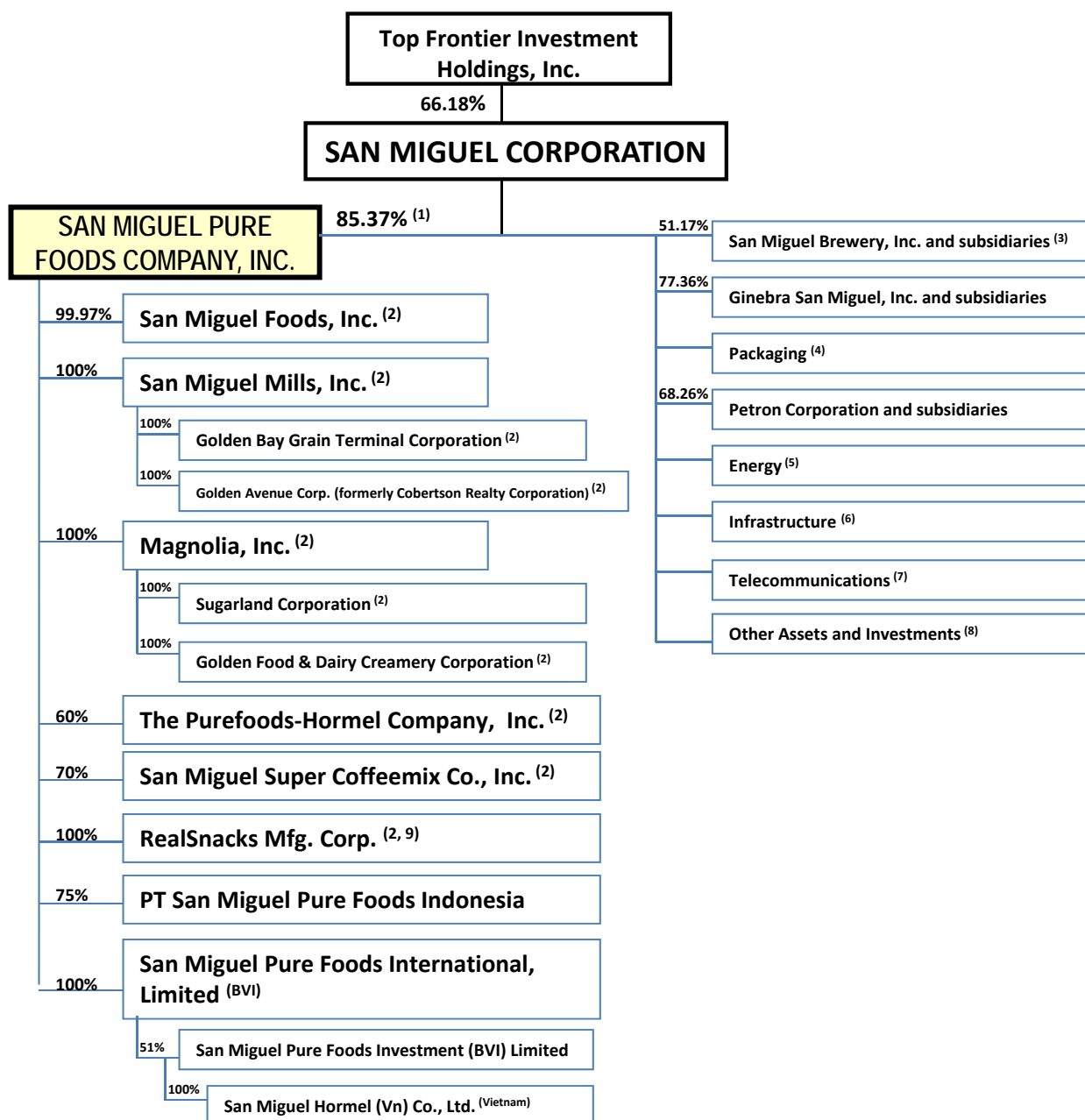
This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

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. 4225136MC
Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila

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 Ltd. 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 Vertex Tollways Dev't. Inc. (100%), Atlantic Aurum Investments BV (46.53%), Trans Aire Development Holdings Corp. (99.72%), Private Infra Dev Corporation (45%), Universal LRT Corporation (BVI) Limited (51%), and Cypress Tree Capital Investments, Inc. and subsidiaries (53.32%)

(7) Telecommunications business includes Liberty Telecommunications Holdings, Inc. (41.48%), Bell Telecommunication Philippines, Inc. (100%) and Eastern Telecommunications Philippines, Inc. (77.70%)

(8) Other Assets and Investments includes San Miguel Properties Inc. (99.68%), Bank of Commerce (39.93%) ^A and investments in Trustmark Holdings Corporation and Zuma Holdings and Management Corporation (49%)

(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
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, 2013		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 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			✓
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, 2013		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	✓		
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	✓		
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	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as at December 31, 2013				
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and 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 31	Interests in Joint Ventures	✓		
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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	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	✓		
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	✓		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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			✓
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 PFRS 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			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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.
Reported SEC Form 17-C for 2013

Date Reported	Subject																
February 6, 2013	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company, Inc. (respectively, the "Board" and the "Company") held on February 6, 2013, the Board declared cash dividends to shareholders of the Company as follows:</p> <p><u>Preferred Shares</u></p> <table> <tr> <td>Amount:</td><td>P20.00 per share</td></tr> <tr> <td>Record Date:</td><td>February 20, 2013</td></tr> <tr> <td>Closing of Books:</td><td>February 21 to 22, 2013</td></tr> <tr> <td>Payment Date:</td><td>March 3, 2013</td></tr> </table> <p><u>Common Shares</u></p> <table> <tr> <td>Amount:</td><td>P1.20 per share</td></tr> <tr> <td>Record Date:</td><td>February 20, 2013</td></tr> <tr> <td>Closing of Books:</td><td>February 21 to 22, 2013</td></tr> <tr> <td>Payment Date:</td><td>March 3, 2013</td></tr> </table>	Amount:	P20.00 per share	Record Date:	February 20, 2013	Closing of Books:	February 21 to 22, 2013	Payment Date:	March 3, 2013	Amount:	P1.20 per share	Record Date:	February 20, 2013	Closing of Books:	February 21 to 22, 2013	Payment Date:	March 3, 2013
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March 20, 2013	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company, Inc. (respectively, the "Board" and the "Company") held on March 20, 2013:</p> <p>A. The Board declared that the Annual Stockholders' Meeting of the Company will be held on May 10, 2013, Friday, 2:00 p.m., at the Executive Dining Room, 2nd Floor, San Miguel Corporation Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.</p> <p>In this connection:</p> <ol style="list-style-type: none"> 1. The record date for the stockholders entitled to vote at the said meeting is April 13, 2013; 2. The stock transfer books will be closed from April 13 - 19, 2013; 3. The deadline for submission of proxies is on April 25, 2013; and 4. The validation of proxies will be on May 3, 2013. 																

	<p>B. The Agenda of the Annual Stockholders' Meeting shall be as follows:</p> <ol style="list-style-type: none">1. Certification of Notice and Quorum2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 11, 20123. Presentation of the Annual Report4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers5. Appointment of External Auditors6. Election of the Board of Directors7. Other Matters8. Adjournment <p>C. Please see attached press release, entitled “San Miguel Pure Foods Company Sustains Growth in 2012”.</p>																								
March 21, 2013	<p><u>Item 9. Other Events</u></p> <p>Please see attached updated press release, “San Miguel Pure Foods Company Sustains Growth in 2012”.</p>																								
May 7, 2013	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company, Inc. (respectively, the “Board” and the “Company”) held on May 7, 2013, the Board declared cash dividends to shareholders of the Company as follows:</p> <p><u>Preferred Shares</u></p> <table><tr><td>Amount</td><td>:</td><td>P20.00 per share</td></tr><tr><td>Record Date</td><td>:</td><td>May 23, 2013</td></tr><tr><td>Closing of Books</td><td>:</td><td>May 23 to 27, 2013</td></tr><tr><td>Payment Date</td><td>:</td><td>June 3, 2013</td></tr></table> <p><u>Common Shares</u></p> <table><tr><td>Amount</td><td>:</td><td>P1.20 per share</td></tr><tr><td>Record Date</td><td>:</td><td>May 23, 2013</td></tr><tr><td>Closing of Books</td><td>:</td><td>May 23 to 27, 2013</td></tr><tr><td>Payment Date</td><td>:</td><td>June 3, 2013</td></tr></table>	Amount	:	P20.00 per share	Record Date	:	May 23, 2013	Closing of Books	:	May 23 to 27, 2013	Payment Date	:	June 3, 2013	Amount	:	P1.20 per share	Record Date	:	May 23, 2013	Closing of Books	:	May 23 to 27, 2013	Payment Date	:	June 3, 2013
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May 7, 2013	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled “San Miguel Pure Foods Company Sustains Growth in Q1”.</p>																								

