

CR02656-2015

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, 2014
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, Metro Manila
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 (PF)	166,667,096
Preferred (PFP2)	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

P4,979,994,682 as of March 31, 2015

**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, 2014

Currency (indicate units, if applicable)	PHP (In Thousand)
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Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2014	Dec 31, 2013
Current Assets	48,192,192	53,492,715
Total Assets	66,654,955	72,742,449
Current Liabilities	29,781,550	24,971,487
Total Liabilities	30,692,132	30,382,524
Retained Earnings/(Deficit)	12,764,027	18,679,528
Stockholders' Equity	35,962,823	42,359,925
Stockholders' Equity - Parent	34,235,128	40,191,233
Book Value per Share	126.8	165.19

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2014	Dec 31, 2013
Operating Revenue	102,999,401	99,772,930
Other Revenue	136,158	1,168,443
Gross Revenue	103,135,559	100,941,373
Operating Expense	96,536,557	94,262,933
Other Expense	923,067	1,082,402
Gross Expense	97,459,624	95,345,335
Net Income/(Loss) Before Tax	5,675,935	5,596,038
Income Tax Expense	1,832,460	1,512,203
Net Income/(Loss) After Tax	3,843,475	4,083,835
Net Income/(Loss) Attributable to Parent Equity Holder	3,884,521	4,096,989
Earnings/(Loss) Per Share (Basic)	16.11	17.38
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	Fiscal Year Ended Dec 31, 2014	Previous Fiscal Year Dec 31, 2013
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.62	2.14
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.84	1.31
Solvency Ratio	Total Assets / Total Liabilities	2.17	2.39
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.46	0.42
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.85	0.72
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	14.19	10.81
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.85	1.72
Profitability Ratios			

Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.2	0.2
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	0.11	0.1
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	12.91	13.69

Other Relevant Information

Please see attached.

Filed on behalf by:

Name	Zenaida Postrado
Designation	VP & Chief Finance Officer

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

SEC Form 17-A

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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

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC Number 11840
File Number

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

(Company's Full Name)

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

(Company's Address)

702-5000

(Telephone Number)

December 31

(month & day)

SEC Form 17-A Annual Report

Form Type

Amendment Designation (if applicable)

December 31, 2014

Period Ended Date

(Secondary License Type and File Number)

SEC FORM 17-A



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

1. For the calendar year ended December 31, 2014
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. 23rd Floor 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, 2014)
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 30,692,132

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, 2014 and March 31, 2015 were P5,072,668,432, and P4,979,994,682, 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. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution. In the last quarter of 2013, SMPFC, through its wholly-owned subsidiary, San Miguel Mills, Inc. (SMMI), inaugurated and commenced operations of the Golden Bay Grain Terminal in Mabini, Batangas which can accommodate panamax vessels.

SMPFC has been listed on the PSE since 1973.

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

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

Major developments in the Company are discussed in Note 5 (Investments in Subsidiaries), Note 8 (Trade and Other Receivables), Note 12 (Investment), Note 14 (Property, Plant and Equipment), Note 16 (Goodwill), Note 20 (Equity) and Note 36 (Events After the Reporting Date) of the Audited Consolidated Financial Statements, attached hereto as **Annex “E”**, and in the Management’s Discussion and Analysis of Financial Position and Financial 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 foodservice business.
 - a) ***Feeds business*** - manufactures and sells different types of feeds to commercial farms and distributors. Internal requirements of SMFI’s combined Poultry and Fresh Meats business are likewise being served by the Feeds business.

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

- ***The Purefoods-Hormel Company, Inc. (PF-Hormel)*** - is a 60%-40% joint venture between the Company and Hormel Netherlands B.V., which produces and markets value-added refrigerated processed meats and canned meat products. PF-Hormel's refrigerated processed meats include, among others, hotdogs, cold cuts, hams, bacons, nuggets and other ready-to-eat meat products, while its canned meat products include corned beef, luncheon meats, sausages, meat spreads and canned viands.
- ***Magnolia, Inc. (Magnolia)*** - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk, ice cream, jelly snacks, cooking oils and salad aids.
- ***PT San Miguel Pure Foods Indonesia (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 Black Coffee, 3-in-1 flavored coffee mixes and coffeemix with cereals. In November 2009, by virtue of the Deed of Assignment and Deed of Novation of Joint Venture Agreement executed by and among SMSCCI, SCML and SCCPL, SCML assigned and transferred its entire shareholding in SMSCCI to SCCPL, and SCCPL agreed to perform and comply with all obligations of SCML under the Joint Venture Agreement relating to SMSCCI.
- ***San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)*** - is a company incorporated in the British Virgin Islands in August 1996 as a wholly-owned subsidiary of SMC, through San Miguel Foods and Beverage International Limited (SMFBIL). SMPFI Limited owns 100% of San Miguel Hormel (Vn) Co., Ltd. (SMHVN, formerly San Miguel Pure Foods (Vn) Co., Ltd.), a company incorporated in Vietnam which is licensed to engage in live hog farming and the production of feeds, and fresh and processed meats. In December 2006, SMFBIL sold to Hormel Netherlands B.V. (Hormel) its 49% interest in SMPFI Limited.
- ***San Miguel Pure Foods International, Limited (SMPFIL)*** - is a company incorporated in the British Virgin Islands in February 2007 and is 100%-owned by SMPFC. In July 2010, SMPFC, through SMPFIL, acquired SMC's 51% interest (through SMFBIL) in SMPFI Limited. In January 2015, SMPFIL signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited.
- ***RealSnacks Mfg. Corp.*** - was incorporated in April 2004 as a 100%-owned subsidiary of SMPFC. However, commercial operations have yet to commence.

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 2014, 2013 and 2012 follow:

	(in 000's)		
	2014	2013	2012
Sales	₱ 101,214,979	₱ 97,366,362	₱ 92,954,174
Operating income	6,679,065	5,892,808	5,482,277
Total Assets	65,484,504	70,640,243	66,079,494

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)		
	2014	2013	2012
Sales	₱102,999,401	₱ 99,772,930	₱ 95,787,365
Agro-Industrial	66.20%	64.53%	64.60%
Value-Added Meats	14.60%	14.91%	14.27%
Milling	8.60%	8.71%	8.80%
Others	10.60%	11.85%	12.33%
TOTAL	100.00%	100.00%	100.00%

The consolidated 2014 revenues include P1,828.5 million or about 1.78% 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.

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 Outbound Logistics Group centrally manages and directs the warehousing, hauling and delivery activities of the third party logistics providers. The value-added businesses, through SMIS, likewise utilize the services of the distributors for the marketing of their products to tertiary channels such as *sari-sari* stores and market stalls.

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 to handle the selling of their products to groceries and wet markets. SMMI relies mainly on its dealers for the marketing and selling of flour to major biscuits and noodle factories, and bakeries. 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 leading and 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. (UNAHCO), Universal Robina Corporation (URC), PILMICO, Cargill, Feedmix and Tateh, as well as with numerous regional feed mill companies and local feed millers. SMFI's Feeds business also faces increasing competition from foreign feeds manufacturers such as Charoen Pokphand Foods of Thailand and New Hope Group of China which have established operations in the Philippines. 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. The business competes on quality, customer service, distribution network and price.

SMFI's Poultry business is considered a major player in its industry group and faces competition from large integrated producers such as Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., Gama Foods Corp., Charoen Pokphand Group, Cobb Vantress Philippines, Inc. and URC, as well as from numerous smaller independent broiler producers. 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 2014, there are more than 1,000 *Magnolia Chicken Stations* nationwide that served as the Poultry business' exclusive retail outlets.

SMFI's Fresh Meats business is considered the holder of the largest market share in the Philippine hogs industry among the large commercial farms in the Philippines and is regarded as a major player in the highly fragmented domestic pork and beef markets. Its main competitors are Robina Farms and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle to live buyers, 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 competitor. 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, 2014, there are over 600 *Monterey* meat shops nationwide distributing quality meats to consumers.

SMMI's Flour business is believed to be the largest producer, seller and distributor of flour in the Philippines. It belongs to a highly commoditized industry sensitive to price movements and generally characterized by low brand loyalty. The Flour business of SMMI accounts for the largest market share in the industry and competes on the basis of price, quality, customer service and distribution reach. Main competitors of SMMI are Philippine Foremost Milling Corporation, Pilmino 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 who produces flour exclusively for its internal requirements. Competition within the industry is intense due to the prevailing excess capacity and the presence of lower-priced imported flour. Most of the competitors produce only a limited number of flour types such as hard flour for bread products and soft flour for biscuits. SMMI differentiates itself by focusing on the production of more specialized, higher quality and higher-priced flours. Considered growth drivers of the industry are population growth, demand for bread and other flour-based products such as noodles, as well as 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. SMMI expects to face increased competition in the lower-priced and lower quality segments, and from international and regional flour producers in the future.

The combined shares of PF-Hormel's hotdog brands have positioned the business as the market leader in the hotdogs category. PF-Hormel likewise dominates both the nuggets and the premium segment of corned meats categories. PF-Hormel competes on quality, product innovation, distribution network and customer service. Competitors and competing brands in the Value-Added Meats business include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), Century Pacific Food Inc. (*Swift*, *Argentina* and *555*), Meken Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*) and the distributors of *Maling*. In recent years, the Value-Added Meats business of PF-Hormel experienced increased competition both from the established local players, who are employing aggressive pricing and promotion schemes, and from new entrants to the market. To maintain its leadership position, San Miguel Pure Foods has responded by maintaining high product quality, continuing innovation, increasing advertising and promotions, and by enhancing consumer experience through strategic alliances with institutions such as theme parks, events venues and schools. 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 continued to be the prevailing trends in the industry.

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 one of the top players in the butter category alongside Fonterra Philippines for *Anchor Butter*. In the refrigerated margarine category where New Zealand Cremery, Inc. (NZC) and RFM Corporation (RFM) also compete, Magnolia accounts for a significant market share. Magnolia likewise dominates the non-refrigerated margarine category where San Pablo Manufacturing and AD Gothong Manufacturing also compete. In the cheese category, however, Mondelez Philippines, Inc. (formerly Kraft Foods Philippines) is 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, Knotsberry Farm and Best Tiwi. The ice cream industry was relatively flat compared to 2013 despite heavy advertising and promotion spending by major players and continued new product launches. The market is dominated by Unilever-RFM, maker of *Selecta*, and Nestle, with Magnolia ranking as the third largest player.

The coffee industry, where one of the players is the Company's coffee business under SMSCCI, is composed of instant coffee, coffee mixes and ready-to-drink coffee. Competitors and competing brands in the coffee mix segment are Nestlé (*Nescafe*), Tridharma Marketing Corp. (*Kopiko*), URC (*Great Taste*), 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. Consumer preference, however, has shifted from the regular flavor to the White variant.

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 that its competitive strengths will enable it to protect and build on its leadership position in the food industry at the same time 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 Bunge Agribusiness Singapore PTE Ltd. The business' feed wheat requirements, on the other hand, are imported from Netherland-based Glencore Grain B.V. and also from Bunge Agribusiness Singapore PTE Ltd. 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, and from France-based Hubbard S.A.S.

SMFI's Fresh Meats business imports most 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 meat requirements from various local suppliers and from affiliate, SMFI. On the other hand, India-based Allansons Limited is considered as the major supplier for PF-Hormel's imported 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/dealers 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 was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the Department of Agriculture (the "DA") and the Department of Health (the "DOH"), their pertinent bureaus, and the local government units.

The law 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 DA and 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 2014, 2013 and 2012 were P281.7 million, P275.3 million and P195.0 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2012 to 2014 barely ranged from 0.2% to 0.3%.

Cost of Compliance with Environmental Laws

The Company and its subsidiaries incurred about P32.2 million in expenses for environmental compliance for the year 2014. 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.

Majority of the subsidiaries of the Company have funded, noncontributory defined benefit retirement plans covering all of its permanent employees.

Under the retirement plans of the subsidiaries, all regular monthly-paid and daily paid employees of the subsidiaries are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company's subsidiaries may, however, at their 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's subsidiaries. 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's subsidiaries. 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 Prospectus dated February 11, 2015 (filed with the SEC, disclosed to the PSE and uploaded in the Company's website), relating to the offer and sale by way of a primary offer in the Philippines (the "Offer") of up to 15,000,000 cumulative, non-voting, non-participating, non-convertible Peso-denominated perpetual preferred shares with a par value of P10.00 each (the "Series 2 Preferred Shares").

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, grain terminal, 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 Property) 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 2014.

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	2014		2014		2013		2013	
	Common		Preferred		Common		Preferred	
	High	Low	High	Low	High	Low	High	Low
1 st	275.00	216.00	1,068.00	1,030.00	314.60	239.80	1,045.00	1,010.00
2 nd	267.60	210.00	1,060.00	1,000.00	309.40	210.00	1,080.00	1,040.00
3 rd	235.20	220.00	1,037.00	997.00	251.00	200.00	1,072.00	1,020.00
4 th	238.00	208.00	1,050.00	1,008.00	246.40	214.00	1,060.00	1,035.00

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

Common shares	P 205.00	February 27, 2015
Preferred shares	P 1,011.00	February 11, 2015

The approximate numbers of shareholders of the Company as of December 31, 2014, are as follows:

Common shareholders	129
Preferred shareholders	228

The Company's top 20 stockholders of (a) common shares, (b) preferred shares, and (c) combined common and preferred shares, as at December 31, 2014 are as follows:

(a) Common shares

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	142,279,267	85.367340%
2	PCD Nominee Corporation (Filipino)	14,213,001	8.527779%
3	PCD Nominee Corporation (Non-Filipino)	10,074,229	6.044522%
4	PFC ESOP/ESOWN Account	27,110	0.016266%
5	Cecille Y. Ortigas	22,861	0.013717%
6	Ramon L. Chua	7,714	0.004628%
7	Jorge Ramos	6,924	0.004154%
8	Ana Maria De Olondriz Ortigas	5,531	0.003319%
9	Pacifico de Ocampo	4,324	0.002594%
10	William Pendarvis	2,937	0.001762%
11	Teodoro Quijano	1,413	0.000848%
12	Principe P. Reyes	1,413	0.000848%
13	Maxima A. Senga	1,305	0.000783%
14	Francis Fernan	1,224	0.000734%
15	Honesto B. Buendia	1,176	0.000706%
16	Roseller A. Mendoza	1,000	0.000600%
17	Jose Avellana	980	0.000588%
18	Peter F. Metcalf	741	0.000445%
19	Elsa Fernandez Beltran	717	0.000430%
20	Josefa L. Sucgang	670	0.000402%

(b) Preferred shares

Rank	Stockholder Name	Total Preferred Shares	% of Outstanding Preferred Shares
2	PCD Nominee Corporation (Filipino)	14,470,549	96.470327%
3	San Miguel Corporation Retirement Plan – FIP	100,000	0.666667%
4	San Miguel Foods, Inc. Retirement Plan – FIP	54,835	0.365567%
5	M. A. Jimenez Enterprises, Inc.	50,000	0.333333%
6	First Life Financial Co., Inc.	40,000	0.266667%
7	PCD Nominee Corporation (Non-Filipino)	38,040	0.253600%
8	Republic Glass Holdings Corporation	16,000	0.106667%
9	Francisco S. Alejo III	10,000	0.066667%
10	FLG Management and Development Corporation	10,000	0.066667%
11	Gervel, Inc.	10,000	0.066667%
12	Carolina N. Dionisio	8,000	0.053333%
13	Enrique Ll. Yusingco	5,100	0.034000%
14	Safeway Customs Brokerage, Inc.	5,000	0.033333%
15	Daisy Que Lim &/or Lolita Que Lim	5,000	0.033333%
16	Willy Te Go &/or Anito Ong Go	5,000	0.033333%
17	Jocelyn Chan Go &/or George Hao Go	5,000	0.033333%
18	Alexander T. Solis &/or Gina Sinfuego	5,000	0.033333%

19	Luciano Q. Puno or Imelda V. Puno	5,000	0.033333%
20	MRL Cybertec Corporation	5,000	0.033333%

(c) Combined Common and Preferred shares

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)	14,213,001	14,470,549	28,683,550	15.789073%
3	PCD Nominee Corporation (Non-Filipino)	10,074,229	38,040	10,112,269	5.566373%
4	San Miguel Corporation Retirement Plan – FIP	0	100,000	100,000	0.055046%
5	San Miguel Foods, Inc. Retirement Plan	0	54,835	54,835	0.030184%
6	M. A. Jimenez Enterprises, Inc.	0	50,000	50,000	0.027523%
7	First Life Financial Co., Inc.	0	40,000	40,000	0.022018%
8	PFC ESOP/ESOWN Account	27,110	0	27,110	0.014923%
9	Cecille Y. Ortigas	22,861	0	22,861	0.012584%
10	Republic Glass Holdings Corporation	0	16,000	16,000	0.008807%
11	Francisco S. Alejo III	1	10,000	10,001	0.005505%
12	FLG Management and Development Corporation	0	10,000	10,000	0.005505%
13	Gervel, Inc.	0	10,000	10,000	0.005505%
14	Carolina N. Dionisio	0	8,000	8,000	0.004404%
15	Ramon L. Chua	7,714	0	7,714	0.004246%
16	Jorge Ramos	6,924	0	6,924	0.003811%
17	Ana Maria De Olondriz Ortigas	5,531	0	5,531	0.003045%
18	Enrique Ll. Yusingco	0	5,100	5,100	0.002807%
19	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, 2014, the Company had a public float of 14.6%, as reflected in the Public Ownership Report for the said period.

In 2014, 2013 and 2012, the Company paid out cash dividends of P4.80 per common share and P80.00 per preferred share. In addition, the Company paid out a special cash dividend of P48.00 per common share in 2014.

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

In January 2011, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of P10.00 per share (the "PFP Shares"), and the PSE approved, subject to certain conditions, the application of the Company to list up to 15,000,000 PFP

Shares to cover the Company's follow-on preferred shares offering at an offer price of P1,000.00 per share. In February 2011, on the basis of the SEC order for the registration of the PFP Shares and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public the PFP Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 8% per annum. The offering was fully subscribed and the PFP Shares were issued on March 3, 2011, its listing date on the PSE.

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

On February 3, 2015, the Board of Directors of SMPFC approved the redemption of the PFP Shares issued by the Company on March 3, 2011 at the redemption price of P1,000 per share. The redemption price and all accumulated unpaid cash dividends, were paid on March 3, 2015 to the preferred stockholders of record as of February 17, 2015, in accordance with the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose.

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

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 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 2014 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 2014.

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

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

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

The stockholders approve the appointment of the Company’s external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures

that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

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 2014, 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, 79, is the Chairman and a non-executive director of the Company, a position he has held since May 22, 2001, and Chairman of the Company's Executive Committee (since April 25, 2002). He is also Chairman and Chief Executive Officer of San Miguel Corporation and Ginebra San Miguel, Inc. He is likewise the Chairman of Petron Corporation, ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and a Director of Caiñaman Farms, Inc. He was previously Director of Manila Electric Company (February 2009 to May 2009). Mr. Cojuangco attended the College of Agriculture, University of the Philippines, as well as California Polytechnic College in San Luis Obispo, U.S.A. Among others, he was conferred the Degree of Doctor of Economics *Honoris Causa* by the University of Mindanao and the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture.

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

Francisco S. Alejo III, Filipino, 66, is the President of the Company, a position he has held since May 20, 2005. He has been a Director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002) and Nomination and Hearing Committee (since May 20, 2005). He also holds the following positions: Chairman and President of RealSnacks

Mfg. Corp.; Chairman of Sugarland Corporation, Golden Food & Dairy Creamery Corporation, San Miguel Hormel (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and Philippine Prime Meat Marketing Corporation; Vice Chairman of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., and Magnolia Inc.; Director of San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI), San Miguel Pure Foods Investment (BVI) Ltd. and San Miguel Pure Foods International, Limited (BVI); and President Commissioner of PT San Miguel Pure Foods Indonesia. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

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

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

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

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

Centers from July 2007 to July 2008. Mr. Bello holds a Bachelor of Arts Degree in Political Science from Manuel L. Quezon University and a Bachelor of Laws Degree from Ateneo de Manila University College of Law.

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

Angelina S. Gutierrez, Filipino, 77, served as Independent Director of the Company from May 10, 2013, until she tendered her resignation effective October 8, 2014. She was a member of the Company's Executive Committee (appointed November 7, 2013) and Audit Committee (appointed May 10, 2013). She was an Independent Director of Ginebra San Miguel, Inc. (elected May 12, 2012) and Dean of the Graduate School of Law of *Pamantasan ng Lungsod ng Maynila* (appointed 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.

Key Executive Officers

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

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

Engineering, from De La Salle University, and completed the Management Development Program at Asian Institute of Management.

Alexandra Bengson Trillana, Filipino, 41, is the Corporate Secretary of the Company (since September 15, 2010). She is also Assistant Vice President and General Counsel of the Company; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Sugarland Corporation, Golden Food & Dairy Creamery Corporation, Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and RealSnacks Mfg. Corp. She was previously Assistant Corporate Secretary of the Company (from April 26, 2004 to September 14, 2010); and Senior Manager – Commercial Transactions of San Miguel Corporation's Office of the General Counsel (from August 2005 to December 2009). Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

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

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

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

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

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

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

Board Attendance

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

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

Director	Date of Stockholder Meeting
	May 9, 2014 (Annual Stockholders' Meeting)
Eduardo M. Cojuangco, Jr. (Chairman)	Absent
Ramon S. Ang (Vice-Chairman)	Present

Francisco S. Alejo III (<i>President</i>)	Present
Menardo R. Jimenez	Present
Mario C. Garcia	Present
Carmelo L. Santiago (<i>Independent Director</i>)	Present
Angelina S. Gutierrez (<i>Independent Director</i>)	Present
Silvestre H. Bello III (<i>Independent Director</i>)	Absent
Edgardo P. Cruz (<i>Independent Director</i>)	Present

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 2014 are Mr. Carmelo L. Santiago, Justice Angelina S. Gutierrez (until her resignation effective October 8, 2014), Mr. Silvestre H. Bello III and Justice Edgardo P. Cruz. 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.

Intermediate Parent Company

As of December 31, 2014, 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)	2015 (estimated)	P 61.3 Million	P 14.7 Million	P 4.2 Million	P 80.2 Million
	2014	P 57.3 Million	P 22.9 Million	P 4.3 Million	P 84.5 Million
	2013	P 56.2 Million	P 8.8 Million	P 4.1 Million	P 69.1 Million
All other officers and directors as a group unnamed	2015 (estimated)	P157.1 Million	P 42.8 Million	P 39.0 Million	P238.9 Million
	2014	P153.9 Million	P 47.9 Million	P 41.1 Million	P242.9 Million
	2013	P157.1 Million	P 40.9 Million	P 46.0 Million	P244.0 Million
TOTAL	2015 (estimated)	P218.4 Million	P 57.5 Million	P 43.2 Million	P319.1 Million
	2014	P211.2 Million	P 70.8 Million	P 45.4 Million	P327.4 Million
	2013	P213.3 Million	P 49.7 Million	P 50.1 Million	P313.1 Million

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

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, 2014 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
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	78.3187%

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.

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 Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Virgilio S. de Guzman, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan Jr.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation ⁴ 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various ⁵	Filipino	14,213,001	15.7891%
Preferred				14,470,549	
Common	PCD Nominee Corporation ⁶ 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various ⁷	Non-Filipino	10,074,229	5.5664%
Preferred				38,040	

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, 2014:

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)		

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.

Common	Menardo R. Jimenez	1 (Direct)	Filipino	1 (0.00%)
Common	Edgardo P. Cruz	1 (Direct)	Filipino	1 (0.00%)
Common	Mario C. Garcia	1 (Direct)	Filipino	1 (0.00%)
Common	Carmelo L. Santiago	1 (Direct)	Filipino	1 (0.00%)
Common	Silvestre H. Bello III	1 (Direct)	Filipino	1 (0.00%)
Preferred	Zenaida M. Postrado	7,000 (Beneficial)	Filipino	7,000 (0.00%)
Preferred	Ma. Soledad E. Olives	3,400 (Beneficial)	Filipino	3,400 (0.00%)
Preferred	Alexandra Bengson Trillana	500 (Beneficial)	Filipino	500 (0.00%)

The aggregate number of shares owned of record by the Chairman, President, key officers and directors as a group as of December 31, 2014 is 69,408 shares or approximately 0.0382% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2014 is 76,458 shares or approximately 0.0421% 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

The Company recognizes that under the law, in order for a contract with an officer not to be voidable, the contract should be fair and reasonable under the circumstances and should have been previously authorized by the Board of Directors. The Company also recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances.

The Company observes an arm's length policy in its dealings with related parties. Any transactions with affiliates and other related parties are entered into in the ordinary course of business. These transactions consist principally of sale and/or purchase of goods and/or services. 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. The Company does not enter into related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities.

Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements. See Note 5 (Investments in Subsidiaries), Note 8 (Trade and Other Receivables), Note 12 (Investment), Note 13 (Investment Property), Note 15 (Other Intangible Assets), Note 16 (Goodwill), 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.

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 Consolidated 2014 Annual Corporate Governance Report (SEC Form-ACGR) of SMPFC attached hereto as **Annex “F”**. This SEC Form-ACGR, as well as updates thereto, is also 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 2014 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

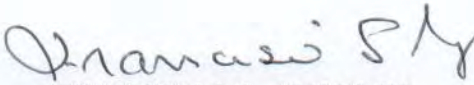
The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as **Annex “G”**.

SIGNATURES

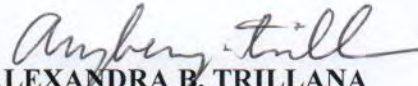
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on MAR 20 2015 2015.

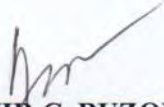
By:


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 20 2015 day of MAR 20 2015, 2015 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	EC-0671128	March 25, 2019	Manila
Alexandra B. Trillana	EC-0224777	February 4, 2019	Manila
Mauvir C. Buzon	EB-8458523	June 21, 2018	Manila

Page No. 45 ;
Doc. No. 70 ;
Book No. VI ;
Series of 2015.


MA. FRANCESCA Q. BALTAZAR

Notary Public for Pasig City
Commission until 31 December 2016
22nd Floor, JMT Corporate Condominium,
ADB Ave., Orugas Center, Pasig City
APPT No. 94 (2015-2016)/Roll No. 57174
PTR No. 0396440; 1/13/2015; Pasig City
IBP No. 0990397; 1/12/2015; Makati City

San Miguel Pure Foods Company Inc. and Subsidiaries
List of Products and/or Services as at December 31, 2014

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)
 Supermarket Housebrands

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

Marinated

Magnolia Chicken Station Cook Easy products (Freshly-Made at the Magnolia Chicken Station)

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
 Magnolia Marinated Cut-ups (Chicken Tocino, Chicken Tapa, Chicken Oriental, Chicken BBQ, Chicken Inasal)

Brown Eggs

Magnolia Chicken Brown Eggs

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 Blood Trio

Ready-to-Eat (Adobo, Caldereta)

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)

Monterey Longanisa Specials (Lucban, Alaminos, Vigan, Bacolod and Davao)

Monterey Pork Tenderloin BBQ Skewers 8s

FEEDS

Animal & Aquatic Feeds

Hog Feeds

B-MEG Premium Hog Pellets

B-MEG Dynamix Hog Feeds

B-MEG Expert Hog Feeds

B-MEG Essential Hog Feeds

Bonanza Hog Pellets

Jumbo Hog Mash

Maton

Pureblend Hog Pellets

PBXCELLENT Hog Feeds

Poultry Feeds

B-MEG Premium Layer

B-MEG Essential Layer

B-MEG Expert Layer

B-MEG Layer

B-MEG Integra

B-MEG Derby Ace

B-MEG Alertone Mixed Grains

B-MEG Premium Broiler

B-MEG Essential Broiler

B-MEG Broiler

B-MEG Pigeon Pellets

B-MEG Kabir

Jumbo Pullet Developer Pellets

Pureblend Broiler

Pureblend Special Broiler

Pureblend Layer

Duck Feeds

- B-MEG Duck Feeds
- Pureblend Duck Feeds

Quail & Ostrich Feeds

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

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 Slow Sinking Feeds
- B-MEG Nutrifloat Floating Feeds
- 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
- Essential Intramix Pro Hog Gestating Concentrate
- Essential Intramix Plus Poultry Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparation

- Amoxil-V
- Cephalexin
- Chlortetracycline
- Cotrimoxazole 48%
- Doxa-V
- Dox-C-Lin
- Dox-C-Trin Premium

Supplement/Vitamins - Water Soluble Preparation

Elec-V
Multi-V
Multivitamins +Minerals + Amino Acids
Vitamin B Complex for Broiler
Vitamin B Complex for Breeder
Vitamin E 50%

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Para-V

Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD
Bulatigok

Disinfectant

Protect Plus

Injectables

Norotyl LA
Alamycin LA
Iron-Vet
Norovit

Oral Preparation

First Pulse D
Worm-X

Antibiotics Premixes

Amoxicillin 10%
Tiamulin 10%
Cotrimazine 48%

Liquid Preparation

Vitamin ADE
Vitamin E 60%
Norfloxacin 20%

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
 Magnolia Devil's Food Cake Mix
 Magnolia Fudge Brownie Mix

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, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili)
 Purefoods Star Hotdog (Regular, Cheezeedog, Chick n' Tasty)
 Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
 Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
 Purefoods Beefies Hotdog (Regular Lots-a-Cheese)

Vida Hotdog

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, Chicken Burger, Fish Nuggets, Chicken Breast Nuggets, Wingers, Tonkatsu, Fully Cooked Homestyle Fried Chicken)
 Purefoods Star (Chicken Nuggets, Burger Bites, Crispy Burger)

Bacon

Purefoods Honeycured Bacon (Classic, 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, Chicken)
 Purefoods Tocino (Classic Pork, Sweet Chili, Honey Glazed)

GROCERY PRODUCTS

Corned Meats

Purefoods Corned Beef (Classic, Hash, Chili)
 Purefoods Chunky Corned Beef
 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)

Canned Chicken

- Purefoods Sexy Chix (Arrabiata, Adobo, Guiltless Broth, Hainanese Style)

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)

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)
Magnolia Jelly Sip (Strawberry, Apple, Orange, Grape and 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)
Magnolia Classic Medley (Black & White, Dare Devil, Bumble Bee)
Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Creamy Halo-Halo Delight, Ube Macapuno Swirl, Choco Chip Cookie Dough, 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 Best of the Phillippines (Ube Keso, Macapuno Langka, Tsokolate Table, Coffee Crumble, Mangoes and Cream, Pinipig Pandan, Caramel Cashew Tart, Strawberry Shortcake, Butterscotch, Kesong Puti, Peanut Kisses, Mais Con Hielo, Yema Pastel, Ginataang Monggo)
Magnolia Sorbetes (Ube, Tsokolate, Keso)
Magnolia No Sugar Added (Vanilla, Chocolate)
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)
 Magnolia Creations Stick Ice Cream (Macapuno Langka, Coffee Crumble, Pinipig Pandan, Kesong Puti)

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 Fastbreak

San Miguel Foods, Inc - Great Food Solutions (GFS)**Poultry and Meats****Value-Added Meats**

Pizza Toppings
 Slices
 Specialties (Sauces & Ready-to-Serve Viands)
 Hotdogs and Deli

Dairy, Fats and Oils

Butter, Margarine and Cheese
 Coconut Oil

Flour and Dry Bakery Ingredients

Basic Flour and Premixes
 Dessert mixes

Coffee and Milk

Traded Products

Dairies

Mozzarella
Sliced-on-Slice Cheese

Stocks

Chocolates

Canned Vegetables

Ibero Olive, Promace, Pure and EVOO Oil

GFS Commissary Products

Breaded, Battered and Fried
Patties
Marinated Value-Added Meats
Ready-to-Eat Meals

FRANCHISING

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 (Beef)
Vida (Beef)
Vida Saving (Beef)

Sausages

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

Retort Sausage

Vida Cociz (Chicken, Ready-to-Eat)

Farmhouse (Ready to Eat: Cheese, Barbecue, Bakso & Seaweed Jumbo, Sosis Instant: Sapi Goreng, Sapi Serbaguna)

Cold Cuts

Farmhouse (Beef, Chicken)
Purefoods Choice (Sliced Chicken Chunk, Chicken Chunk, Minced Beef, Minced Chicken Teriyaki, Meat Block Papz, Smoked Beef)

Luncheon Burger

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

Value Added

Patties (Chicken, 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, 2014

Level	Union	Expiration of CBA (Economic)	Headcount
Rank and File	<i>SMFI</i>		
	MPEU - PTGWO	December 31, 2016	42
	SMFIEU - PTGWO	December 31, 2016	116
	<i>SMMI</i>		
	PFMEU	December 31, 2016	32
	<i>MAGNOLIA</i>		
	PWU IBM 47 - Cavite	February 28, 2014	104
	<i>PTSMPI</i>		
	Federasi Serikat Pekerja Seluruh Indonesia sector Rokok, Tembakau, Makanan & Minuman (FSPSI RTMM)	December 31, 2013	110
	<i>SMHVN</i>		
	Trade Union Foundation of SMHVN	December 31, 2013	143
	Non-Unionized/Exempt		2,150
	<i>Total Rank & File</i>		2,697
Supervisors			244
Managers			244
Executives			38
TOTAL			3,223

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Main Office						
	The JMT Corporate Condominium	ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Administration Office						
	Agro-Industrial Cluster and Great Food Solutions Iloilo Office	Melliza St., Brgy. Zamora, Iloilo City	Good	Good			
	Sta. Maria Vetmed Office	Brgy. Guyong, Sta. Maria, Bulacan	Good	Good			
	Manufacturing Plants/Facilities/Farms/Hatcheries/Cold Storage/Warehouses						
	Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	General Santos Warehouse	SMPFC Cmpd., Rivera St., Brgy. Calumpang, Gen. Santos City	Owned	Good			
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta. Maria, Bulacan	Owned	Good			
	Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good			
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good			
	Davao Poultry Dressing Plant	Brgy. Sirawan, Toril, Davao City	Owned	Good			
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good			
	Orion Experimental Training Farm	Brgy. General Lim, Orion, Bataan	Owned	Good			
	Otis Warehouse	Mendiola Ext., Otis, Pandacan, Manila	Owned	Good			
	Isabela Cattle Farm	Bo. San Luis, Cauayan, Isabela	Owned	Good			
	Monterey Meat Plant	Governor's Drive, Langkaan, Dasmariñas, Cavite	Owned	Good			
	Polomolok Cattle Farm	Matin-ao, Polomolok, South Cotabato	Owned	Good			
	San Miguel Farm	Magmarale, San Miguel, Bulacan	Owned	Good			
	Sumilao Farm	San Vicente, Sumilao, Bukidnon	Owned	Good			
	Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good			
	BMEG Pangasinan Feedmill	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
	Bukidnon Feedmill	Milmar Compound, Impalutao, Impasug-ong, Bukidnon	Owned	Good			
	Bulacan Feedmill	Brgy. Magmarale, San Miguel, Bulacan	Owned	Good			
	Feeds Spent Drying and Rendering Plant	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Feeds Spent Drying Plant	Mc Arthur Hi-way, Valenzuela City	Owned	Good			
	Isabela Feedmill	Brgy. Soyung, Echague, Isabela	Owned	Good			
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good			
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good			
	Golden Bay Grain Terminal	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Processed Meats Cavite Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Processed Meats Fairview Warehouse	34 Consul St., Fairview Park Subdivision, Fairview, Quezon City	Owned	Good			
	Magnolia Ice Cream Plant	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Magnolia Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, 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			
	Land						
	Golden Avenue Corp.	San Miguel Ave., corner Tektite Road, Pasig City	Owned	Good			
	Manufacturing Plants/Facilities/Farms/Hatcheries						
	Surewealth Realty Inc. - Poultry	Brgy. General Lim, Orion, Bataan	Rented	Good	131,251.50	January 31, 2016	Continuing unless terminated and agreed by both parties
	BMEG Pangasinan Feedmill (lot only)	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Rented	Good	252,357.92	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	1,004,135.65	February 28, 2054	Renewable for a maximum of 25 years after the expiration of the contract

Company Name / Subsidiary			Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
		Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented	Good	777,515.00	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	3,890,745.53	March 31, 2016	Continuing unless terminated and agreed by both parties
		Magnolia Ice Cream Plant (Lot Only)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	525,725.89	May 31, 2019	Renewable upon mutual agreement of both parties (10 year contract)
		Foreshore						
		Flour Mabini	Brgy. Bulacan, Mabini, Batangas	Rented	Good	14,166.66	December 20, 2014	Continuing unless terminated and agreed by both parties
		Flour Tabangao	Brgy. Tabangao, Batangas City	Rented	Good	2,412.15	August 24, 2024	Continuing unless terminated and agreed by both parties
		GBGTC Foreshore	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	13,965.50	June 30, 2025	Continuing unless terminated and agreed by both parties
		Sales & Administration Offices/Warehouses						
		Food Group Admin Office	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Rented	Good	230,102.51	December 31, 2014	Continuing unless terminated and agreed by both parties
		Food Group Shared Services Center	10th Flr., Raffles Corporate Centre, F. Ortigas Jr., Pasig City	Rented	Good	Jan to Sep: 516,190; Oct to Dec: 541,990	October 09, 2016	Renewal for another period of five (5) years by the Lessee in writing at least thirty (30) days prior to expiration of the existing contract
		Food Group Integrated Sales Office	20F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good	330,732.90	December 31, 2018	Renewable upon consent of both parties
		Food Group Purchasing Office	4F JMT Corp. Cond. ADB Avenue, Ortigas Center, Pasig City	Rented	Good	191,983.44	December 31, 2014	Renewable upon mutual agreement of both parties
		Food Group Consolidated Warehouse	403 F. Legaspi Street, Maybunga, Pasig City	Rented	Good	5,989,913.27	SMIS, PHC, & Magnolia - December 31, 2014; Flour - June 14, 2015	Continuing unless terminated and agreed by both parties
		Bacolod Sales Office - Agro-Industrial Cluster and Great Food Solutions	Door 3 & 4, VCY Center, Hilado Extension, Kamagong St., Bacolod City	Rented	Good	39,237.94	July 15, 2015	Continuing unless terminated and agreed by both parties
		Bicol Finance and Sales Office - Agro-Industrial Cluster	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	30,000.00	November 15, 2014	Continuing unless terminated and agreed by both parties
		Bohol - Agro-Industrial Cluster	Albur Dressing Plant, Eastern Poblacion, Alburquerque, Bohol	Rented	Good	6,428.57	December 31, 2014	Continuing unless terminated and agreed by both parties
		Bukidnon Admin Office - Agro-Industrial Cluster	Gellor Bldg., Propia St., Malaybalay	Rented	Good	72,600.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Butuan Admin Office - Agro-Industrial Cluster	Km. 9, Tag-ibo, Butuan City	Rented	Good	5,892.86	December 31, 2014	Continuing unless terminated and agreed by both parties
		Cagayan de Oro Admin Office - Agro-Industrial Cluster and Great Food Solutions	3rd Flr., HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good	119,821.43	December 31, 2014	Continuing unless terminated and agreed by both parties
		Calamba - Agro-Industrial Cluster	3rd and 4th Flr. Dencris Bus. Center, Brgy. Halang, Calamba City, Laguna	Rented	Good	107,624.45	March 31, 2017	Continuing unless terminated and agreed by both parties
		Cebu Admin Office - Agro-Industrial Cluster	6th Flr., Clotilde Bldg., Casuntingan, Mandaue City	Rented	Good	148,500.00	September 30, 2016	Continuing unless terminated and agreed by both parties
		Davao Admin Office - Agro-Industrial Cluster, Great Food Solutions and San Miguel Integrated Sales	2nd Flr. ARC Bldg., cor Dakudao Ave. and Lakandula St., Agdao, Davao City	Rented	Good	114,960.35	December 31, 2014	Continuing unless terminated and agreed by both parties
		Dumaguete Admin Office - Agro-Industrial Cluster	2nd Floor THS Bldg., Real St., Dumaguete City, Negros Oriental	Rented	Good	11,353.57	June 30, 2015	Continuing unless terminated and agreed by both parties
		Ormoc Admin Office - Agro-Industrial Cluster	Door 4, 2nd Flr., Tan Bldg., Lilia Avenue, Cogon, Ormoc City	Rented	Good	7,865.00	December 31, 2018	Continuing unless terminated and agreed by both parties
		Ozamis Office - Agro-Industrial Cluster	Mailen, Clarin, Misamis Occidental	Rented	Good	8,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Pampanga Admin Office - Agro-Industrial Cluster	RRK Bldg., Jose Abad Santos Ave., Dolores, City of San Fernando, Pampanga	Rented	Good	141,000.00	September 15, 2015	Continuing unless terminated and agreed by both parties
		Zamboanga Admin Office - Agro-Industrial Cluster	Door 2, Nuño Bldg., Guiwan Highway, Zamboanga City	Rented	Good	12,979.88	December 31, 2014	Continuing unless terminated and agreed by both parties
		Asialink VAO Office - Poultry	San Roque, Sto Tomas, Batangas	Rented	Good	7,040.00	March 31, 2015	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
		Fresh Meats Selling Stations	Mega Q Mart and Farmers Market, Quezon City	Rented	Good	249,315.69	Q Mart - August 14, 2016; Farmers - December 31, 2014	Continuing unless terminated and agreed by both parties
		Pampanga Livestock Selling Station - Fresh Meats	Sta.Barbara, Bacolor, Pampanga	Rented	Good	155,073.33	October 31, 2015	Continuing unless terminated and agreed by both parties
		AFSI Warehouse - Feeds	1st Industrial Zone, Ecozone, Sitio San Ramon, Brgy. Talisayan, Zamboanga City	Rented	Good	269,010.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Alejo Sim Warehouse - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	227,520.00	March 15, 2015	Continuing unless terminated and agreed by both parties
		Bacolod Sales Office - Feeds	Brgy. Banago, Bacolod City	Rented	Good	37,136.80	December 31, 2014	Continuing unless terminated and agreed by both parties
		Budex Warehouse - Feeds	Bangcud, Malaybalay City, Bukidnon	Rented	Good	115,000.00	July 31, 2015	Continuing unless terminated and agreed by both parties
		Bulacan Sales Office - Feeds	382 McArthur Hi-way, Tuktukan, Guiguinto, Bulacan	Rented	Good	60,647.32	December 31, 2014	Continuing unless terminated and agreed by both parties
		Capas Warehouse - Feeds	Cristo Rey, Capas, Tarlac	Rented	Good	294,030.00	April 30, 2015	Continuing unless terminated and agreed by both parties
		CSU Warehouse - Feeds	Brgy. Pavia, Iloilo	Rented	Good	446,430.00	December 31, 2015	Continuing unless terminated and agreed by both parties
		Fieldman Warehouse - Feeds	Sta.Rita East, Agoo, La Union	Rented	Good	112,410.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Fortune Warehouse - Feeds	Pagdaraoan, San Fernando, La Union	Rented	Good	117,857.14	March 15, 2015	Continuing unless terminated and agreed by both parties
		Go Warehouse - Feeds	Del Pilar, Alicia, Isabela	Rented	Good	882,000.00	June 30, 2015	Continuing unless terminated and agreed by both parties
		Juan Sim Warehouse - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	330,610.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		LSL Multi-Serve Company - Feeds	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao City	Rented	Good	832,725.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Malitlit Warehouse - Feeds	Brgy. Malitlit, Sta. Rosa, Laguna	Rented	Good	1,016,960.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		MGC Warehouse - Feeds	MGC Compound, Luzon Avenue, Brgy. Mariveles, Bataan	Rented	Good	1,337,239.35	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		MIMJOE Warehouse - Feeds	Km. 9, Sasa, Davao City	Rented	Good	823,467.71	December 31, 2014	Continuing unless terminated and agreed by both parties
		Namayan Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City, Metro Manila	Rented	Good	300,000.00	April 15, 2015	Continuing unless terminated and agreed by both parties
		NFA Isabela Warehouse - Feeds	Northern Philippine Grains Complex,Echague, Isabela	Rented	Good	251,250.00	March 31, 2015	Continuing unless terminated and agreed by both parties
		Paddad Warehouse - Feeds	Brgy. Victoria, Alicia, Isabela	Rented	Good	75,600.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Paragas Warehouse - Feeds	835 Brgy. Babasit, Manaoag, Pangasinan	Rented	Good	168,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Pasacao Warehouse - Feeds	Pongol, Balogo, Pasacao, Camarines Sur	Rented	Good	439,285.71	June 30, 2015	Continuing unless terminated and agreed by both parties
		Pili- COSAY Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	400,017.86	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Poros Warehouse - Feeds	Port Area ,San Fernando Port, Poros Point Special Economic and Freeport Zone	Rented	Good	127,609.71	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Pozzorubio Warehouse - Feeds	Brgy. Cablong, Mc Arthur Highway, Pozzorubio, Pangasinan	Rented	Good	113,400.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Prime Orion Warehouse - Feeds	Maharlika Highway, Calamba, Laguna	Rented	Good	97,184.00	July 31, 2017	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
		Ramon Warehouse - Feeds	Bugallon Norte, Ramon, Isabela	Rented	Good	63,775.51	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		San Miguel Corporation Shipping and Lighterage - Feeds	Ouano Wharf, Looc, Mandaue City, Cebu	Rented	Good	14,650,404,128.57	December 31, 2014	Continuing unless terminated and agreed by both parties
		Siain Warehouse - Feeds	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good	317,038.69	December 31, 2014	Continuing unless terminated and agreed by both parties
		Tacoma Warehouse - Feeds	2nd St., Baseco Compound, Port Area, Manila	Rented	Good	431,658.94	December 01, 2014	Continuing unless terminated and agreed by both parties
		UGMC Warehouse - Feeds	Diamantina, Cabatuan, Isabela and Marabulig I, Cauayan City, Isabela	Rented	Good	252,530.61	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Warrensburg Warehouse - Feeds	10th Avenue, FAB, Mariveles, Bataan	Rented	Good	2,025,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Wedison Warehouse - Feeds	Nungnungan II, Cauayan City, Isabela	Rented	Good	123,214.29	March 31, 2014	Continuing unless terminated and agreed by both parties
		William Sim - Feeds	Urdaneta, Pangasinan	Rented	Good	359,988.66	December 31, 2014	Continuing unless terminated and agreed by both parties
		YKK Warehouse - Feeds	Moncada, Tarlac	Rented	Good	252,725.00	December 26, 2014	Continuing unless terminated and agreed by both parties
		Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay cor. Araneta Sts., Singcang, Bacolod City	Rented	Good	18,000.00	December 31, 2015	Continuing unless terminated and agreed by both parties
		Cagayan de Oro Office - San Miguel Integrated Sales	Door 5, Banyan Place, Alwana Compound, Cugman, Cagayan de Oro City	Rented	Good	26,620.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Iloilo Office - San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good	16,968.65	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Mandaue Admin Office - San Miguel Integrated Sales	2nd Flr. Planters Bldg., West Office, SMC Shipping & Lighterage Comp., Ouano Wharf, Mandaue City, Cebu	Rented	Good	43,709.08	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Pampanga Admin Office - San Miguel Integrated Sales	2F Rickshaw Arcade, Greenfield Square, Km. 76, Mc Arthur Highway, Sindalan, San Fernando City, Pampanga	Rented	Good	34,237.50	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Bulacan Warehouse - Flour	Sta. Rita, Guiguinto, Bulacan	Rented	Good	70,072.64	May 31, 2018	Continuing unless terminated and agreed by both parties
		JEC Warehouse - Flour	Malainin, Baan, Batangas	Rented	Good	100,000.00	April 30, 2015	Continuing unless terminated and agreed by both parties
		Kambal Pandesal Training Center - Flour	6 C. Mina St., Mabolo, Cebu City	Rented	Good	21,739.13	April 01, 2015	Continuing unless terminated and agreed by both parties
		Bali Office - San Miguel Pure Foods Indonesia	Jl.Raya Pemogan No.222 Denpasar Bali	Rented	Good	IDR 833,000.00	October 08, 2015	Renewable upon consent of both parties
		Bandung Office - San Miguel Pure Foods Indonesia	3rd Flr Jl. Soekarno Hatta No. 606, Bandung	Rented	Good	IDR 4,537,000.00	January 01, 2016	Renewable upon consent of both parties
		Cileungsi Mini Outlet - San Miguel Pure Foods Indonesia	Pasar Cileungsi Blok A1 No.61	Rented	Good	IDR 1,208,000.00	November 17, 2015	Renewable upon consent of both parties
		Makassar Office - San Miguel Pure Foods Indonesia	BTN Pao-pao Permai Blok B7 No.8 Rt.002 Rw.006 Kel.Pacinonggang Kec.Somba Opu Kab.Gowa Sulawesi Selatan	Rented	Good	IDR 625,000.00	September 10, 2015	Renewable upon consent of both parties
		Medan Office - San Miguel Pure Foods Indonesia	Jl.Kenanga Raya No.34D Kel.Tanjung Sari Kec.Medan Selayang	Rented	Good	IDR 1,333,000.00	June 17, 2015	Renewable upon consent of both parties
		Palembang - San Miguel Pure Foods Indonesia	Jl.Residen Amaludin Sako Kenten Kelurahan Sukamaju, Palembang	Rented	Good	IDR 3,000,000.00	January 31, 2015	Renewable upon consent of both parties
		Pasar Cibinong Mini Outlet - San Miguel Pure Foods Indonesia	Jl.Raya Bogor Kelurahan Cirimekar Cibinong Pasar Blok B No.165 Cibinong	Rented	Good	IDR 1,416,000.00	September 30, 2015	Renewable upon consent of both parties
		Pasar Citeureup Mini Outlet - San Miguel Pure Foods Indonesia	Jl.Lebak Pasar 2 Blok A5 No.29 Pasar Citeureup Bogor, Jawa Barat	Rented	Good	IDR 1,250,000.00	August 30, 2015	Renewable upon consent of both parties
		Pondok Gede Mini Outlet - San Miguel Pure Foods Indonesia	Kompleks Pertokoan Dirgantara 1 Rt.01 Rw.09 Jl.Pondok Gede Raya No.30 Lubang Buaya	Rented	Good	IDR 750,000.00	November 20, 2015	Renewable upon consent of both parties
		Surabaya Office - San Miguel Pure Foods Indonesia	Perumahan Citra Harmoni Block C4 No. 15 Sidodadi Taman Sidoarjo Jawa Timur	Rented	Good	IDR 2,583,000.00	April 30, 2015	Renewable upon consent 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
		Yogyakarta Office & Warehouse - San Miguel Pure Foods Indonesia	Jl.Pandega Padma DP1 6D Catur Tunggal Depok, Sleman, Yogyakarta	Rented	Good	IDR 416,000.00	July 14, 2015	Renewable upon consent of both parties
		Ho Chi Minh Admin Office - San Miguel Hormel Vietnam Co. Ltd.	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City	Rented	Good	VND 32,000,000.00	August 31, 2015	Parties may agree to renew the contract two months before the current contract expires
Cold Storage / Reefer Vans/Depots								
		3G Logistics & Storage Inc.- Poultry and Fresh Meats	Hernan Cortes St., Tipolo, Mandaue City	Rented	Good	458,210.03	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		557 Feather Meal Corporation - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac	Rented	Good	1,685,812.35	September 15, 2018	Continuing unless terminated and agreed by both parties
		Aces AMS Integrated Poultry Processing Corporation - Poultry	Km. 342, Purok III, Garit Sur, Echague, Isabela	Rented	Good	589,442.25	Holding Room - December 31, 2016; Cold Storage - November 30, 2014	Continuing unless terminated and agreed by both parties
		Adriano Dressing Plant - Poultry	95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	101,133.83	May 31, 2016	Continuing unless terminated and agreed by both parties
		Agape R & R Foods - Poultry	Campaclan, Sibulan,Neg.Oriental	Rented	Good	50,830.45	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Albur Dressing Plant - Poultry	Eastern Poblacion, Albuquerque, Bohol	Rented	Good	10,625.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		ARS Dressing Plant - Poultry and Fresh Meats	Purok 5, Brgy. Rizal, Santiago City, Isabela	Rented	Good	301,606.25	Poultry - December 31, 2014; Fresh Meats - November 30, 2016	Continuing unless terminated and agreed by both parties
		Cariño & Sons Agri-Dev't Inc. - Poultry	Brgy. Aya, San Jose, Batangas	Rented	Good	457,600.00	December 31, 2016	Continuing unless terminated and agreed by both parties
		CCSO Tolling Services - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	112,860.25	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	1,287,820.00	May 31, 2015	Continuing unless terminated and agreed by both parties
		Coldlink Asia Logistics Corp. - Poultry	PC Suico St., Tabok, Mandaue City	Rented	Good	124,259.45	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	385,426.29	December 31, 2017	Continuing unless terminated and agreed by both parties
		Davao Fresh Foods Corp. - Poultry	Tugbok Dist., Calinan, Davao City	Rented	Good	294,606.82	December 31, 2014	Continuing unless terminated and agreed by both parties
		Diaz Dressing Plant - Poultry	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good	949,321.18	Holding room - October 30, 2017; Laboratory - June 30, 2018	Continuing unless terminated and agreed by both parties
		ECA Resources, Inc. - Poultry	Tumbler, Polomolok, South Cotabato	Rented	Good	233,052.74	March 10, 2017	Continuing unless terminated and agreed by both parties
		Elim Dressing Plant - Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	274,892.16	December 31, 2014	Continuing unless terminated and agreed by both parties
		Elite Ads Corporation - Poultry	BDC Bldg., Floremer Subd., AS Fortuna St., Banilad, Mandaue City	Rented	Good	3,571.43	Dec. 31, 2014	Continuing unless terminated and agreed by both parties
		Estrella Ice Plant & Cold Storage Co. Inc. - Poultry	No. 1787 East Service Rd. Lawang Bato, NLEX Valenzuela City	Rented	Good	2,660,485.80	June 30, 2017	Continuing unless terminated and agreed by both parties
		Everest Cold Storage, Inc. - Poultry and Fresh Meats	Brgy. Sambag, Jaro, Iloilo City	Rented	Good	873,909.85	Poultry - February 28, 2015; Fresh Meats - March 31, 2015	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Renewable by mutual agreement of the parties under such terms and conditions as they may agree upon
		GMV Coldkeepers, Inc. - Poultry	Puerto Princesa, Palawan	Rented	Good	72,800.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		Green Pine Dressing Plant - Poultry	Km. 9, Tag-ibo, Butuan City	Rented	Good	228,808.80	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
		Integrated Meat and Poultry Processing, Inc. - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	638,925.83	Holding room - January 31, 2015; Laboratory - January 31, 2018	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	2,242,330.00	Lucena - June 30, 2015; Tiaong - May 31, 2015	Continuing unless terminated and agreed by both parties
		La Primera Pollo, Inc. - Poultry	111 Pulong Gubat, Balagtas, Bulacan	Rented	Good	67,067.00	February 28, 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	1,018,307.62	Cold Storage: La Union - December 31, 2015, Pangasinan - Continuing unless terminated and agreed by both parties; Laboratory - September 30, 2015	Continuing unless terminated and agreed by both parties
		Maharlika Agro Marine Ventures Corp. - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	1,141,656.32	December 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	321,552.43	Cold storage - December 31, 2016; Warehouse - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Mayharvest Corp. - Poultry and Fresh Meats	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	1,069,753.71	Poultry - July 31, 2016; Fresh Meats - July 31, 2016	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Automatic renewal on a month-to-month basis upon expiry
		Mindanao Cargo Forwarder - Poultry	Sirawan Toril, Davao City	Rented	Good	93,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
		MK Business Ventures, Inc. - Poultry	Brgy. Boalan, MCLL Highway, Zamboanga City	Rented	Good	272,945.26	December 31, 2014	Continuing unless terminated and agreed by both parties
		MKC Poultry Dressing Plant - Poultry	Brgy. Tagburos, Puerto Princesa City	Rented	Good	22,400.00	September 30, 2016	Continuing unless terminated and agreed by both parties
		Negros Crown Enterprises, Inc. - Poultry	Real St., Dumaguete City	Rented	Good	16,830.36	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		New Vreed Dressing Plant - Poultry	Mangan-Vaca, Subic, Zambales	Rented	Good	85,064.29	October 31, 2015	Continuing unless terminated and agreed by both parties
		Ormoc Blast Freezing Facility- Poultry	Door 1, 2nd Flr., Tan Bldg., Lilia Avenue, Cogon, Ormoc City	Rented	Good	5,833.33	Dec. 31, 2018	Continuing unless terminated and agreed by both parties
		O-Star Foods Plant Corp. - Poultry	Brgy. Calabnugan, Sibulan, Negros Oriental	Rented	Good	73,076.43	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Pavia Warehouse - Poultry	19B San Jose St., Cogon Dist., Tagbilaran City	Rented	Good	7,391.92	Dec. 31, 2014	Continuing unless terminated and agreed by both parties
		Polar Bear Freezing & Storage - Poultry and Fresh Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental and Bolocboloc, Sibulan, Negros Oriental	Rented	Good	554,556.79	Poultry: Misamis Oriental - February 28, 2016, Negros Oriental - Continuing unless terminated and agreed by both parties; Fresh Meats - February 28, 2016	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Renewable by mutual agreement of the parties
		Polar Bear Storage - Poultry	Daliao, Toril, Davao City	Rented	Good	539,945.13	February 28, 2016	Continuing unless terminated and agreed by both parties
		Pollo Fresco Agri-Development Corp. - Poultry	Polomolok, South Cotabato	Rented	Good	108,839.84	December 31, 2014	Continuing unless terminated and agreed by both parties
		Polytrade Sales and Services, Inc. - Poultry	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur and Lagundi, Mexico, Pampanga	Rented	Good	770,344.30	Processing plant - December 31, 2018; Dry Warehouse/Marination - January 31, 2016	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
		San Roberto Development Corporation - Poultry	San Patricio, Banago, Bacolod City	Rented	Good	28,600.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		San Vicente Dressing Plant - Poultry	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good	1,218,252.95	Sales Office - December 31, 2015; Cold Storage - February 28, 2015; Laboratory- December 31, 2014	Continuing unless terminated and agreed by both parties
		Silangan Poultry Farms - Poultry	Brgy. Kayumanggi, Lipa City	Rented	Good	739,625.00	February 01, 2017	Continuing unless terminated and agreed by both parties
		SG Farms - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	578,378.08	July 07, 2019	Continuing unless terminated and agreed by both parties
		St. Jude Dressing Plant - Poultry	Mohon, Tagoloan, Misamis Oriental	Rented	Good	298,908.13	December 31, 2014	Continuing unless terminated and agreed by both parties
		Subzero Ice and Cold Storage - Poultry and Fresh Meats	Sitio Lower Bunugao, Brgy. Bungao, Toril, Davao City	Rented	Good	208,977.19	Poultry - February 28, 2016; Fresh Meats - September 30, 2016	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Renewable by mutual agreement of the parties under such terms and conditions as they may agree upon
		V & F Ice Plant and Cold Storage, Inc. - Poultry	San Roque, Sto. Tomas, Batangas and Sumulong Highway, Brgy. Mambungan, Antipolo, Rizal	Rented	Good	5,623,265.92	Rizal - June 30, 2017; Batangas - July 31, 2016	Continuing unless terminated and agreed by both parties
		Koldstor Centre Philippines, Inc. - Poultry, Fresh Meats and Magnolia	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	5,770,130.71	Poultry & Fresh Meats - March 31, 2016; Magnolia - Continuing unless terminated and agreed by both parties	Poultry & Magnolia: Continuing unless terminated and agreed by both parties; Fresh Meats: Renewable by mutual agreement of the parties under such terms and conditions as they may agree upon
		Matutum Meat Packaging Corp. - Fresh Meats	Purok 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	120,792.89	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		San Juan Reefer Van - Fresh Meats	Brgy. Lubing, San Juan, La Union	Rented	Good	161,589.29	June 15, 2016	Continuing unless terminated and agreed by both parties
		San Simon Products Corp. - Fresh Meats	888 Quezon Rd., Brgy. San Isidro, San Simon, Pampanga	Rented	Good	2,057,961.80	December 31, 2017	Renewable upon mutual agreement of both parties
		St. Jude Slaughterhouse - Fresh Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	13,004.46	December 31, 2014	Continuing unless terminated and agreed by both parties
		Rombe Philippines, Inc. - Purefoods-Hormel	Km. 47 Dampol, 1st. Pulilan, Bulacan	Rented	Good	1,048,949.83	December 31, 2016	Continuing unless terminated and agreed by both parties
		Royal Cargo Combined Logistics Inc. - Purefoods-Hormel	Sta. Aqueda Ave., Pascor Drive, Parañaque City	Rented	Good	9,844,074.60	November 30, 2016	Renewable upon mutual agreement of both parties
		Vifel Ice Plant and Cold Storage Inc. - Poultry and Purefoods-Hormel	Lapu-Lapu Ave. cor. Northbay Blvd., Navotas, Metro Manila	Rented	Good	4,242,412.04	Poultry - September 30, 2017; PHC - August 18, 2016	Poultry - Continuing unless terminated and agreed by both parties; PHC - Renewable upon mutual agreement of both parties
		Jentec Storage, Inc. - Poultry, Fresh Meats, and Magnolia	JG Building, Raymundo Ave., Brgy. Rosario, Pasig City; Brgy. Caroyroyan, Pili, Camarines Sur; Brgy. Maliao, Pavia, Iloilo	Rented	Good	2,235,383.50	Poultry/Magnolia - December 31, 2014; Fresh Meats - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		METS Logistics, Inc. - Magnolia	Governor's Drive, Bo. Bancal, Carmona, Cavite	Rented	Good	41,161.75	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
		Depot Sanyo - San Miguel Pure Foods Indonesia	Jl. Raya Bogor Km. 35 Sukamaju, Cilodong, Depok, Indonesia	Rented	Good	IDR 1,083,000.00	December 01, 2015	Renewable upon consent of both parties
		Endang - San Miguel Pure Foods Indonesia	Jl. Pandega Padma DP1 6D Catur Tunggal Depok, Sleman, Yogyakarta	Rented	Good	IDR 625,000.00	February 28, 2015	Renewable upon consent 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
		PT Haga Jaya Kemasindo Sarana - San Miguel Pure Foods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Rented	Good	IDR 8,580,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
		PT. Sewu Segar Nusantara - San Miguel Pure Foods Indonesia	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/08 Taman Sepayang, Surabaya	Rented	Good	IDR 27,500,000.00	December 24, 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 2,750,000.00	January 01, 2016	Renewable upon consent 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 "Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2014. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2014 and the financial performance and cash flows for the year ended December 31, 2014 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. 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 (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

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

Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation

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

Amendments to Standards and Interpretation Adopted in 2014

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

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36, Impairment of Assets*). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32, Financial Instruments*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Novation of Derivatives and Continuation of Hedge Accounting (*Amendments to PAS 39, Financial Instruments: Recognition and Measurement*). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The adoption of these amendments did not have an effect on the consolidated financial statements.
- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the

legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of this interpretation did not have an effect on the consolidated financial statements.

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

II. FINANCIAL PERFORMANCE

2014 vs 2013

Consolidated revenues of the Group breached the P100.0 billion mark by posting P103.0 billion in revenues or a 3% growth from 2013 level driven by higher volume and better selling prices.

Selling and administrative expenses dropped by 5% as the Group managed its spending particularly in advertising and promotion. This cushioned the impact of higher distribution and transportation costs due to increased trucking rates brought about by the problem on truck ban.

Interest expense and other financing charges dropped by 24% due to lower average level of borrowings coupled with decreased average borrowing rates.

Interest income increased significantly as proceeds from the sale of SMPFC's investment in Manila Electric Company (Meralco) received in March 2014 was held in short-term placements.

Gain on sale of investment and property and equipment was lower in 2014 versus same period last year as 2013 includes the gain recognized from the sale of Meralco shares.

The sale of SMPFC's investment in Meralco shares in September 2013 likewise explained the 100% decline in the equity in net earnings of an associate.

Other charges - net was down by 6% mainly due to lower mark-to-market loss, mostly on wheat options.

Income tax expense grew by 21% as most of the income in 2014 was subjected to the 30% regular income tax rate in contrast with that of the same period in 2013 where the equity in net earnings of an associate and the gain recognized from the sale of investment in Meralco, which formed part of the income before income tax, were not subjected to tax.

Net income was 6% lower as the full year impact of the divestment in Meralco in the 2nd half of 2013 was partly offset by the lower net mark-to-market losses largely from wheat options.

Net income attributable to equity holders of the Parent Company similarly dropped by 5% due to the sale of SMPFC's investment in Meralco shares.

On the other hand, net loss attributable to non-controlling interests increased mainly due to the recognition of an impairment loss on the goodwill portion of the investment in a foreign subsidiary where non-controlling stockholders hold stake.

Business Highlights:

Agro-Industrial

Revenue of the combined Poultry and Fresh Meats business of San Miguel Foods, Inc. (SMFI) went up by 6% largely on account of favorable selling prices. Although typhoon Glenda in July 2014 affected poultry supply and somehow dampened sales volume growth, aggregate sales volume of stable-priced channels such as Magnolia Chicken Stations, Monterey Meat Shops and foodservice grew versus last year. This, combined with improvements in farm efficiencies, translated to an operating profit higher than 2013's level.

SMFI's Feeds business posted 7% revenue growth due to better selling prices and higher volume. Operating income, however, was lower than same period in 2013 due to higher raw material prices and incremental importation-related charges, such as demurrage and trucking, arising from the port congestion problem.

Value-Added Meats

The Purefoods-Hormel Company, Inc.'s (PF-Hormel) Processed Meats revenue grew by 1% due to improved selling prices which offset lower volume. The business was affected by high trade inventory at the start of the year due to the aftermath effect of typhoon Yolanda, thus, resulting in volume shortfall in the first quarter of 2014. The impact of the Manila port congestion on the availability of some raw materials resulted in lost sales, higher demurrage and incremental storage costs while increased trucking rates brought about by the truck ban problem led to higher distribution and transportation costs. As a result, operating income of the business decreased versus 2013.

Milling

Revenue of the Parent Company's Milling business under San Miguel Mills, Inc. (SMMI) grew by 5% on account of higher flour sales volume and additional revenue from the first full year operation of its grain terminal. This, combined with the reduction in wheat costs, enabled the business to surpass last year's operating income.

Dairy & Others

Volume growth in most categories under Magnolia, Inc.'s (Magnolia) Dairy, Fats and Oils business, as well as higher selling prices to partly cover the increasing costs of major raw materials, resulted in a 9% increase in revenue.

The drop in San Miguel Super Coffeemix Co., Inc.'s (SMSCCI) volume versus 2013's level, brought about by soft demand for its two categories, resulted in a 17% decline in revenue.

Combined operating income of businesses under Dairy and Others was 7% higher versus year ago level.

2013 vs 2012

The Group's consolidated revenues of P99.8 billion by the end of 2013 translated to a 4% growth or a P4.0 billion increase from 2012 mainly on account of higher sales volume and better selling prices in most of the businesses.

The increase in revenues, combined with cost breaks in some raw material prices and better efficiencies, resulted in gross profit growing by 13%.

Selling and administrative expenses went up by 16% due to higher advertising and promotions spending to support new product launches and brand building activities, higher distribution and transportation costs brought about by the increase in fuel prices, and higher rental, warehousing and third party services costs brought about by higher sales volume.

Interest income dropped by 60% due to lower average level of short-term placements and substantial decline in interest rates in 2013 as against 2012.

Gain on sale of investment and property and equipment grew significantly versus same period in 2012 as SMPFC recognized gain from the sale of its Meralco shares in September 2013.

Equity in net earnings of an associate declined by 19% on account of the sale of SMPFC's shares in Meralco in September 2013.

Other income (charges) - net contrasted that of 2012 mainly due to mark-to-market loss on wheat options, as market prices of wheat declined, and the depreciation of the peso, which affected the valuation of the Group's embedded third currency transactions.

Share of non-controlling interests in the Group's net income contrasted that of 2012 as certain subsidiaries, where non-controlling stockholders hold stake, did not achieve their profitability.

Business Highlights:

Agro-Industrial

SMFI's combined Poultry and Fresh Meats business registered a 5% increase in revenue mainly on account of volume growth on poultry products and favorable selling prices of pork. This was, however, tempered by the lower selling prices of broiler due to industry oversupply in the third quarter of 2013. Nevertheless, higher operating profit was registered as the business pursued its drive to improve production efficiencies.

Notwithstanding the prolonged backyard hog market contraction in the first semester of 2013 which resulted in the decline in feeds volume, SMFI's Feeds business posted 3% revenue growth due to better selling prices. The continuous drive to improve operational efficiencies and minimize costs, combined with the increased availability of cassava and reduced corn price, enabled the Feeds business to achieve double-digit growth in operating income.

Value-Added Meats

The PF-Hormel's Processed Meats business posted 9% revenue growth due to higher volume generated from PF-Hormel's core brands and improved selling prices. Operating income, however, didn't surpass 2012's level as distribution and transportation costs went up due to increased volume and fuel prices, as well as higher rental and advertising and promotion spending.

Milling

The Parent Company's Milling business under SMMI posted revenue growth of 4% on account of

volume increase amidst the presence of lower-priced imported flour and tight competition. The reduction in wheat cost, although resulted in a slide in selling prices, enabled the business to surpass operating income recorded in 2012.

Dairy & Others

The Dairy, Fats and Oils business under Magnolia posted a revenue growth of 4% due to increased volume across all categories.

The Coffee business under SMSCCI registered an increase in revenue of 18% on account of the improved sales in the general trade.

Combined operating income of businesses under Dairy and Others was 41% higher versus same period in 2012.

III. FINANCIAL POSITION

2014 vs 2013

Consolidated financial position of the Group remained healthy. Debt to equity ratio registered at 0.85:1 in 2014 from 0.72:1 in 2013. Current ratio of 1.62:1 in 2014 is lower versus 2.14:1 in 2013 due to the reclassification of maturing long-term debt to current liabilities. Total equity declined from P42.4 billion to P36.0 billion while total assets base decreased from P72.7 billion to P66.7 billion mainly due to the declaration by the Board of Directors (BOD) of the Parent Company on March 26, 2014 of a P48.00 per share special cash dividend to all common shareholders of record as at April 11, 2014. Said cash dividend was subsequently paid by SMPFC on May 12, 2014.

Below were the major developments in 2014:

INVESTMENTS IN SUBSIDIARIES

a) SMMI

Golden Bay Grain Terminal Corporation (GBGTC), which was incorporated in November 2011 and is a wholly-owned subsidiary of SMMI, started commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,597.2 million.

GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others.

As at March 20, 2015, total payment made by SMMI for its additional subscription of 7,000,000 GBGTC shares with a par value of P100.00 per share amounted to P500.0 million.

b) SMFI and Monterey Foods Corporation (Monterey)

In August 2010, the SEC approved the merger of Monterey into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of Monterey and SMFI in June 2010 and July 2010, respectively. The merger became effective on September 1, 2010. SMFI's request for confirmation of the tax-free merger,

filed in September 2010, is still pending with the Bureau of Internal Revenue (BIR) as at March 20, 2015.

TRADE AND OTHER RECEIVABLES

The Parent Company's receivable from the sale of its investment in Meralco shares in September 2013 amounting to P13,886.4 million was collected in March 2014.

In November 2014, SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) with Felicisimo Martinez & Co. Inc. (FMC) for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (IP Rights) relating to FMC's *La Pacita* biscuit and flour-based snack business. The refundable deposit paid by SMPFC in November 2014 was recognized by the Parent Company as part of non-trade receivables as at December 31, 2014.

INVESTMENT IN AN ASSOCIATE

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

As at December 31, 2013, the sale of SMPFC's shares of stock in Meralco is included as part of "Others" under "Trade and other receivables" account in the 2013 consolidated statement of financial position.

In March 2014, SMPFC received the proceeds from the sale of Meralco shares.

PROPERTY, PLANT AND EQUIPMENT

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

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

SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court (SC) and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the SC and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the SC and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR's denial of their petition for the revocation of the conversion

order. SMFI considers the said Order and Resolution to have attained finality as at March 20, 2015. SMFI is not aware of any appeal or relief therefrom filed or applied for by MAPALAD.

GOODWILL

In 2014, SMPFC recognized an impairment loss on the value of goodwill amounting to P250.9 million.

EQUITY

Preferred Shares

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

Appropriated Retained Earnings

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

Cash Dividends

Cash dividends declared in 2014 by the BOD of the Parent Company to common and preferred shareholders amounted to P51.60 per share and P80.00 per share, respectively.

Analysis of Financial Position Accounts

The increase in cash and cash equivalents and the corresponding decrease in trade and other receivables - net is mainly due to the receipt of payment from sale of SMPFC's investment in Meralco. Cash received was partly used to pay the P8.0 billion cash dividend declared to common shareholders of the Parent Company in March 2014.

Inventories grew by 12% mainly due to higher raw materials costs and increased level of input materials for feeds.

Prepaid expenses and other current assets rose by 25% mainly due to advance payments for imported raw materials which are still in transit.

The 5% drop in property, plant and equipment - net is attributed to the depreciation of such assets.

The recognition of an impairment loss on the goodwill portion of the investment in a foreign subsidiary resulted in the decline of goodwill - net.

The increase in deferred tax assets by 9% was due to the recognition of tax asset on (i) future benefit from the tax loss position for 2014 of a domestic subsidiary, and (ii) additional provisions for

inventory losses and doubtful accounts. The remeasurement of a domestic subsidiary's plan assets and obligations for the year 2014 likewise contributed to the increase in deferred tax assets.

Other noncurrent assets decreased by 11% due to the amortization of crates, coops, chicken boxes, egg trays and pallets.

The reclassification of maturing long-term debt to current liabilities caused the 100% increase in current maturities of long-term debt - net of debt issue costs and the corresponding 100% drop in long-term debt - net of current maturities and debt issue costs.

Income tax payable was 21% lower versus 2013 level due to the decline in the Group's taxable income in the fourth quarter of 2014 versus same period in 2013.

The reversal of a deferred tax liability provision in 2014 resulted in an 18% drop in deferred tax liabilities.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2014.

Appropriated retained earnings went up by 60% on account of a domestic subsidiary's additional appropriation for plant expansion while unappropriated retained earnings decreased by 36% mainly due to the P8.0 billion cash dividend paid in May 2014 to all outstanding common shareholders of the Parent Company.

The cash dividend declaration by a domestic subsidiary where non-controlling stockholders hold stake resulted in a 20% decline in the balance of non-controlling interests.

2013 vs 2012

The Group's consolidated financial position remained strong. Debt to equity ratio registered at 0.72:1 in 2013 from 0.67:1 in 2012. Current ratio, on the other hand, improved to 2.14:1 in 2013 from 1.67:1 in 2012 as receivable of SMPFC from the sale of its investment in Meralco in September 2013 was recognized. Total equity increased from P41.0 billion to P42.4 billion while total assets base rose from P68.5 billion to P72.7 billion or a growth of 6% largely due to better cash flows from operating activities and increase in fixed assets brought about by the Group's expansion projects.

Below were the major developments in 2013:

INVESTMENTS IN SUBSIDIARIES

a) SMMI

GBGTC, which was incorporated in November 2011 and is a wholly-owned subsidiary of SMMI, started commercial operations in September 2013. Total cost incurred for the construction of the grain terminal amounted to P2,605.2 million.

GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others.

As at March 26, 2014, total payment made by SMMI for its additional subscription of 7,000,000

GBGTC shares with a par value of P100.00 per share amounted to P500.0 million.

b) 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 BIR as at March 26, 2014.

INVESTMENT IN AN ASSOCIATE

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

In September 2013, SMPFC, together with SMC and SMC Global, entered into a Share Purchase Agreement with JG Summit for the sale of the Parent Company's 59,090,909 shares of stock in Meralco for P13,886.4 million. Certain closing conditions covering the sale were satisfied by all the parties in December 2013.

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

As at December 31, 2013, the sale of SMPFC's shares of stock in Meralco is included as part of "Others" under "Trade and other receivables" account in the 2013 consolidated statement of financial position.

EQUITY

On March 3, June 3, September 3, and December 3, 2013, cash dividends of P1.20 per share were paid to all common shareholders of record as of February 20, May 23, August 27 and November 21, 2013, respectively.

On March 3, June 3, September 3, and December 3, 2013, cash dividends of P20.00 per share were paid to all preferred shareholders of record as of February 20, May 23, August 27 and November 21, 2013, respectively.

Analysis of Financial Position Accounts

Cash and cash equivalents increased by 64% mainly due to improved cash flows from operating activities.

Trade and other receivables - net grew as receivable of SMPFC from the sale of its investment in Meralco shares in September 2013 was recognized.

Inventories dropped by 6% due to reduced purchases of soybean meal and delayed shipment of wheat. Availability and quality of corn, which was affected by the typhoon in the fourth quarter of 2013, likewise contributed to the decline in inventories.

Current biological assets declined by 10% on account of foreign subsidiary's reduction of sow level to temper the impact of industry's oversupply and rationalization of domestic subsidiary's contract breeders.

Prepaid expenses and other current assets grew by 18% 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 Parent Company's shares in Meralco in September 2013 explained the 100% drop in investment balance.

Property, plant and equipment - net rose by 11% mainly due to expansion projects.

The 5% increase in goodwill is primarily on account of foreign currency translation difference.

The increase in deferred tax assets by 31% was due to the drop in the market price of wheat options and the depreciation of the peso which resulted in the recognition of tax asset on unrealized mark-to-market losses. The recognition of tax asset on future benefit from the tax loss position for 2013 of a domestic subsidiary likewise contributed to the increase in deferred tax assets.

Notes payable rose by 18% largely due to short-term borrowings made to finance capital expenditures.

Delayed billings of some third party suppliers resulted in a 10% increase in trade payables and other current liabilities.

The 9% decrease in deferred tax liabilities resulted from the recognition of unrealized losses arising from unfavorable valuation of wheat options and peso to dollar exchange rate at valuation date.

Other noncurrent liabilities increased by 32% mainly due to higher retirement liabilities in 2013.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2013.

Unappropriated retained earnings grew by 13% on account of the income earned in 2013, net of dividends declared to common and preferred shareholders during the year.

The cash dividend declaration by a domestic subsidiary where non-controlling stockholders hold stake resulted in a 22% decline in the balance of non-controlling interests.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2014	2013	2012
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	P5,786	P6,996	P3,250
Net cash flows provided by (used in) investing activities	11,488	(2,939)	(3,720)
Net cash flows used in financing activities	(10,089)	(1,311)	(192)

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

Net cash provided by (used in) investing activities included the following:

	December 31		
	2014	2013	2012
	<i>(In Millions)</i>		
Proceeds from sale of investment and property and equipment	13,887	8	369
Increase in biological assets and other noncurrent assets	(1,681)	(1,529)	(1,921)
Acquisitions of property, plant and equipment	(647)	(1,978)	(1,957)
Acquisitions of intangible assets	(71)	(43)	(332)
Acquisition of a subsidiary net of cash received	-	-	(358)
Dividends received from associate	-	603	479

Major components of cash flow used in financing activities are as follows:

	December 31		
	2014	2013	2012
	<i>(In Millions)</i>		
Net availments of notes payable	P107	P1,288	P2,412
Cash dividends paid	(10,196)	(2,599)	(2,400)
Payment of long-term debt	-	-	(204)

The effect of exchange rate changes on cash and cash equivalents amounted to (P0.5 million), P4.4 million and P10.0 million in 2014, 2013 and 2012, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

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

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	December 2014	December 2013
Liquidity: Current Ratio	1.62	2.14
Solvency: Debt to Equity Ratio	0.85	0.72
Asset to Equity Ratio	1.85	1.72
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	11.99%	11.88%
Interest Rate Coverage Ratio	20.97	15.61

KPI	As at December 2014	As at December 2013
Operating Efficiency: Volume Growth	0.23%	2.35%
Revenue Growth	3.23%	4.16%
Operating Margin	6.27%	5.52%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}^{**}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* Excluding cash dividends paid to preferred shareholders

** Excluding preferred capital stock and related additional paid-in capital

VII. OTHER MATTERS

- a) Acquisition of Hormel Netherlands B.V.'s (Hormel) 49% interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)

In January 2015, San Miguel Pure Foods International, Limited (SMPFIL), a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owns 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in San Miguel Hormel (Vn) Co., Ltd., a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

- b) Acquisition of *La Pacita* Trademarks

In February 2015, the acquisition by SMPFC of FMC's IP Rights relating to FMC's *La Pacita* biscuit and flour-based snack business was completed following the substantial fulfillment of the closing conditions and payment of the consideration for such IP Rights.