May 10,
2013

Please be informed that at the Annual Meeting of Shareholders (the “ASM”) and Organizational Meeting of the Board of Directors (the “Board”) of San Miguel Pure Foods Company, Inc. (the “Corporation”) both held on May 10, 2013:

Item 4. Resignation, Removal or Election of Registrant’s Directors or Officers

1. The following directors were duly elected at the ASM, with the respective number Shares held by each in the Corporation:

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Eduardo M. Cojuangco, Jr.	Common	1 (Direct)	5,501
	Preferred	5,500 (Beneficial)	
Ramon S. Ang	Common	1 (Direct)	1
Francisco S. Alejo III	Common	1 (Direct)	10,001
	Preferred	10,000 (Beneficial)	
Menardo R. Jimenez	Common	1 (Direct)	1
Cancio C. Garcia (Independent)	Common	1 (Direct)	1
Mario C. Garcia	Common	1 (Direct)	1
Carmelo L. Santiago (Independent)	Common	1 (Direct)	1
Angelina S. Gutierrez (Independent)	Common	1 (Direct)	1
Silvestre H. Bello III (Independent)	Common	1 (Direct)	1

2. The following by-law officers were duly elected at the Organizational Meeting of the Board:

Eduardo M. Cojuangco, Jr.	-	Chairman
Ramon S. Ang	-	Vice Chairman
Francisco S. Alejo III	-	President
Zenaida M. Postrado	-	Treasurer and Chief Finance Officer
Ma. Soledad E. Olives	-	Compliance Officer
Alexandra B. Trillana	-	Corporate Secretary
Ma. Celeste L. Ramos	-	Assistant Corporate Secretary

Of such officers, the shareholdings of Messrs. Cojuangco, Ang and Alejo in the Corporation are mentioned above. The shareholdings of the other named officers are as below provided:

	Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares	
	Zenaida M. Postrado	Preferred	7,000 (Beneficial)	7,000	
	Ma. Soledad E. Olives	Preferred	3,400 (Beneficial)	3,400	
	Alexandra B. Trillana	Preferred	500 (Beneficial)	500	
	Ma. Celeste L. Ramos	Preferred	50 (Beneficial)	50	
	<p>3. In the same meeting, the following were elected to the Board Committees of the Corporation:</p> <p style="text-align: center;">Executive Committee</p> <p>Eduardo M. Cojuangco, Jr. - Chairman Ramon S. Ang Francisco S. Alejo III Cancio C. Garcia</p> <p style="text-align: center;">Audit Committee</p> <p>Cancio C. Garcia - Chairman Menardo R. Jimenez Carmelo L. Santiago Angelina S. Gutierrez Ferdinand K. Constantino - Non Director Member</p> <p style="text-align: center;">Executive Compensation</p> <p>Menardo R. Jimenez - Chairman Carmelo L. Santiago Ferdinand K. Constantino - Non Director Member Cancio C. Garcia</p> <p style="text-align: center;">Nominations and Hearing Committee</p> <p>Carmelo L. Santiago - Chairman Francisco S. Alejo III Cancio C. Garcia Maria Cristina M. Menorca - Ex Oficio Member</p>				
August 8, 2013	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company, Inc. (respectively, the “Board” and the “Company”) held on August 08, 2013, the Board declared cash dividends to shareholders of the Company as follows:</p>				