- c) Redemption of Outstanding Preferred Shares

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

- d) Issuance of Perpetual Series "2" Preferred Shares

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (PFP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover the PFP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering,

management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

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

SMPFC, through the underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 PFP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

e) Declaration of Cash Dividends

On February 3, 2015, the Parent Company's BOD declared cash dividends to all preferred and common shareholders of record as at February 17, 2015 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2015.

f) 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 of the Group.

g) Commitments

The outstanding capital and purchase commitments of the Group as at December 31, 2014 and 2013 amounted to P16,528.0 million and P12,981.5 million, respectively.

h) Foreign Exchange Rate

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to

Philippine peso were closing rates of P44.72 and P44.395 in 2014 and 2013, respectively, for consolidated statements of financial position accounts; and average rates of P44.39, P42.43 and P42.24 in 2014, 2013 and 2012, respectively, for income and expense accounts.

- i) 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 cyclicity on the operations of the Parent Company's other businesses is not material.
- j) 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.
- k) 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.
- l) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- m) 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.
- n) 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 2014 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.
- o) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended December 31, 2014.
- p) Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

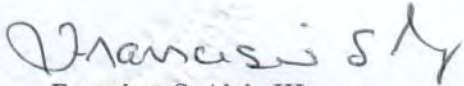
The management of San Miguel Pure Foods Company Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed 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.

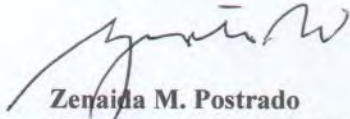
R. G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion 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 20th day of March 2015

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in PASIG CITY City this MAR 20 2015 day
of _____ 2015, personally appeared:

<u>Name</u>	<u>Passport No.</u>	<u>Expiry Date/Place Issued</u>
Eduardo M. Cojuangco, Jr.	XX-0410612	February 15, 2017 / Manila
Francisco S. Alejo III	EB-6193070	August 23, 2017 / Manila
Zenaida M. Postrado	EC-0671128	March 25, 2019 / 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. 443 ;
Page No. 010 ;
Book No. VI ;
Series of 2015.

Msaltap
MA. FRANCESCA Q. BALTAZAR
Notary Public for Pasig City
Commission until 31 December 2016
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 94 (2015-2016)/Roll No. 57174
PTR No. 0396440; 1/13/2015; Pasig City
IBP No. 0990397; 1/12/2015; Makati City

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

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

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012**



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

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS

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

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

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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

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

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read '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

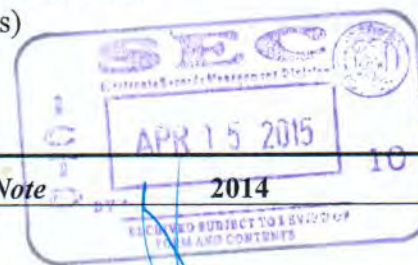
PTR No. 4748118MC

Issued January 5, 2015 at Makati City

March 20, 2015

Makati City, Metro Manila

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(In Thousands)



	Note	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	7, 32, 33	P14,215,875	P7,030,943
Trade and other receivables - net	4, 8, 12, 29, 32, 33	10,827,434	25,662,903
Inventories	4, 9	16,426,482	14,657,292
Biological assets	10	3,319,916	3,427,280
Prepaid expenses and other current assets	11, 29, 32, 33	3,402,485	2,714,297
Total Current Assets		48,192,192	53,492,715
Noncurrent Assets			
Investment property - net	4, 13	638,736	632,679
Property, plant and equipment - net	4, 14	10,719,721	11,254,188
Biological assets - net of current portion	4, 10	1,973,151	1,910,906
Other intangible assets - net	4, 15	3,776,353	3,867,720
Goodwill - net	4, 16	177,029	425,655
Deferred tax assets	4, 27	802,981	738,591
Other noncurrent assets	4, 14, 28, 29, 32, 33	374,792	419,995
Total Noncurrent Assets		18,462,763	19,249,734
		P66,654,955	P72,742,449
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	17, 32, 33	P8,753,425	P8,647,785
Trade payables and other current liabilities	18, 29, 32, 33	16,231,401	15,936,038
Current maturities of long-term debt - net of debt issue costs	19, 32, 33	4,491,685	-
Income tax payable		305,039	387,664
Total Current Liabilities		29,781,550	24,971,487
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	19, 32, 33	-	4,483,300
Deferred tax liabilities	27	27,857	33,951
Other noncurrent liabilities	4, 28, 32, 33	882,725	893,786
Total Noncurrent Liabilities		910,582	5,411,037

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

Attributable to Equity Holders of the Parent Company													
Note	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Reserve for Retirement Plan	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
					Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated					
As at January 1, 2014	P1,858,748	P20,500,284	P18,219	(P434,714)	(P251,603)	P2,865	P750,000	P17,929,528	(P182,094)	P40,191,233	P2,168,692	P42,359,925	
Net loss on exchange differences on translation of foreign operations	-	-	-	-	(5,148)	-	-	-	-	(5,148)	(194)	(5,342)	
Net gain on available-for-sale financial assets, net of tax	-	-	-	-	-	458	-	-	-	458	-	458	
Equity reserve for retirement plan, net of tax	28	-	-	(35,914)	-	-	-	-	-	(35,914)	243	(35,671)	
Other comprehensive income (loss)	-	-	-	(35,914)	(5,148)	458	-	-	-	(40,604)	49	(40,555)	
Net income (loss)	-	-	-	-	-	-	-	3,884,521	-	3,884,521	(41,046)	3,843,475	
Total comprehensive income (loss)	-	-	-	(35,914)	(5,148)	458	-	3,884,521	-	3,843,917	(40,997)	3,802,920	
Appropriations during the year	20	-	-	-	-	-	450,000	(450,000)	-	-	-	-	
Cash dividends	5, 20	-	-	-	-	-	-	(9,800,022)	-	(9,800,022)	(400,000)	(10,200,022)	
As at December 31, 2014	20	P1,858,748	P20,500,284	P18,219	(P470,628)	(P256,751)	P3,323	P1,200,000	P11,564,027	(P182,094)	P34,235,128	P1,727,695	P35,962,823
Forward													

Forward

Attributable to Equity Holders of the Parent Company													
Note	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Reserve for Retirement Plan	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
					Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated					
As at January 1, 2013	P1,858,748	P20,500,284	P18,219	(P290,506)	(P257,418)	P4,143	P750,000	P15,832,541	P38,233,917	(P182,094)	P2,788,465	P41,022,382	
Net gain (loss) on exchange differences on translation of foreign operations	-	-	-	-	5,815	-	-	-	5,815	-	(4,173)	1,642	
Net loss on available-for-sale financial assets, net of tax	-	-	-	-	-	(134)	-	-	(134)	-	-	(134)	
Equity reserve for retirement plan, net of tax	-	-	-	(144,208)	-	-	-	-	(144,208)	-	(2,446)	(146,654)	
Share in other comprehensive loss of an associate - net	-	-	-	-	-	(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	5,20	-	-	-	-	-	-	(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	P40,191,233	(P182,094)	P2,168,692	P42,359,925	
Forward													

Forward

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

See Notes to the Consolidated Financial Statements.

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

	<i>Note</i>	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P5,675,935	P5,596,038	P5,807,701
Adjustments for:				
Depreciation and amortization	24	2,844,329	2,639,083	2,297,200
Allowance for impairment losses on receivables and write-down of inventories		452,227	258,961	127,065
Interest expense and other financing charges	26	419,676	549,606	574,898
Impairment loss on goodwill and idle assets	16, 26	250,947	-	19,455
Interest income	26	(135,851)	(58,918)	(148,518)
Other charges (income) net of loss (gain) on derivative transactions		(198,091)	249,566	10,426
Gain on sale of investment and property and equipment	12, 14	(307)	(394,579)	(115,097)
Equity in net earnings of an associate	12	-	(714,946)	(884,884)
Operating income before working capital changes		9,308,865	8,124,811	7,688,246
Decrease (increase) in:				
Trade and other receivables		735,000	(701,164)	(2,431,495)
Inventories		(2,015,774)	583,218	(3,655,539)
Biological assets		107,366	341,719	363,550
Prepaid expenses and other current assets		(680,343)	(449,483)	(304,284)
Increase in trade payables and other current liabilities		590,098	1,196,834	3,646,158
Cash generated from operations		8,045,212	9,095,935	5,306,636
Interest received		139,903	70,900	111,118
Income taxes paid		(1,981,614)	(1,630,355)	(1,503,206)
Interest paid		(417,116)	(540,730)	(664,911)
Net cash flows provided by operating activities		5,786,385	6,995,750	3,249,637
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment and property and equipment	8, 12, 14	13,887,119	7,734	369,606
Increase in biological assets and other noncurrent assets		(1,680,890)	(1,528,470)	(1,921,050)
Acquisitions of property, plant and equipment	14	(647,458)	(1,977,893)	(1,957,476)
Acquisition of a subsidiary net of cash received	5	-	-	(357,705)
Acquisitions of intangible assets	15	(70,932)	(42,784)	(332,259)
Dividends received from associate	12	-	602,727	478,636
Net cash flows provided by (used in) investing activities		11,487,839	(2,938,686)	(3,720,248)

Forward

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

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Basis of Consolidation

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

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

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

(b) Magnolia acquired 100% equity 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 Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

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

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

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

3. Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation

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

Amendments to Standards and Interpretation Adopted in 2014

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

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36, Impairment of Assets*). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32, Financial Instruments*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of these amendments did not have an effect on the consolidated financial statements.

- Novation of Derivatives and Continuation of Hedge Accounting (*Amendments to PAS 39, Financial Instruments: Recognition and Measurement*). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The adoption of these amendments did not have an effect on the consolidated financial statements.
- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of this interpretation did not have an effect on the consolidated financial statements.

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

New and Amended Standards and Interpretation Not Yet Adopted

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

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

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group.
 - Meaning of 'Vesting Condition' (*Amendment to PFRS 2, Share-based Payment*). PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition.' The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
 - Scope Exclusion for the Formation of Joint Arrangements (*Amendment to PFRS 3, Business Combinations*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.

- Disclosures on the Aggregation of Operating Segments (*Amendments to PFRS 8, Operating Segments*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Measurement of Short-term Receivables and Payables (*Amendment to PFRS 13, Fair Value Measurement*). The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, *Financial Instruments*, the intention is not to prevent entities from measuring short-term receivables and payables with no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Scope of Portfolio Exception (*Amendment to PFRS 13*). The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39 and PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32 - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property* (*Amendment to PAS 40*). PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.
- Classification and Measurement of Contingent Consideration (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37 is amended to exclude provisions related to contingent consideration. The amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates*). The amendments address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture between the requirements in PFRS 10 and in PAS 28. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which only the following are applicable to the Group.
 - Changes in Method for Disposal (*Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*). PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell or distribute of the asset or disposal group; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases

held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in methods of disposal that occur on or after January 1, 2016.

- PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at fair value through profit or loss, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013. The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of 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.

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets and held-to-maturity (HTM) investments. 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.

The Group has no financial assets classified as HTM investments as at December 31, 2014 and 2013.

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 values in accordance with the documented risk management or investment strategy of the Group. 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 11, 29, 32 and 33).

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

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

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

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

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).

‘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 Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

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

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

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, other financial liabilities are subsequently measured 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 effective interest rate amortization is included in interest expense in profit or loss. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

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

Derivative Financial Instruments and Hedging

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

Debt Issue Costs

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities 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. |

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

Goods in Process. Net realizable value 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.

Raw Materials, Feeds, Feed Ingredients, Factory Supplies and Others. Net realizable value is the current replacement cost.

Biological Assets and Agricultural Produce

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

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

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

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

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

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

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

Business Combination

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

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

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to 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 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 Shares of Stock of 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 shares of stock of 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 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 (loss) 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 shares of stock of an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the shares of stock of an associate is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount of the investment in shares of stock of an associate. Such impairment loss is recognized as part of "Equity in net earnings 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 investment in shares of stock of an associate upon loss of significant influence, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Investment Property

Investment property consists of property 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 property, except for land, is 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, which commence when the assets are available for their intended use, is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives, residual values and depreciation method 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 on the retirement and disposal of investment property is recognized in profit or loss in the period of retirement and 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 asset acquired in a business combination is its fair value 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 lives of trademarks and brand names, and formulas and recipes to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

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

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

Impairment of Non-financial Assets

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

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

Fair Value Measurements

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

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

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

For the purpose of fair value disclosures, 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.

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 of the amount of the obligation can be made. 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 as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Common Shares

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

Preferred Shares

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

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

Treasury Shares

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction 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 machinery and equipment and investment property 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 shares of stock of a subsidiary, associate, AFS financial assets and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Cost and Expense Recognition

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

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

Share-based Payment Transactions

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Leases

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

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

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

Operating Lease

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

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

Borrowing Costs

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

Research and Development Costs

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Costs

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

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

Defined benefit costs comprise of the following:

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as an effective hedge of the net investment in a foreign operation 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 and associate 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 and associate, 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” accounts in the consolidated statements of financial position.

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

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

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

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

Operating Segments

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

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

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

Contingencies

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

Events After the Reporting Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements either as a lessor or a lessee. The Group has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to P22.2 million in 2014 and 2013 (Note 31).

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

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and 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 the 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 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 the allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

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

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

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

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

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

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

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

No impairment losses were recognized in 2014 and 2013.

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

Estimated Useful Lives of Property, Plant and Equipment and Investment Property. The Group estimates the useful lives of property, plant and equipment and investment property 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 property 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 property 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 property would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

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

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

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

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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.

No impairment losses were recognized in 2014, 2013 and 2012.

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

Estimated Useful Lives of Property, Plant and Equipment and Investment Property. The Group estimates the useful lives of property, plant and equipment and investment property 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 property 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 property 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 property would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P10,719.7 million and P11,254.2 million as at December 31, 2014 and 2013, respectively. Accumulated depreciation of property, plant and equipment amounted to P10,299.5 million and P9,403.1 million as at December 31, 2014 and 2013, respectively (Note 14).

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investment property, biological assets, 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 property and idle assets amounted to P86.9 million as at December 31, 2014 and 2013 (Notes 13 and 14).

The combined carrying amounts of biological assets, investment property, property, plant and equipment, other intangible assets with finite useful lives, and idle assets amounted to P17,156.2 million and P17,824.5 million as at December 31, 2014 and 2013, respectively (Notes 10, 13, 14, 15 and 16).

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

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

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

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

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

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

5. Investments in Subsidiaries

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

a) SMMI

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

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

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

b) SMFI and Monterey Foods Corporation (Monterey)

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

c) Magnolia

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

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

d) SMPFIL

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

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

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

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

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

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

	December 31, 2014				December 31, 2013			
	PF-HORMEL	SMSCCI	SMPFI Limited*	PTSMPI	PF-HORMEL	SMSCCI	SMPFI Limited*	PTSMPI
Current assets	P5,500,837	P672,946	P192,940	P294,053	P5,275,639	P686,002	P800,583	P253,533
Noncurrent assets	3,696,683	127,370	619,787	63,671	3,878,984	82,308	976,644	71,447
Current liabilities	(4,606,780)	(844,664)	(718,676)	(263,824)	(4,214,661)	(713,721)	(1,501,112)	(200,879)
Noncurrent liabilities	(29,430)	(1,060)	(522,776)	(34,144)	(32,473)	(877)	(159,881)	(33,232)
Net assets	P4,561,310	(P45,408)	(P428,725)	P59,756	P4,907,489	P53,712	P116,234	P90,869
Revenues	P15,069,154	P929,160	P1,055,223	P729,199	P14,932,779	P1,126,035	P1,723,136	P683,432
Net income (loss)	P653,005	(P98,944)	(P276,637)	(P31,265)	P662,033	(P158,185)	(P238,096)	(P11,620)
Other comprehensive income (loss)	816	(176)	-	-	(13,033)	217	-	-
Total comprehensive income (loss)	P653,821	(P99,120)	(P276,637)	(P31,265)	P649,000	(P157,968)	(P238,096)	(P11,620)
Cash flows provided by (used in) operating activities	P1,655,728	(P107,420)	P166,019	(P81,279)	P1,412,540	(P155,869)	P24,071	P14,396
Cash flows provided by (used in) investing activities	(165,856)	-	70,155	36,986	(627,701)	-	94,507	(9,510)
Cash flows provided by (used in) financial activities	(1,463,149)	110,756	(214,017)	48,594	(819,364)	160,333	69,180	(1,104)
Effects of exchange rate changes on cash and cash equivalents	-	142	(95)	(397)	-	(3,459)	(4,439)	(3,035)
Net increase (decrease) in cash and cash equivalents	P26,723	P3,478	P22,062	P3,904	(P34,525)	P1,005	P183,319	P747

*including SMHVN

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, and 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 value-added refrigerated processed meats and canned meat products.

The Milling segment is into manufacturing and marketing of flour, flour mixes and bakery ingredients, and is engaged in grain terminal handling.

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

Major Customer

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

Operating Segments

Financial information about reportable segments follows:

	Agro-Industrial				Value-Added Meats				Milling				Total Reportable Segments				Others				Eliminations				Consolidated				
	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	
(In Millions)																													
Revenues																													
External	P68,181	P64,383	P61,877	P15,033	P14,876	P13,665	P8,854	P8,693	P8,425	P8,425	P8,367	P8,367	P10,931	P11,821	P11,820	P -	P -	P -	P -	P -	P102,999	P99,773	P95,787	P95,787					
Inter-segment	1,467	1,137	1,031	36	57	20	1,062	751	697	697	1,945	1,748	234	269	271	(2,799)	(2,799)	(2,214)	(2,214)	(2,019)	-	-	-	-	-	-	-	-	
Total revenues	P69,648	P65,520	P62,908	P15,069	P14,933	P13,685	P9,916	P9,444	P9,122	P9,122	P8,937	P8,937	P11,165	P12,090	P12,091	(P2,799)	(P2,799)	(P2,214)	(P2,214)	(P2,019)	P102,999	P99,773	P95,787	P95,787					
Result																													
Segment operating result	P2,579	P1,956	P1,769	P964	P990	P1,163	P2,338	P2,021	P1,860	P1,860	P4,967	P4,967	P5,881	P5,455	P5,535	P1	P1	(P2)	(P2)	P52	P6,463	P5,510	P5,177	P5,177					
Interest expense and other financing charges	(241)	(345)	(327)	(51)	(61)	(87)	(35)	(10)	(4)	(4)	(416)	(416)	(126)	(157)	(157)	33	33	23	23	-	(420)	(550)	(575)	(575)					
Interest income	2	6	42	34	26	23	11	6	24	24	89	89	122	44	60	(33)	(33)	(23)	(23)	-	136	59	149	149					
Equity in net earnings of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	885	-	-	-	-	-	-	-	715	885					
Gain on sale of investment and property and equipment	-	-	22	-	-	-	-	2	-	-	2	22	-	393	93	-	-	-	-	-	-	-	395	115					
Other income (charges) - net	(213)	(161)	(22)	(6)	(10)	28	17	(321)	73	(73)	(492)	79	(301)	(41)	(22)	-	-	-	-	-	(503)	(533)	57	(57)					
Income tax expense	(625)	(415)	(486)	(288)	(284)	(339)	(678)	(515)	(586)	(586)	(1,214)	(1,411)	(249)	(301)	(145)	7	7	3	31	(1,545)	(1,833)	(1,512)	(1,545)						
Net income	P1,502	P1,041	P998	P653	P661	P788	P1,653	P1,183	P1,367	P1,367	P3,885	P3,153	P2,727	P1,198	P1,067	P8	P8	P1	P43	P3,843	P4,084	P4,263	P4,263						
Attributable to:																													
Equity holders of the Parent Company																					P3,884	P4,097	P4,172	P4,172					
Non-controlling interests																					(41)	(13)	91	91					
Net income																					P3,843	P4,084	P4,263	P4,263					
Other Information																													
Segment assets	P27,426	P25,176	P26,160	P8,938	P8,930	P8,731	P7,407	P6,923	P4,836	P4,836	P39,727	P39,727	P23,783	P3,992	P14,984	(P5,655)	(P5,655)	(P5,312)	(P5,312)	(P4,527)	P61,899	P67,709	P50,184	P50,184					
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,342	-	-	-	-	-	-	-	-	13,342					
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	1,373	1,622	1,603	(1,196)	(1,196)	(1,196)	(1,196)	(1,196)	177	426	407	407					
Other intangible assets - net	84	61	35	232	239	243	54	-	-	-	300	278	3,528	3,690	3,792	(122)	(122)	(122)	(122)	(122)	3,776	3,868	3,948	3,948					
Deferred tax assets	410	345	136	29	53	8	10	72	18	18	449	162	297	212	344	57	57	57	57	57	803	739	563	563					
Consolidated total assets	P27,920	P25,582	P26,331	P9,199	P9,222	P8,982	P7,471	P6,995	P4,854	P4,854	P40,167	P40,167	P28,981	P3,716	P34,065	(P6,916)	(P6,916)	(P6,573)	(P6,573)	(P5,788)	P66,655	P72,742	P68,444	P68,444					
Segment liabilities	P10,107	P9,414	P9,182	P2,948	P2,071	P1,702	P1,566	P1,533	P806	P806	P13,018	P11,690	P8,375	P9,152	P8,037	(P5,702)	(P5,702)	(P5,362)	(P5,362)	(P4,575)	P17,094	P16,808	P15,152	P15,152					
Dividends payable and others	12	17	16	-	2	2	1	-	-	-	13	19	7	2	2	-	-	-	-	-	20	21	20	20					
Notes payable	4,593	3,785	4,460	1,622	2,085	1,405	1,532	1,535	314	314	7,405	6,179	1,006	1,243	1,172	-	-	-	-	-	8,753	8,648	7,351	7,351					
Current maturities of long-term debt - net of debt issue costs	4,492	-	-	-	-	-	-	-	-	-	4,492	-	-	-	-	-	-	-	-	-	-	4,492	-	-	-				
Income tax payable	-	-	-	-	67	155	171	171	151	151	238	266	67	62	121	-	-	-	-	-	305	388	387	387					
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	3	2	6	-	-	-	-	-	25	34	37	37					
Long-term debt - net of current maturities and debt issue costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Consolidated total liabilities	P19,204	P17,699	P18,133	P4,637	P4,313	P3,224	P3,070	P3,239	P1,271	P1,271	P22,628	P22,628	P9,458	P10,461	P9,338	(P5,677)	(P5,677)	(P5,330)	(P5,330)	(P4,544)	P30,692	P30,382	P27,422	P27,422					
Capital expenditures	P60	P69	P117	P104	P109	P541	P392	P1,591	P1,153	P1,153	P1,769	P1,811	P91	P209	P146	P -	P -	P -	P -	P -	P647	P1,978	P1,957	P1,957					
Depreciation and amortization	1,873	1,772	1,537	329	338	303	255	124	100	100	2,457	1,940	387	405	357	-	-	-	-	-	2,844	2,639	2,297	2,297					
Impairment loss on goodwill and idle assets	-	-	-	-	-	-	-	-	19	19	-	19	251	-	-	-	-	-	-	-	-	-	-	19	19				

7. Cash and Cash Equivalents

This account consists of:

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

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

8. Trade and Other Receivables

This account consists of:

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

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

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

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

In November 2014, SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) with Felicísimo Martínez & Co. Inc. (FMC) for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (IP Rights) relating to FMC's *La Pacita* biscuit and flour-based snack business. The refundable deposit paid by SMPFC in November 2014 was recognized by the Parent Company as part of non-trade receivables as at December 31, 2014.

The movements in the allowance for impairment losses follow:

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

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

			Amounts Owed by Related Parties	
2014	Trade	Non-trade		Total
Current	P5,798,243	P584,967	P65,578	P6,448,788
Past due				
1-30 days	2,728,582	149,892	32,238	2,910,712
31-60 days	325,216	175,084	7,643	507,943
61-90 days	76,682	41,873	6,400	124,955
Over 90 days	699,416	735,110	36,111	1,470,637
	P9,628,139	P1,686,926	P147,970	P11,463,035

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

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

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

9. Inventories

This account consists of:

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

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

The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P552.6 million and P745.8 million as at December 31, 2014 and 2013, respectively, with corresponding costs at point of harvest amounting to P509.0 million and P652.6 million, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P43.7 million and P93.2 million as at December 31, 2014 and 2013, respectively.

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

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

10. Biological Assets

This account consists of:

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

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

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

The movements in biological assets are as follows:

	2014	2013
Cost		
Balance at beginning of year	P6,036,471	P6,213,091
Increase (decrease) due to:		
Production	38,786,660	38,170,094
Purchases	895,465	996,311
Mortality	(733,859)	(656,723)
Sales and harvest	(37,410,804)	(37,438,177)
Retirement	(1,400,692)	(1,287,871)
Currency translation adjustments	(564)	39,746
Balance at end of year	6,172,677	6,036,471

Forward

	<i>Note</i>	2014	2013
Accumulated Amortization			
Balance at beginning of year		P698,285	P489,343
Additions	24	1,536,866	1,523,536
Disposals		(16,289)	(26,089)
Retirement		(1,339,265)	(1,287,871)
Currency translation adjustments		13	(634)
Balance at end of year		879,610	698,285
Carrying Amount		P5,293,067	P5,338,186

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

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P30,899.5 million and P35,461.3 million in 2014 and 2013, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	<i>Note</i>	2014	2013
Prepaid income tax		P1,279,483	P1,145,241
Input tax		1,277,993	1,314,893
Derivative assets	32, 33	12,422	4,621
Others		832,587	249,542
		P3,402,485	P2,714,297

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

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 33.

12. Investment

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

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

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

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

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

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

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

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

The sale of SMPFC's shares of stock in Meralco is included as part of non-trade receivable under "Trade and other receivables" account in the 2013 consolidated statement of financial position. In March 2014, SMPFC received the proceeds from the sale of Meralco shares (Note 8).

13. Investment Property

The movements in investment property are as follows:

	<i>Note</i>	Land	Buildings and Improvements	Total
Cost				
December 31, 2012		P625,414	P14,277	P639,691
Additions		3,201	1,300	4,501
December 31, 2013		628,615	15,577	644,192
Additions		7,029	-	7,029
Disposals		(275)	-	(275)
Reclassifications		213	(213)	-
December 31, 2014		635,582	15,364	650,946
Accumulated Depreciation				
December 31, 2012		-	2,353	2,353
Additions	24	-	687	687
December 31, 2013		-	3,040	3,040
Additions	24	-	697	697
December 31, 2014		-	3,737	3,737
Accumulated Impairment Losses				
December 31, 2012, 2013 and 2014		8,473	-	8,473
Carrying Amount				
December 31, 2013		P620,142	P12,537	P632,679
December 31, 2014		P627,109	P11,627	P638,736

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

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

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

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

14. Property, Plant and Equipment

This account consists of:

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

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

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

There was no interest capitalized by the Group in 2014.

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. SMFI considers the said Order and Resolution to have attained finality as at March 20, 2015. SMFI is not aware of any appeal or relief therefrom filed or applied for by MAPALAD.

Idle assets, net of accumulated depreciation and impairment losses, and which is included under "Other noncurrent assets" account amounted to P86.3 million and P89.9 million as at December 31, 2014 and 2013, respectively.

15. Other Intangible Assets

This account consists of:

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

The movements in other intangible assets are as follows:

	<i>Note</i>	Trademarks and Brand Names	Others	Total
Cost				
December 31, 2012		P3,296,062	P817,899	P4,113,961
Additions		-	42,784	42,784
Reclassifications		-	3,951	3,951
Currency translation adjustments		4,495	(1,141)	3,354
December 31, 2013		3,300,557	863,493	4,164,050
Additions		-	70,932	70,932
Disposals and reclassifications		-	(210)	(210)
Currency translation adjustments		(179)	(83)	(262)
December 31, 2014		3,300,378	934,132	4,234,510
Accumulated Depreciation				
December 31, 2012		-	165,991	165,991
Additions	24	-	126,694	126,694
Reclassifications		-	4,341	4,341
Currency translation adjustments		-	(696)	(696)
December 31, 2013		-	296,330	296,330
Additions	24	-	162,081	162,081
Disposals and reclassifications		-	(166)	(166)
Currency translation adjustments		-	(88)	(88)
December 31, 2014		-	458,157	458,157
Carrying Amount				
December 31, 2013		P3,300,557	P567,163	P3,867,720
December 31, 2014		P3,300,378	P475,975	P3,776,353

In July 2010, SMC and SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) for the transfer to SMPFC of SMC's food-related brands and intellectual property rights at a purchase price of P3,200.0 million. Pursuant to the Agreement, 10% of the purchase price was paid by SMPFC in July 2010. On March 8, 2011, SMPFC 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 (value-in-use) 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 the growth rates is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections was 12% in 2014 and 2013.

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

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

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

16. Goodwill

The movements in goodwill are as follows:

	<i>Note</i>	2014	2013
Balance at beginning of year		P425,655	P406,922
Impairment loss	26	(250,947)	-
Currency translation adjustments		2,321	18,733
Balance at end of year		P177,029	P425,655

Goodwill acquired through business combinations which has been allocated to individual cash-generating units for impairment testing amounted to P170.8 million and P6.2 million as at December 31, 2014 and 2013 for PTSMPI and Magnolia (through its subsidiary, GFDCC), respectively. Goodwill allocated to SMPFIL (through its subsidiary, SMPFI Limited) as at December 31, 2013 amounted to P248.6 million.

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

Impairment loss recognized in 2014 amounted to P250.9 million (Note 26). No impairment loss was recognized in 2013 and 2012.

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

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

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.
- *Discount Rates.* The Group uses the weighted average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

17. Notes Payable

This account consists of:

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

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

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

18. Trade Payables and Other Current Liabilities

This account consists of:

	<i>Note</i>	2014	2013
Trade		P8,381,271	P7,232,360
Amounts owed to related parties	29	1,184,205	1,687,068
Non-trade		4,804,707	5,206,609
Output VAT		1,086,576	1,023,462
Derivative liabilities	32, 33	45,979	58,585
Others		728,663	727,954
		P16,231,401	P15,936,038

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

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

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

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 33.

19. Long-term Debt

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

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

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

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

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

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

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

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

20. Equity

a. The following are the significant developments:

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

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

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

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

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

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

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

b. *Capital Stock*

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

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

Common Shares

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

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

Preferred Shares

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

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

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

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

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

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

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

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

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

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

c. *Treasury Shares*

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

d. *Unappropriated Retained Earnings*

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

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

e. *Appropriated Retained Earnings*

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

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

f. *Cash Dividends*

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

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

21. Revenues

Revenue account consists of sales of goods, fair valuation adjustments on agricultural produce, rental income and service revenue. Total sales of goods amounted to P102,913.5 million, P99,657.0 million and P95,698.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P43.7 million, P93.2 million and P89.3 million in 2014, 2013 and 2012, respectively.

Service revenue amounted to P42.2 million and P22.7 million in 2014 and 2013, respectively. No service revenue was recognized in 2012.

22. Cost of Sales

This account consists of:

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

23. Selling and Administrative Expenses

This account consists of:

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

24. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

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

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

25. Personnel Expenses

This account consists of:

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

Personnel expenses are distributed as follows:

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

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

These accounts consist of:

a. Interest Expense and Other Financing Charges

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

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

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

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

b. Interest Income

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

c. Other Income (Charges)

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

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

27. Income Taxes

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

	2014	2013
Unamortized past service cost	P339,306	P316,808
Allowance for impairment losses on receivables and write-down of inventories	226,319	200,439
NOLCO	108,548	66,230
MCIT	14,893	10,202
Unrealized mark-to-market loss	12,882	81,699
Others	73,176	29,262
	P775,124	P704,640

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

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

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

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

- b. The components of income tax expense are shown below:

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

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

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

28. Retirement Plans

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

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

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

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

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Obligation	
	2014	2013	2014	2013	2014	2013
Balance at beginning of year	P2,219,453	P2,475,056	(P3,108,365)	(P3,145,454)	(P888,912)	(P670,398)
Recognized in profit or loss						
Service costs	-	-	(144,261)	(147,546)	(144,261)	(147,546)
Interest expense	-	-	(137,524)	(165,277)	(137,524)	(165,277)
Interest income	96,141	120,427	-	-	96,141	120,427
	96,141	120,427	(281,785)	(312,823)	(185,644)	(192,396)
Recognized in other comprehensive income						
Remeasurements:						
Actuarial gains (losses) arising from:						
Experience adjustments	-	(12,686)	(116,925)	(197,864)	(116,925)	(210,550)
Changes in financial assumptions	-	-	8,980	-	8,980	-
Return on plan asset excluding interest	56,987	-	-	-	56,987	-
	56,987	(12,686)	(107,945)	(197,864)	(50,958)	(210,550)
Others						
Benefits paid	(281,035)	(532,606)	283,638	534,759	2,603	2,153
Contributions	245,060	182,279	-	-	245,060	182,279
Transfers from other plans	-	6,984	-	(6,984)	-	-
Transfers to other plans	-	(20,001)	-	20,001	-	-
	(35,975)	(363,344)	283,638	547,776	247,663	184,432
Balance at end of year	P2,336,606	P2,219,453	(P3,214,457)	(P3,108,365)	(P877,851)	(P888,912)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P185.6 million, P192.4 million and P159.8 million in 2014, 2013 and 2012, respectively.

Retirement assets and liabilities in 2014, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts, amounted to P4.8 million and P882.7 million, respectively.

Retirement assets and liabilities in 2013, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts, amounted to P4.8 million and P893.7 million, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2014 and 2013.

The Group's plan assets consist of the following:

	In Percentages	
	2014	2013
Marketable securities	19.5	18.8
Interest in pooled funds:		
Stock trading portfolio	17.9	14.8
Fixed income portfolio	53.4	52.6
Others	9.2	13.8

Investments in Marketable Securities

As at December 31, 2014, the plan assets include:

- 2,079,890 common shares of SMC, 600,000 Subseries "A" preferred shares of SMC and 730,000 Subseries "B" preferred shares of SMC with fair market value per share of P73.80, P 75.60 and P78.15, respectively;
- 455,000 preferred shares of Petron Corporation with fair market value per share of P101.80;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of P15.88;
- 225,110 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P208.00 and P1,009.00, respectively; and
- 207,989 common shares of Top Frontier with fair market value per share of P124.00.

As at December 31, 2013, the plan assets include:

- 2,079,890 common shares of SMC, 600,000 Subseries "A" preferred shares of SMC and 730,000 Subseries "B" preferred shares of SMC with fair market value per share of P62.50, P76.15 and P76.30, respectively;

- 455,000 preferred shares of Petron Corporation with fair market value per share of P109.00;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of P23.00; and
- 225,110 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P238.00 and P1,045.00, respectively.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P5.8 million and (P70.6 million) in 2014 and 2013, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P31.5 million and P56.6 million in 2014 and 2013, respectively.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The BOT approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 41.5% and 39.7% of fixed income portfolio as at December 31, 2014 and 2013, respectively. The Retirement Plans' interests in net assets of the pooled funds were 17.9% and 17.8% of stock trading portfolio as at December 31, 2014 and 2013, respectively.

Approximately 2.8% and 2.6% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2014 and 2013, respectively.

Approximately 20.4% and 22.5% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2014 and 2013, respectively.

Others include the Group Retirement Plans' investments in real estate such as memorial lots and foreclosed properties, investments in government securities, cash and cash equivalents, and receivables which earn interest.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit liability 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 liability. The Group is expected to contribute the amount of P253.9 million to the Retirement Plans in 2015.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risks. The present value of defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement 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 defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the plans efficiently.

Longevity and Salary Risks. The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, both during and after employment, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2014	2013
Discount rate	4.1 to 8.0	3.9 to 8.8
Salary increase rate	7.0 to 8.0	7.0 to 8.0

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 2.4 to 9.3 years and 2.4 to 12.6 years as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2014		2013	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P36,501)	P33,908	(P35,584)	P34,084
Salary increase rate	29,483	(33,089)	29,340	(31,849)

29. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, and associate in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions with related parties and the related balances include the following:

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	2013	P -	P -	P117	P -	On demand; non-interest bearing	Unsecured; no impairment
Intermediate Parent Company	2014	7,226	676,076	18,162	313,408	On demand; non-interest bearing	Unsecured; no impairment
	2013	9,658	760,202	26,657	873,675		
	2012	14,136	628,502	49,853	633,213		
Entities under Common Control	2014	27,397	3,235,328	116,118	710,989	On demand; non-interest bearing	Unsecured; no impairment
	2013	92,179	2,813,671	100,456	754,340		
	2012	20,455	2,829,044	69,222	814,533		
Shareholder in Subsidiaries	2014	-	-	14,886	159,808	On demand; non-interest bearing	Unsecured; no impairment
	2013	-	-	26,007	59,053		
	2012	-	-	47,736	62,044		
Associate*	2012	-	82,097	1,387	1,725	On demand; non-interest bearing	Unsecured; no impairment
Total	2014	P34,623	P3,911,404	P149,166	P1,184,205		
Total	2013	P101,837	P3,573,873	P153,237	P1,687,068		
Total	2012	P34,591	P3,539,643	P168,198	P1,511,515		

*Amount owed to the Group by Meralco as at December 31, 2012 amounting to P1.2 million is included under "Other noncurrent assets" account.

Amounts owed by related parties consist mainly of trade and non-trade receivables and derivative assets. As at December 31, 2014, amounts owed by related parties amounting to P1.2 million is included under "Other noncurrent assets" account while as at December 31, 2013, amounts owed by related parties amounting to P2.1 million and P1.7 million are included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively.

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

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

SMPFC transferred to SMFI, a 99.97%-owned subsidiary of the Parent Company, its franchising and foodservice businesses under its operating division, Great Food Solutions, in February and April 2012, respectively, for a total consideration of P303.0 million.

On December 28, 2004, SMC and Monterey executed a Trademark Licensing Agreement (Agreement) with PF-Hormel to license the Monterey trademark for a period of 20 years renewable for the same period for a royalty based on net sales revenue. The royalty fee will apply only for as long as SMC and any of its subsidiaries own at least 51% of PF-Hormel. In the event that the ownership of SMC and any of its subsidiaries is less than 51%, the parties will negotiate and agree on the royalty fee on the license of the Monterey trademark. As a result of the merger of Monterey into SMFI, with SMFI as the surviving corporation (Note 5), all rights and obligations of Monterey under the Agreement are automatically transferred to and vested in SMFI per applicable law and following the provision in the Plan of Merger.

The compensation of the key management personnel of the Group, by benefit type, follows:

	2014	2013	2012
Short-term employee benefits	P119,703	P90,640	P75,117
Retirement costs	9,404	8,301	8,957
	P129,107	P98,941	P84,074

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

There were no compensation of key management personnel that were paid and charged by SMC to the Group in 2014.

30. Basic and Diluted Earnings Per Common Share

Basic EPS is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	P3,884,521	P4,096,989	P4,171,984
Dividends on preferred shares for the year	1,200,000	1,200,000	1,200,000
Net income attributable to common shareholders of the Parent Company (a)	P2,684,521	P2,896,989	P2,971,984
Common shares issued and outstanding	166,667,096	166,667,096	166,667,096
Weighted average number of common shares (b)	166,667,096	166,667,096	166,667,096
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)	P16.11	P17.38	P17.83

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

31. Operating Lease Commitments

Group as Lessee

The Group entered into various operating lease agreements. These non-cancellable leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are reviewed to reflect current market rentals.

The minimum future rental payables under these operating leases as at December 31 are as follows:

	2014	2013	2012
Within one year	P636,539	P577,551	P396,855
After one year but not more than five years	794,010	616,886	143,201
After five years	949,871	954,951	975,543
	P2,380,420	P2,149,388	P1,515,599

Rent expense recognized in profit or loss amounted to P1,687.6 million, P1,470.4 million and P1,153.4 million in 2014, 2013 and 2012, respectively (Notes 4, 22 and 23).

Group as Lessor

The Group entered into a lease agreement for the use of its machinery and equipment. The non-cancellable operating lease has a remaining term of two years and includes a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The minimum future rental receivables under the operating lease as at December 31, 2014 within one year, and after one year but not more than five years amounted to P22.2 million.

There were no non-cancellable operating leases as at December 31, 2013 and 2012.

Rent income recognized in profit or loss amounted to P22.2 million in 2014 and 2013 (Note 4).

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure of the Group to each of the foregoing risks, objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, AFS financial assets, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity options are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price risks arising from the operating activities.

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

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures of the Group, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the annual report of the Group.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P37.0 million in 2014 and 2013. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

As at December 31, 2014 and 2013, the terms and maturity profile of the interest-bearing financial instruments, together with the gross amounts, are shown in the following tables:

December 31, 2014	<1 Year	1-2 Years	Total
Fixed rate			
Philippine peso-denominated	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		
	P4,500,000	P -	P4,500,000

December 31, 2013	<1 Year	1-2 Years	Total
Fixed rate			
Philippine peso-denominated	P -	P800,000	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	P4,500,000

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2014		2013	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$4,797	P214,522	US\$6,403	P284,261
Trade and other receivables	8,044	359,728	8,652	384,106
	12,841	574,250	15,055	668,367
Liabilities				
Notes payable	6,522	291,664	14,163	628,766
Trade payables and other current liabilities	9,899	442,683	14,182	629,610
Other noncurrent liabilities	1	45	1	44
	16,422	734,392	28,346	1,258,420
Net foreign currency-denominated monetary liabilities	(US\$3,581)	(P160,142)	(US\$13,291)	(P590,053)

The Group reported net foreign exchange gains (losses) amounting to P3.1 million, P32.9 million and (P47.3 million) in 2014, 2013 and 2012, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26). 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, 2014	44.720
December 31, 2013	44.395
December 31, 2012	41.050

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, 2014 and 2013.

2014

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P2,767)	(P3,968)	P2,767	P3,968
Trade and other receivables	(3,731)	(6,924)	3,731	6,924
	(6,498)	(10,892)	6,498	10,892
Notes payable	-	6,522	-	(6,522)
Trade payables and other current liabilities	4,230	8,630	(4,230)	(8,630)
Other noncurrent liabilities	-	1	-	(1)
	4,230	15,153	(4,230)	(15,153)
	(P2,268)	P4,261	P2,268	(P4,261)

2013

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P884)	(P6,138)	P884	P6,138
Trade and other receivables	(3,156)	(7,705)	3,156	7,705
	(4,040)	(13,843)	4,040	13,843
Notes payable	-	14,163	-	(14,163)
Trade payables and other current liabilities	4,588	12,805	(4,588)	(12,805)
Other noncurrent liabilities	-	1	-	(1)
	4,588	26,969	(4,588)	(26,969)
	P548	P13,126	(P548)	(P13,126)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show mark-to-market losses; however, any loss in the mark-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

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 and 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 receipts and payments used for liquidity management.

2014

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P14,215,875	P14,215,875	P14,215,875	P -	P -	P -
Trade and other receivables - net	10,827,434	10,827,434	10,827,434	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	12,422	12,422	12,422	-	-	-
AFS financial assets (included under "Other noncurrent assets" account)	9,962	9,962	-	-	-	9,962
Financial Liabilities						
Notes payable	8,753,425	8,763,524	8,763,524	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,726,814	14,726,814	14,726,814	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	55,310	55,310	55,310	-	-	-
Current maturities of long-term debt - net of debt issue costs	4,491,685	4,683,379	4,683,379	-	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	-	41	-	-

2013

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P7,030,943	P7,030,943	P7,030,943	P -	P -	P -
Trade and other receivables - net	25,662,903	25,662,903	25,662,903	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	4,621	4,621	4,621	-	-	-
AFS financial assets (included under "Other noncurrent assets" account)	9,416	9,416	-	-	-	9,416
Financial Liabilities						
Notes payable	8,647,785	8,668,590	8,668,590	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,343,256	14,343,256	14,343,256	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	249,772	249,772	249,772	-	-	-
Long-term debt - net of debt issue costs	4,483,300	4,877,952	194,573	4,683,379	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	-	41	-	-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	2014	2013
Cash and cash equivalents (excluding cash on hand)	7	P14,198,983	P7,015,241
Trade and other receivables - net	8	10,827,434	25,662,903
Derivative assets	33	12,422	4,621
AFS financial assets	33	9,962	9,416
		P25,048,801	P32,692,181

The credit risk for cash and cash equivalents, derivative assets and AFS financial assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. 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 a 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 Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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, cumulative translation adjustments and revaluation surplus are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally-imposed capital requirements.

33. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2014 and 2013:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P14,215,875	P14,215,875	P7,030,943	P7,030,943
Trade and other receivables - net	10,827,434	10,827,434	25,662,903	25,662,903
Derivative assets (included under "Prepaid expenses and other current assets" account)	12,422	12,422	4,621	4,621
AFS financial assets (included under "Other noncurrent assets" account)	9,962	9,962	9,416	9,416
Financial Liabilities				
Notes payable	8,753,425	8,753,425	8,647,785	8,647,785
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,726,814	14,726,814	14,343,256	14,343,256
Derivative liabilities (included under "Trade payables and other current liabilities" account)	55,310	55,310	249,772	249,772
Current maturities of long-term debt - net of debt issue costs	4,491,685	4,514,109	-	-
Long-term debt - net of debt issue costs	-	-	4,483,300	4,533,089
Other noncurrent liabilities (excluding retirement liability)	41	41	41	41

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amounts of cash and cash equivalents, and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from 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 for Philippine peso-denominated loans range from 2.54% to 2.69% and 0.47% to 2.48% as at December 31, 2014 and 2013, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as at December 31, 2014 and 2013 of 5,987 and 174,248 metric tons, respectively. These options can be exercised at various calculation dates in 2015 and 2014 with specified quantities on each calculation date. As at December 31, 2014 and 2013, the net negative fair value of these options amounted to P5.0 million and P185.9 million, respectively.

As at December 31, 2014 and 2013, the Group has no outstanding bought and sold options covering its soybean meal requirements.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at December 31, 2014 and 2013, the total outstanding notional amount of such embedded currency forwards amounted to US\$85.6 million and US\$52.0 million, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As at December 31, 2014 and 2013, the net negative fair value of these embedded currency forwards amounted to P37.9 million and P59.2 million, respectively.

For the years ended December 31, 2014, 2013 and 2012, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to (P19.1 million), (P475.2 million) and P205.5 million, respectively (Note 26).

Fair Value Changes on Derivatives

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

	2014	2013
Balance at beginning of year	(P245,151)	(P19,833)
Net changes in fair value of derivatives		
Not designated as accounting hedges	(19,064)	(475,173)
	(264,215)	(495,006)
Less fair value of settled instruments	(221,327)	(249,855)
Balance at end of year	(P42,888)	(P245,151)

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2014

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P12,422	P12,422
AFS financial assets	8,867	1,095	9,962
Financial Liabilities			
Derivative liabilities	-	55,310	55,310

2013

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P4,621	P4,621
AFS financial assets	8,312	1,104	9,416
Financial Liabilities			
Derivative liabilities	-	249,772	249,772

As at December 31, 2014 and 2013, the Group has no financial instruments valued based on Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Employee Stock Purchase Plan

SMC offers shares of stocks to employees of SMC and those of its subsidiaries under the ESPP. Under the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at a price equal to the weighted average of the daily closing market prices for three months prior to the offer period less 15% discount. A participating employee may acquire at least 100 shares of stocks, subject to certain conditions, through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

There were no shares offered under the ESPP in 2014 and 2013.

Expenses billed by SMC for share-based payments recognized by the Group in profit or loss and included in "Selling and Administrative Expenses" amounted to P18.6 million and P33.2 million in 2013 and 2012, respectively. There were no expenses for share-based payments that were paid and charged by SMC to the Group in 2014.

35. Other Matters

a. Toll Agreements

The significant subsidiaries of the Parent Company are into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.
- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses in 2014, 2013 and 2012 amounted to P6,406.4 million, P6,006.4 million and P5,275.9 million, respectively.

b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

c. Commitments

The outstanding capital and purchase commitments of the Group as at December 31, 2014 and 2013 amounted to P16,528.0 million and P12,981.5 million, respectively.

d. *Registration with the Board of Investments (BOI)*

Certain operations of the Parent Company's 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. *Foreign Exchange Rate*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P44.72 and P44.395 in 2014 and 2013, respectively, for consolidated statements of financial position accounts; and average rates of P44.39, P42.43 and P42.24 in 2014, 2013 and 2012, respectively, for income and expense accounts.

f. Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

36. Events After the Reporting Date

a. *Acquisition of Hormel Netherlands B.V.'s (Hormel) 49% interest in SMPFI Limited*

In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owns 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in SMHVN, a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

b. *Acquisition of La Pacita Trademarks*

In February 2015, the acquisition by SMPFC of FMC's IP Rights relating to FMC's *La Pacita* biscuit and flour-based snack business was completed following the substantial fulfillment of the closing conditions and the payment of the consideration for such IP Rights.

c. *Redemption of Outstanding Preferred Shares*

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

d. *Issuance of Perpetual Series "2" Preferred Shares*

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (PFP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover the PFP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering, management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

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

SMPFC, through the underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the

Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 PFP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

e. *Declaration of Cash Dividends*

On February 3, 2015, the Parent Company's BOD declared cash dividends to all preferred and common shareholders of record as at February 17, 2015 amounting to P20.00 and P1.20 per share, respectively, payable on March 3, 2015.



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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, 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, 2014 and 2013, included in the Form 17-A, and have issued our report thereon dated March 20, 2015.

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. 4748118MC
Issued January 5, 2015 at Makati City

March 20, 2015
Makati City, Metro Manila

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES

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DECEMBER 31, 2014

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C	- AMOUNTS RECEIVABLE/ PAYABLE WITH RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
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SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2014
(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, 2014	Income (Loss) Received and Accrued
Cash and cash equivalents	-	P14,215,875	P14,215,875	P135,851
Trade and other receivables - net	-	10,827,434	10,827,434	-
Derivative assets	-	12,422	12,422	(19,064)*
Available-for-sale financial assets	89,260	9,962	9,962	-
	89,260	P25,065,693	P25,065,693	P116,787

* 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, 2014
(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	P180
Makati Sports Club, Inc.	1	330
Philippine Long Distance Tel. Co.	325	944
Valle Verde Country Club	1	300
Manila Electric Co.	14,895	149
San Miguel Foods, Inc.		
Club Filipino	1	180
Makati Sports Club, Inc.	1	300
Philippine Long Distance Tel. Co.	3,928	227
Manila Southwoods Golf & Country Club	1	400
Sta Elena Golf Club	1	3,000
Manila Electric Co.	58,999	590
Tagaytay Highland Golf and Country Club	1	490
Piltel	11,100	80
Royal Tagaytay Country Club	1	50
The Orchard Golf and Country Club (Fil-Estate Realty)	1	180
Magnolia, Inc.		
Alabang Country Club	1	2,300
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	234
Total Available-for-Sale Financial Assets	89,260	P9,962

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Pure Foods Company Inc.	P39,648	P410,898	(P415,128)	P -	P35,418	P35,418	P -	P35,418
San Miguel Foods, Inc.	1,123,480	6,091,406	(5,640,314)	-	1,574,572	1,574,572	-	1,574,572
San Miguel Mills, Inc. and subsidiaries	279,524	1,753,307	(1,806,086)	-	226,745	226,745	-	226,745
The Purefoods-Hormel Company, Inc.	3,061,020	16,357,486	(16,519,100)	-	2,899,406	2,368,331	531,075	2,899,406
Magnolia, Inc. and subsidiaries	762,721	8,496,059	(8,405,943)	-	852,837	852,837	-	852,837
San Miguel Super Coffeemix Co., Inc.	113,710	1,137,209	(1,174,224)	-	76,695	76,695	-	76,695
San Miguel Pure Foods International, Limited and subsidiaries	-	31,495	-	-	31,495	31,495	-	31,495
	P5,380,103	P34,277,860	(P33,960,795)	P -	P5,697,168	P5,166,093	P531,075	P5,697,168

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Pure Foods Company Inc.	P12,387	P976	(P5,919)	P -	P7,444	P7,444	P -	P7,444
San Miguel Foods, Inc.	3,498,253	28,470,916	(28,687,169)	-	3,282,000	3,282,000	-	3,282,000
San Miguel Mills, Inc. and subsidiaries	76,381	482,075	(286,948)	-	271,508	271,508	-	271,508
The Purefoods-Hormel Company, Inc.	312,974	4,836,477	(4,294,717)	-	854,734	854,734	-	854,734
Magnolia, Inc. and subsidiaries	507,648	2,591,086	(2,844,693)	-	254,041	254,041	-	254,041
San Miguel Super Coffeemix Co., Inc.	170,438	214,902	(276,833)	-	108,507	108,507	-	108,507
San Miguel Pure Foods International, Limited and subsidiaries	750,448	363,569	(251,566)	-	862,451	339,716	522,735	862,451
PT San Miguel Pure Foods Indonesia	51,091	9,993	(595)	-	60,489	60,489	-	60,489
	P5,379,620	P36,969,994	(P36,648,440)	P -	P5,701,174	P5,178,439	P522,735	P5,701,174

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2014
(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	P425,655	P -	P -	(P250,947)	P2,321	P177,029
Trademarks and Other Intangibles						
Cost:						
Trademarks and brand names	P3,300,557	P -	P -	P -	(P179)	P3,300,378
Software and licenses	805,902	70,932	(210)	-	(83)	876,541
Formulas and recipes	57,591	-	-	-	-	57,591
	4,164,050	70,932	(210)	-	(262)	4,234,510
Accumulated Amortization:						
Software and licenses	296,330	162,081	(166)	-	(88)	458,157
Net Book Value	P3,867,720	(P91,149)	(P44)	P -	(P174)	P3,776,353

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, 2014
(In Thousands)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassifications/ (Disposal)	Charged to Costs and Expenses	Currency Translation Adjustments	Ending Balance
Available for sale financial assets	P9,416	P -	P -	P -	P546	P9,962
Idle Assets - net	89,923	-	-	(3,608)	-	86,315
Others - net	320,656	84,437	(126,578)	-	-	278,515
	P419,995	P84,437	(P126,578)	(P3,608)	P546	P374,792

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

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2014
(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	P1,500,000	(P2,762)	P1,497,238	P -	P -	P -	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
	China Banking Corporation	1,200,000	1,200,000	(2,210)	1,197,790	-	-	-	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
	Land Bank of the Philippines	500,000	500,000	(921)	499,079	-	-	-	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
	Maybank Philippines, Inc.	500,000	500,000	(921)	499,079	-	-	-	3-month PDST-F plus margin	Bullet	Quarterly	Dec 2015
		3,700,000	3,700,000	(6,814)	3,693,186	-	-	-				
Fixed	Land Bank of the Philippines	500,000	500,000	(938)	499,062	-	-	-	5.4885%	Bullet	Quarterly	Dec 2015
	China Banking Corporation	229,600	229,600	(431)	229,169	-	-	-	5.4885%	Bullet	Quarterly	Dec 2015
	China Banking Corporation - Trust Group as Trustee	53,500	53,500	(100)	53,400	-	-	-	5.4885%	Bullet	Quarterly	Dec 2015
	China Bank Savings, Inc. - Trust as Trustee	16,900	16,900	(32)	16,868	-	-	-	5.4885%	Bullet	Quarterly	Dec 2015
		800,000	800,000	(1,501)	798,499	-	-	-				
Total Long-term Debt		P4,500,000	P4,500,000	(P8,315)	P4,491,685	P -	P -	P -				

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, 2014
(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	-	154,835	10,000	14,835,165
Total	246,000,000	185,874,854	4,207,758	181,667,096	-	142,434,102	10,009	39,222,985

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, 2014

I. AGING OF ACCOUNTS RECEIVABLE

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	₱9,657,016,304.83	₱5,797,187,847.62	₱2,728,979,984.36	₱325,039,065.75	₱76,674,948.91	₱729,134,458.19
Less: Allowance	578,064,906.54	-	-	-	-	578,064,906.54
Net Trade Receivable	9,078,951,398.29	5,797,187,847.62	2,728,979,984.36	325,039,065.75	76,674,948.91	151,069,551.65
B. Non-Trade	1,806,018,654.80	644,048,693.17	178,630,514.10	191,191,336.75	52,546,750.45	739,601,360.33
Less: Allowance	57,536,163.91	-	-	-	-	57,536,163.91
Net Non-Trade Receivable	1,748,482,490.89	644,048,693.17	178,630,514.10	191,191,336.75	52,546,750.45	682,065,196.42
Net Receivables	₱10,827,433,889.18	₱6,441,236,540.79	₱2,907,610,498.46	₱516,230,402.50	₱129,221,699.36	₱833,134,748.07

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	54 days
	San Miguel Mills, Inc. and subsidiaries	28 days
	Magnolia, Inc. and subsidiaries	35 days
	PT San Miguel Pure Foods Indonesia	53 days
	San Miguel Pure Foods International Limited	24 days
	San Miguel Super Coffeemix Co., Inc.	33 days
	The Purefoods-Hormel Company, Inc.	51 days
b. Non-Trade Receivables	Consists mainly of:	
	1. Advances to contract growers and breeders	Upon harvest of marketable broilers and hogs/
	2. Receivables from truckers and toll partners	Upon harvest of eggs and fully grown parent stocks
	3. Insurance Claims	Upon demand or not over 60 days
		30 days from the date of offer settlement

III. Normal Operating Cycle

San Miguel Foods, Inc.	114 days
San Miguel Mills, Inc. and subsidiaries	75 days
Magnolia, Inc. and subsidiaries	106 days
PT San Miguel Pure Foods Indonesia	144 days
San Miguel Pure Foods International Limited	39 days
San Miguel Super Coffeemix Co., Inc.	244 days
The Purefoods-Hormel Company, Inc.	126 days



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Branches - Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Pure Foods Company Inc. (the "Company") as at and for the years ended December 31, 2014 and 2013, included in the Form 17-A, and have issued our report thereon dated March 20, 2015.

Our audits were made for the purpose of forming an opinion on the basic separate 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 separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate 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. 4748118MC

Issued January 5, 2015 at Makati City

March 20, 2015

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, 2014
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		P9,968,252
Adjustments:		
Unrealized foreign exchange loss	P2,866	
Unrealized mark-to-market gain	(31)	
Treasury stock	(182,094)	
Deferred tax asset - net	(3,774)	(183,033)
Unappropriated Retained Earnings, as adjusted, beginning		9,785,219
Net Income based on the face of audited financial statements	3,447,288	
Add: Non-actual losses		
Impairment loss on investment	127,983	
Provision for income tax - deferred	47	
Net Income Actual/Realized		3,575,318
Less:		
Dividend declarations during the year		9,800,022
Unappropriated Retained Earnings, as adjusted, ending		P3,560,515



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Branches - Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS

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

We have audited, 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, 2014 and 2013, included in the Form 17-A, and have issued our report thereon dated March 20, 2015.

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

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

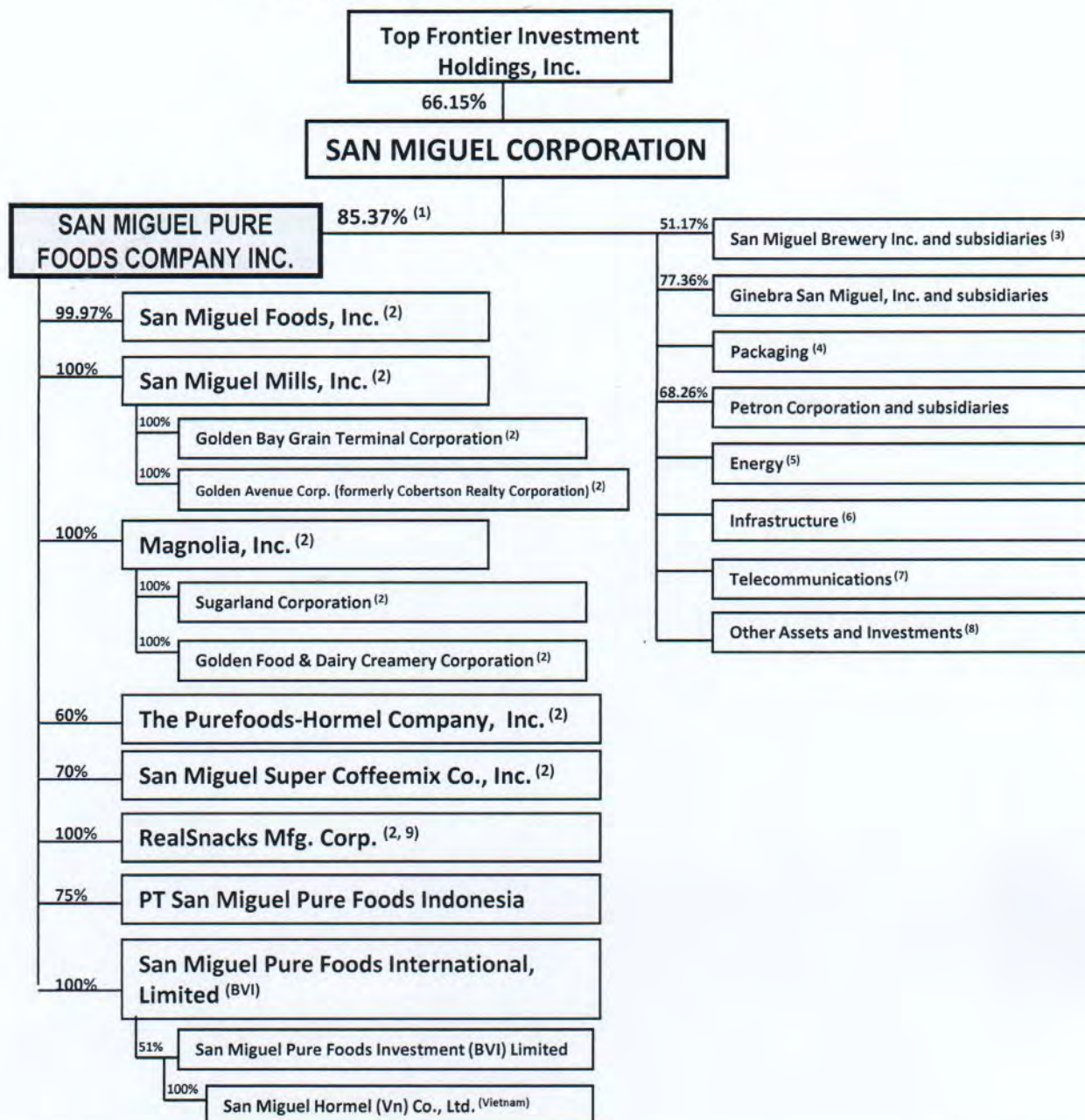
PTR No. 4748118MC

Issued January 5, 2015 at Makati City

March 20, 2015

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 Limited and subsidiaries (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)

(5) Energy business includes SMC Global Power Holdings Corp. and subsidiaries (100%)

(6) Infrastructure business includes Atlantic Aurum Investments BV (46.53%), Private Infra Dev Corporation (45%), Trans Aire Development Holdings Corp. (99.77%), Vertex Tollways Dev't. Inc. (100%), Universal LRT Corporation (BVI) Limited (51%), Terramino Holdings, Inc. (100%), Alloy Manila Toll Expressways Inc. (78.61%) and Cypress Tree Capital Investments, Inc. and subsidiaries (53.32%)

(7) Telecommunications business includes Liberty Telecoms Holdings, Inc. (45.58%), Bell Telecommunication Philippines, Inc. (100%) and Eastern Telecommunications Philippines, Inc. (77.70%)

(8) Other Assets and Investments includes San Miguel Properties, Inc. (99.68%) and Bank of Commerce (39.93%)^A

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

A Asset held for sale

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
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			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27(2011): Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
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	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers (PIC Q&A)				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
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 (NPAE)			✓
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			✓
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?	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
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			✓



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**SECURITIES AND EXCHANGE COMMISSION**

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Company Type Stock Corporation

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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

CONSOLIDATED CHANGES IN THE ACGR FOR 2014

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Month

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Day

S	E	C	-	F	O	R	M
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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

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SECRETARY'S CERTIFICATE

I, **ALEXANDRA BENGSON TRILLANA**, of legal age, married, Filipino, with office address at the 22nd Floor of The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am Corporate Secretary of **SAN MIGUEL PURE FOODS COMPANY INC.** (the "Corporation" or "Company"), a corporation duly organized and registered in accordance with the laws of the Republic of the Philippines, with principal address at the 23rd Floor of The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines.

2. As Corporate Secretary, I have under my supervision and control the Minutes Book wherein are recorded all the minutes of the meetings of the Board of Directors of the Corporation (the "Board").

3. At the Special Meeting of the Board held on **February 4, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following resolutions:

Resolution No. 2014-02-04-01

"RESOLVED, that a cash dividend of P20.00 per preferred share be paid on March 3, 2014 to all preferred stockholders of record as of February 19, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer books of the Company be closed from February 20 to 26, 2014."

xxx

Resolution No. 2014-02-04-02

"RESOLVED, that a cash dividend of P1.20 per common share be paid on March 3, 2014 to all common stockholders of record as of February 19, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer books of the Company be closed from February 20 to 26, 2014."

4. At the Regular Meeting of the Board held on **March 26, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and approved by the Board, as reflected in the minutes of the said meeting:

"The draft of the Consolidated Financial Statements of SMPFC as at and for the year ended December 31, 2013 was also presented to the Audit Committee for its consideration.

The Committee endorsed for approval of the Board the 2013 Consolidated Financial Statements of the Company, as presented, and in case there are material adjustments, for the same to be raised to the Audit Committee for approval. The Committee also endorsed for approval of the Board, the further amendments to the Company's Manual on Corporate Governance as presented by the Compliance Officer.

Upon motion duly made and seconded, the Board adopted the following resolution:

Resolution No. 2014-03-26-01

"RESOLVED, as it is hereby resolved, that the Board of Directors approve the 2013 Consolidated Audited Financial Statements of the Company, as presented."

xxx

Director Carmelo Santiago, Chairman of the Nominations and Hearing Committee, reported that the Committee met earlier in the afternoon to deliberate on the qualifications of the

nominees for election as directors for the Annual Stockholders' Meeting of the Company to be held on May 9, 2014. The following have been nominated for election as directors:

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

As required by the Securities and Exchange Commission (SEC), the Committee also certifies that, when elected, the following shall be independent directors of the Company:

Carmelo L. Santiago
 Angelina S. Gutierrez
 Silvestre H. Bello III
 Edgardo P. Cruz

The Committee thus endorsed for approval by the Board the nominations of the nine (9) nominees to the Board of Directors of the Company.

On motion duly made and seconded, the Board approved the nominations as directors of the Company during the 2014 Annual Stockholders' Meeting, as presented.

xxx

Resolution No. 2014-03-26-02

"RESOLVED, that a cash dividend of P48.00 per common share be paid on May 12, 2014 to all common stockholders of record as of April 11, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company;

RESOLVED, FINALLY, that the stock transfer books of the Company be closed from April 12, 2014 to May 9, 2014."

xxx

In view of recent SEC Memorandum Circulars issued, particularly on the changes in reportorial requirements and deadlines taking into account the Annual Corporate Governance Report now required to be prepared by covered corporations, and the program on corporate governance that directors and key officers should attend on an annual basis, there is a need to further update the Company's Manual accordingly.

The proposed amendments are as follows:

Section Reference	Old Provision	New Provision
Section 2.1.2 enumerating the duties of the Compliance Officer	<u>Issue a certification every January 30th of the year</u> on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same	<u>Attest</u> on the extent of the Corporation's compliance with this Manual <u>and the SEC code of corporate governance</u> , explaining the reason/s of the latter's deviation from the same, in each case <u>where necessary or required by applicable laws, rules and regulations</u>
Section 2.2.1.4 enumerating the duties and responsibilities of a Director	<u>To attend a seminar on corporate governance which shall be conducted by a duly recognized private or government</u>	<u>To attend, in the same manner as all key officers of the Corporation, a seminar or program on corporate governance at</u>

	<u>institute</u>	<u>least once a year, which seminar or program shall be conducted by a training provider duly accredited by the SEC</u>
Section 2.2.1.7 discussing Board meetings and quorum requirements	<u>A sworn certification on the directors' attendance in Board meetings shall be submitted by the Corporation to the SEC on or before January 30 of the following year</u>	<u>A report, advice or certification on the directors' attendance in Board meetings shall be submitted by the Corporation to the SEC within the period prescribed under applicable laws, rules or regulations</u>
Section 2.2.4.4 enumerating the duties and responsibilities of the Corporate Secretary	<u>Submit to the SEC, on or before January 30th of the following year through SEC Form 17-C or in a separate filing, a sworn certification as to the attendance of the directors in Board meetings</u>	<u>Submit to the SEC, such reports, advice or certifications as to the attendance of the directors in Board meetings, as may be required by applicable laws, rules and regulations</u>

On motion duly made and seconded, the Board approved the further amendments to the Company's Manual on Corporate Governance, as presented.

xxx

Atty. Trillana informed the Board that the 2014 Annual Stockholders' Meeting of the Company will be held on May 9, 2014, which is the second Friday of May, in accordance with the Company's By-laws. The meeting will be held at the Executive Dining Room, 2nd Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City. In this connection:

- (i) The record date for stockholders entitled to vote will be on April 11, 2014;
- (ii) The closing of the stock transfer books will be from April 12 to May 9, 2014;
- (iii) The deadline for submission of proxies will be on April 24, 2014; and
- (iv) The validation of proxies will be on May 2, 2014.

The Agenda of the Meeting will be as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 10, 2013
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Amendment to the Company's Articles of Incorporation, particularly –
 - (a) Article Third on principal office address
 - (b) Article Eighth on redemption of shares of stock
 - (c) Article Eleventh on further amendments to Articles of Incorporation
6. Amendment to the Company's By-laws, particularly –
 - (a) Article I on period of closing of Stock Transfer Book for annual stockholder meetings
 - (b) Article II on the two-thirds vote requirement for certain Board decisions
7. Appointment of External Auditors
8. Election of the Board of Directors
9. Other Matters
10. Adjournment

On motion duly made and seconded, the Board approved the foregoing, as presented."

5. At the Regular Meeting of the Board held on May 7, 2014, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following resolution:

Resolution No. 2014-05-07-01

"RESOLVED, that a cash dividend of P20.00 per preferred share be paid on June 3, 2014 to all preferred stockholders of record as of May 22, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer books of the Company be closed from May 23 to 27, 2014."

6. At the Annual Stockholders' Meeting of the Corporation held on May 9, 2014, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following persons (among others) were present or in attendance, and the following matters were taken up or approved by the stockholders, as the case may be, as reflected in the minutes of the said meeting:

"DIRECTORS PRESENT:

MR. RAMON S. ANG – Vice Chairman
 MR. FRANCISCO S. ALEJO III – President
 MR. MENARDO R. JIMENEZ
 (also Chairman of Executive Compensation Committee)
 MR. CARMELO L. SANTIAGO
 (also Chairman of Audit Committee and
 Nomination and Hearing Committee)
 MR. MARIO C. GARCIA
 MS. ANGELINA S. GUTIERREZ
 MR. EDGARDO P. CRUZ

APOLOGIES:

MR. EDUARDO M. COJUANGCO, JR. – Chairman
 MR. SILVESTRE H. BELLO III

IN ATTENDANCE:

MR. FERDINAND K. CONSTANTINO
 MS. ZENaida M. POSTRADO
 MS. MA. SOLEDAD E. OLIVES
 ATTY. ALEXANDRA B. TRILLANA
 ATTY. MA. CELESTE L. RAMOS

xxx

The Chairman called on the President of the Company, Mr. Francisco S. Alejo III, to present the Annual Report for 2013 to the stockholders. xxx An open forum followed the report, wherein the stockholders were given the opportunity to ask questions or raise issues.

The following questions were asked and answered, among others:

(a) With so many facilities throughout the country, does the Company have environmental programs in place?

To this, Mr. Ang replied in the affirmative. He assured that the Company is conscious of the impact of its businesses to the environment. Accordingly, all of the Company's operations are within the bounds of environmental laws and regulations.

(b) The San Mig Coffee Mixers professional basketball team of the Company is again in the Commissioner's Cup finals of the PBA (Philippine Basketball Association). What is the effect on the Company of the back-to-back championships of the team?

In response, Mr. Ang said that the impressive performance of the Company's PBA team reflects favorably on the San Mig Coffee brand name. Further, Mr. Alejo said that the double-

digit growth of the Company's coffee business is somewhat attributable to the success of its basketball team.

(c) In view of the P8 billion cash dividend to common shareholders recently declared by the Company, does San Miguel Corporation intend to sell SMPFC and instead focus on its infrastructure projects?

Mr. Ang replied that considering the dividend just declared, SMPFC is all the more a good company to keep.

(d) Will there be another big dividend payout from the Company?

To this, Mr. Ang responded that the Company will consider declaring cash dividends depending on its performance, including its retained earnings."

xxx

The stockholders proceeded to consider the nomination for the position of external auditors of the Company. The Chairman of the Audit Committee, Director Carmelo L. Santiago informed the assembly that after evaluation, the Audit Committee recommends the appointment of the accounting firm R.G. Manabat & Co., as the external auditors of the Company for fiscal year 2014.

Upon motion duly made and seconded by separate stockholders, and there being no objection, the following resolution was approved and adopted by stockholders of the Company owning more than 2/3 of its outstanding capital stock:

Resolution No. 2014-05-09-09

"RESOLVED, that San Miguel Pure Foods Company Inc. appoint the accounting firm of R.G. Manabat & Co., as its external auditors for fiscal year 2014."

xxx

A stockholder moved that the balloting be dispensed with and all the nine (9) nominees be unanimously elected as Directors of the Company. The motion was duly seconded by another stockholder. There being no objection, the following resolution was approved and adopted by stockholders of the Company owning more than 2/3 of its outstanding capital stock:

Resolution No. 2014-05-09-10

"RESOLVED, that the following are declared Directors of San Miguel Pure Foods Company Inc. for fiscal year 2014:

Mr. Eduardo M. Cojuangco, Jr.
Mr. Ramon S. Ang
Mr. Francisco S. Alejo III
Mr. Menardo R. Jimenez
Mr. Mario C. Garcia
Mr. Carmelo L. Santiago
Justice Angelina S. Gutierrez
Mr. Silvestre H. Bello III
Justice Edgardo P. Cruz."

7. At the Organizational Meeting of the Board held on **May 9, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and approved by the Board, as reflected in the minutes of the said meeting:

"On motion duly made and seconded, the following were elected to the positions opposite their respective names:

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

On motion duly made and seconded, the Board approved, confirmed and ratified the appointment of the by-laws officers of the Corporation.

xxx

On motion duly made and seconded, the following were appointed as members of the following Committees:

Executive Committee

Eduardo M. Cojuangco, Jr. – Chairman
 Ramon S. Ang
 Francisco S. Alejo III
 Angelina S. Gutierrez

Audit Committee

Carmelo L. Santiago – Chairman
 Menardo R. Jimenez
 Angelina S. Gutierrez
 Edgardo P. Cruz
 Ferdinand K. Constantino – Non Director Member

Executive Compensation Committee

Menardo R. Jimenez – Chairman
 Carmelo L. Santiago
 Ramon S. Ang
 Ferdinand K. Constantino – Non Director Member

Nomination and Hearing Committee

Carmelo L. Santiago – Chairman
 Francisco S. Alejo III
 Menardo R. Jimenez
 Ma. Cristina M. Menorca – Ex Officio Member"

8. At the Special Meeting of the Board held on **June 25, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and approved by the Board, as reflected in the minutes of the said meeting:

"The Chairman of the Audit Committee, Independent Director Carmelo L. Santiago, informed the Board that the Audit Committee met earlier that morning to discuss several Memorandum Circulars issued by the Securities and Exchange Commission (SEC) since the Audit Committee meeting on March 26, 2014. One of such Memorandum Circulars, particularly SEC Memorandum Circular No. 9, series of 2014, requires all covered corporations including the Company, to amend their respective Manuals on Corporate Governance in accordance with the Revised Code of Corporate Governance issued by the SEC in 2009, and last amended by the Commission during its meeting on May 6, 2014.

The deadline for filing with the SEC of such amended Manuals on Corporate Governance is July 31, 2014. A copy of the Company's Manual with the proposed amendments incorporated, was sent to the directors a few days in advance of the Board meeting.

The amendments emphasize the following:

- The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and
- The material information disclosure obligation of the Company to its stockholders and such other stakeholders.

The Audit Committee endorses the said amendments for the approval of the Board, with the significant amended provisions, as follows:

Section Reference	Provision, as Amended
Part 1 (Objective)	This Manual shall institutionalize the principles of good corporate governance in the entire organization. <u>Corporate governance is understood by the Corporation to mean the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</u>
Section 2.2.1.2 (Specific Duties and Functions of the Board of Directors)	To ensure a high standard of best practice for the Corporation, <u>its stockholders and other stakeholders</u> , the Board shall: <u>Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication and maintaining relations with such stakeholders and agencies regulating the Corporation;</u>
Section 2.2.1.8 (Adequate and Timely Information)	Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings and information that would enable the Board to comply with its responsibilities to the stockholders <u>and other stakeholders of the Corporation.</u>
Section 2.2.2.3.2 (Duties and Responsibilities of the Audit Committee)	The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Corporation <u>for the benefit of all stockholders and other stakeholders.</u>
Section 2.2.4.4 (Duties and Responsibilities of the Corporate Secretary)	Work fairly and objectively with the Board, Management, shareholders <u>and other stakeholders;</u>
Part 4 (Reportorial or Disclosure System of Corporation's Corporate Governance Policies)	All material information <u>about the Corporation</u> , i.e., anything that could potentially affect share price <u>or its viability or the interest of its stockholders and other stakeholders</u> , shall be publicly <u>and timely</u> disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information <u>through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.</u>

On motion duly made and seconded, the Board approved the amendments to the Company's Manual on Corporate Governance."

9. At the Regular Meeting of the Board held on **August 8, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and approved by the Board, as reflected in the minutes of the said meeting:

"The (Audit) Committee also reminded the Board of the requirement of the SEC, as reflected in the Company's Manual of Corporate Governance, for the Board to attend a seminar or program on corporate governance at least once a year. The seminar should be conducted by a training provider duly accredited by the Commission. In line with this, the Company organized the required seminar to be conducted by an SEC-accredited training provider on September 26, 2014. The Board was requested to mark this date on their calendars. The Company shall subsequently inform Board of the necessary details.

The Board noted the Audit Committee report as presented. Moreover, upon the endorsement of the Committee, the Board approved the report on the first semester 2014 performance of the Company for filing with the SEC and PSE, the external auditors' 2014 audit plan for the Company, and the Consolidated Changes in the Annual Corporate Governance Report of the Company for 2013 posted in the Company's website.

xxx

Resolution No. 2014-08-08-01

"RESOLVED, that a cash dividend of P20.00 per preferred share be paid on September 3, 2014 to all preferred stockholders of record as of August 26, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from August 27 to 30, 2014."

xxx

Resolution No. 2014-08-08-02

"RESOLVED, that a cash dividend of P1.20 per common share be paid on September 3, 2014 to all common stockholders of record as of August 26, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from August 27 to 30, 2014."

10. At the Regular Meeting of the Board held on **November 5, 2014**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and approved by the Board, as reflected in the minutes of the said meeting:

"The Chairman of the meeting informed the Board that retired Justice Angelina S. Gutierrez tendered her resignation as Independent Director of the Company effective October 8, 2014, by virtue of a letter received by the Company on October 16, 2014. Justice Gutierrez served as Independent Director since May 10, 2013 and was a member of the Company's Audit Committee and Executive Committee. It was noted that Justice Gutierrez was appointed as member of the Judicial and Bar Council on October 8, 2014.

On motion made and duly seconded, the Board accepted the resignation of Justice Gutierrez and expressed appreciation for all her valuable contributions to the Board and the Company.

xxx

Director Menardo R. Jimenez, Chairman of the Executive Compensation Committee, reported that the Committee met earlier in the afternoon to consider Management's recommendation to confirm the appointment of Mr. Rodolfo M. Abaya to Vice President and Division Human Resources Manager.

The Committee endorsed for approval by the Board the said recommendation of Management.

On motion duly made and seconded, the Board confirmed the appointment of Mr. Abaya, as presented.

xxx

Resolution No. 2014-11-05-02

"RESOLVED, that a cash dividend of P20.00 per preferred share be paid on December 3, 2014 to all preferred stockholders of record as of November 19, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from November 20 to 26, 2014."

xxx

Resolution No. 2014-11-05-03

"RESOLVED, that a cash dividend of P1.20 per common share be paid on December 3, 2014 to all outstanding common stockholders of record as of November 19, 2014, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from November 20 to 26, 2014."


11. This Secretary's Certificate is issued in compliance with SEC Memorandum Circular No. 12, Series of 2014, to support the Consolidated Changes in the Annual Corporate Governance Report of the Company for 2014 attached hereto as Annex "A".

IN WITNESS WHEREOF, I have hereunto signed these presents on JAN 08 2015 at MANDALUYONG CITY


ALEXANDRA BENGSON TRILLANA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 08 2015, affiant exhibiting to me her Passport No. EC0224777 issued on February 6, 2014 at Manila.