	<p><u>Preferred Shares</u></p> <p>Amount: P20.00 per share Record Date: August 27, 2013 Closing of Books: August 28-30, 2013 Payment Date: September 3, 2013</p> <p><u>Common Shares</u></p> <p>Amount: P1.20 per share Record Date: August 27, 2013 Closing of Books: August 28-30, 2013 Payment Date: September 3, 2013</p>
August 8, 2013	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled “San Miguel Pure Foods Reports Strong Growth in First Semester”.</p>
October 3, 2012	<p><u>Item 9. Other Events</u></p> <p>Please see attached Disclosure on the agreement to sell the shareholdings of San Miguel Pure Foods Company, Inc. in Meralco Electric Company, to JG Summit Holdings, Inc.</p>
October 16, 2013	<p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>The Company was advised today of the demise of Justice Cancio C. Garcia on October 15, 2013. Justice Garcia served as Independent Director of the Company since June 27, 2008 and was Chairman of the Company's Audit Committee and member of its Executive Committee, Executive Compensation Committee and Nominations and Hearing Committee.</p>
November 8, 2013	<p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <ol style="list-style-type: none"> The Board adopted a resolution of gratitude for the valuable contributions of Justice Cancio C. Garcia to the Board, its Committees, and the Company. As previously reported, Justice Garcia passed away on October 15, 2013. He served as Independent Director of the Company since June 27, 2008 and was Chairman of the Company's Audit Committee and member of its Executive Committee, Executive Compensation Committee and Nomination and Hearing Committee. The Board elected retired Justice Edgardo P. Cruz as Independent Director and member of the Board, vice Justice Garcia, effective November 7, 2013. <p>Justice Cruz is currently a professorial lecturer at the <i>Pamantasan ng Lungsod ng Maynila</i>, Graduate School of Law (since June 2009) and Philippine Christian University College of Law (since November 2010), and a Member of the Philippine</p>

	<p>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).</p> <p>c. The Board appointed the following Directors to serve as members of its various Committees effective at the close of the Board meeting on November 7, 2013, to fill-in the vacancies left by Justice Cancio C. Garcia:</p> <p>Mr. Carmelo L. Santiago (Independent) – Audit Committee, Chairman Justice Edgardo P. Cruz (Independent) – Audit Committee, member Justice Angelina S. Gutierrez (Independent) – Executive Committee, member Mr. Ramon S. Ang – Executive Compensation Committee, member Mr. Menardo R. Jimenez – Nomination and Hearing Committee, member</p> <p><u>Item 9. Other Events</u></p> <p>The Board declared cash dividends to shareholders of the Company as follows:</p> <p><u>Preferred Shares</u></p> <table> <tr> <td>Amount:</td><td>P20.00 per share</td></tr> <tr> <td>Record Date:</td><td>November 21, 2013</td></tr> <tr> <td>Closing of Books:</td><td>November 22 to 27, 2013</td></tr> <tr> <td>Payment Date:</td><td>December 3, 2013</td></tr> </table> <p><u>Common Shares</u></p> <table> <tr> <td>Amount:</td><td>P1.20 per share</td></tr> <tr> <td>Record Date:</td><td>November 21, 2013</td></tr> <tr> <td>Closing of Books:</td><td>November 22 to 27, 2013</td></tr> <tr> <td>Payment Date:</td><td>December 3, 2013</td></tr> </table>	Amount:	P20.00 per share	Record Date:	November 21, 2013	Closing of Books:	November 22 to 27, 2013	Payment Date:	December 3, 2013	Amount:	P1.20 per share	Record Date:	November 21, 2013	Closing of Books:	November 22 to 27, 2013	Payment Date:	December 3, 2013
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November 11, 2013	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled “San Miguel Pure Foods Sustains Positive Growth in Third Quarter”.</p>																
December 11, 2013	<p><u>Item 9. Other Events</u></p> <p>Please see attached Disclosure on the closing of the sale of the shareholdings of San Miguel Pure Foods Company, Inc. in Meralco Electric Company, to JG Summit Holdings, Inc.</p>																