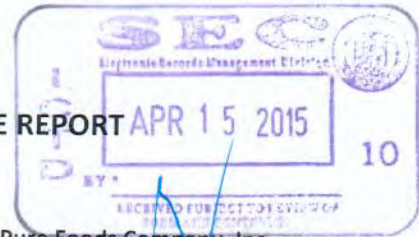
Doc. No. 473
Page No. 96
Book No. 711
Series of 2015.


RICARDO P. BERNABE III
Commission No. 0416-14
Notary Public for Mandaluyong City
Until Dec. 31, 2015
SMC, 40 San Miguel Ave., Mandaluyong City
2253811 Roll No. 61400 1-7-2015
PTR No. 4046032-01/03/14; Mandaluyong City
IBP Lifetime Member No. 011669; 03/08/10; RSM

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year Ended: **December 31, 2012**^{1 2}
2. Exact Name of Registrant as Specified in its Charter: **San Miguel Pure Foods Company, Inc.**
3. **The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City 1605**
Address of principal office Postal Code
4. SEC Identification Number: **11840**
5. [REDACTED] (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **000-100-341-000**
7. **(632) 702-5000**
Issuer's Telephone number, including area code
8. **Registrant has not changed address since its last report to this Honorable Commission**
Former name or former address, if changed from the last report

¹ With updates for the year ended December 31, 2013.

² With updates on Directors' Attendance in 2014 Board Meetings, per advisement letter filed with the SEC on January 5, 2015.

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9)
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Actual number of Directors for the year	Nine (9)
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(a) Composition of the Board

Complete the table with information on the Board of Directors:³

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ⁴	Elected when (Annual /Special Meeting)	No. of years served as director
Eduardo M. Cojuangco Jr.	NED	SMC ⁵	SMC	May 22, 2001	May 9, 2014	Annual Meeting	13
Ramon S. Ang	NED	SMC	SMC	May 13, 2001	May 9, 2014	Annual Meeting	13
Francisco S. Alejo III	ED	SMC	SMC	May 22, 2001	May 9, 2014	Annual Meeting	13
Edgardo P. Cruz	ID	N/A ⁶	Ramon S. Ang – no relation	Nov. 7, 2013	May 9, 2014 (Less than 1 year as ID)	Annual Meeting	Less than 1 year
Carmelo L. Santiago	ID	N/A	Ramon S. Ang – no relation	Aug. 12, 2010	May 9, 2014 (Less than 4 years as ID)	Annual Meeting	Less than 4 years
Menardo R. Jimenez	NED	SMC	SMC	April 25, 2002	May 9, 2014	Annual Meeting	12
Mario C. Garcia	NED	SMC	SMC	Nov. 4, 2009	May 9, 2014	Annual Meeting	5
Silvestre H. Bello III	ID	N/A	Ramon S. Ang – no relation	May 10, 2013	May 9, 2014 (1 year as ID)	Annual Meeting	1
Angelina S. Gutierrez	ID	N/A	Ramon S. Ang – no relation	May 10, 2013	May 9, 2014 (1 year as ID)	Annual Meeting	1 ⁷

³ With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 9, 2014 and SEC Form 17-C filed with the SEC on May 12, 2014, per advisement letter filed with the SEC on May 14, 2014.

⁴ Reckoned from the election immediately following January 2, 2012.

⁵ SMC – San Miguel Corporation

⁶ N/A – Not applicable

⁷ As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

				2013			
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- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors of San Miguel Pure Foods Company, Inc. (SMPFC or the “Company”) approved and adopted a Manual on Corporate Governance for the Company (the “Manual”). The Manual was amended by the Board on August 12, 2011 in compliance with the Revised Code of Corporate Governance issued by the **Securities and Exchange Commission (SEC)** under its Memorandum Circular No. 6, Series of 2009. **The Manual was again amended by the Board on March 26, 2014 to conform to recent SEC Memorandum Circulars issued, particularly SEC Memorandum Circular No. 1, series of 2014, SEC Memorandum Circular No. 20, series of 2013, and SEC Memorandum Circular No. 5, series of 2013.⁸ Upon approval by the Commission of amendments to the Revised Code of Corporate Governance by virtue of SEC Memorandum Circular No. 9, series of 2014, the Board approved further amendments to the Company’s Manual during its meeting on June 25, 2014.⁹** The Company recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value and safeguard shareholders’ rights and interests. Thus, the Board of Directors, management and employees commit themselves to the corporate governance principles and best practices contained in the Manual, and acknowledge that the same shall guide the attainment of their corporate goals.

As a necessary component of what constitutes sound strategic business management, every effort necessary to create awareness of the Manual within the organization is undertaken. To ensure adherence to the Manual, the Board of Directors has appointed a Compliance Officer, who has direct reporting responsibilities to the Chairman of the Board.

The Board is primarily responsible for promoting the Company’s long-term growth and success and determining its mission, strategy and objectives. The Board exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company’s financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk.

Minority shareholders are granted the right to propose the holding of shareholder meetings and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practices.

Each common share in the name of the shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at the shareholder meetings. Common shareholders, even minority shareholders, have the right to nominate, elect, remove, and replace directors, as well as vote on certain corporate acts. However, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

Both preferred and common shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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

⁸ Update per SEC Form 17-C filed with the SEC on March 27, 2014.

⁹ Update per SEC Form 17-C filed with the SEC on June 25, 2014.

decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution.

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

SMPFC exercises transparency when dealing with shareholders, customers, employees, creditors, suppliers and other trade partners. SMPFC ensures that these transactions adhere to fair business practices in order to establish long-term and mutually beneficial relationships. In this connection, the Company has adopted a Code of Ethics for observance by employees and business partners, and policies on Conflict of Interest, Whistleblowing, and Solicitation and Acceptance of Gifts, among others.

In addition, activities are regularly conducted to address the needs and interests of the Company's shareholders and other stakeholders, including its employees, customers, suppliers/contractors, creditors **/financiers, government** and the communities in which the Company belongs.¹⁰

Pursuant to the Manual, all material information on the Company, **i.e., anything that could potentially affect share price or its viability or the interest of its stockholders and other stakeholders,** such as its financial performance and position, acquisition or disposal of substantial assets, Board changes, related party transactions, shareholdings of directors and changes to ownership, are publicly **and timely** disclosed. **Further thereto, the Board shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.**

Accurate, timely, and complete updates of relevant events concerning SMPFC and its business units are also available through the Company's corporate website (www.sanmiguelpurefoods.com). Among these regular updates are the businesses, products and service offerings of the Company, financial performance, business opportunities, corporate vision, mission and objectives. The website also provides downloadable copies of the Company's Articles of Incorporation, By-laws, Manual, Board Committee Charters, Annual Reports, Notice and Information Statements for Annual Shareholders' Meetings, and other relevant governance policies, rules and regulations.¹¹

The Company also continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement.

(c) How often does the Board review and approve the vision and mission?

The Board reviews on a periodic basis the corporate mission and vision of the Company, as the

¹⁰ Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

¹¹ With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

need arises or upon the recommendation of management. **The Board last reviewed and approved the vision and mission of the Company on August 8, 2013.**¹²

(d) Directorship in Other Companies

(i) Directorship in the Company's Group¹³

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Eduardo M. Cojuangco Jr.	San Miguel Corporation	ED, also Chairman
Ramon S. Ang	San Miguel Corporation	ED
	San Miguel Foods, Inc.	NED, also Chairman
	San Miguel Mills, Inc.	NED, also Chairman
	Magnolia, Inc.	NED, also Chairman
	The Purefoods-Hormel Company, Inc.	NED, also Chairman
	San Miguel Super Coffeemix Co., Inc.	NED, also Chairman
	Manila Electric Company	NED ¹⁴
Francisco S. Alejo III	San Miguel Foods, Inc.	NED
	San Miguel Mills, Inc.	NED
	The Purefoods-Hormel Company, Inc.	NED
	Magnolia, Inc.	NED ¹⁵
	San Miguel Super Coffeemix Co., Inc.	NED ¹⁶
	Sugarland Corporation	NED ¹⁷ , also Chairman
	Golden Food & Dairy Creamery Corporation	NED ¹⁸ , also Chairman
	Realsnacks Mfg. Corp.	ED, also Chairman
	San Miguel Hormel (VN) Co., Ltd.	NED, also Chairman
	Golden Bay Grain Terminal Corporation	NED, also Chairman
	Golden Avenue Corp.	NED, also Chairman
	San Miguel Pure Foods International Limited	NED, also Chairman
	San Miguel Pure Foods Investment (BVI) Ltd.	NED
Menardo R. Jimenez	San Miguel Corporation	NED
	Magnolia, Inc.	NED

¹² Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

¹³ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

¹⁴ Update highlighted per advisement letter filed with the SEC on April 3, 2014.

¹⁵ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

¹⁶ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

¹⁷ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

¹⁸ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Eduardo M. Cojuangco, Jr.	Ginebra San Miguel, Inc.	NED, also Chairman
	Petron Corporation	NED
Ramon S. Ang	San Miguel Properties, Inc.	ED, also Chairman ¹⁹
	Petron Corporation	ED, also Chairman
	Cyber Bay Corporation	ED, also Chairman ²⁰
	San Miguel Brewery Inc.	NED, also Chairman ²¹
	Liberty Telecoms Holdings Inc.	NED, also Chairman
	Ginebra San Miguel, Inc.	NED
	PAL Holdings, Inc.	NED, also Chairman ²²
	Philweb Corporation	NED ²³
	San Miguel Brewery Hong Kong Limited	NED, also Chairman
	Petron Malaysia Refining & Marketing Berhad	ED, also Chairman
	Alphaland Corporation	ID ²⁴
Cancio C. Garcia	San Miguel Properties, Inc.	ID ²⁵
Carmelo L. Santiago	San Miguel Properties, Inc.	ID ²⁶
	Liberty Telecoms Holdings Inc.	ID
	San Miguel Brewery Hong Kong Limited	ID
Mario C. Garcia	San Miguel Properties, Inc.	NED ²⁷
Angelina S. Gutierrez	Ginebra San Miguel, Inc.	ID ^{28, 29}

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Eduardo M. Cojuangco, Jr.	San Miguel Corporation	ED, Chairman and Chief Executive Officer
Ramon S. Ang	San Miguel Corporation	ED, Vice Chairman, President

¹⁹ Update for the year ended December 31, 2013.

²⁰ Update for the year ended December 31, 2013.

²¹ Update for the year ended December 31, 2013.

²² Update highlighted per advisement letter filed with the SEC on October 24, 2014.

²³ Update highlighted per advisement letter filed with the SEC on March 13, 2014.

²⁴ Update highlighted per advisement letter filed with the SEC on March 13, 2014.

²⁵ Update for the year ended December 31, 2013.

²⁶ Update for the year ended December 31, 2013.

²⁷ Update for the year ended December 31, 2013.

²⁸ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

²⁹ As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

		and Chief Operating Officer
Menardo R. Jimenez	San Miguel Corporation	NED

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No. The Company has not set a limit on the number of board seats in other companies that an individual director may hold simultaneously. **The Company observes the requirements of SEC Memorandum Circular No. 9, Series of 2011, which provides that there shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where an Independent Director can be elected to only five companies of the conglomerate.**³⁰

According to the Company's Manual, a director shall exercise due discretion in accepting and holding directorships in other corporations provided that on holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Company is not compromised.

The Nomination and Hearing Committee shall consider the following guidelines in the determination of the number of directorships, which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	(1) nature of business of the relevant corporations; (2) age of director; (3) number of directorships/active management in other corporations or entities; (4) possible conflict of interest.	Low indicative limit on membership in other corporate boards.
Non-Executive Director	Same as the guidelines for ED above.	Same as the indicative limit for ED above.
CEO	Same as the guidelines for ED above.	Same as the indicative limit for ED above.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:³¹

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Eduardo M. Cojuangco Jr.	1 common share	5,500 preferred shares / PCD Nominee Corp.	0%
Ramon S. Ang	1 common share	N/A	0%
Francisco S. Alejo III	43,001 common	N/A	0%

³⁰ Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

³¹ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

	shares; 10,000 preferred shares		
Edgardo P. Cruz	1 common share	N/A	0%
Carmelo L. Santiago	1 common share	N/A	0%
Menardo R. Jimenez	1 common share	N/A	0%
Mario C. Garcia	1 common share	N/A	0%
Silvestre H. Bello III	1 common share	N/A	0%
Angelina S. Gutierrez	1 common share	N/A	0% ³²
TOTAL	43,009 common shares; 10,000 preferred shares	5,500 preferred shares	0%

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒ No ☐

Identify the Chair and CEO:

Chairman of the Board	Eduardo M. Cojuangco, Jr.
CEO/President	Francisco S. Alejo III

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Presides at Board and shareholder meetings; Exercises such other powers as may be conferred upon him by the Board; Maintains effective lines of communication and flow of information between the Board and management	In the absence of the Chairman, presides at all meetings of the Board and shareholders; Exercises general supervision and management of the business affairs and properties of the Company; Performs such other duties as the Board may designate from time to time
Accountabilities	Accountable to all shareholders of the Company; Ensures that Board and Shareholder meetings are held in accordance with By-laws; Assists in ensuring compliance with corporate governance guidelines	Accountable to the Board of Directors in achieving the goals and targets set by the Company; Sees to it that all orders and resolutions of the Board are carried into effect; Ensures that the administrative and operational policies of the Company are implemented
Deliverables	Supervises the preparation of the Agenda of meetings of Board of Directors and Board Committees in coordination with Corporate Secretary; Executes Annual Reports (SEC Form 17-A) and other relevant reportorial	Oversees the preparation of budgets and financial statements of the Company; Presents management reports to the Board and shareholders, and such other statements as may be deemed

³² As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

	requirements with the regulatory authorities (i.e., Statement of Management's Responsibility over Audited Financial Statements, Manual, Annual Corporate Governance Report, statements on initial or changes to beneficial ownership in the Company [SEC Forms 23-A and 23-B]); Renders Chairman's Report on results of the Company's operations during Annual Shareholders' Meetings; Informs all stockholders in attendance at Annual Shareholders' Meetings of the mandatory requirement of electing Independent Directors	necessary from time to time; Executes Annual Reports (SEC Form 17-A) and other relevant reportorial requirements with the regulatory authorities (i.e., Statement of Management's Responsibility over Audited Financial Statements, Manual, Annual Corporate Governance Report, statements on initial or changes to beneficial ownership in the Company [SEC Forms 23-A and 23-B]); Signs, executes and delivers such contracts and instruments in writing as may be authorized by the Board; Signs all certificates of stock in favor of shareholders of the Company
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- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board has oversight responsibilities in the selection and appointment of the President who shall possess the ability, integrity and expertise necessary for the position. The duties and responsibilities of the President are defined by the Board, through the Nomination and Hearing Committee. The Board likewise evaluates the proposed senior management appointments of the Company and approves the promotion or appointment of qualified and competent management officers, which functions are exercised through the Executive Compensation Committee.

The Board of Directors has constituted an Executive Compensation Committee composed of at least three members of the Board, at least one of whom shall be an Independent Director, to aid the Board in ensuring adherence by the Company to the best practices of good corporate governance. Specifically, the Executive Committee has the overall responsibility for the evaluation and review of the Company's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Company's compensation and benefit programs, the oversight of plans for executive officers' development and succession.

In this connection, the Company implements a management development program, which identifies, evaluates, trains and prepares high potential employees to succeed in key management positions in the Company and its subsidiaries.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The Board consists of nine members who are proven to possess integrity and probity in addition to the other qualifications of a director specified in the Manual. A process of selection to ensure a mix of competent directors is implemented. The membership of the Board of Directors may be a combination of executive and non-executive directors (which shall include Independent Directors). The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. The broad range of skills, expertise and experience of the directors in the fields of business, finance, accounting and law ensures comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. SMPFC is a leading food company in the Philippines. It offers a broad range of high-quality food products and services to household, institutional and food service customers. The Company organizes its operations into several business segments, one of which is the agro-industrial cluster that comprises the feeds, poultry and fresh meats businesses. The Company's Chairman Mr. Eduardo M. Cojuangco, Jr., a non-executive director, attended the College of Agriculture of the University of the Philippines in Los Baños and was conferred the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture. One of the Company's Independent Directors Mr. Carmelo L. Santiago, also a non-executive director, is the founder and owner of several branches of Melo's Restaurant and the founder of Wagyu Restaurant, both specializing in meats.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Presents the Company's results of operations and financial performance to the Board; Serves as the link between management and the Board; Primarily responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office is one of trust and confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.	Provides an independent check on management of the Company; Responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office is one of trust and confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.	Expected to ensure that potential conflict of interest between management and the shareholders of the Company are avoided; Responsible for promoting the Company's growth and long term success, and secure its sustained competitiveness in a manner consistent with his/her fiduciary duties. Since a director's office is one of trust and confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders. Currently, the Company's Independent Directors have been appointed as Chairpersons of the Audit Committee and Nomination and Hearing Committee.
Accountabilities	Accountable to the shareholders of the Company; Responsible	Accountable to the shareholders of the Company; Exercises	Accountable to the shareholders of the Company; In reviewing

	<p>for execution of business strategies and plans; Exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality.</p>	<p>oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality.</p>	<p>related party transactions of the Company, they are expected to ensure that such transactions are entered into at arms' length, in the ordinary course of business, at normal market rates; Exercises oversight responsibilities on the business and affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk. Directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality.</p>
Deliverables	<p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are</p>	<p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are</p>	<p>In addition to formulating policies and procedures to guide the Company's activities and monitor management's performance, the Board provides stockholders with a balanced and compensable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as relevant reports to regulators that are</p>

	<p>required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B), and other necessary or appropriate statements.</p>	<p>required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B), and other necessary or appropriate statements.</p>	<p>required by law and implementing rules. In this connection, the directors discharge their functions by active participation during regular and special meetings and approving and signing minutes of such meetings, including directors' certificates, statements on initial or changes to beneficial ownership in the Company (SEC Forms 23-A and 23-B) SEC and other necessary or appropriate statements.</p> <p>Further, each Independent Director of the Company issues and submits to the Corporate Secretary for filing with the SEC, a certification confirming that he/she possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his/her election and/or re-election.</p> <p>Moreover, one or more Independent Directors sign/s the template on Corporate Governance Guidelines of the PSE and the Annual Corporate Governance Report for submission to the SEC.</p>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company defines an Independent Director in its By-laws as a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Accordingly, the Company's Manual provides that an Independent Director is a director who, apart from his/her fees and shareholdings, has no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of his/her independent judgment in carrying out his/her responsibilities as a director. Among others, Independent Directors have the power and authority to review related party transactions entered into by the Company at any time.

The Company has more than the required number of Independent Directors under SEC regulations. **The Independent Directors of the Company elected during the 2014 Annual Stockholders' Meeting, Mr. Carmelo Santiago, Mr. Silvestre Bello III, Justice Angelina Gutierrez³³ and Justice Edgardo Cruz**, have no business or other relationship with the Company that may interfere with the exercise of their judgment in carrying out their responsibilities as Independent Directors. They were **qualified for election** in accordance with the **Securities Regulation Code and** rules of the SEC.³⁴

Accordingly, an Independent Director may serve as such for five consecutive years only starting January 2, 2012, after which a "cooling off" period of two years shall be observed before he/she may be considered for re-election as Independent Director of the Company. Further, in business conglomerates such as the San Miguel Group of Companies of which SMPFC is a part, an Independent Director may be elected to only five corporations of the conglomerate. Pursuant to such rules, each Independent Director of the Company issues and submits to the Corporate Secretary for filing with the SEC, a certification confirming that he/she possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his/her election and/or re-election. All the Independent Directors of the Company are independent of its management and substantial shareholders.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. The Company complies with the SEC Memorandum Circular No. 9, Series of 2011. Under the said memorandum circular, an independent director may only serve as such for five consecutive years, shall be ineligible for re-election **for a "cooling off" period of** two years thereafter, following which he may again serve for another five **consecutive** years. After **serving as independent director for ten years**, he **or she** will be perpetually disqualified to be elected as an independent director of the Company.³⁵

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period: **36 37**

Name	Position	Date of Cessation	Reason
Cancio C. Garcia	ID	October 15, 2013	Death
Angelina S. Gutierrez	ID	October 8, 2014	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

³³ As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

³⁴ With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 9, 2014 and SEC Form 17-C filed with the SEC on May 12, 2014, per advisement letter filed with the SEC on May 14, 2014.

³⁵ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

³⁶ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

³⁷ With updates highlighted per SEC Form 17-C filed with the SEC on October 17, 2014.

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company's By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors. The membership of the Board may be a combination of executive and non-executive directors (which shall include Independent Directors).</p> <p>The names and qualifications of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification</p>	<p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p> <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.</p>

	<p>of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p>	
(ii) Non-Executive Directors	Same as the process for selection/appointment of ED above.	Same as the criteria for selection/appointment of ED above. In addition, NED shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
(iii) Independent Directors ³⁸	<p>Same as the process for selection/appointment of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations and listing rules, including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 9, Series of 2011. Hence, among others, the Company shall have at least two ID or such number of ID that constitutes 20% of the directors of the nine-member Board of SMPFC.</p>	<p>Same as the criteria for selection/appointment of ED and NED above. In addition, ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, including that in business conglomerates, a person can be elected as ID of only five companies of the conglomerate.</p> <p>ID shall have no business or relationship with the Company, which could materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors, including any person who:</p> <p>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director,</p>

³⁸ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

		<p>officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</p>
b. Re-appointment		
(i) Executive Directors	<p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company's By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors. The membership of the Board may be a combination of executive and non-executive</p>	<p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p> <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests.</p>

	<p>directors (which shall include Independent Directors).</p> <p>The names and qualifications of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p>	
(ii) Non-Executive Directors	Same as the process for re-appointment of ED above.	Same as the criteria for re-appointment of ED above.
(iii) Independent Directors ³⁹	<p>Same as the process for re-appointment of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations and listing rules, including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 9, Series of 2011. Hence, among others, the Company shall have at least two ID or such number of ID that constitutes 20% of the directors of the nine-member</p>	<p>Same as the criteria for re-appointment of ED and NED above. In addition, ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, as well as observe the term limits and other guidelines in SEC Memorandum Circular No. 9, Series of 2011.</p> <p>ID shall have no business or relationship with the Company, which could materially interfere with the exercise of their independent judgment in carrying out</p>

³⁹ As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

	Board of SMPFC.	<p>their responsibilities as directors, including any person who:</p> <p>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director, officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</p>
c. Permanent Disqualification		
(i) Executive Directors	<p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations.</p> <p>In this regard, the By-laws provide that in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p>	<p>Any of the following shall be a ground for permanent disqualification:</p> <p>(1) Any person convicted by final judgment of certain crimes involving securities, his conduct as underwriter, broker, advisor or the like, or his fiduciary relationship with a bank or similar entity, or an offense involving moral turpitude or punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years prior to his election;</p> <p>(2) Any person permanently enjoined from acting as an underwriter, broker, advisor or the like, or found to have willfully violated laws governing securities or banking;</p>

		<p>(3) Any person judicially declared to be insolvent;</p> <p>(4) A temporarily disqualified director who fails within 60 business days from such disqualification to take the appropriate action to remedy or correct the disqualification.</p>
(ii) Non-Executive Directors	Same as the process for permanent disqualification of ED above.	Same as the criteria for permanent disqualification of ED above.
(iii) Independent Directors ⁴⁰	Same as the process for permanent disqualification of ED and NED above.	<p>Same as the criteria for permanent disqualification of ED and NED above. Further, the Company observes SEC Memorandum Circular No. 9, series of 2011 on "Term Limits for Independent Directors". Accordingly, in business conglomerates such as the San Miguel Group of Companies, which includes SMPFC, an ID may be elected to only five corporations of the conglomerate.</p> <p>Moreover, an ID who has served as such in the Company or a corporation within the Company's conglomerate for a total of ten years shall be perpetually barred from serving as an ID of the Company or any corporation within its conglomerate.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations.</p> <p>In this regard, the By-laws provide that in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall</p>	<p>Any of the following shall be a ground for temporary disqualification:</p> <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless the absence is due to illness,</p>

⁴⁰ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	<p>ipso facto become vacant.</p> <p>A temporarily disqualified director shall, within 60 business days from the disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p> <p>(3) Dismissal or termination for cause under SEC Memorandum Circular No. 6, series of 2009. This disqualification is effective until he has cleared himself of any involvement in the alleged irregularity;</p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification has not yet been final.</p>
(ii) Non-Executive Directors	Same as the process for temporary disqualification of ED above.	Same as the criteria for temporary disqualification of ED above.
(iii) Independent Directors	Same as the process for temporary disqualification of ED and NED above.	<p>Same as the criteria for temporary disqualification of ED and NED above. Further:</p> <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p>(3) An ID may serve as such for five consecutive years only starting January 2, 2012, after which a “cooling off” period of two years shall be observed.</p>
e. Removal		
(i) Executive Directors ⁴¹	<p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations. The Committee may thus consider and recommend the removal of a</p>	<p>In the event of a third violation of the Manual, the maximum penalty of removal from office may be imposed against a director, in accordance with Section 28 of the Corporation Code.</p> <p>As noted above, any of the following shall be a ground for permanent</p>

⁴¹ As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

	<p>director if he/she is no longer qualified to serve as such.</p> <p>Under Section 28 of the Corporation Code, any director may be removed from office by a vote of the stockholders representing 2/3 of the outstanding capital stock, at a regular or special meeting called for the purpose, and in either case, after previous notice to the stockholders of the intention to propose such removal at the meeting.</p> <p>Under the By-laws, in case at any time the stock transfer books of the Company show that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> <p>Moreover, further to the right to elect directors, shareholders shall have the right to remove and replace directors as they deem necessary, also in accordance with the Corporation Code. However, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p>	<p>disqualification of a director:</p> <p>(1) Any person convicted by final judgment of certain crimes involving securities, his conduct as underwriter, broker, advisor or the like, or his fiduciary relationship with a bank or similar entity, or an offense involving moral turpitude or punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years prior to his election;</p> <p>(2) Any person permanently enjoined from acting as an underwriter, broker, advisor or the like, or found to have willfully violated laws governing securities or banking;</p> <p>(3) Any person judicially declared to be insolvent;</p> <p>(4) A temporarily disqualified director who fails within 60 business days from such disqualification to take the appropriate action to remedy or correct the disqualification.</p> <p>On the other hand, any of the following shall be a ground for temporary disqualification:</p> <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p>
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		<p>(3) Dismissal or termination for cause under SEC Memo Circular No. 6, s. 2009. This disqualification is effective until he has cleared himself;</p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification has not yet been final.</p> <p>The Corporation Code also provides that removal may be without cause; Provided that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under law.</p>
(ii) Non-Executive Directors	Same as the process for removal of ED above.	Same as the criteria for removal of ED above.
(iii) Independent Directors ⁴²	Same as the process for removal of ED and NED above.	<p>Same as the criteria for removal of ED and NED above.</p> <p>Further, the Company observes SEC Memorandum Circular No. 9, series of 2011 on "Term Limits for Independent Directors". Accordingly, in business conglomerates such as the San Miguel Group of Companies, which includes SMPFC, an ID may be elected to only five corporations of the conglomerate.</p> <p>Moreover, an ID who has served as such in the Company or a corporation within the Company's conglomerate for a total of ten years shall be perpetually barred from serving as an ID of the Company or any corporation within its conglomerate.</p> <p>Furthermore, the following are grounds for removal on a temporary basis:</p> <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries</p>

⁴² As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

		<p>and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p>(3) An ID may serve as such for five consecutive years only starting January 2, 2012, after which a “cooling off” period of two years shall be observed.</p>
f. Re-instatement		
(i) Executive Directors	<p>The Board created a Nomination and Hearing Committee, which shall:</p> <p>(1) Screen and shortlist all candidates for director in accordance with the qualifications and disqualifications provided in the Company’s By-laws and Manual, applicable laws, rules and regulations;</p> <p>(2) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as they arise. The election of such additional or replacement directors shall be in accordance with applicable laws and regulations;</p> <p>(3) Make recommendations to the Board from time to time, as to changes on the size of the Board, including the establishment of guidelines in the number of Board seats that a director may hold.</p> <p>The Committee implements a selection process to ensure a mix of competent directors. The membership of the Board may be a combination of executive and non-executive directors (which shall include Independent Directors).</p> <p>The names and qualifications</p>	<p>In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors of the Company shall (1) hold at least one share of stock of the Company; (2) be a college graduate or have sufficient experience in managing the business to substitute for formal education; (3) be at least 21 years of age; (4) have been proven to possess integrity and probity; and (5) be assiduous.</p> <p>At least two directors shall be residents of the Philippines.</p> <p>The Board of Directors of the Company shall possess a broad range of skills, expertise and experience in the fields of business, finance, accounting and law, to ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company’s businesses and related interests.</p> <p>Moreover, in order for a temporarily disqualified director to be eligible for re-instatement, he shall, within 60 business days from such disqualification, take the appropriate action to remedy</p>

	<p>of the nominees to the nine-member Board of SMPFC are then included in the Definitive Information Statement distributed to shareholders prior to the Annual Shareholders' Meetings of the Company, during which time the members of the Board of Directors are elected by a plurality vote of the subscribed capital stock at the meeting for a term of one year and until the election and qualification of their successors.</p> <p>Thereafter, any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person who shall hold office for the remainder of the term for which such vacancy applies, or until his successor shall have been duly elected and qualified.</p>	or correct the disqualification.
(ii) Non-Executive Directors	Same as the process for re-instatement of ED above.	Same as the criteria for re-instatement of ED above. In addition, NED shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
(iii) Independent Directors ⁴³	<p>Same as the process for re-instatement of ED and NED above. In addition, the Nomination and Hearing Committee shall ensure that the Company shall have the required number of ID with the qualifications and none of the disqualifications provided in applicable laws, regulations and listing rules, including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 9, Series of 2011.</p> <p>Hence, among others, the Company shall have at least two ID or such number of ID</p>	<p>Same as the criteria for re-instatement of ED and NED above.</p> <p>In addition, ID shall have the qualifications and none of the disqualifications provided under the Manual, applicable laws, rules and regulations, as well as observe the term limits and other guidelines in SEC Memorandum Circular No. 9, Series of 2011.</p> <p>ID shall have no business or relationship with the</p>

⁴³ As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

	that constitutes 20% of the directors of the nine-member Board of SMPFC.	<p>Company, which could materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors, including any person (even those temporarily disqualified to serve as ID) who:</p> <p>(1) is not a director or officer of the Group except when he/she is also an ID of that corporation; (2) does not own more than 2% of the shares of the Company or any Group member; (3) is not related to any director, officer or the parent of the Company or any Group member; (4) is not a nominee or representative of any director or Group member; (5) has not been employed in any executive capacity by the Company or any Group member within the last two years; (6) is not retained as professional adviser by the Company or any Group member within the last two years; (7) has no transaction with the Company or any Group member other than those conducted at arm's length and are immaterial.</p>
g. Suspension		
(i) Executive Directors ⁴⁴	<p>As previously noted, the Nomination and Hearing Committee screens candidates for directorship to ensure that nominees have none of the disqualifications set out in the Manual, By-laws, and applicable laws and regulations. The Committee may thus consider and recommend the suspension of a director if he/she becomes temporarily disqualified to serve as such.</p> <p>Under the By-laws, in case at any time the stock transfer books of the Company show</p>	<p>Any of the following grounds for the temporary disqualification of a director, may also be a ground for his/her suspension:</p> <p>(1) Refusal to fully disclose his business interests or comply with disclosure requirements of applicable law and regulations. This disqualification is effective for as long as his refusal persists;</p> <p>(2) Absence in more than 50% of all Board meetings during his incumbency or any 12-month period therein, unless</p>

⁴⁴ As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

	<p>that a director has ceased to be a stockholder on record, his seat as a member of the Board shall ipso facto become vacant.</p> <p>A temporarily disqualified director shall, within 60 business days from the disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for the succeeding election;</p> <p>(3) Dismissal or termination for cause under SEC Memorandum Circular No. 6, series of 2009. This disqualification is effective until he has cleared himself of any involvement in the alleged irregularity;</p> <p>(4) If any of the judgments cited in the grounds for permanent disqualification has not yet been final.</p>
(ii) Non-Executive Directors	Same as the process for suspension of ED above.	Same as the criteria for suspension of ED above.
(iii) Independent Directors	Same as the process for suspension of ED and NED above.	<p>Same as the criteria for suspension of ED and NED above. Further:</p> <p>(1) While the beneficial equity ownership of an ID in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock;</p> <p>(2) An ID becomes an officer, employee or consultant of the Company and two years from the termination of any such relationship;</p> <p>(3) An ID may serve as such for five consecutive years only starting January 2, 2012, after which a “cooling off” period of two years shall be observed.</p>

Voting Result of the last Annual General Meeting⁴⁵

Name of Director	Votes Received
Eduardo M. Cojuangco Jr.	146,151,150
Ramon S. Ang	145,917,040
Francisco S. Alejo III	146,204,520
Menardo R. Jimenez	145,891,680
Mario C. Garcia	146,199,870
Carmelo L. Santiago	145,937,910

⁴⁵ With updates highlighted in accordance with the results of the Annual Stockholders’ Meeting of the Company on May 9, 2014, per advisement letter filed with the SEC on May 14, 2014.

Angelina S. Gutierrez	146,151,150
Silvestre H. Bello III	146,223,840
Edgardo P. Cruz	146,151,150

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The Company's orientation program for new directors involves the briefing of such new directors on the corporate and organizational structures, business operations, historical performance and plans.

(b) State any in-house training and external courses attended by Directors and Senior Management⁴⁶ for the past three (3) years: ⁴⁷ ⁴⁸ ⁴⁹

- Seminar on Corporate Governance, December 2010, November 2011 and November 2012; arranged by the Office of the General Counsel and Corporate Secretary and conducted by the UP Institute for the Administration of Justice
- Management Development Program, August 2010 to November 2010; arranged by the San Miguel Pure Foods University School of Management (SMPFU) and conducted by John Clements Consultants, Inc. (JCCI) in partnership with Harvard Business Publishing
- Senior Leaders' Program Series on "Leadership Priorities in Asia" with Prof. Steve Dekrey of Harvard Business School (HBS), December 2010; arranged by JCCI
- Learning & Innovation: Building Capability for Sustainable Change, May 2011; arranged by JCCI and SMPFU
- Managing Growth Through Resilient Leadership & Customer Centricity with Prof. Ranjay Gulati of HBS, June 2011; arranged by JCCI and SMPFU
- Brand Equity, May 2011; arranged by Acumen Strategic Consulting, Inc. and SMPFU College of Precision Marketing
- Demand Planning Seminar, January 2012; arranged by Procurement and Supply Institute of Asia, Inc. (PSIA)
- Senior Leaders' Program Series on "Creativity and Innovation in the Global Marketplace" with Prof. Roy Chua of HBS, January 2012; arranged by JCCI and SMPFU
- Demand Planning and Forecast Workshop, May 2012; arranged by Supply Chain Council
- 2012 Bohol Working Session "Gearing up for Asian Governance", November 2012; arranged by Institute of Corporate Directors
- Annual Global Procurement & Supply Management Conference & Exhibit; December 2012; arranged by PSIA
- See also continuing education programs listed below for 2013
- Seminar on Corporate Governance for Directors and Key Officers (including the head of the Internal Audit Group), September 2014; arranged by the Office of the General Counsel and Corporate Secretary and conducted by SGV & Co., an SEC-accredited training provider
- Seminar on Corporate Governance for Directors and Key Officers, November 2014; conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc., an SEC-accredited training provider

⁴⁶ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

⁴⁷ With updates highlighted for the year ended December 31, 2013.

⁴⁸ Update per SEC Form 17-C filed with the SEC on September 29, 2014.

⁴⁹ Update per SEC Form 17-C filed with the SEC on November 7, 2014.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. ⁵⁰ ⁵¹ ⁵²

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Eduardo M. Cojuangco, Jr.	September 2014	Seminar on Corporate Governance	SGV & Co.
Ramon S. Ang	July 2012	Mandatory Accreditation Programme for Directors of Publicly Listed Companies	Bursatra Sdn. Bhd. in Kuala Lumpur, Malaysia
	September 2012	Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management	The Hong Kong Institute of Directors (HKID)
	October 2013	Corporate Governance, Conflicts of Interest and Board Evaluation Seminar	HKID
	November 2014	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Menardo R. Jimenez	September 2014	Seminar on Corporate Governance	SGV & Co.
Mario C. Garcia	September 2014	Seminar on Corporate Governance	SGV & Co.
Carmelo L. Santiago	September 2012	Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management	HKID
	November 2013	Appropriate Boardroom Behaviour Seminar	HKID
	September 2014	Seminar on Corporate Governance	SGV & Co.
Edgardo P. Cruz	September 2014	Seminar on Corporate Governance	SGV & Co.
Silvestre H. Bello III	November 2014	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Francisco S. Alejo III	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	September 2014	Seminar on Corporate Governance	SGV & Co.

⁵⁰ With updates highlighted for the year ended December 31, 2013.

⁵¹ With updates highlighted per SEC Form 17-C filed with the SEC on September 29, 2014.

⁵² With updates highlighted per SEC Form 17-C filed with the SEC on November 7, 2014.

Zenaida M. Postrado	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	September 2014	Seminar on Corporate Governance	SGV & Co.
Ma. Soledad E. Olives	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	November 2014	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Florentino C. Policarpio	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	January 2012	Demand Planning Seminar	Procurement and Supply Institute of Asia, Inc. (PSIA)
	May 2012	Demand Planning and Forecast Workshop	Supply Chain Council (SCC)
	May 2012	Supply Chain Operations Reference Model	Institute of Business Forecasting and Planning
	September 2012	Global Trends in Supply Chain Management: A Shift to Integrative Thinking	GS1 Philippines, Inc.
	November 2012	Taking Supply Chain to the Next Level: A Shift to Integrated Thinking	SCC
	December 2012	Annual Global Procurement & Supply Management Conference & Exhibit	PSIA
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	November 2014	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Rita Imelda B. Palabyab	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer

	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	October 2013	Retail Store Management	Trueventus
	September 2014	Seminar on Corporate Governance	SGV & Co.
Raul B. Nazareno	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	September 2014	Seminar on Corporate Governance	SGV & Co.
Oscar R. Sañez	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	September 2014	Seminar on Corporate Governance	SGV & Co.
Eliezer O. Capacio ⁵³	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	September 2012	PMAP Annual Members Meeting	People Management Association of the Philippines (PMAP)
	February 2013	ASEAN Economic Community Forum	Pfizer
	September 2013	PMAP 50 th Annual Convention	PMAP
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
Jennifer T. Tan	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	February 2013	Seminar Regarding Flaxid	CSP International Commodities Corporation
	February 2013	ASEAN Economic Community Forum	Pfizer
	April 2013	ASA Sponsored: Soybean Crushing Facility Seminar	American Soybean Association
	July 2013	Code of Champs Seminar	Fr. Armand Robleza, SDB
	July 2013	Economic Briefing – ANZ Presentation	ANZ
	September 2014	Seminar on Corporate Governance	SGV & Co.

⁵³ As reported in SEC Form 17-C filed with the SEC on February 24, 2014, Mr. Capacio, Vice President and Division Human Resources Head of the Company, passed away on February 23, 2014.

Rodolfo M. Abaya	September 2014	Seminar on Corporate Governance	SGV & Co.
Alexandra B. Trillana	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	November 2012	Annual Listing and Disclosure Rules Seminar	Philippine Stock Exchange
	November 2012	2012 Bohol Working Session "Gearing Up for Asian Governance"	Institute of Corporate Directors (ICD)
	February 2013	Mandatory Continuing Legal Education (MCLE) Lecture Series	Asian Center for Legal Excellence, Inc.
	February 2013	ASEAN Economic Community Forum	Pfizer
	March 2013	ASEAN Corporate Governance Scorecard Information Briefing	ICD
	September 2013	Customer Centricity Workshop	JCCI with Ms. Roxanne Aquino
	November 2013	Mastering the ASEAN Corporate Governance Scorecard (12 th Annual Working Session)	ICD
	September 2014	Seminar on Corporate Governance	SGV & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>Directors have a duty to act in the best interest of the Company. In the event that the personal interests of a director may conflict with the interest of the Company, proper disclosure by the director is required to be made and a review by the appropriate authorities should resolve the conflict.</p> <p>Directors shall (1) not seek employment or be engaged in outside business activities when such</p>	<p>Senior management has a duty to act in the best interest of the Company. In the event that the personal interests of an officer or manager may conflict with the interest of the Company, proper disclosure by the officer or manager is required to be made and a review by the appropriate authorities should resolve the conflict.</p> <p>Senior management shall (1) not seek employment or be engaged in outside business activities when such employment or activities prevent them</p>	<p>Employees have a duty to act in the best interest of the Company. In the event that the personal interests of an employee may conflict with the interest of the Company, proper disclosure by the employee is required to be made and a review by the appropriate authorities should resolve the conflict.</p> <p>Employees shall (1) not seek employment or be engaged in outside business activities when such employment or activities prevent them from fully performing work, including overtime assignments for which they are employed; (2) not act as</p>

	employment or activities prevent them from fully performing work as a director of the Company; (2) not act as members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.	from fully performing work, including overtime assignments for which they are employed; (2) not act as members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.	members of Boards of Directors of companies with conflicts of interest or participate in competitive business activities; (3) not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair the independence of any judgment they may need to make in the best interest of SMPFC.
(b) Conduct of Business and Fair Dealings	<p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its directors to observe with zeal such core values in the performance of their duties, in their relationships with fellow directors and employees, and in all their dealings with shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous competition and in compliance with applicable laws.</p>	<p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its senior management to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with directors, shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous competition and in compliance with applicable laws. Fair business practices, including accurate and truthful advertising, are employed.</p>	<p>The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with directors, shareholders, customers, suppliers, government and the general public.</p> <p>Thus, business is conducted consistent with fair and vigorous competition and in compliance with applicable laws. Fair business practices, including accurate and truthful advertising, are employed.</p>
(c) Receipt of gifts from third parties	The solicitation of gifts in any form is prohibited. Guidelines	The solicitation of gifts in any form is prohibited. Guidelines are provided	The solicitation of gifts in any form is prohibited. Guidelines are provided on

	are provided on the acceptance of modest gifts, meals, entertainment and sponsored travel. Directors are required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way.	on the acceptance of modest gifts, meals, entertainment and sponsored travel. Senior management is required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way.	the acceptance of modest gifts, meals, entertainment and sponsored travel. Employees are required to (1) conduct business affairs with fairness, (2) avoid granting undue personal favors, (3) exercise discretion in accepting favors or gifts from persons seeking or doing business within the Company, and (4) refuse gifts that might connote bribery in any way.
(d) Compliance with Laws & Regulations	Directors shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.	<p>Senior management shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.</p> <p>The Company Rules and Regulations (CRR), which covers all employees, provides that administrative action may be taken against employees for violation of existing laws, rules and regulations issued by government authorities provided that the act is related to the performance of the employee's functions or is inimical to the business and interests of the Company.</p>	<p>Employees shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.</p> <p>The CRR, which covers all employees, provides that administrative action may be taken against employees for violation of existing laws, rules and regulations issued by government authorities provided that the act is related to the performance of the employee's functions or is inimical to the business and interests of the Company.</p>
(e) Respect for Trade Secrets/Use of Non-public Information	Directors are required not to disclose to any person or entity, confidential and proprietary information of the Company and its subsidiaries (collectively, the "Food Group"), comprising of any and all technology, techniques, trade secrets, formulas and processes, research	Senior management is required not to disclose to any person or entity, confidential and proprietary information of the Food Group, comprising of any and all technology, techniques, trade secrets, formulas and processes, research and data, patterns, device, information and knowledge concerning the methods and	Employees handling sensitive information are required not to disclose to any person or entity, confidential and proprietary information of the Food Group, comprising of any and all technology, techniques, trade secrets, formulas and processes, research and data, patterns, device, information and knowledge concerning the methods and processes of

	<p>and data, patterns, device, information and knowledge concerning the methods and processes of manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their term of office as director of the Company. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, directors shall not trade in the Company's shares during a certain "Blackout Period" (which is [i] 10 business days before and 5 business days after the deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim</p>	<p>processes of manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their employment with the Food Group. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, senior management shall not trade in the Company's shares during a certain "Blackout Period" (which is [i] 10 business days before and 5 business days after the deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at any time when they are in possession of material non-public information concerning the Company.</p>	<p>manufacture, pricing, promotions, marketing, sale or distribution of the products or services of the Food Group, including any such confidential and proprietary information owned by SMC or any of its subsidiaries and affiliates, that they become privy to during their employment with the Food Group. Policies are in place to prevent information loss, misuse, theft, fraud, improper access, wrongful disclosure or alteration, including unauthorized communication and/or publication of information acquired from or on behalf of SMPFC.</p> <p>The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining an unfair advantage over the investing public. Under the policy, key employees with access to non-public information shall not trade in the Company's shares during a certain "Blackout Period" (which is [i] 10 business days before and 5 business days after the deadlines for the Company to make a structured report or other disclosure of its financial results for any year, half year, quarter or any other interim period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at any time when they are in possession of material non-public information concerning the Company.</p>
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	period; and [ii] 5 business days after any non-structured disclosure of any material information other than financial results) and at any time when they are in possession of material non-public information concerning the Company.		
(f) Use of Company Funds, Assets and Information	Each director shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.	<p>Senior management shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.</p> <p>The CRR of the Company further provides that administrative action may be taken against employees for acts involving the improper use or possession of company property and products (such as company funds, assets, time, personnel or other resources) or detrimental to the Company's image or interests. Any damage caused to the property of SMPFC, as well as negligence in the care and use of company property and equipment, and/or the unauthorized use of property, has a corresponding penalty ranging from suspension to termination from employment.</p>	<p>Each employee shall respect and preserve Company assets and resources by ensuring that they are used efficiently and solely for legitimate business purposes, as well as safeguard and maintain the confidentiality of knowledge or information on the Company's products, business strategies, processes and systems.</p> <p>The CRR of the Company further provides that administrative action may be taken against employees for acts involving the improper use or possession of company property and products (such as company funds, assets, time, personnel or other resources) or detrimental to the Company's image or interests. Any damage caused to the property of SMPFC, as well as negligence in the care and use of company property and equipment, and/or the unauthorized use of property, has a corresponding penalty ranging from suspension to termination from employment.</p>
(g) Employment & Labor Laws & Policies	SMPFC supports and respects the internationally recognized human rights principles and	SMPFC supports and respects the internationally recognized human rights principles and practices and ensures	SMPFC supports and respects the internationally recognized human rights principles and practices and ensures that it is not

	<p>practices and ensures that it is not complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p>	<p>that it is not complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p> <p>The CRR sets out the guiding principles of the Company on (1) violation of company rules, regulations and code of ethics; (2) violation of company policies, guidelines, internal control procedures and general procedures; (3) violation of existing laws, rules and regulations issued by government authorities (i.e., employment and labor laws); (4) acts committed within company premises or during company time; (5) acts, even when committed outside of company time and premises, which are connected to the performance of the employee's duties and responsibilities; (6) acts involving the use or possession of company property, products or detrimental to the company's image or interests; (7) acts having direct or indirect connection to the company's scope of business interests, processes or those forming part of the business cycle.</p>	<p>complicit in human rights abuses. The Company has programs in place to ensure the right to freely chosen employment, a fair and humane working environment, the safety of workers, and compliance with applicable wage laws. Likewise, child labor is prohibited.</p> <p>The CRR sets out the guiding principles of the Company on (1) violation of company rules, regulations and code of ethics; (2) violation of company policies, guidelines, internal control procedures and general procedures; (3) violation of existing laws, rules and regulations issued by government authorities (i.e., employment and labor laws); (4) acts committed within company premises or during company time; (5) acts, even when committed outside of company time and premises, which are connected to the performance of the employee's duties and responsibilities; (6) acts involving the use or possession of company property, products or detrimental to the company's image or interests; (7) acts having direct or indirect connection to the company's scope of business interests, processes or those forming part of the business cycle.</p>
(h) Disciplinary action	Should a director violate policies, rules and regulations of the Company, the provisions of the	Should an officer or manager violate policies, rules and regulations of the Company, disciplinary actions are imposed, as	Should an employee violate policies, rules and regulations of the Company, disciplinary actions are imposed, as much as

	Manual and Section 28 of the Corporation Code applies, including permanent or temporary disqualification, or removal or suspension from office.	much as possible, in progressively increasing weight. After he has been afforded due process or given the opportunity to be heard, depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of documented counseling, written warning, suspension or discharge. Restitution of damages to or loss of company property does not extinguish the employee's liability.	possible, in progressively increasing weight. After he has been afforded due process or given the opportunity to be heard, depending on the history, circumstances and gravity of the situation, superiors take corrective action in the form of documented counseling, written warning, suspension or discharge. Restitution of damages to or loss of company property does not extinguish the employee's liability.
(i) Whistle Blower	Directors and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.	Senior management and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.	Employees and other interested parties are required to communicate concerns regarding the Company's and its subsidiaries' accounting, internal accounting controls, auditing or financial reporting matters to the Company's Audit Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.
(j) Conflict Resolution	Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its directors.	Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its senior management.	Further to the conflict resolution provisions in the relevant policies above mentioned, the Manual encourages use of alternative modes of dispute resolution that can amicably settle conflicts or differences involving the Company and its employees.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. Moreover, such Code of Conduct and Ethics is readily available for viewing at the Company's corporate website.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Code of Conduct and Ethics is reviewed periodically as may be deemed necessary by the Company.

All employees are provided copies of the Code and are required to acknowledge receipt of the same, as well as commit to the fundamental standards of conduct and values set forth therein.⁵⁴ In the event an employee is alleged to have violated the Code of Ethics, management conducts an administrative investigation, wherein such employee is given the opportunity to present his side and defend himself. At the end of the investigation, employees found to have failed to comply with the standards and abide by the values set forth in the Code shall be subject to disciplinary action, including termination, as the Company may deem appropriate to the nature of the violation, without prejudice to the Company's right to avail of criminal and civil remedies under the law.

The Company does not tolerate any retaliation in any form against any employee who, in good faith, raises a concern or reports a possible legal or ethical violation under the Code.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	To ensure the integrity and transparency of related party transactions between SMPFC and its parent company, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(2) Joint Ventures	To ensure the integrity and transparency of related party transactions between the Company and its joint ventures, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.

⁵⁴ Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

(3) Subsidiaries	To ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(4) Entities Under Common Control	To ensure the integrity and transparency of related party transactions between and among the Company and entities under common control with it, such transactions are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(5) Substantial Stockholders	SMPFC has no substantial stockholders other than its parent company, SMC. At any rate, all related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(6) Officers including spouse/ children/siblings/parents ⁵⁵	The Company recognizes that under the law, in order for a contract with an officer not to be voidable, the contract should be fair and reasonable under the circumstances and should have been previously authorized by the Board of Directors. All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(7) Directors including spouse/ children/siblings/parents ⁵⁶	The Company recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director

⁵⁵ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

⁵⁶ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	<p>should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances. All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</p>
(8) Interlocking director relationship of Board of Directors ⁵⁷	<p>The Company recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances. All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.</p>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None.
Name of Officer/s	None.
Name of Significant Shareholders	None.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	A director is required to disclose his/her business interests in order for the Company to determine whether a conflict of

⁵⁷ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	<p>interest situation exists, and if so, how to resolve the situation. The refusal to fully disclose the extent of his/her business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director. This disqualification shall be in effect as long as his/her refusal persists.</p> <p>All employees (including officers and managers), whether assigned in domestic or foreign installations, are required to accomplish a Full Business Interest Disclosure (FBID) Form, for review and approval of such employee's immediate and next level superiors. All accomplished FBID Forms and resolution on disclosed potential conflict of interest situations are submitted annually to the Company's Division Human Resources. The accomplished FBID Forms are then discussed and updated every performance appraisal period in January of each year.</p>
Group	The foregoing mechanism implemented by the Company is adopted on a group-wide level in the entire Food Group.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁵⁸ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None.	N/A	N/A

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
San Miguel Corporation	Supply	The Company has a cost sharing arrangement with SMC wherein SMPFC shares or is allocated costs incurred by SMC for its corporate staff/support service units that provide various services (i.e., treasury, investor relations, media affairs, etc.) to SMC and its group companies, including SMPFC.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

⁵⁸ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Company reaches out to any stockholder who may raise concerns, and exerts best efforts to resolve issues through discussions, meetings and agreed upon deliverables. SMPFC is further assisted by its stock transfer agent, in dealing with issues raised by stockholders.
Corporation & Third Parties⁵⁹	In all instances of disputes with third parties, the Company exerts best efforts to reach a mutually acceptable compromise agreement before resorting to court action. It complies with all relevant rules and regulations promulgated by judicial and quasi-judicial bodies relating to mandatory conciliation and mediation proceedings. Where contractually provided or upon agreement of the parties, disputes are resolved through arbitration in competent arbitral tribunals. The Board of Directors has designated representatives of the Company with authority to transact with third parties and settle concerns amicably.
Corporation & Regulatory Authorities⁶⁰	The Company reaches out to any regulatory authority, which may raise concerns, and exerts best efforts to resolve issues through discussions, meetings and agreed upon deliverables. It responds to official actions and complies with all relevant directives , rules and regulations promulgated by judicial and quasi-judicial bodies. The Board of Directors has designated representatives of the Company with authority to transact with third parties and settle concerns amicably.

⁵⁹ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

⁶⁰ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Meetings of the Board of Directors of the Company are scheduled before the beginning of the year. Particularly, during the last regular meeting of the year, the Board sets the dates for its regular and organizational meetings for the succeeding year.

- 2) Attendance of Directors⁶¹

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Eduardo M. Cojuangco Jr.	May 9, 2014 (re-elected)	7	6	86%
Member	Ramon S. Ang	May 9, 2014 (re-elected)	7	7	100%
Member	Francisco S. Alejo III	May 9, 2014 (re-elected)	7	7	100%
Independent	Cancio C. Garcia (until his demise on October 15, 2013)	May 10, 2013 (re-elected)	6	5	100% (during his term)
Independent	Carmelo L. Santiago	May 9, 2014 (re-elected)	7	6	86%
Member	Menardo R. Jimenez	May 9, 2014 (re-elected)	7	7	100%
Member	Mario C. Garcia	May 9, 2014 (re-elected)	7	7	100%
Independent	Silvestre H. Bello III	May 9, 2014 (re-elected)	7	6	86%
Independent	Angelina S. Gutierrez (until her resignation effective October 8, 2014)	May 9, 2014 (re-elected)	7	5	83% (during her term)
Independent	Edgardo P. Cruz	May 9, 2014 (re-elected)	7	7	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No. The Company complies with applicable laws by sending notices of Board meetings to all its directors, including executive directors. However, nothing prevents non-executive directors to meet separately during the year without the presence of any executive, should they deem this necessary in the exercise of their responsibilities.

⁶¹ With updates highlighted per advisement letter filed with the SEC on January 5, 2015.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Consistent with the Corporation Code, the Company's By-laws provide that a majority of directors shall constitute quorum. Nevertheless, no corporate policies, decisions or actions shall be taken by the Board without the vote of at least 2/3 of the entire membership of the Board on any matters not covered by the primary purpose of the Company and the businesses currently conducted by it. In practice, at least 2/3 of the directors have been present in all Board meetings of the Company, and all decisions at such meetings have been unanimously approved by the directors present at the meeting.

- 5) Access to Information

- (a) How many days in advance are board papers⁶² for board of directors meetings provided to the board?

The notice and agenda of the meeting, as well as any relevant documents for consideration by the Board, are provided at least three days before each meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes. All directors are free to contact and discuss with management and the Corporate Secretary issues or matters that need clarification, or request information that they may need in the discharge of their functions and exercise of their responsibilities.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary is an officer of the Company. His/her loyalty to the mission, vision and specific business objectives of the Company comes with his/her duties. The Corporate Secretary, who is also the General Counsel of the Company, provides support to the Compliance Officer in keeping the Board updated on relevant statutory and regulatory developments. The Corporate Secretary communicates **and works fairly and objectively** with the Board, management, the Company's shareholders, **stakeholders**⁶³ and the investing public. In this regard, the Corporate Secretary schedules Board meetings and gives prior notice to all directors of such meetings, assists the Chairman in the preparation of the agenda of Board and shareholder meetings, taking into account the suggestions of the President, management and other directors, provides the necessary board papers associated with items on the meeting agenda, attends and takes minutes of all Board and shareholder meetings and maintains records of the proceedings thereof, ensures proper safekeeping of corporate records, countersigns all Certificates of Stock of the Company; ensures that all Board procedures, rules and regulations are faithfully followed, prepares and files required reports and disclosures to the SEC, **Philippine Stock Exchange (PSE)** and other regulatory agencies, and assists the Board in making judgments in the performance of their duties.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary is the General Counsel of the Company. She holds a Bachelor's Degree in Commerce from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School

⁶² Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

⁶³ Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

of Law. Prior to her appointment as Corporate Secretary of SMPFC in 2010, she performed various corporate secretarial services for other SMC listed and private corporations since 2003. She also provided corporate secretarial services for corporate clients as an associate of SyCip Salazar Hernandez & Gatmaitan from 1999 to 2002.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees: ⁶⁴

Yes

☒

No

☐

Committee	Details of the procedures
Executive	A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Executive Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders and other stakeholders of the Company . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.
Audit	A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Audit Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders and other stakeholders of the Company . The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.
Nomination and Hearing	A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Nomination and Hearing Committee at least two working days prior to the date

⁶⁴ With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

	<p>of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders and other stakeholders of the Company. The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.</p>
Executive Compensation	<p>A notice of each meeting confirming the date, time, venue, and agenda shall be sent to each member of the Executive Compensation Committee at least two working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting. Management shall provide directors with complete, adequate and timely information about the matters to be taken during the meetings and information that would enable the Board to comply with its responsibilities to the stockholders and other stakeholders of the Company. The Committee may invite members of the management and organization staff to attend the Committee meeting and provide pertinent information or data. Separate meetings may be held with any member of management when deemed appropriate by the Committee in the exercise of its functions. The Committee may also seek independent professional advice in accordance with its Charter. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.</p>
Others (specify)	N/A

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
A procedure exists whereby directors can receive external advice. The Manual provides that upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Company, which expense must be reasonable.	<p>The Board shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities. The Board may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Board shall be provided with sufficient resources by the Company to discharge its duties.</p>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on

existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Manual on Corporate Governance	To supplement the Manual, in August 2012, the Board approved the adoption by the Audit Committee, Nomination and Hearing Committee and Executive Compensation Committee, of their respective Charters, as reviewed and endorsed by each Committee.	The Charters each outline the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the said Committees, as the case may be, and the procedures which shall guide the conduct of its functions, to ensure adherence by the Company to the best practices of good corporate governance.
Manual on Corporate Governance ⁶⁵	The Board approved the following amendments to the Manual: (i) The Compliance Officer shall attest to the Company's compliance with the Manual and SEC Code of Corporate Governance where necessary or required by applicable laws, rules and regulations, instead of the filing of a certification of compliance with the Manual every January 30 of the year; (ii) The submission of a report on the directors' attendance at Board meetings in accordance with applicable laws, rules and regulations, instead of the filing of a sworn certification on such attendance every January 30 of the year; and (iii) The attendance by directors and key officers of a corporate governance program by SEC-accredited training provider at least once a year.	The Manual on Corporate Governance of the Company was amended to align with recent SEC Memorandum Circulars issued, particularly, SEC Memorandum Circular No. 1, series of 2014, SEC Memorandum Circular No. 20, series of 2013, and SEC Memorandum Circular No. 5, series of 2013.
Manual on Corporate Governance ⁶⁶	The Board approved amendments to the Manual in order to emphasize: (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of	The Manual on Corporate Governance of the Company was amended in compliance with SEC Memorandum Circular No. 9, series of 2014.

⁶⁵ Update per SEC Form 17-C filed with the SEC on March 27, 2014.

⁶⁶ Update per SEC Form 17-C filed with the SEC on June 25, 2014.

	certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.	
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D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined in accordance with SMC's Salary Review Program, which takes into consideration industry practice and the general pay environment, as guided by the Executive Compensation Committee. The Committee advises the Board in the establishment of a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the Company's President, ensuring that compensation is consistent with the Company's culture, strategy, and control environment.	Determined in accordance with SMC's Salary Review Program, which takes into consideration industry practice and the general pay environment, as guided by the Executive Compensation Committee. The Committee advises the Board in the establishment of a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of the Company's officers, and provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy, and control environment.
(2) Variable remuneration	Determined in accordance with SMC's policies on transportation, gas, and telecommunications allowances, which takes into consideration industry practice and the general pay environment, with the guidance of the Executive Compensation Committee as discussed above.	Determined in accordance with SMC's policies on transportation, gas, and telecommunications allowances, which takes into consideration industry practice and the general pay environment, with the guidance of the Executive Compensation Committee as discussed above.
(3) Per diem allowance	N/A	N/A
(4) Bonus ⁶⁷	Determined in accordance with SMC's Annual Incentive Program, which tracks attainment of earnings targets, and other policies on bonuses upon the guidance of the	Determined in accordance with SMC's Annual Incentive Program, which tracks attainment of earnings targets, and other policies on bonuses upon the guidance of the

⁶⁷ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	Executive Compensation Committee as discussed above.	Executive Compensation Committee as discussed above.
(5) Stock Options and other financial instruments	Determined in accordance with SMC's Long Term Incentive Program and Employee Stock Purchase Plan, with the guidance of the Executive Compensation Committee as discussed above.	Determined in accordance with SMC's Long-Term Incentive Program and Employee Stock Purchase Plan, with the guidance of the Executive Compensation Committee as discussed above.
(6) Others (specify)	N/A	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Article II, Section 5 of the 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.	The Company provides each director with reasonable per diem of P10,000.00 for each attendance at Board and Board Committee meetings of the Company.	The per diem allowance of P10,000.00 for each attendance at Board and Board Committee meetings of the Company is determined in coordination with SMC. Any other director's fee shall be fixed by the stockholders at a meeting duly called for the purpose.
Non-Executive Directors	Same as the remuneration policy for ED.	Same as the structure of compensation packages for ED.	Same as the manner of calculation of compensation for ED.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Allowance	The stockholders have not fixed any fee in the last three years, and thus there are no arrangements, other than the reasonable per diem allowance for Board and Board Committee meetings attended, pursuant to which any of the directors are compensated, directly or indirectly, by the Company for services rendered.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:⁶⁸

The following is the aggregate remuneration received by the directors of the Company in the year 2013:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	P100,000.00	P360,000.00	P390,000.00
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	P100,000.00	P360,000.00	P390,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	N/A	N/A	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	None.	None.	None.

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/	Number of Equivalent Shares	Total % from Capital Stock
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⁶⁸ As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

		Warrants		
N/A				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

The President, who is an executive director of the Company, is ably assisted in managing the affairs of the Food Group on a top-level basis, by an Executive Committee comprised of the following Senior Officers:

Name of Officer/Position	Total Remuneration
Chief Finance Officer and Treasurer	Php 83,890,322.40 ⁶⁹
Compliance Officer and Vice President for Corporate Planning	
President of Milling Business Cluster	
President of Agro-Industrial Business Cluster	
President of Branded Business Cluster	
Vice President and Division Human Resources Head	
Vice President and Foreign Operations and Export Business Head	
Vice President and Business Procurement Group Head	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee,⁷⁰ its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Powers
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				

⁶⁹ Update for the year ended December 31, 2013.

⁷⁰ As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

Executive	One (1)	Two (2)	One (1)	None.	Tasked to assist the officers in the management and direction of the affairs of the Company.	The Committee is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.	The Committee acts within such powers, duties and authority granted upon it by the Board.
Audit	None	Two (2)	Three (3)	The Board approved the adoption of the Audit Committee Charter on August 10, 2012.	Tasked to perform financial oversight management functions, specifically in the areas of credit management, markets liquidity, operational, legal and other risks, as well as	The Committee shall provide assistance to the Board in the performance of its oversight responsibility on financial reports and financial reporting process, internal control system, audit process and plans, directly interfacing with internal and external auditors, and in monitoring and facilitating	The Committee has the power, among others, to conduct or authorize an investigation into any matter that falls within its scope of responsibility, as well as the authority to review related party transactions

					crisis management. See also Manual and Charter of Audit Committee previously filed with the SEC and available for download from SMPFC's corporate website.	compliance with both the Company's internal financial management manual and pertinent accounting standards and regulatory requirements, elevating to international standards the accounting and auditing processes, practices and methodologies of the Company. For more detailed responsibilities of the Committee, see also Manual and Charter of Audit Committee previously filed with the SEC and available for download from SMPFC's corporate website.	entered into by the Company. The Committee also acts within such powers, duties and authority granted upon it by the Board.
Nomina- tion and Hearing	One (1)	Two (2)	One (1)	The Board approved the adoption of the Nomination and Hearing Committee Charter on August 10, 2012.	Tasked to make recommendations to the Board on matters relating to the appointment, election and succession of directors. See also Manual previously filed with the SEC and Charter of Nomination and Hearing Committee available for download from SMPFC's	The Committee is responsible for the screening and shortlisting of candidates for Board directorship with the view of appointing individuals to the Board with the relevant experience and capabilities to maintain and improve the competitiveness of the Company and increase its value. The Committee ensures that the nominees to the Board shall have the qualifications and none of the disqualifications for directors defined in the Manual, Articles of Incorporation and	The Committee has the power, among others, to recommend to the Board changes as to the size of the Board, including the establishment of guidelines in the number of directorships that a member of the Board may hold in accordance with the policy of holding multiple Board seats under the Manual. The Committee

					corporate website.	By-laws of the Company, and applicable laws, rules, and regulations. For more detailed responsibilities of the Committee, see also Manual previously filed with the SEC and Charter of Nomination and Hearing Committee available for download from SMPFC's corporate website.	also acts within such powers, duties and authority granted upon it by the Board.
Executive Compensation	None	Three (3)	One (1)	The Board approved the adoption of the Executive Compensation Committee Charter on August 10, 2012.	Tasked to advise the Board in the establishment of procedures relating to executive remuneration of the Company's officers and directors. See also Manual previously filed with the SEC and Charter of Executive Compensation Committee available for download at SMPFC's corporate website.	The Committee is responsible for the evaluation and review of the Company's remuneration plans, policies and programs for executive officers, the adoption of a formal and transparent procedure and policies that govern the Company's executive compensation and benefits programs, the oversight of plans for executive officers' development and succession, ensuring that compensation is consistent with the Company's culture, strategy, and control environment, as well as in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully. For more detailed responsibilities of	The Committee has the power, among others, to review and endorse for the approval of the Board, all promotions to the rank of Assistant Vice President up to the level of President of the operating subsidiaries of the Company. The Committee also acts within such powers, duties and authority granted upon it by the Board.

						the Committee, see also Manual previously filed with the SEC and Charter of Executive Compensation Committee available for download from SMPFC's corporate website.	
Others (specify)	N/A						

2) Committee Members

(a) Executive Committee⁷¹

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Eduardo M. Cojuangco, Jr.	April 25, 2002	1	1	100	11 years
Member (NED)	Ramon S. Ang	April 25, 2002	1	1	100	11 years
Member (ED)	Francisco S. Alejo III	April 25, 2002	1	1	100	11 years
Member (ID)	Cancio C. Garcia (until his demise on Oct. 15, 2013)	May 14, 2010	1	1	100	Less than 3 years
Member (ID)	Angelina S. Gutierrez (vice Cancio C. Garcia)	Nov. 7, 2013	1	0	N/A	Less than 1 year

(b) Audit Committee⁷²

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Cancio C. Garcia (until his demise on Oct. 15, 2013)	June 27, 2008	4	3	100 (during his term)	4 years
Member (NED)	Menardo R. Jimenez	June 27, 2008	4	4	100	5 years
Member (ID)	Carmelo L. Santiago	Aug. 12, 2010	4	4	100	3 years
Member (ID)	Angelina S. Gutierrez	May 10, 2013	4	2	100 (since her election)	1 year
Member (ID)	Edgardo P. Cruz (vice	Nov. 7, 2013	4	0	N/A	Less than

⁷¹ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

⁷² With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

	Cancio C. Garcia)					1 year
Member (Non-Director)	Ferdinand K. Constantino	July 21, 2009	4	4	100	5 years

Disclose the profile or qualifications of the Audit Committee members.⁷³

Justice Cancio C. Garcia, Filipino, 75, has been an Independent Director of SMPFC from June 27, 2008 **until his demise on October 15, 2013**. He was previously the Chairman of the Audit Committee. Justice Garcia was a former Associate Justice of the Supreme Court of the Philippines (October 2004 to October 2007). He held a Bachelor of Laws Degree from University of the Philippines.

Mr. Menardo R. Jimenez, Filipino, **81**, has been a Director of SMPFC since April 25, 2002. Mr. Jimenez is a businessman. He 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.

Mr. Carmelo L. Santiago, Filipino, **71**, has been an Independent Director of SMPFC since August 12, 2012 **and was appointed as Chairman of the Audit Committee on November 7, 2013**. Mr. Santiago is a businessman and the founder and owner of Melo's Restaurant and House of Wagyu specializing in steaks. He holds a Bachelor's Degree in Business Administration from University of the East.

Justice Angelina S. Gutierrez, Filipino, 75, has been an Independent Director of SMPFC since May 10, 2013. She is 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). She 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.

Justice Edgardo P. Cruz, Filipino, 74, has been an Independent Director of SMPFC 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.

Mr. Ferdinand K. Constantino, Filipino, **62**, is the Senior Vice President and Chief Finance Officer of SMC, and a Director of SMC since May 31, 2010. He holds a degree of AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

Describe the Audit Committee's responsibility relative to the external auditor.

The Committee performs oversight functions with respect to the external auditor and ensures its independence from the internal auditor, freedom from interference from outside parties, and its unrestricted access to such records, properties and personnel of SMPFC necessary to enable it to

⁷³ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

perform its audit functions. The Committee evaluates the criteria for selection, appointment, performance evaluation and if appropriate, the termination of services of the external auditors and recommends the same to the Board and if required, to the shareholders, for approval. The Committee ensures that the external auditors or its lead audit partner of the external auditing firm assigned to the Company is changed or rotated once every five years or such shorter or longer period provided under applicable laws and regulations. The Committee reviews and approves the terms of engagement of the external auditors, including the audit, audit-related and any non-audit services provided by the external auditors to the Company and the fees for such services, to ensure that these do not impair the external auditors' independence and objectivity. The Committee also reviews and approves the scope of the audit and audit programs of the external auditors, as well as discusses with them the results of their audit processes.

(c) Nomination Committee⁷⁴

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Carmelo L. Santiago	May 13, 2011	2	2	100	2 years
Member (ED)	Francisco S. Alejo III	May 20, 2005	2	2	100	8 years
Member (ID)	Cancio C. Garcia (until his demise on Oct. 15, 2013)	June 21, 2009	2	2	100	3 years
Member (NED)	Menardo R. Jimenez (vice Cancio C. Garcia)	Nov. 7, 2013	2	0	N/A	Less than 1 year
Member (Non-Director)	Ma. Cristina M. Menorca	May 11, 2012	2	0	N/A	1 year

(d) Executive Compensation Committee⁷⁵

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Menardo R. Jimenez	May 12, 2006	2	2	100	7 years
Member (ID)	Cancio C. Garcia (until his demise on Oct. 15, 2013)	Aug. 12, 2010	2	2	100	4 years
Member (ID)	Carmelo L. Santiago	June 27, 2008	2	2	100	3 years
Member (NED)	Ramon S. Ang (vice Cancio C. Garcia)	Nov. 7, 2013	2	0	N/A	Less than 1 year
Member (Non-Director)	Ferdinand K. Constantino	June 27, 2008	2	2	100	4 years

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
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⁷⁴ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

⁷⁵ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

Chairman	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members⁷⁶

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Appointment of Angelina S. Gutierrez vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Audit	Appointment of Edgardo P. Cruz vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Nomination	Appointment of Menardo R. Jimenez vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Remuneration	Appointment of Ramon S. Ang vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Others (specify)	N/A	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.⁷⁷

Name of Committee	Work Done	Issues Addressed
Executive	N/A	
Audit	Reviewed, approved and affirmed the truth and fairness of the financial statements and reports of the Company, including the Consolidated Audited Financial Statements for the previous year and unaudited quarterly financial statements; Reviewed and approved the audit plans of the external and internal auditors; Recommended the appointment of the external auditors of the Company for the succeeding year; Monitored, reviewed and confirmed the sufficiency and effectiveness of the Company's internal control systems; Adopted Audit Committee Charter.	No major issues were required to be addressed by the Committee.
Nomination and Hearing	Discussed and recommended nominees for election to the Board; Adopted Nomination and Hearing Committee Charter.	No major issues were required to be addressed by the Committee.
Executive Compensation	Discussed and recommended approval of appointments and promotions of employees to officers	No major issues were required to be addressed by the Committee.

⁷⁶ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

⁷⁷ With updates highlighted for the year ended December 31, 2013.

	of the Food Group; Adopted Executive Compensation Committee Charter.	
Others (specify)	N/A	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Considering that there were no major issues brought forth to be resolved by the Executive Committee, there are currently no specific planned programs. Nevertheless, the Committee meets as the need arises to address the requirements of SMPFC.	No major issues to be addressed at the moment.
Audit ⁷⁸	Considering that there were no major issues brought forth to be resolved by the Audit Committee, there are currently no specific planned programs. Nevertheless, the Committee meets quarterly to undertake its regular functions and address the needs of SMPFC, as they arise.	No major issues to be addressed at the moment.
Nomination and Hearing ⁷⁹	Considering that there were no major issues brought forth to be resolved by the Nomination and Hearing Committee, there are currently no specific planned programs. Nevertheless, the Committee meets periodically to screen and evaluate the nominees to the Board of Directors of the Company and address the needs of SMPFC, as they arise.	No major issues to be addressed at the moment.
Executive Compensation ⁸⁰	Considering that there were no major issues brought forth to be resolved by the Executive Compensation Committee, there are currently no specific planned programs. Nevertheless, the Committee meets periodically to screen and evaluate employees for promotion and address the needs of SMPFC, as they arise.	No major issues to be addressed at the moment.
Others (specify)	N/A	

⁷⁸ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

⁷⁹ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

⁸⁰ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Food Group's risk management policies are established to identify and analyze the risks faced by the Food 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 Food Group's activities. The Food 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 Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Food Group's risk management framework.

The Audit Committee in particular, performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. The Audit Committee oversees how management monitors compliance with the Food Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Food Group. The Audit Committee is assisted in its oversight role by the Internal Audit Group. The Internal Audit Group undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The five-member Audit Committee of the Company comprised of four directors including two Independent Directors, and one non-director member, assists the Board in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. Accordingly, on behalf of the Board, the Audit Committee has reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, satisfied itself of the adequacy thereof, and where appropriate, necessary measures are taken to address any concern or issue arising therefrom.

(c) Period covered by the review;

For the year ended **December 31, 2013**.⁸¹

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Risk management policies and systems are reviewed regularly to take into consideration changes in market conditions and the Food Group's activities. While the above-mentioned review is conducted on an annual basis, specifically at the end of each fiscal year of the Company, the Audit Committee meets on a quarterly basis throughout the year to ensure that the risk management system of the Company and directors' criteria for assessing its effectiveness remain relevant.

⁸¹ Update for the year ended December 31, 2013.

(e) Where no review was conducted during the year, an explanation why not.

N/A.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Competitor/Market Risks	The Company continuously comes up with new exciting products, improves product propositions and packaging, and redefines the manner of product distribution.	To manage the risk of new and existing competitors eroding the Company's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, cost reduction and the configuration of the industry's value chain.
Catastrophy/Environmental Risks	The Company adopts preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from diseases.	To manage occasional outbreaks of animal diseases such as bird flu or avian influenza (chicken), foot-and-mouth and Ebola Reston (hogs), and mad cow, as well as rigorous weather conditions.
Social and Cultural Risks	The Company establishes a small presence in food products where consumer preferences seem to be leaning towards. If demand takes off and stabilizes, operations are expanded.	To manage risk of consumer taste and preferences evolving through time due to a host of reasons such as health, fads and fast-paced lifestyles.
Sourcing and Price Risks	Alternative sources of raw materials are used in the Company's operations. The Company also enters into various commodity derivatives. Through hedging, prices of commodities are fixed at levels acceptable to the Company.	To avoid and manage risks on unstable supply and higher costs of raw materials. Further, commodity hedging is practiced to allow predictability in prices, thus offsetting the risk of volatile market fluctuations. Hedging protects raw material costs and preserves margins.
Financial Risks, i.e., interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk	The Company manages its interest costs 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	Interest rate risk is the risk that future cash flows from a financial instrument or its fair value will fluctuate because of change s in market interest rates. In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings.

	<p>charged by other creditor banks.</p> <p>The Company enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p> <p>The Company uses derivative instruments such as commodity futures, swaps and options to manage the Company's volatility in prices of certain commodities such as soybean meal and wheat.</p> <p>The Company 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 funding when necessary.</p> <p>The Company manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. The Company has regular internal control reviews to monitor the granting of credit and management of credit exposures.</p>	<p>The Company's exposure to foreign currency risk results from significant movement in foreign exchange rates that adversely affect the foreign-currency denominated transactions of the Company. The Company's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.</p> <p>Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.</p> <p>Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.</p> <p>Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and investment securities.</p>
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(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Competitor/Market Risks	The Group continuously comes up with new exciting products, improves product propositions and packaging, and redefines the manner of product distribution.	To manage the risk of new and existing competitors eroding the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, cost reduction and the configuration of the industry's value chain.
Catastrophy/Environmental Risks	The Group adopts preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from diseases.	To manage occasional outbreaks of animal diseases such as bird flu or avian influenza (chicken), foot-and-mouth and Ebola Reston (hogs), and mad cow, as well as

		rigorous weather conditions.
Social and Cultural Risks	The Group establishes a small presence in food products where consumer preferences seem to be leaning towards. If demand takes off and stabilizes, operations are expanded.	To manage risk of consumer taste and preferences evolving through time due to a host of reasons such as health, fads and fast-paced lifestyles.
Sourcing and Price Risks	Alternative sources of raw materials are used in the Group's operations. The Group also enters into various commodity derivatives. Through hedging, prices of commodities are fixed at levels acceptable to the Group.	To avoid and manage risks on unstable supply and higher costs of raw materials. Further, commodity hedging is practiced to allow predictability in prices, thus offsetting the risk of volatile market fluctuations. Hedging protects raw material costs and preserves margins.
Financial Risks, i.e., interest rate risk, foreign currency risk, commodity price risk, liquidity risk, credit risk	<p>The Group manages its interest costs 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.</p> <p>The Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p> <p>The Group uses derivative instruments such as commodity futures, swaps and options to manage the Group's volatility in prices of certain commodities such as soybean meal and wheat.</p> <p>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 funding when necessary.</p> <p>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</p>	<p>Interest rate risk is the risk that future cash flows from a financial instrument or its fair value will fluctuate because of changes in market interest rates. In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings.</p> <p>The Group's exposure to foreign currency risk results from significant movement 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.</p> <p>Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.</p> <p>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.</p> <p>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</p>

	reviews to monitor the granting of credit and management of credit exposures.	receivables and investment securities.
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(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Under PSE Rules, a majority of the Board may pass a resolution to delist the Company's shares from the PSE, subject to making a tender offer following which the person(s) making the tender offer will acquire at least 95% of the issued and outstanding shares of the Company.
Under the Corporation Code, certain corporate actions that require the approval of a majority of the Board and 2/3 of the outstanding capital stock of the company, grants dissenting shareholders appraisal rights to require the corporation to purchase such shareholder's shares.
Derivative actions are rarely brought on behalf of corporations in the Philippines. Accordingly, there is no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions.
Unless denied in its Articles of Incorporation or an amendment thereto, stockholders have the right to subscribe to all issues of shares of stock of the Company in proportion to their shareholdings. On March 12, 2010 and November 3, 2010, however, the stockholders approved to amend the Articles of Incorporation of the Company to deny pre-emptive rights to the issuance of common shares out of the remaining unissued capital stock of the Company, as well as and all of the preferred shares, respectively. Such amendments to the Articles of Incorporation were approved by the SEC on May 21, 2010 and December 23, 2010, respectively.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Competitor/Market Risks, Catastrophe/Environmental Risks, Social and Cultural Risks, Sourcing and Price Risks	Every manager is responsible for ensuring compliance with all operational and financial controls in his/her area of operations and shall implement internal control as part of the total system to achieve Company goals. Managers shall conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, managers shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups.	The Board exercises the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms: (i) Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company; (ii) Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, the safeguarding of assets, and compliance with laws, rules, regulations and contracts; (iii) Select and appoint a President and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the

		President who is ultimately responsible for the Company's organizational and operational controls; (iv) Evaluate proposed senior management appointments; (v) Select and appoint qualified and competent management officers; and (vi) Review the Company's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan.
Interest Rate Risk	The Treasury unit of the Company's Division Finance Group 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.	Interest cost is managed by using an optimal combination of fixed and variable rate debt instruments.
Foreign Currency Risk	The Treasury unit of the Company's Division Finance Group ensures that the management of foreign currency risk is supplemented by monitoring the sensitivity of the group's financial instruments to various foreign currency exchange rate scenarios.	Foreign currency hedges are entered into using non-derivative instruments to manage foreign currency risk exposure.
Commodity Price Risk	The Company's Business Procurement Group is responsible for the monitoring of major raw materials and packaging prices and supplies.	A variety of commodity derivatives are entered into. Commodity futures, swaps and options are used.
Liquidity Risk	The Treasury unit of the Company's Division Finance Group is responsible for the constant monitoring and management of the Company's liquidity position, liquidity gaps or surplus on a daily basis.	The Company consistently 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.
Credit Risk	The Treasury unit of the Company's Division Finance Group is responsible for the monitoring of accounts receivable balances.	The Company applies transaction limits and close risk monitoring. It is company policy to enter into transactions with a wide diversity of creditworthy counterparties.
Trade and Other Receivables	Management considers the demographics of the Company's customer base, including the default risk of the industry and country in which its customers operate.	Sales on account are made to customers with appropriate credit history.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Competitor/Market Risks, Catastrophe/Environmental Risks, Social and Cultural Risks, Sourcing and Price Risks	<p>Every manager is responsible for ensuring compliance with all operational and financial controls in his/her area of operations and shall implement internal control as part of the total system to achieve the goals of the Food Group. Managers shall conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, managers shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups.</p>	<p>The Board of Directors of each company in the Group exercises the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms: (i) Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the company; (ii) Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the corporation's governance, operations and information systems, the safeguarding of assets, and compliance with laws, rules, regulations and contracts; (iii) Select and appoint a President and define the duties and responsibilities of the President who is ultimately responsible for the company's organizational and operational controls; (iv) Evaluate proposed senior management appointments; (v) Select and appoint qualified and competent management officers; and (vi) Review the company's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan.</p>
Interest Rate Risk	<p>The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are 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.</p>	<p>Interest cost is managed by using an optimal combination of fixed and variable rate debt instruments.</p>
Foreign Currency Risk	<p>The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, ensures that the management of foreign currency risk is supplemented by monitoring the sensitivity of the</p>	<p>The Food Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p>

	group's financial instruments to various foreign currency exchange rate scenarios.	
Commodity Price Risk	The Company's Business Procurement Group is responsible for the monitoring of major raw materials and packaging prices and supplies for the entire Food Group.	The Food Group enters into various commodity derivatives. Commodity futures, swaps and options are used.
Liquidity Risk	The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are responsible for the constant monitoring and management of the Food Group's liquidity position, liquidity gaps or surplus on a daily basis.	The Food Group consistently 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.
Credit Risk	The Treasury unit of the Company's Division Finance Group together with the Finance Managers of each business unit in the Group, are responsible for the monitoring of accounts receivable balances.	The Food Group applies transaction limits and close risk monitoring. It is the Food Group's policy to enter into transactions with a wide diversity of creditworthy counterparties.
Trade and Other Receivables	The Management Committee of each business unit in the Group considers the demographics of the business unit's customer base, including the default risk of the industry and country in which its customers operate.	Each business unit in the Food Group ensures that sales on account are made to customers with appropriate credit history.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	The Audit Committee oversees how management monitors compliance with the Food Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Food Group. The Committee meets on a quarterly basis to exercise its functions and consider the foregoing.	The Audit Committee assists the Board in fulfilling its oversight responsibility of the Food Group's corporate governance process relating to the: (i) quality and integrity of the Food Group's financial statements and financial reporting process and the Food Group's systems of internal accounting and financial controls; (ii) performance of the internal auditors; (iii) annual independent audit of the Food Group's financial statements, the engagement of the

		independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) compliance by the Food Group with legal and regulatory requirements, including the Food Group's disclosure control and procedures; (v) evaluation of management's process to assess and manage the Food Group's enterprise risk issues; and (v) fulfillment of the other responsibilities set out by the Board.
Internal Audit Group	The Internal Audit Group is responsible for independently validating the risk management of each business unit and certain corporate staff units of the Food Group.	The Company's Internal Audit Group conducts a periodic audit of business units and certain support staff units of the Food Group to ensure compliance with approved risk management policies, and makes recommendations for improvement to the heads of such units.
Management Committees of Business Units and Corporate Staff Units	The Management Committee of each business unit and corporate staff unit of the Food Group is responsible for ensuring compliance with all financial and operational controls in the business or support unit, as the case may be, and implements internal control as part of the total system to achieve the goals of the Food Group.	Management Committees conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, Management Committees shall give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;

The Company is committed to establish and maintain a system of internal control for the efficient and effective management of its business operations, and improve the effectiveness of risk management, control and governance processes.

Internal control comprises any action taken by management, the Board of Directors and other parties to enhance risk management, and increase likelihood that established objectives and goals will be achieved

for the benefit of all stockholders and other stakeholders.⁸²

The primary objectives of internal control are to ensure: (i) reliability and integrity of financial and operational information; (ii) effectiveness and efficiency of operation; (iii) safeguarding of assets; (iv) compliance with policies, plans, procedures, laws, regulations and contracts; and (v) accomplishment of established objectives and goals for operations or programs.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;⁸³

Pursuant to the internal control responsibilities of the Board as provided in SMPFC's Manual, the Board has exercised during the **previous year** the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms:

- Established organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;
- Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The five-member Audit Committee of the Company comprised of four directors including two Independent Directors, and one non-director member, assists the Board in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. Accordingly, on behalf of the Board, the Audit Committee has further reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, satisfied itself of the adequacy thereof, and where appropriate, necessary measures are taken to address any concern or issue arising therefrom.

For the defined purpose of ensuring the undertaking of the oversight responsibilities of the Board to monitor the adequacy and effectiveness of SMPFC's governance, risk management and internal control, a compliance system was specifically provided in the Manual. Under the prescribed compliance system to insure adherence to corporate principles and best practices, the Board of Directors has appointed a Compliance Officer who shall have direct reporting responsibilities to the Chairman of the Board.

Among other duties, the Compliance Officer has during the year **2013** performed the following tasks under the oversight responsibilities of, and as reviewed by, the Board of Directors through its duly-constituted Audit Committee in relation to ascertaining that governance, risk management and internal control are adequately and effectively in place in SMPFC:

- Monitor compliance with the provisions and requirements of the Manual and the rules and regulations of the regulatory agencies;

⁸² Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

⁸³ With updates highlighted for the year ended December 31, 2013.

- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Identify, monitor and control compliance risks;
- Issue a certification on the extent of the Company's compliance with the Manual for the completed year **2013**.

Such certification on compliance with the principles and best practices contained in the Manual confirms the adequacy and effectiveness of SMPFC's governance, risk management and internal control for the year **2013**. The Board of Directors and management of SMPFC thereby affirm the institutionalization of the tenets of good corporate governance in the entire organization.

(c) Period covered by the review;

For the year ended **December 31, 2013**.⁸⁴

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

While the above-mentioned review is conducted on an annual basis, specifically at the end of each fiscal year of the Company, the Audit Committee meets on a quarterly basis throughout the year to ensure that the internal controls of the Company and directors' criteria for assessing its effectiveness remain relevant.

The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Company for the benefit of all stockholders and other stakeholders.⁸⁵

(e) Where no review was conducted during the year, an explanation why not.

N/A.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
The internal audit of the Company is carried out by an independent Internal Audit	The scope of work of the Internal Audit Group is to assist the Board and management in	The Internal Audit Group of the Company is a staff organization within the	Ms. Mildred V. Ramirez is the head of the Internal Audit Group of the Company.	The personnel of the Internal Audit Group report to the head of the

⁸⁴ Update for the year ended December 31, 2013.

⁸⁵ Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

Group that provides independent, objective assurance and consulting services designed to add value and improve the operations of the Food Group, and help the Food Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.	<p>determining whether the risk management, control, and governance processes within the Food Group, as designed and represented by management, are adequate and effective in a manner to ensure that:</p> <ul style="list-style-type: none"> • Significant exposures to risks are appropriately identified and adequately managed. • Significant financial, managerial, and operating information is accurate, reliable, and timely. • Employees' and the Food Group's actions are in compliance with policies, standards, procedures, and applicable laws and regulations. • Resources are acquired economically, used efficiently, and adequately protected. • Effectiveness, efficiency and continuous improvement are promoted in the Food Group's operating systems and processes. 	Company. It also enters into outsourcing arrangements with independent third party auditors from time to time.		Internal Audit Group, who reports functionally to the Audit Committee and administratively to the President.
The Company's Internal Audit Group provides an independent assurance that key organizational and procedural controls	The Internal Audit Group submits to the Audit Committee and management a quarterly report on the Group's			

of the Company are effective, appropriate, and strictly followed.	activities, responsibilities and performance, relative to the audit plans and strategies approved by the Committee.			
	The Internal Audit Group functions in an advisory capacity. It has no direct authority over the operating activities or functions it reviews.			

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

While the appointment and/or removal of personnel in the Internal Audit Group does not require the approval of the Audit Committee, any changes to the head of the Group will require the approval of the Committee.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit Group, through its head, functionally reports to the Audit Committee. The Group has direct and unfettered access to the Board of Directors and Audit Committee and to all records, properties and personnel in the organization, in the conduct of the internal audit function.

In pursuit of the duties and responsibilities of the Audit Committee as provided in the Audit Committee Charter in respect of the internal auditor, the Audit Committee has performed the following activities for the year 2013⁸⁶ to ensure the independence of the Internal Audit Group:

- Established and identified the reporting line of the head of the Internal Audit Group in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties;
- Reviewed and approved the internal audit work plans, including scope and audit resources/expenses; and ensured that: (i) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable, laws, rules and regulations, and (ii) the Internal Audit Group has the sufficient resources to carry out its functions;
- Review the reports and communications of Internal Audit Group, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements;
- Require the Internal Audit Group to submit a regular report to the Audit Committee and management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as requested to be evaluated by the Audit Committee.

⁸⁶ Update for the year ended December 31, 2013.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Jacinto P. Dela Cruz, Jr.	Management initiated transfer from the Internal Audit Group to Finance Manager of the Company's Feeds Business under San Miguel Foods, Inc., effective February 1, 2012.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The Internal Audit Group's progress against the approved audit plan is reported quarterly during the Audit Committee meetings. The audit plan is substantially completed by the end of the year and fully completed before the start of the implementation of the approved audit plan for the succeeding year.
Issues ⁸⁷	No significant issues were noted.
Findings ⁸⁸	Significant findings noted during audit engagements, including common and recurring business concerns on compliance with company policies, rules and regulations, are communicated through an audit report to management, reported quarterly during the Audit Committee meetings and included in the minutes of the meetings.
Examination Trends	Internal control ratings of audit engagements completed are reported quarterly during the Audit Committee meetings. The Internal Audit Group has found that the Company maintains adequate and effective internal controls.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Policies and Guidelines on Revenue Cycle	Generally in order
Policies and Guidelines on Procurement Cycle	Generally in order
Policies and Guidelines on Supply Chain –	Generally in order

⁸⁷ "Issues" are compliance matters that arise from adopting different interpretations.

⁸⁸ "Findings" are those with concrete basis under the company's policies and rules.

Logistics Cycle	
Policies and Guidelines on Finance – Treasury Cycle	Generally in order

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Company adopts and implements SMC's "Corporate Policy on Internal Control." To permit independent and unbiased judgment essential to the proper conduct of audits, the Internal Audit Group, through its head, functionally reports directly to the Audit Committee.	Where necessary for certain transactions, the Company secures prior Board of Directors' approval for the appointment of independent and competent financial analysts to render an opinion on the transaction.	Where necessary for certain transactions, the Company secures prior Board of Directors' approval for the appointment of independent and competent investment banks to provide advice on the fairness of the transaction, among others.	SMPFC engages only reputable rating agencies with proven independence and expertise in their field of practice.
The External Auditor of the Company shall be duly accredited by the SEC, selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.	SMPFC engages only reputable financial analysts with proven independence and expertise in their field of practice.	SMPFC engages only reputable investment banks with proven independence and expertise in their field of practice.	Rating agencies are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with.
The auditors of the Company, both internal and external, are required to disclose potential conflicts of interest with the Company and declare their independence on an annual basis. The auditors are also required to observe the Securities Dealing Policy of the Company wherein they shall not trade in the Company's shares during a certain "blackout period" and at any time when they are in possession of material non-public information concerning	Financial analysts are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with.	Investment banks are considered part of the public and therefore the PSE Disclosure Rules, to protect public interest, are complied with.	

the Company.			
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

In line with the previous requirement of the SEC, the Certification of Compliance with the Manual on Corporate Governance of the Company was attested by the President and Compliance Officer of the Company. This Annual Corporate Governance Report, which shall take the place of the said Certification of Compliance in the succeeding years, is signed and sworn under oath by the Chairman of the Board, the CEO or President in the case of the Company, the Compliance Officer and two Independent Directors.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following: ⁸⁹ ⁹⁰

	Policy	Activities
Customers' welfare	<p>The Company recognizes the importance of its stakeholders, such as its customers, employees, suppliers and creditors, in the creation and growth of value, stability and long-term competitiveness of its businesses.</p> <p>The Company is committed to delivering products and services that delight and inspire loyalty in its customers. SMPFC strives to be the customer's preferred choice by offering products and services of uncompromising quality, great taste and value, easily within their reach.</p> <p>SMPFC's various plants and facilities maintain effective and sustainable Quality and Food Safety Management Systems to enable the delivery of products and services of the highest quality to consumers.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the</p>	<p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> - Plants and facilities are in compliance to Good Manufacturing Practices (GMP) requirements and most of them have achieved ISO 22000:2005 certification on its food safety systems - Hazard Analysis Critical Control Point (HACCP)-based systems are in place in the whole production process to control food safety hazards in order to ensure that the Company's products are safe for consumption at time of sale - Quality and Food Safety Management Systems established by the Company are structured in compliance with the Food Safety Act of 2013 - SMPFC complies with related

⁸⁹ With updates highlighted for the year ended December 31, 2013.

⁹⁰ With updates highlighted per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

	<p>Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<p>standards and regulations, among which are the Department of Health's (DOH) Sanitation Code of the Philippines, the Philippine National Standards for Drinking Water, and the Consumer Act of the Philippines, all geared to protect the supply of food and its consumers</p> <ul style="list-style-type: none"> - In line with the Codex Alimentarius on Food Hygiene adopted by the DOH, which set up stricter guidelines on the transport of ready-to-eat and raw food, San Miguel Foods, Inc. (SMFI) issued guidelines that will ensure the freshness and quality of its poultry products from farm to the consumer's plate, which guidelines were cascaded to its distributors and strictly enforced and monitored to ensure product and food safety - The conduct by the Quality Assurance department of an annual store audit and microbiological swabs of all Magnolia Chicken Stations, Monterey Meat Shops, SMFI Poultry distributors, Hungry Juan Roast Chicken and Barbecue outlets, SMFI Feeds distributors, feed mills and feeds laboratories - Regular Monterey Meat School sessions are conducted for franchisees to ensure that product and quality standards are met across the supply chain - Recognition by regulatory bodies for consistent dedication and commitment to the promotion and implementation of food safety and quality systems, etc. - Recognition by consumers in the Reader's Digest Trusted Brands Survey for megabrands Monterey meats and Magnolia chicken as among the most trusted brands in the Philippines - Information campaigns on food safety, health and wellness, etc., i.e., Monterey's "Know Your Meat" campaign, Magnolia's "Alagang Magnolia" campaign - Hosting of events to impart culinary secrets and trends to help customers with their business operations, etc.
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		<ul style="list-style-type: none"> - Cooking demonstrations, workshops and seminars on hygiene, sanitation, food safety and business sense - Sharing of recipes, cooking and baking tips, and new food ideas - Advocacy on “Wellbeing”, including developing the SMPFC Wellbeing Program, creation of a Wellbeing Group and appointment of Wellbeing Warriors among employees, who are taught by the Food & Nutrition Research Institute, to inspire the Company in creating delightful and sensibly nutritional innovations true to its core purpose of nourishing and nurturing families worldwide - Continuous development and launch of new products to excite the market <p>Further, the Company has established a dedicated customer care hotline to ensure feedback from its customers and to immediately address any concern that they have on the quality of the Food Group’s products.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.
Supplier/contractor selection practice	<p>SMPFC has a Business Procurement Group that screens, accredits and selects suppliers and contractors using specific criteria depending on the material or service to be provided. The Company honors its obligations to its suppliers and creditors, including payments in accordance with agreements.</p> <p>The plants and facilities of the</p>	<p>The Company’s Annual Report and internal newsletter “FoodTalk”, available for viewing in its corporate website, document the Company’s various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p>

	<p>Company's business partners and service providers are required to maintain effective and sustainable Quality and Food Safety Management Systems to enable them to deliver products and services of the highest quality.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<p>- Plants and facilities of suppliers and contractors need to submit documentation to establish compliance to GMP and HACCP system requirements</p> <ul style="list-style-type: none"> - Launch of the strategic supplier partnership program of the Business Procurement Group, to develop a pool of qualified partners, drive excellence throughout the supply chain process, and holding of an awards night to distinguish and reward performers - Participation in events organized by the Group's trade partners - Cascade of a "Big Brother System" for the Group's independent third party contractors <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.
Environmentally friendly value-chain	<p>SMPFC complies with applicable environmental regulations. All required environmental compliance certificates, permits, licenses, authorizations, registrations and clearances must be obtained by its facilities, as well as the facilities of its third party service providers, and their operational and reporting requirements followed.</p> <p>Systems are in place to ensure the safe handling, movement, storage, recycling, reuse or management of waste, air emissions and waste water discharges.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the</p>	<p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> - Plants and facilities are in compliance to GMP requirements and most of them have achieved ISO 22000:2005 certification on its food safety systems - HACCP-based systems are in place in the whole production process to control food safety hazards

	<p>Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<ul style="list-style-type: none"> - Quality and Food Safety Management Systems established by the Company are structured in compliance with the Food Safety Act of 2013 - SMPFC complies with related standards and regulations, among which are DOH's Sanitation Code of the Philippines and the Philippine National Standards for Drinking Water - Wastewater and solid waste management facilities are properly maintained, at least on an annual basis - Recognition by regulatory bodies for consistent dedication and commitment to the promotion and implementation of food safety and quality systems, etc. (among others, the Monterey Cavite Meat Plant annually receives from the National Meat Inspection Service, the Seal of Excellence award as the Best and Cleanest Slaughterhouse; the Purefoods-Hormel Cavite Plant received from SGS Philippines a triple certification for their food safety management, quality management and environmental management systems) - Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans - Involvement in clean-up activities to protect the environment of the communities where the Group does business - Conduct of emission profiling - Appointment of Environment Management System trainer or auditor - Employee participation in tree planting activities <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information
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		disclosure obligation of the Company to its stockholders and such other stakeholders.
Community interaction	<p>The Company strives towards good corporate citizenship and to contribute positively to the promotion of social responsibility in the communities in which it operates by supporting activities and programs geared towards community welfare and environmental protection.</p> <p>As natural disasters hit the country, SMPFC provides assistance to survivors in badly affected areas nationwide.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> - Advocacies intended to uplift the industries in which the Food Group participates (among others, B-Meg Feeds conducted a seminar on Swine Management in Agrilink, Foodlink and Fishlink 2013, which is the biggest annual gathering of the agro-industrial industry; Magnolia Chicken staged Carinderia Fiesta Year 3 with the theme "Buhay Carinderia", giving a glimpse of the life stories of carinderia owners and how they manage the daily challenges of being a business owner and homemaker - Participation in franchise expositions featuring available business opportunities in the food category - Hosting of events to impart culinary secrets and trends to help customers with their business operations, etc. - Cooking demonstrations, workshops and seminars on hygiene, sanitation, food safety and business sense - Sponsorships of a variety of affairs and community celebrations - Feeding programs in public pre-schools and day care centers nationwide - Public offer and listing of the Company's preferred shares in the PSE - Nutrition talks, wellbeing training and livelihood cooking demonstrations for parents of children who are beneficiaries of "Handog Lusog: Nutrisyon Para

		<p>sa Nasyon”, which is the Company’s flagship feeding program</p> <ul style="list-style-type: none"> - Hosting of scholarship programs, medical missions, the Sumilao Clinic, and the Sumilao Community Store - Active participation in relief efforts in areas affected by natural disasters, including the implementation of a feeding program together with some business partners dubbed “Operation Tulong”, the distribution of relief goods and meals, and the holding of a soup kitchen in cooperation with the San Miguel Foundation, Petron Foundation and the Philippine National Red Cross - With the help of the San Miguel Foundation, started the construction of 20 housing units in Sumilao to help families displaced during the flooding caused by Typhoon Sendong - Employee-volunteers from the Food Group joined the community building activity entitled “Bayani Challenge 2013: Isang Bayan, Isang Bayanihan” spearheaded by Gawad Kalinga, which event included house building, school refurbishing, tree planting, feeding program and farm building activities <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.
Anti-corruption programmes and procedures	Employee shall exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Company, and refuse to grant personal favors, or decline any gift or benefit that	The Company’s Annual Report and internal newsletter “FoodTalk”, available for viewing in its corporate website, document the Company’s various activities and efforts to address

	<p>may compromise the independence of the Company, create a sense of obligation on its part or potentially influence business judgment.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<p>the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> - Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans - Acceptance of awards and consistent in good corporate governance from the Institute of Corporate Directors, which is a testament to the Company's values, particularly in transparency and accountability, and a recognition of the Company's integrity and dedication to honest work - Recognition of SMPFC as among the top 50 publicly listed companies in the Philippines practicing good corporate governance under the ASEAN Corporate Governance Scorecard - Board approval in August 2013 and formal launch in November 2013 during the Company's annual Employee Service Awards, of SMPFC's own Code of Ethics, which embodies the guidelines and principles on acceptable behavior and performance of employees and business partners of the Food Group, including their directors. <p>The Food Group also conducts periodic monitoring of compliance with the Company's Policy on Solicitation and Acceptance of Gifts.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.
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Safeguarding creditors' rights	<p>The Company has a Debt Financing Policy intended to guide the Company in negotiating and securing loans.</p> <p>The Company honors its obligations to its suppliers and creditors, including payments in accordance with agreements.</p> <p>The Company's Manual on Corporate Governance provides the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the Corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</p>	<p>The Company's Annual Report and internal newsletter "FoodTalk", available for viewing in its corporate website, document the Company's various activities and efforts to address the needs and interests of its stakeholders, including customers, suppliers/contractors and communities. Examples of these activities are the following:</p> <ul style="list-style-type: none"> - Holding of dialogues with government authorities to understand their concerns and guide the Group in its plans - Public offer and listing of the Company's preferred shares in the PSE - Acceptance of awards in good corporate governance from the Institute of Corporate Directors, which is a testament to the Company's values, particularly in transparency and accountability, and a recognition of the Company's integrity and dedication to honest work. <p>The Food Group also conducts regular monitoring of compliance with financing policies of the Company.</p> <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> (i) The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and (ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.
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2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. Both the Company's Annual Report and corporate website have separate corporate social responsibility (CSR) sections.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?⁹¹

The Company is committed to its employees' safety, health and welfare, and to nurture their individual capabilities.

Programs are in place to ensure the safety of its workers. These programs include the elimination of occupational hazards in the workplace, provision of protective wear and/or equipment, proper training in the handling and use of machinery and materials, safety reminders and other measures that may be necessary to maintain their safety. Employees are protected from undue exposure to chemicals, biological and physical hazards, and in the event exposure to these are inevitable, safety information is provided to educate, train and safeguard employees.

The Company provides comprehensive health care service directed at prevention of disease, protection from health hazards and maintenance of health. Programs are implemented to identify personal risks to health and to detect diseases in the early and most treatable stages. The Company is committed to improve the quality of life of its employees through healthy living and piloting of wellness initiatives to encourage employees to maintain active and healthy lifestyles. The Company provides regular information on health to assist employees in making better decisions regarding their health, as well as the health of their dependents.

The Company strives to protect its employees from harassment of any form. The Company actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints. The Company is committed to promote a work place that is free from drug abuse as it is detrimental to the health, safety and work performance of employees and poses risks to operations and product quality.

The Company has likewise initiated a variety of activities centered on the safety, health and welfare of its employees. Benefits and privileges accruing to all regular employees are set out in the Employee Handbook.

Permanent employees of the Company and a majority of its subsidiaries are further entitled to a funded, non-contributory retirement plan.

Moreover, SMC shares of stock are offered to employees of SMC and those of its subsidiaries, including the Food Group, under the Employee Stock Purchase Plan (ESPP). Pursuant to 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.

(b) Show data relating to health, safety and welfare of its employees.

Upon regularization, employees of the Company and its operating subsidiaries are entitled to Group Personal Accident Insurance, Group Life Insurance, Work Connected Accident Insurance, medical benefits through HMO coverage consisting of annual physical examinations, physician consultations, diagnostic procedures, medicines and hospitalization.

In particular, SMPFC has the following programs to promote the health, safety and welfare of its employees.

On health:

⁹¹ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

- (i) All of the Food Group's installations have clinics that provide medical consultation and diagnostic services, and dispense accredited doctor-prescribed medicines;
- (ii) Free hospitalization for employees with sick leave benefits;
- (iii) Annual vaccination of employees and their dependents;
- (iv) Well-being activities and other seminars on health awareness;
- (v) Sports programs.

On safety and welfare:

- (i) Formation of Emergency Response Teams who are trained to lead during emergency situations like fires and earthquakes; and
- (ii) Annual conduct of fire drills.

As also previously mentioned, the Company and majority of its subsidiaries have funded, non-contributory, 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. **Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P192.4 million, P159.8 million and P102.2 million in 2013, 2012 and 2011.**⁹² The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of unfunded past service liability.

Information on other activities and programs geared towards the health, safety and welfare of the Company's employees are communicated throughout the organization through issues of "FoodTalk", the internal newsletter available for viewing in the corporate website of the Company, as well as internal email announcements and written memoranda.

- (c) State the company's training and development programmes for its employees. Show the data.⁹³

Career advancement and improvement is offered by the Company through a wide range of training programs and seminars. In 2010, SMPFC launched the San Miguel Pure Foods University, which is an institution of higher learning that aims to synergize all training initiatives of the Company, including but not limited to its Management Development Program (MDP), and provide employees a formal training ground specific to their functions and in support of their professional growth. **As of December 31, 2013,** there were **319** officers, managers and high potential employees that have completed the MDP conducted by John Clements Consultants, Inc. in partnership with Harvard Business Publishing, since the launch of the said University.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures⁹⁴

The San Miguel Group is guided by the following principles in the design of the salaries and wages of its employees:

- (i) Internal Equity – A hierarchy is created where positions are valued or equated based on comparable work, responsibility and output. Jobs with more complex content and greater**

⁹² As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

⁹³ With updates highlighted for the year ended December 31, 2013.

⁹⁴ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

accountability receive commensurably higher pay. The Group uses a job evaluation system to ensure the foregoing.

(ii) **External Competitiveness** – The Company’s pay scale is competitive with those of comparable companies in the business community. The objective is to attract external candidates and promote employee retention.

(iii) **Business Affordability** – Salary structures while affected by the need to be externally competitive are still anchored on the Company’s financial capability to pay in order to achieve business performance and continued operations. The Company’s ability to improve salaries and wages is largely dependent on its bottom-line. Thus each employee has a personal stake to improve the Company’s business performance.

As to its rewards policy, the Company adopts a performance management system and salary review program wherein employees are appraised annually on the basis of achievement of specific objectives and key performance indicators, i.e., financial results of the business, customer centricity, internal processes and learning and growth, and the employee’s participation in centerpiece projects and critical incidents. The Company also gives alternative forms of recognition to reward performance, which may be non-financial in nature, such as citations, awards, mentoring and professional development programs to acknowledge and further hone the skills of performers.

SMPFC further adopts the Long Term Incentive Plan (LTIP) of SMC for the San Miguel Group of Companies. The LTIP is a variable reward program that provides key executives with financial incentives that are contingent to the achievement of the SMPFC’s medium to long range business goals, sustained growth, expansion, and continued financial success.

As previously discussed, SMPFC also makes available the ESPP to its employees, which is a means by which employees can purchase SMC’s shares of stock at a discount. Under the ESPP, employees are given the opportunity and an incentive to become stockholders of SMC.

- 4) What are the company’s procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

All concerns relating to accounting, internal accounting controls, auditing or financial reporting may be communicated to SMPFC’s Chief Finance Officer, Compliance Officer and/or General Counsel (each a “Relevant Officer”) at SMPFC’s head office. All communications received by the Relevant Officer will be kept confidential, and may be given on an anonymous basis. The Relevant Officer will distribute all communications regarding accounting, internal accounting controls, auditing or financial reporting matters to the SMPFC Audit Committee at each meeting of said Committee. Other matters shall be addressed to and be acted upon by the appropriate responsible supervisor or officer of the business units affected, in coordination with Division Human Resources,⁹⁵ in accordance with the Food Group’s conventional reporting channels.

Employees are encouraged to report concerns or questionable activities without fear of reprisal, intimidation or harassment. The Company shall not tolerate retaliation in any form against any employee who, in good faith, raises a concern or reports a possible violation under this policy. This policy, however, shall not be used for addressing or taking up personal grievances.

⁹⁵ Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more⁹⁶

Shareholder	Number of Shares	Percent	Beneficial Owner
SMC	142,279,267 common shares	78.32%	SMC
PCD Nominee Corporation (Filipino)	12,789,042 common shares; 14,451,545 preferred shares	14.99%	Various (none of the beneficial owners hold 5% or more of SMPFC)
PCD Nominee Corporation (Non-Filipino)	11,514,652 common shares; 51,880 preferred shares	6.37%	Various (none of the beneficial owners hold 5% or more of SMPFC)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Francisco S. Alejo III	10,000 preferred shares; 43,001 common shares ⁹⁷	None.	0%
Zenaida M. Postrado	None	7,000 preferred shares	0%
Florentino C. Policarpio	None	5,000 preferred shares	0%
Rita Imelda B. Palabyab	1,000 preferred shares	None.	0%
Ma. Soledad E. Olives	None	3,400 preferred shares	0%
Raul B. Nazareno	1,000 preferred shares	None.	0%
Eliezer O. Capacio ⁹⁸	5,050 preferred shares	None.	0%
TOTAL			0%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

⁹⁶ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

⁹⁷ As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

⁹⁸ As reported in SEC Form 17-C filed with the SEC on February 24, 2014, Mr. Capacio, Vice President and Division Human Resources Head of the Company, passed away on February 23, 2014.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

N/A.

3) External Auditor's fee ⁹⁹

Name of auditor	Audit Fee	Non-audit Fee
R.G. Manabat & Co., formerly Manabat Sanagustin & Co., CPAs	P1,200,000.00	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company addresses the information requests of the investing community and keeps shareholders **and other stakeholders** ¹⁰⁰ informed through timely disclosures to the PSE and periodic filings with the SEC (i.e., Public Ownership Report, Foreign Ownership Report, SEC Forms 20-IS, 17-A, 17-Q and 17-C, General Information Sheet, Audited Financial Statements, etc.), stockholder meetings, regular quarterly briefings, investor conferences, meetings with analysts, road shows, press releases and statements, its corporate website, emails and telephone calls. The Company's disclosures and other filings with the SEC and PSE are available for download from the Company's website.

Further, the Company, through the Investor Relations unit of SMC and its group of companies, holds regular briefings and meetings with investment and financial analysts.

Moreover, the Company publishes quarterly newsletters for its employees and friends, as well as sends out weekly email announcements to its employees, keeping them updated on notable events, programs and milestones involving the Group or its interests. As the need arises, internal memoranda are likewise issued and circulated for the information and guidance of employees.

5) Date of release of audited financial report: ¹⁰¹

The Audited Consolidated Financial Statements of the Company for the year ended **December 31, 2013** was released **as early as April 7, 2014 upon filing with the SEC of the Definitive Information Statement with such financial statements attached thereto (SEC Form 20-IS), for the 2014 Annual Stockholders' Meeting of the Company. The Definitive Information Statement was then disclosed to the public on April 8, 2014.**

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

⁹⁹ As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

¹⁰⁰ Update per amendment to the Manual, as reported in SEC Form 17-C filed with the SEC on June 25, 2014 and the advisement letter filed with the SEC on June 30, 2014.

¹⁰¹ With updates highlighted per SEC Form 20-IS filed with the SEC on April 7, 2014 and disclosed to the public via the PSE Edge disclosure system on April 8, 2014.

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

N/A.

7) **Disclosure of RPT**¹⁰²

Related Party	Relationship	Nature	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Top Frontier Holdings Inc.	Ultimate parent company	Amounts owed by related parties consist mainly of trade and non-trade receivables	P 117,000	None
San Miguel Corporation	Parent company	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.	P 24,558,000	P685,654,000
SMC Shipping and Lighterage Corporation, San Miguel Yamamura Packaging Corporation, San Miguel International, Ltd. and subsidiaries, Anchor Insurance Brokerage Corporation, Ginebra San Miguel, Inc., San Miguel Properties, Inc., SMITS, Inc. and subsidiary, ArchEn Technologies, Inc., San Miguel Yamamura Asia	Affiliates	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.	P100,456,000	P754,340,000

¹⁰² As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

Corporation, San Miguel Brewery Inc., San Miguel Beverages, Inc. , Mindanao Corrugated Fibreboard, Inc., Philippine Breweries Corporation, Petron Corporation, San Miguel Holdings Corporation , SMC Global Power Holdings Corporation and subsidiaries, Vega Telecom, Inc., Surewealth Realty Corporation, El Magnifico Realty Corporation, Clariden Holdings, Inc. , Celeris Advantage Management, Inc. , Manila Toll Expressway System, Inc. , Philippine Airlines, Inc. and Others				
Hormel Netherlands B.V. and Super Coffee Corporation Pte. Ltd.	Shareholder in subsidiaries	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.	P 26,007,000	P 55,887,000

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company observes an arm's length policy in its dealings with related parties. Any transactions with affiliates and other related parties are entered into in the ordinary course of business. These transactions consist principally of sale and/or purchase of goods and/or services. 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. The Company does not enter into related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the issued and outstanding capital stock attending the meeting either in person or by proxy shall constitute a quorum. ¹⁰³
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<p>For the election of directors, the nine nominees with the greatest number of votes will be elected directors.</p> <p>For the other proposals or matters submitted to a vote, a vote of the majority of the common stockholders present or represented by proxy at the meeting is necessary for the approval of such proposal or matter.</p> <p>Shareholders vote <i>viva voce</i> or by a show of hands, unless a motion to cast votes by ballot is made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting.</p>
Description	<p>A stockholder entitled to vote at the meeting has the right in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporate Code, a stockholder may vote the number of shares held in his name in the Company's stock books as of the record date of the meeting, and may vote the number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.</p>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Regular meetings of stockholders shall be held annually on the date fixed in the by-laws of the corporation.	Minority shareholders are granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practices.
Written notice of annual and special meetings shall be sent to all stockholders of record at least two weeks and one week, respectively, prior to	Written notice of meetings, whether regular or special, together with the agenda and Definitive Information Statement on matters to be taken

¹⁰³ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

the date of the meeting, as the case may be.	up at the meeting, including the rationale and explanation for each agenda item, shall be sent to all stockholders of record at least 15 business days prior to the meeting. The notice also sets the date, time and place for the validation of proxies. A sample proxy form is likewise provided with the notice of meeting. Any doubts about the validity of a proxy shall be resolved in the shareholder's favor.
Shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings, and be provided with annual reports and audited financial statements.	Stockholders are also given the opportunity to ask questions, request information and raise issues during annual and special stockholder meetings. All disclosures of the Company to the PSE are available for viewing in SMPFC's corporate website.
Any stockholder shall have appraisal rights or the right to dissent and demand payment of the fair value of his shares in certain instances.	The matters approved during stockholder meetings are disclosed immediately upon adjournment of the meeting, for the information of those stockholders who were not able to attend the meeting.
Shareholders shall have the right to receive dividends at the discretion of the Board. The corporation shall, however, be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, subject to certain exceptions.	<p>Since March 30, 2010, the cash dividend policy of the Company has been to distribute cash dividends to the holders of common shares in an amount up to approximately 70% of the prior year's recurring net income. In considering dividend declarations, the Board takes into account dividend payments on its preferred shares and other factors such as, among others, the implementation of business plans, debt service requirements, debt covenant restrictions, funding for new investments, major capital expenditure requirements, appropriate reserves and working capital.</p> <p>In the event dividends are declared during the stockholder meeting, disclosure thereof is made at least 10 trading days before the record date, and payments of dividends are released to stockholders as of the record date, within 18 trading days from such record date.</p>
Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts.	Any director of the Company shall not be removed without cause if it will deny minority shareholders' representation in the Board.

Dividends

The Company declared dividends in favor of both its common and preferred stockholders as follows:

Declaration Date	Record Date	Payment Date
February 6, 2013	February 20, 2013	March 3, 2013
May 7, 2013	May 23, 2013	June 3, 2013
August 8, 2013	August 27, 2013	September 3, 2013

November 7, 2013	November 21, 2013	December 3, 2013 ¹⁰⁴
February 4, 2014	February 19, 2014	March 3, 2014 ¹⁰⁵
August 8, 2014	August 26, 2014	September 3, 2014 ¹⁰⁶
November 5, 2014	November 19, 2014	December 3, 2014 ¹⁰⁷

The Company declared a special dividend in favor of its common stockholders as follows:

Declaration Date	Record Date	Payment Date
March 26, 2014	April 11, 2014	May 12, 2014 ¹⁰⁸

The Company declared dividends in favor of its preferred stockholders as follows:

Declaration Date	Record Date	Payment Date
May 7, 2014	May 22, 2014	June 3, 2014 ¹⁰⁹

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
On March 26, 2014 , more than two months before the date of the ASM, the Company disclosed the record date for stockholders entitled to vote at said meeting, the period when the stock transfer books of the Company will be closed, the deadline for submission of proxies and date of validation of proxies, as well as the Agenda, time and place of the ASM . On the other hand, the Company started distributing to the stockholders the Notice and Definitive Information Statement to the 2014 ASM, including the date, time and place for the validation of proxies, on April 8, 2014 . ¹¹⁰	Stockholders and other interested parties may communicate their concerns or queries to the Chairman or directors, by means of letters, emails or telephone calls, through the stock transfer agent or Corporate Secretary of the Company or Investor Relations unit of SMC and its group of companies, whose contact details are made known in the Annual Reports and other disclosures and filings of the Company with the regulatory authorities, as well as the corporate website.
A sample proxy was likewise provided together with the Definitive Information Statement, to encourage stockholders who will not be able to attend the meeting to designate an authorized representative to so attend and participate in the meeting on his/her behalf. The proxy is not	There is an open forum portion during annual and special stockholder meetings wherein stockholders are given ample opportunity to ask questions, request information and raise issues.

¹⁰⁴ With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

¹⁰⁵ Update per SEC Form 17-C filed with the SEC on February 5, 2014.

¹⁰⁶ Update per SEC Form 17-C filed with the SEC on August 11, 2014.

¹⁰⁷ Update per SEC Form 17-C filed with the SEC on November 5, 2014.

¹⁰⁸ Update per SEC Form 17-C filed with the SEC on March 27, 2014.

¹⁰⁹ Update per SEC Form 17-C filed with the SEC on May 8, 2014.

¹¹⁰ With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 26, 2014, and thereafter, SEC Form 17-C filed with the SEC on March 27, 2014 and SEC Form 20-IS filed with the SEC on April 7, 2014.

required to be notarized.	
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2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Each common share in the name of a shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at shareholder meetings, including the ASM. Common shareholders, even minority or non-controlling shareholders, have the right to nominate, elect, remove and replace directors, as well as vote on certain corporate acts, including decisions concerning fundamental corporate changes and transactions that would significantly affect the Company.

Both common and preferred shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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.

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

In the event additional shares out of the unissued capital stock of the Company, amounting to at least 10% of the issued and outstanding capital stock of the Company, are to be sold via private placement, trade sale or marketed placement without conducting a rights or public offering of such shares, a majority of the minority stockholders present or represented at the stockholder meeting should approve the issuance, to comply with the listing rules of the PSE for the listing of such additional shares.

In the foregoing cases, the Company provides the rationale and explanation for each agenda item that requires shareholder approval in the Definitive Information Statement distributed at least 15 business days prior to the shareholders' meeting called for the purpose.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
 - a. Date of sending out notices:¹¹¹

¹¹¹ With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 26, 2014, and thereafter, SEC Form 17-C filed with the SEC on March 27, 2014 and SEC Form 20-IS filed with the SEC on April 7, 2014.

Yes, the Company observes a minimum of 21 business days for giving out of notices to the ASM. The Company disclosed such notice to the public on March 26, 2014, which notice includes the date of the 2014 ASM to be held on May 9, 2014, the record date for stockholders entitled to vote at said meeting, the period when the stock transfer books of the Company will be closed, deadline for submission of proxies and date of validation of proxies, as well as the Agenda, time and place of the ASM.

b. Date of the Annual/Special Stockholders' Meeting:¹¹²

May 9, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.¹¹³

The following questions were asked and answered during the ASM on May 9, 2014:

(i) With so many facilities throughout the country, does the Company have environmental programs in place?

To this, Mr. Ramon S. Ang, acting Chairman of the meeting, replied in the affirmative. He assured that the Company is conscious of the impact of its businesses to the environment. Accordingly, all of the Company's operations are within the bounds of environmental laws and regulations.

(ii) The San Mig Coffee Mixers professional basketball team of the Company is again in the Commissioner's Cup finals of the PBA (Philippine Basketball Association). What is the effect on the Company of the back-to-back championships of the team?

In response, Mr. Ang said that the impressive performance of the Company's PBA team reflects favorably on the San Mig Coffee brand name. Further, Mr. Francisco S. Alejo III, President, said that the double-digit growth of the Company's coffee business is somewhat attributable to the success of its basketball team.

(iii) In view of the P8 billion cash dividend to common shareholders recently declared by the Company, does San Miguel Corporation intend to sell SMPFC and instead focus on its infrastructure projects?

Mr. Ang replied that considering the dividend just declared, SMPFC is all the more a good company to keep.

(iv) Will there be another big dividend payout from the Company?

To this, Mr. Ang responded that the Company will consider declaring cash dividends depending on its performance, including its retained earnings.

¹¹² With updates highlighted per SEC Form 17-C filed with the SEC on March 27, 2014 and SEC Form 20-IS filed with the SEC on April 7, 2014.

¹¹³ With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 9, 2014, per advisement letter filed with the SEC on May 14, 2014.

5. Result of Annual/Special Stockholders' Meeting's Resolutions¹¹⁴

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of 2013 ASM	146,223,520	None.	3,320
Approval of annual report for period ending Dec. 31, 2013	146,135,920	None.	87,920
Ratification of acts and proceedings of Board of Directors and Corporate Officers	146,135,920	None.	87,920
Approval of Amendments to Articles of Incorporation to (a) specify full principal office address of the Company; (b) delete the need for shareholder approval in redemption of shares; (c) allow the option to amend the Articles of Incorporation by the written assent of 2/3 of the subscribed capital stock	146,223,520	None.	3,320
Approval of Amendments to By-laws to clarify (a) the period of closing of stock transfer book for annual stockholder meetings; (b) two-thirds vote requirement for certain Board decisions	146,223,520	None.	3,320
Appointment of R.G. Manabat & Co., as external auditors for 2014	146,147,830	72,690	3,320
Election of Board of Directors as follows: Eduardo M. Cojuangco, Jr. Ramon S. Ang Francisco S. Alejo III Menardo R. Jimenez Mario C. Garcia Carmelo L. Santiago Angelina S. Gutierrez Silvestre H. Bello III Edgardo P. Cruz	 146,151,150 145,917,040 146,204,520 145,891,680 146,199,870 145,937,910 146,151,150 146,223,840 146,151,150	 None.	 None.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:¹¹⁵

The Company prepared SEC Form 17-C containing the matters approved during the ASM, for filing with the SEC and disclosure to the PSE immediately after the adjournment of the meeting on May 9, 2014. The disclosure, Stockholders' Meeting Vote Canvassing Results and updated Annual Corporate Governance Report were also promptly posted in the Company's corporate website.

¹¹⁴ With updates highlighted in accordance with the results of the Annual Stockholders' Meeting of the Company on May 9, 2014, per advisement letter filed with the SEC on May 14, 2014.

¹¹⁵ With updates highlighted per disclosure to the public via the PSE Edge disclosure system on May 9, 2014, and thereafter, SEC Form 17-C filed with the SEC on May 12, 2014, advisement letter filed with the SEC on May 14, 2014, and Stockholders' Meeting Vote Canvassing Results posted in the Company's website on May 14, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:¹¹⁶

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Directors: Ramon S. Ang (Vice Chairman, acted as Chairman of the meeting) Francisco S. Alejo III (President) Menardo R. Jimenez Mario C. Garcia Carmelo L. Santiago Angelina S. Gutierrez Edgardo P. Cruz Officers: Alexandra B. Trillana (Corporate Secretary) Zenaida M. Postrado (Treasurer and Chief Finance Officer) Ma. Soledad E. Olives (Compliance Officer) Ma. Celeste L. Ramos (Assistant Corp. Sec.)	May 9, 2014	The shareholders approved that balloting be dispensed with, and instead voting be made by show of hands.	0.00004%	80.490%	80.494%
Special	N/A					

¹¹⁶ With updates highlighted per advisement letter filed with the SEC on May 14, 2014.

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. The independent external auditors of the Company assist in the counting or validation of votes at the ASM.

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.¹¹⁷

Yes. Each common share in the name of the shareholder entitles such shareholder to one vote that may be exercised on person or by proxy at shareholder meetings. **Preferred shareholders of the Company are not entitled to vote except in those cases expressly provided by law.**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Stockholders may attend and vote at the meeting in person or by proxy. Proxies shall be in writing and signed by the stockholder of record as of record date for the shareholders' meeting or his duly authorized attorney-in-fact.
Notary	Proxies are not required to be notarized.
Submission of Proxy	Proxies must be submitted to the Corporate Secretary not later than 10 trading days prior to the date of the meeting, unless the Board of Directors fixes another period, which schedule is made known to the stockholders through the Notice of Meeting and Information Statement sent to them prior to the meeting.
Several Proxies	Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all earlier proxies. Where the Company receives more than one proxy from a stockholder designating different attorneys-in-fact and the proxies are all of the same date but do not indicate the specific number of shares represented by each, the total shares of the stockholder shall be distributed equally among all his/her/its proxies.
Validity of Proxy	Proxies shall be valid only for the meeting it has been issued and submitted to the Corporate Secretary. A stockholder or record as of the record date of the shareholders' meeting giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate

¹¹⁷ As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	<p>officer accompanied by a Corporate Secretary's certificate quoting the board resolution authorizing the said corporate officer to execute said proxy.</p> <p>No particular form or words are necessary to constitute a proxy.</p>
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	<p>A proxy shall be appointed by the stockholder himself, or by his duly authorized attorney-in-fact in accordance with existing laws, and rules and regulations of the SEC.</p> <p>For corporations, proxies not accompanied by its corporate secretary's certificate setting out the authority of the particular corporate officer to represent the corporation in the meeting, shall be invalidated.</p> <p>Invalidated proxies shall not be included in the computation of the quorum for the meeting and shall not be considered in the counting of votes.</p>
Validation of Proxy	The validation of proxies shall be made at least 5 trading days prior to the date of the meeting, by the Company's stock transfer agent SMC Stock Transfer Service Corporation, unless the Board of Directors fixes another period, which schedule is made known to the stockholders through the Notice of Meeting and Information Statement sent to them prior to the meeting.
Violation of Proxy	If the instruction of the stockholder as set out in the proxy form is not followed, then the proxy vote shall not be considered. A stockholder may avail of the remedies under law in the event a duly accomplished and executed proxy form submitted by him in accordance with the Company's By-laws is violated.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<p>Although the by-laws of the Company provide that notices of the time, date and place of shareholder meetings and the validation of proxies shall be given at least 15 days before the date set for such meeting, the Company's stockholders are sent notices at least 15 <u>business</u> days before the date of annual or special shareholder meetings, in accordance with existing regulations.</p>	<p>Notices of the time, date and place of holding any annual or special meeting of stockholders, and notice of the time, date and place for the validation of proxies, are sent to each stockholder of record entitled to vote at the meeting, at the address left by such stockholders with the Corporate Secretary through the stock transfer agent of the Company or at his last known post office address, personally by hand to significant shareholders, by messenger or courier service to shareholders residing in Metro Manila, and by ordinary mail to shareholders residing in the provinces.</p> <p>Notices of meetings are also disclosed to the SEC and PSE and posted on the Company's corporate website.</p>

(i) Definitive Information Statements and Management Report¹¹⁸

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	There were 348 common and preferred shareholders as of the record date of April 11, 2014 .
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	April 8, 2014 (date of disclosure of the Definitive Information Statement to the public via the PSE Edge disclosure system)
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 8, 2014 (start of distribution of Definitive Information Statement, beginning with majority stockholder and directors of SMPFC)
State whether CD format or hard copies were distributed	While the Definitive Information Statement was distributed in CD format, shareholders had the option to request for hard copies of the same.
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies of the Definitive Information Statement were provided to requesting stockholders.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends, if any dividend is to be declared.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

N/A.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.	Each shareholder is provided with a Notice and Definitive Information Statement to the stockholders' meeting, including the Agenda, date, time and place for the validation of proxies, rationale for certain corporate acts to be presented for approval at the meeting, and

¹¹⁸ With updates highlighted per advisement letter filed with the SEC on May 14, 2014.

	information on the nominees for election to the Board of Directors of the Company. Minority shareholders also have the right to participate during the open forum portion of stockholder meetings, wherein stockholders are given the opportunity to ask questions, raise issues and request information.
The minority shareholders shall be granted the right to propose the holding of a meeting, nominate candidates for the Board of Directors, and propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.	Shareholders may communicate their concerns or queries by means of letters, emails or telephone calls, through the stock transfer agent or Corporate Secretary of the Company or Investor Relations unit of SMC and its group of companies, whose contact details are made known in the Annual Reports and other disclosures and filings of the Company with the regulatory authorities, as well as the corporate website.
All shareholders have the right to vote on matters involving certain corporate acts in accordance with the Corporation Code: amendment of articles of incorporation (including the increase in the authorized capital stock of the Company); 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.	For the further protection of the rights of minority shareholders, any stockholder dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the Company's articles of incorporation and by-laws that has the effect of changing and restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.
Impediments to the exercise of shareholders' rights, such as excessive costs and other practical and administrative difficulties to attend and participate in meetings and/or voting during such meetings in person, shall be lessened.	A sample proxy form is provided together with the Definitive Information Statement distributed prior to shareholder meetings, to make it easy for a stockholder to appoint a proxy to attend and vote during such meeting on his behalf, in case he is unable to attend the meeting.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Minority shareholders have a right to nominate candidates to the Board, should they so desire.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company publishes quarterly newsletters for its employees and friends, as well as sends out weekly email announcements to its employees, keeping them updated on notable events, programs and milestones involving the Group or its interests. As the need arises, internal memoranda are likewise issued and circulated for the information and guidance of employees.

SMC has a Corporate Affairs Office, which has a Media Affairs Group that handles communication with media for the entire San Miguel Group. SMC likewise has an Investor Relations unit under the Office of the Chief Finance Officer, which handles regular communications with institutional investors for the entire San Miguel Group.

The Company communicates to its investors through quarterly briefings organized by said Investor Relations unit. Invitations to such briefings are disclosed through the PSE's Online Disclosure System (ODiSy) at least three trading days before the date of the briefing, and the materials on such briefings are disclosed through the ODiSy even while the briefings are ongoing. All interested persons may attend these briefings.

The Company also keeps shareholders informed through other timely disclosures via the PSE, filings with the SEC, Annual Reports, stockholder meetings, press releases and statements, its corporate website, emails and telephone calls. All disclosures and filings to the regulatory authorities are cleared by the Company's Chief Finance Officer and/or General Counsel and Corporate Secretary.

The Company's disclosures and other filings with the SEC and PSE, as well as Annual Reports and quarterly newsletters, are available for download from the Company's website.

The Company's Corporate Planning and Management Services Group also exercises a Communications function and has a newly formed Investor Relations team, which reviews and clears Company announcements up to the level of the President, before these are released. Those involving employee welfare and other relations are initiated by the Company's Human Resources Division and also cleared with the President. Major announcements, investor briefings and press releases are issued in coordination with SMC's Corporate Affairs Office, Investor Relations unit and Office of the President.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<p>Among others, the communications strategy endeavors to encourage shareholders, including minority shareholders and institutional investors, to attend and participate in Annual Shareholders' Meetings of the Company.</p> <p>Accordingly, the investor relations program aims to effectively communicate the Company's performance and plans to the capital market, as well as develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing, and manage the content and flow of the group's information and disclosures to the financial markets.</p>
(2) Principles	<p>SMPFC adheres to the principle of full corporate disclosure and transparency regarding its financial condition, operations and state of corporate governance. This guides the Company to provide consistent and reliable information to assist investors in making investment decisions regarding the Company.</p>

(3) Modes of Communications	Company disclosures via the PSE, filings with the SEC, Annual Reports, stockholder meetings, investor briefings, road shows, meetings with analysts, press releases and statements, the corporate website, emails and telephone calls.
(4) Investors Relations Officer	<p>Ms. Reyna-Beth D. de Guzman, SMC Investor Relations, 3rd Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City; Telephone: (632) 632-3752; Fax: (632) 632-3313/632-3749; Email: rdeguzman@smg.sanmiguel.com.ph</p> <p>Ms. Ma. Soledad E. Olives, SMPFC Investor Relations, 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City; Telephone: (632) 702-5942; Fax: (632) 914-8746; Email: msolives@smg.sanmiguel.com.ph</p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company has a Mergers & Acquisitions unit under its Corporate Planning and Management Services Group that heads a team comprised of responsible members in the organization and external advisors to conduct due diligence evaluations on proposed substantial and/or extraordinary transactions such as but not limited to mergers, acquisitions, divestments and reorganizations. The due diligence team presents the results of their study to SMPFC Senior Management. If it is determined that the proposed transaction is viable and will have a strategic fit with the Company, a decision to pursue the project is cleared by the Company's President and SMC Top Management. The Company further secures Board and/or shareholder approvals when necessary, and makes the appropriate disclosures and regulatory filings where required by applicable law and regulations, before execution of these transactions.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company engages the services of qualified independent parties and investment banks to evaluate and provide advice on the fairness of transaction prices as may be applicable or relevant for particular projects. The results of such evaluation are presented to management and the Board of Directors of the Company, to aid in the decision making process prior to securing the necessary approvals and the closing of such transactions.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.¹¹⁹

Initiative	Beneficiary
The Company continued the flagship Corporate Social Responsibility program, the <i>Handog Lusog: Nutrisyon Para Sa Nasyon</i> , a six-month-long supplemental feeding activity where children between the ages of three to seven years old are provided with one meal a day for five days each week. The children's progress is monitored monthly in terms of weight improvement, social and academic development.	In 2013, the activity was conducted in 31 public schools across the country and a total of 2,313 children benefitted from the program. Moreover, a total of 1,993 parents underwent nutrition and wellbeing training. From the time the program started in 2011, the Company has provided nutritional rehabilitation to a total of 4,691 children from Luzon, Visayas and Mindanao.

¹¹⁹ With updates highlighted for the year ended December 31, 2013.

<p>The initiative also aims to educate their parents on proper nutrition and possible income augmentation activities to sustain the benefits of the program. Accordingly, in 2013, a set of nutrition talks and a livelihood cooking demonstration for the parents of the beneficiaries were conducted.</p>	
<p>SMPFC also hosts various socially relevant activities such as scholarship and housing programs, medical missions, the Sumilao Clinic, and the Sumilao Community Store.</p>	<p>In 2013, the Company was able to provide medical assistance to 3,500 patients. With the help of the San Miguel Foundation, SMPFC started the construction of 20 housing units in Sumilao to help families displaced during the flooding caused by Typhoon Sendong in 2011. As of the end of 2013, the units are almost complete. Working with the SMC Office of the President and the San Miguel Foundation, the Company also deployed a team in a medical mission and feeding program in Bantayan Island, Cebu, benefitting over 1,500 individuals.</p>
<p>As natural disasters hit the country, SMPFC provides assistance to victims in highly affected areas nationwide. In 2013, the country suffered through torrential rains and floods about by a “Habagat,” an earthquake that hit Bohol province, and a devastating storm surge caused by Typhoon Yolanda/Haiyan in the Eastern Visayas. In cooperation with the concerned local government units, some business partners, San Miguel Foundation and Petron Corporation, SMPFC mobilized relief efforts, built soup kitchens and distributed relief goods. The Company also took care of its own employees and their families who were affected by the devastation. Efforts continue as rehabilitation is ongoing for these areas.</p>	<p>As part of relief efforts in the affected areas, SMPFC contributed through product donations, the implementation of a feeding program together with some business partners dubbed “Operation Tulong”, the distribution of 54,000 pieces of hard-boiled eggs and meals to 24,750 children and adults in 21 barangays from five municipalities in Leyte, where a soup kitchen was organized and conducted for ten days in cooperation with the Petron Foundation and the Philippine National Red Cross. Further, 44 Food Group employees and their families directly affected by Typhoon Yolanda/Haiyan received monetary donations to help rebuild their lives.</p>
<p>Moreover, the Food Group actively contributes to the San Miguel Foundation, which is tasked to handle the corporate social responsibility initiatives of the entire San Miguel Group of companies. Additional information on these initiatives are available in SMC’s corporate website.</p>	<p>In 2013, over 74,000 families in disaster-hit areas in Eastern Samar, Leyte, Cebu, Iloilo and Palawan received relief assistance worth over P14.5 million. Donations from San Miguel Group employees and partners amounting to P4,710,000 and P12,356,732 were received. Such funds will be used for classroom repairs of public schools and health facilities in selected affected areas.</p>
<p>The Company encourages volunteerism among its employees, for them to be of service to others and help make a difference in the lives of others in need. It recognizes the importance of employee volunteerism as it develops self-fulfillment, team work, unity of purpose, and advances SMPFC’s core value of “Malasakit” and battle-cry of “Bilis-Galing”.</p>	<p>Employee-volunteers from the Food Group joined the community building activity entitled “Bayani Challenge 2013: Isang Bayan, Isang Bayanihan” spearheaded by Gawad Kalinga, which 5-day event included house building, school refurbishing, tree planting, feeding program and farm building activities. The program was able to reach out to 37 sites in 33 provinces.</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

Process	Criteria
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Board of Directors	In order to assess and improve the performance of the Board of Directors, self-rating forms are distributed to the directors during the last meeting of the year for them to accomplish pursuant to the annual internal self-rating system previously approved by the Board.	The self-assessment shall be in the form of a questionnaire to be accomplished by each member of the Board, covering the following areas: (i) fulfillment of the Board's key responsibilities; (ii) Board-Management relationship; (iii) effectiveness of Board processes and meetings; and (iv) individual performance of Board members.
Board Committees	Each Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice.	The assessment shall compare the Committee's performance with the requirements of its Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the Board.
Individual Directors	Same process as that for the Board of Directors above.	Same criteria as that for the Board of Directors above.
CEO/President	The performance of the President is assessed on an annual basis.	The assessment of the President takes into consideration the results of operations and financial condition of the Company, his accomplishment of specific objectives and key performance indicators, including the financial results of the entire San Miguel Group, customer centricity, internal processes and learning and growth.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First violation of Manual provisions	Reprimand
Second violation of Manual provisions	Suspension from office (not applicable to directors)
Third violation of Manual provisions	Removal from office (for directors, Section 28 of the Corporation Code shall be observed).
Violations of the Company's Rules and Regulations, Code of Ethics, and other company policies such as the Conflict of Interest Policy and Policy on Solicitation and Acceptance of Gifts	For employees, disciplinary action ranging from oral or written reprimand to termination of employment.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on _____, 20____.

SIGNATURES

(Original Signed)
Eduardo M. Cojuangco, Jr.

Chairman of the Board

(Original Signed)
Francisco S. Alejo III

President

(Original Signed)
Cancio C. Garcia

Independent Director

(Original Signed)
Carmelo L. Santiago

Independent Director

(Original Signed)
Ma. Soledad E. Olives

Compliance Officer

SUBSCRIBED AND SWORN to before me this **June 28, 2013**, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	Passport No. XX-0410612	Feb. 16, 2012	Manila
Francisco S. Alejo III	Passport No. EB-6193070	Aug. 24, 2012	Manila
Cancio C. Garcia	Supreme Court No. 40912000		
Carmelo L. Santiago	Passport No. XX3061169	Feb. 19, 2009	Manila
Ma. Soledad E. Olives	Passport No. EB-4680751	Feb. 10, 2012	Manila

(Original Signed)
MA. FRANCESCA Q. BALTAZAR
NOTARY PUBLIC for Pasig City
Commission until 31 December 2014
22nd Floor, JMT Corporate Condominium
ADB Ave., Ortigas Center, Pasig City
APPT No. 221 (2013-2014)/Roll No. 57174
PTR No. 8431230; 01/08/2013; Pasig City
IBP No. 921080; 01/08/2013; Makati City

Doc No. 525
Page No. 106
Book No. II
Series of 2013

ANNEX "G"

**San Miguel Pure Foods Company Inc.
Reported SEC Form 17-C for 2014**

Date Reported	Subject																
February 5, 2014	<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 4, 2014:</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>February 19, 2014</td></tr> <tr> <td>Closing of Books:</td><td>February 20 to 26, 2014</td></tr> <tr> <td>Payment Date:</td><td>March 3, 2014</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 19, 2014</td></tr> <tr> <td>Closing of Books:</td><td>February 20 to 26, 2014</td></tr> <tr> <td>Payment Date:</td><td>March 3, 2014</td></tr> </table>	Amount:	P20.00 per share	Record Date:	February 19, 2014	Closing of Books:	February 20 to 26, 2014	Payment Date:	March 3, 2014	Amount:	P1.20 per share	Record Date:	February 19, 2014	Closing of Books:	February 20 to 26, 2014	Payment Date:	March 3, 2014
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Closing of Books:	February 20 to 26, 2014																
Payment Date:	March 3, 2014																
February 24, 2014	<p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>We advise that Mr. Eliezer O. Capacio, Vice President and Division Human Resources Head of the Company, passed away 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.</p>																

<p>March 27, 2014</p>	<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 26, 2014:</p> <p>A. The Board declared cash dividends to shareholders of the Company, as follows:</p> <p style="padding-left: 40px;">Amount: P48.00 per common share</p> <p style="padding-left: 40px;">Record Date: April 11, 2014</p> <p style="padding-left: 40px;">Closing of Books: April 12 to May 9, 2014</p> <p style="padding-left: 40px;">Payment Date: May 12, 2014</p> <p>B. The Board approved certain amendments to the Articles of Incorporation and By-laws of the Company, subject to further stockholder approval, as follows:</p> <p style="padding-left: 40px;">(i) Articles of Incorporation</p> <ol style="list-style-type: none"> 1. Specifying in Article Third, the complete principal office address of the Company, which is the 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila. The amendment is in compliance with SEC Memorandum Circular No. 6, series of 2014. 2. Deleting the second paragraph of Article Eighth on the redemption of the subscribed capital stock requiring shareholder approval, as this contemplates the redemption of the common shares of the Company subscribed as of April 14, 1972 only. The retirement of shares, on the other hand, will necessarily entail a decrease in the authorized capital stock of the Company, for which the Corporation Code already provides the procedure to be followed. 3. Including in Article Eleventh the option to amend the Articles of Incorporation by means of the written assent of two-thirds (2/3) of all the subscribed capital stock of the Company, in accordance with the Corporation Code. <p style="padding-left: 40px;">(ii) By-laws</p> <ol style="list-style-type: none"> 1. In Article I, Section 1, granting the Board of Directors flexibility to fix the inclusive dates, after the record date to determine the stockholders entitled to vote at the annual meeting, when the stock and transfer books of the Company will be closed, in accordance with applicable laws, rules and regulations.
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	<p>2. In Article II, Section 3, deleting all reference to Hormel International Corporation (HIC) and the agreement dated April 14, 1972, relating to such matters requiring 2/3 Board or Board committee approval, as HIC is no longer a shareholder of the Company and the said agreement has ceased to be in force and effect between the parties.</p> <p>C. The Board approved the following amendments to the Manual on Corporate Governance of the Company (the “Manual”), to align with recent SEC Memorandum Circulars:</p> <ul style="list-style-type: none"> (i) The Compliance Officer shall attest to the Company’s compliance with the Manual and SEC Code of Corporate Governance where necessary or required by applicable laws, rules and regulations, instead of the filing of a certification of compliance with the Manual every January 30 of the year; (ii) The submission of a report on the directors’ attendance at Board meetings in accordance with applicable laws, rules and regulations, instead of the filing of a sworn certification on such attendance every January 30 of the year; and (iii) The attendance by directors and key officers of a corporate governance program by SEC-accredited training provider at least once a year. <p>D. The Board declared that the Annual Stockholders’ Meeting of the Company will be held on May 9, 2014, 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, Metro Manila.</p> <p>In this connection:</p> <ul style="list-style-type: none"> (i) The record date for the stockholders entitled to vote at the said meeting is April 11, 2014; (ii) The stock transfer books will be closed from April 12 to May 9, 2014; (iii) The deadline for submission of proxies is on April 24, 2014; and (iv) The validation of proxies will be on May 2, 2014. <p>E. The Agenda of the Annual Stockholders’ Meeting shall be as follows:</p> <ul style="list-style-type: none"> (i) Certification of Notice and Quorum (ii) Approval of the Minutes of the Annual Stockholders’ Meeting held on May 10, 2013 (iii) Presentation of the Annual Report
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	<ul style="list-style-type: none"> (iv) Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers (v) Amendment to the Company's Articles of Incorporation, particularly – <ul style="list-style-type: none"> (a) Article Third on principal office address (b) Article Eighth on redemption of shares of stock (c) Article Eleventh on further amendments to Articles of Incorporation (vi) Amendment to the Company's By-laws, particularly – <ul style="list-style-type: none"> (a) Article I on the period of closing of the Stock Transfer Book for annual stockholder meetings (b) Article II on the two-thirds vote requirement for certain Board decisions (vii) Appointment of External Auditors (viii) Election of the Board of Directors (ix) Other Matters (x) Adjournment 								
March 26, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled: “San Miguel Pure Foods Sustains Strong Performance in 2013”</p>								
March 28, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled: “San Miguel Pure Foods Declares Php8 Billion Cash Dividend”</p>								
May 8, 2014	<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, 2014:</p> <p>The Board declared cash dividends to shareholders of the Company, as follows:</p> <table> <tr> <td>Amount:</td><td>P20.00 per preferred share</td></tr> <tr> <td>Record Date:</td><td>May 22, 2014</td></tr> <tr> <td>Closing of Books:</td><td>May 23 to May 27, 2014</td></tr> <tr> <td>Payment Date:</td><td>June 3, 2014</td></tr> </table>	Amount:	P20.00 per preferred share	Record Date:	May 22, 2014	Closing of Books:	May 23 to May 27, 2014	Payment Date:	June 3, 2014
Amount:	P20.00 per preferred share								
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Closing of Books:	May 23 to May 27, 2014								
Payment Date:	June 3, 2014								
May 8, 2014	<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 12, 2014

Item 9. Other Events

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 9, 2014:

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	43,001 (Direct)	53,001
	Preferred	10,000 (Beneficial)	
Menardo R. Jimenez	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
Edgardo P. Cruz (Independent)	Common	1 (Direct)	1

2. The stockholders approved the proposed amendments to the Articles of Incorporation and By-laws of the Corporation at the ASM, as previously approved by the Board during its meeting on March 26, 2014:

(iii) Articles of Incorporation

a. Specifying in Article Third, the complete principal office address of the Company, which is the 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila. The amendment is in compliance with SEC Memorandum Circular No. 6, series of 2014.

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

In the same meeting, the following were elected to the Board Committees of the Corporation:

Executive Committee

Eduardo M. Cojuangco, Jr. - Chairman
 Ramon S. Ang
 Francisco S. Alejo III
 Angelina S. Gutierrez

Audit Committee

Carmelo L. Santiago - Chairman
 Menardo R. Jimenez
 Angelina S. Gutierrez
 Edgardo P. Cruz
 Ferdinand K. Constantino - Non Director Member

Executive Compensation

Menardo R. Jimenez - Chairman
 Carmelo L. Santiago
 Ramon S. Ang
 Ferdinand K. Constantino - Non Director Member

Nominations and Hearing Committee

Carmelo L. Santiago - Chairman
 Francisco S. Alejo III
 Menardo R. Jimenez
 Maria Cristina M. Menorca - Ex Oficio Member

June 25, 2014	<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 June 25, 2014, the Board approved certain amendments to the Manual on Corporate Governance of the Company, in compliance with SEC Memorandum Circular No. 9, Series of 2014, to emphasize the following:</p> <ul style="list-style-type: none"> • The role of stockholders and other stakeholders in the corporate governance framework, particularly in the exercise by the Board and Corporate Secretary of certain duties and responsibilities; and • The material information disclosure obligation of the Company to its stockholders and such other stakeholders. 								
July 22, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled: “SMC to Expand Milling Operations”</p>								
July 23, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached clarification on the news article entitled “SMC boosts flour mills” published in the Philippine Daily Inquirer on July 23, 2014, which the Company disclosed to the Philippine Stock Exchange on the same day.</p>								
August 11, 2014	<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, 2014, 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>August 26, 2014</td></tr> <tr> <td>Closing of Books:</td><td>August 27-30, 2014</td></tr> <tr> <td>Payment Date:</td><td>September 3, 2014</td></tr> </table>	Amount:	P20.00 per share	Record Date:	August 26, 2014	Closing of Books:	August 27-30, 2014	Payment Date:	September 3, 2014
Amount:	P20.00 per share								
Record Date:	August 26, 2014								
Closing of Books:	August 27-30, 2014								
Payment Date:	September 3, 2014								

	<p><u>Common Shares</u></p> <p>Amount: P1.20 per share</p> <p>Record Date: August 26, 2014</p> <p>Closing of Books: August 27-30, 2014</p> <p>Payment Date: September 3, 2014</p>																																						
August 11, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled: “San Miguel Pure Foods 1st Semester Revenues Up 4% at P49.2 Billion”</p>																																						
September 29, 2014	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, the following directors and key officers of San Miguel Pure Foods Company Inc. have attended a corporate governance training seminar conducted by SGV & Co. on the dates indicated below:</p> <table> <thead> <tr> <th><u>Name of Directors</u></th><th><u>Date Attended</u></th></tr> </thead> <tbody> <tr> <td>1. Mr. Eduardo Cojuangco, Jr.</td><td>September 19, 2014</td></tr> <tr> <td>2. Mr. Francisco S. Alejo III</td><td>September 26, 2014</td></tr> <tr> <td>3. Mr. Menardo R. Jimenez</td><td>September 26, 2014</td></tr> <tr> <td>4. Mr. Carmelo L. Santiago</td><td>September 26, 2014</td></tr> <tr> <td>5. Mr. Edgardo P. Cruz</td><td>September 26, 2014</td></tr> <tr> <td>6. Mr. Mario C. Garcia</td><td>September 26, 2014</td></tr> </tbody> </table> <table> <thead> <tr> <th><u>Name of Key Officers</u></th><th></th></tr> </thead> <tbody> <tr> <td>1. Mr. Ferdinand K. Constantino</td><td>September 19, 2014</td></tr> <tr> <td>2. Ms. Zenaida M. Postrado</td><td>September 26, 2014</td></tr> <tr> <td>3. Atty. Alexandra B. Trillana</td><td>September 26, 2014</td></tr> <tr> <td>4. Atty. Ma. Celeste L. Ramos</td><td>September 26, 2014</td></tr> <tr> <td>5. Ms. Rita Imelda B. Palabyab</td><td>September 26, 2014</td></tr> <tr> <td>6. Mr. Raul B. Nazareno</td><td>September 26, 2014</td></tr> <tr> <td>7. Ms. Jennifer T. Tan</td><td>September 26, 2014</td></tr> <tr> <td>8. Mr. Oscar R. Sañez</td><td>September 26, 2014</td></tr> <tr> <td>9. Mr. Rodolfo M. Abaya</td><td>September 26, 2014</td></tr> <tr> <td>10. Ms. Mauvir C. Buzon</td><td>September 26, 2014</td></tr> <tr> <td>11. Ms. Mildred V. Ramirez</td><td>September 26, 2014</td></tr> </tbody> </table>	<u>Name of Directors</u>	<u>Date Attended</u>	1. Mr. Eduardo Cojuangco, Jr.	September 19, 2014	2. Mr. Francisco S. Alejo III	September 26, 2014	3. Mr. Menardo R. Jimenez	September 26, 2014	4. Mr. Carmelo L. Santiago	September 26, 2014	5. Mr. Edgardo P. Cruz	September 26, 2014	6. Mr. Mario C. Garcia	September 26, 2014	<u>Name of Key Officers</u>		1. Mr. Ferdinand K. Constantino	September 19, 2014	2. Ms. Zenaida M. Postrado	September 26, 2014	3. Atty. Alexandra B. Trillana	September 26, 2014	4. Atty. Ma. Celeste L. Ramos	September 26, 2014	5. Ms. Rita Imelda B. Palabyab	September 26, 2014	6. Mr. Raul B. Nazareno	September 26, 2014	7. Ms. Jennifer T. Tan	September 26, 2014	8. Mr. Oscar R. Sañez	September 26, 2014	9. Mr. Rodolfo M. Abaya	September 26, 2014	10. Ms. Mauvir C. Buzon	September 26, 2014	11. Ms. Mildred V. Ramirez	September 26, 2014
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3. Mr. Menardo R. Jimenez	September 26, 2014																																						
4. Mr. Carmelo L. Santiago	September 26, 2014																																						
5. Mr. Edgardo P. Cruz	September 26, 2014																																						
6. Mr. Mario C. Garcia	September 26, 2014																																						
<u>Name of Key Officers</u>																																							
1. Mr. Ferdinand K. Constantino	September 19, 2014																																						
2. Ms. Zenaida M. Postrado	September 26, 2014																																						
3. Atty. Alexandra B. Trillana	September 26, 2014																																						
4. Atty. Ma. Celeste L. Ramos	September 26, 2014																																						
5. Ms. Rita Imelda B. Palabyab	September 26, 2014																																						
6. Mr. Raul B. Nazareno	September 26, 2014																																						
7. Ms. Jennifer T. Tan	September 26, 2014																																						
8. Mr. Oscar R. Sañez	September 26, 2014																																						
9. Mr. Rodolfo M. Abaya	September 26, 2014																																						
10. Ms. Mauvir C. Buzon	September 26, 2014																																						
11. Ms. Mildred V. Ramirez	September 26, 2014																																						

	For your information and reference, attached are copies of the certificates of attendance of the said directors and officers.
October 1, 2014	<p><u>Item 9. Other Events</u></p> <p>In compliance with the letter from the SEC's Markets and Securities Regulation Department dated June 2, 2014, which we received today, October 1, 2014 (see attached), we advise that the Commission approved the amendments to the Company's By-Laws by virtue of the Certificate of Filing of Amended By-laws issued on June 19, 2014. The Company received a copy of the said Certificate on July 4, 2014.</p> <p>Moreover, the Company undertakes to further amend its By-laws to remove any doubt that it complies with applicable law and regulations, insofar as the election of the required number of independent directors is concerned.</p>
October 17, 2014	<p><u>Item 4. Resignation of Director</u></p> <p>The Company received late in the afternoon of October 16, 2014 the resignation letter of Justice Angelina S. Gutierrez. Justice Gutierrez resigned as Independent Director of the Company effective October 8, 2014 in view of her appointment as a member of the Judicial and Bar Council.</p>
November 6, 2014	<p>At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the "Board" and the "Company") held on November 5, 2014:</p> <p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>(i) The Board accepted the resignation of Justice Angelina S. Gutierrez, who resigned effective October 8, 2014 upon her appointment to the Judicial and Bar Council. She served as Independent Director of the Company since May 10, 2013 and was a member of the Company's Audit Committee and Executive Committee.</p> <p>(ii) The Board approved the appointment of Mr. Rodolfo M. Abaya as Vice President and Division Human Resources Manager of the Company. Mr. Abaya joined the Company on September 1, 2014. Prior thereto, he held various HR positions in Procter & Gamble Philippines from 1987 to 2007 the last of which being P&G Global Business Services Asia HR Associate Director. He was also HR Partner Leader and Project Executive, Country HR Operations of IBM Global Process Services (from 2011 to 2014) and HR Leader of Concentrix Philippines (from February to July 2014).</p> <p>Mr. Abaya does not own any common or preferred shares in the Company.</p>

Item 9. Other Events

A. The Board approved --

- (i) The public offer and issuance of up to 25 million preferred shares from the unissued capital stock with issue price of P1,000 per share (the “Preferred Shares”) as covered by the previous approval of the shareholders during its meeting on November 3, 2010, with Management authorized to determine dividend rate(s), payment terms, redemption date(s) and other features of the Preferred Shares and the offer (the “Offer”);
- (ii) The registration of the Preferred Shares with the Securities and Exchange Commission, and the signing, execution and filing of the Registration Statement and Prospectus for the Offer, including any amendments thereto, as well as other agreements and documents required in connection therewith;
- (iii) The listing of the Preferred Shares subscribed as a result of the Offer with the Philippine Stock Exchange, and the signing, execution and filing of the application for listing of the Preferred Shares and all supporting documents required in connection therewith; and
- (iv) The declaration of cash dividends to shareholders of the Company as follows:

Preferred Shares

Amount:	P20.00 per share
Record Date:	November 19, 2014
Closing of Books:	November 20 to 26, 2014
Payment Date:	December 3, 2014

Common Shares

Amount:	P1.20 per share
Record Date:	November 19, 2014
Closing of Books:	November 20 to 26, 2014
Payment Date:	December 3, 2014

	<p>B. The Compliance Officer circulated the Internal Self-Rating Form to the Directors, intended to measure Board performance annually, in accordance with the Company's Manual on Corporate Governance. Earlier during the Audit Committee meeting, the Self-Assessment Worksheet was circulated for the members of the Audit Committee to accomplish annually pursuant to its Charter, as required by the SEC.</p>												
November 6, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release [entitled "San Miguel Pure Foods Revenues Up 4% at P74.4 Billion"].</p>												
November 7, 2014	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, the following directors and key officers of San Miguel Pure Foods Company Inc. have attended a corporate governance training seminar on November 6, 2014 conducted by Risks, Opportunities, Assessment and Management, Inc. (ROAM):</p> <table> <tr> <th><u>Names of Directors</u></th><th><u>Date Attended</u></th></tr> <tr> <td>Mr. Ramon S. Ang</td><td>November 6, 2014</td></tr> <tr> <td>Mr. Silvestre H. Bello III</td><td>November 6, 2014</td></tr> <tr> <th><u>Names of Key Officers</u></th><td></td></tr> <tr> <td>Mr. Florentino C. Policarpio</td><td>November 6, 2014</td></tr> <tr> <td>Ms. Ma. Soledad E. Olives</td><td>November 6, 2014</td></tr> </table>	<u>Names of Directors</u>	<u>Date Attended</u>	Mr. Ramon S. Ang	November 6, 2014	Mr. Silvestre H. Bello III	November 6, 2014	<u>Names of Key Officers</u>		Mr. Florentino C. Policarpio	November 6, 2014	Ms. Ma. Soledad E. Olives	November 6, 2014
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Mr. Ramon S. Ang	November 6, 2014												
Mr. Silvestre H. Bello III	November 6, 2014												
<u>Names of Key Officers</u>													
Mr. Florentino C. Policarpio	November 6, 2014												
Ms. Ma. Soledad E. Olives	November 6, 2014												
November 21, 2014	<p><u>Item 9. Other Events</u></p> <p>San Miguel Pure Foods Company Inc. entered into an Intellectual Property Rights Transfer Agreement with Felicisimo Martinez & Co. Inc. on November 19, 2014, to acquire the trademarks, formulations, recipes and other intangible properties relating to the seller's La Pacita biscuit and flour-based snack business. The completion of the transaction is still subject to the fulfillment of certain terms and conditions.</p>												
December 12, 2014	<p><u>Item 9. Other Events</u></p> <p>Please see attached clarification on the news article entitled "Purefoods to sell P15-B perpetual preferred shares" published in the Business Mirror on December 11, 2014, which the Company disclosed to the Philippine Stock Exchange on the same day.</p>												