CR03488-2014

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Mar 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
   23F, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (632) 702-5000
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

   (●) Yes ( ) No

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

   Philippine Stock Exchange, Common and Preferred Shares
12. Indicate by check mark whether the registrant:

   (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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	

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 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2014
Currency (indicate units, if applicable)	Php (in thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2014	Dec 31, 2013
Current Assets	51,684,782	53,683,093
Total Assets	70,570,521	72,844,280
Current Liabilities	30,746,226	24,971,487
Total Liabilities	36,254,266	30,484,355
Retained Earnings/(Deficit)	11,049,806	18,679,528
Stockholders' Equity	34,316,255	42,359,925
Stockholders' Equity - Parent	32,564,588	40,191,233
Book Value per Share	116.92	165.19

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	24,229,084	22,966,638	24,229,084	22,966,638
Other Revenue	10,396	239,409	10,396	239,409

Gross Revenue	24,239,480	23,206,047	24,239,480	23,206,047
Operating Expense	22,894,543	22,050,654	22,894,543	22,050,654
Other Expense	67,537	238,584	67,537	238,584
Gross Expense	22,962,080	22,289,238	22,962,080	22,289,238
Net Income/(Loss) Before Tax	1,277,400	916,809	1,277,400	916,809
Income Tax Expense	426,034	248,822	426,034	248,822
Net Income/(Loss) After Tax	851,366	667,987	851,366	667,987
Net Income Attributable to Parent Equity Holder	870,299	699,254	870,299	699,254
Earnings/(Loss) Per Share (Basic)	3.42	2.40	3.42	2.40
Earnings/(Loss) Per Share (Diluted)	N/A	N/A	N/A	N/A

Other Relevant Information
Please see attached SEC Form-17Q for the period ended March 31, 2014, filed with the Securities and Exchange Commission on May 15, 2014.

Filed on behalf by:

Name	Alexandra Trillana
Designation	AVP & Corporate Secretary

SEC COPY

COVER SHEET

1 1 8 4 0

S. E. C. Registration Number

S A N M I G U E L

P U R E F O O D S

C O M P A N Y I N C .

(Company's Full Name)

23 r d F l r. J M T B l d g. A D B

A v e. P a s i g C i t y

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5450

Company Telephone Number

SEC Form

Month | Day | 1 7 - Q FORM TYPE | Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 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 — **1605**
Address of issuer's principal office — Postal code

8. **(02) 702-5000**
Issuer's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

	Number of Shares and Total Liabilities (As at March 31, 2014)
Common Shares - P10 par value	**166,667,096**
Preferred Shares - P10 par value	**15,000,000**
Total Liabilities (in '000)	**P36,254,266**

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

Yes (√)　　No ( )

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the Revised Securities Act (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 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 ( )

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Pure Foods Company Inc. ("SMPFC" or the "Company") and its subsidiaries (collectively, the "Group") as at and for the period ended March 31, 2014 (with comparative figures as at December 31, 2013 and for the period ended March 31, 2013) and Selected Notes to Consolidated Financial Statements are hereto attached as Annex "A." Notes 7 and 8 of the Selected Notes to Consolidated Financial Statements contain the required information on the financial risk exposures and financial instruments of the Company.

Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as Annex "B."

PART II - OTHER INFORMATION

SMPFC may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	**SAN MIGUEL PURE FOODS COMPANY INC.**
Signature and Title	**ZENAIDA M. POSTRADO** Treasurer and Chief Finance Officer
Date	May 15, 2014

Annex A

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)

(Year Ending)
(month & day)

Quarterly Consolidated
Financial Statements

Form Type

Amendment Designation (If applicable)

March 31, 2014

Period Ended Date

(Secondary License Type and File Number)

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

	March 31, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 8)	**₱20,013,727**	₱7,030,943
Trade and other receivables - net (Notes 4, 7 and 8)	**9,316,712**	25,662,903
Inventories	**16,305,351**	14,784,992
Biological assets	**3,442,871**	3,427,280
Derivative assets (Notes 7 and 8)	**10,654**	4,621
Prepaid expenses and other current assets	**2,595,467**	2,772,354
Total Current Assets	**51,684,782**	53,683,093
Noncurrent Assets		
Investment properties - net	**632,505**	632,679
Property, plant and equipment - net (Note 3)	**10,918,928**	11,254,188
Biological assets - net of current portion	**2,001,872**	1,910,906
Other intangible assets - net	**3,895,938**	3,867,720
Goodwill - net	**428,007**	425,655
Deferred tax assets	**793,900**	840,422
Other noncurrent assets (Notes 4, 7 and 8)	**214,589**	229,617
Total Noncurrent Assets	**18,885,739**	19,161,187
	₱70,570,521	₱72,844,280
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 7 and 8)	**₱6,907,597**	₱8,647,785
Trade payables and other current liabilities (Notes 4, 7 and 8)	**23,211,824**	15,936,038
Income tax payable	**626,805**	387,664
Total Current Liabilities	**30,746,226**	24,971,487
Noncurrent Liabilities		
Long-term debt - net of debt issue costs (Notes 7 and 8)	**4,485,329**	4,483,300
Deferred tax liabilities	**136,329**	135,782
Other noncurrent liabilities (Notes 7 and 8)	**886,382**	893,786
Total Noncurrent Liabilities	**5,508,040**	5,512,868
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**1,858,748**	1,858,748
Additional paid-in capital	**20,500,284**	20,500,284
Revaluation surplus	**18,219**	18,219
Reserve for retirement plan	**(434,714)**	(434,714)
Cumulative translation adjustments	**(245,661)**	(248,738)
Retained earnings		
Appropriated	**750,000**	750,000
Unappropriated	**10,299,806**	17,929,528
Treasury stock	**(182,094)**	(182,094)
	32,564,588	40,191,233
Non-controlling Interests	**1,751,667**	2,168,692
Total Equity	**34,316,255**	42,359,925
	₱70,570,521	₱72,844,280

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

ZENAIDA M. POSTRADO
Treasurer and Chief Finance Officer

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In Thousands, Except Per Share Data)

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
REVENUES (Note 4)	**₱24,229,084**	₱22,966,638
COST OF SALES (Note 4)	**19,670,302**	18,759,313
GROSS PROFIT	**4,558,782**	4,207,325
SELLING AND ADMINISTRATIVE EXPENSES (Note 4)	**(3,224,241)**	(3,291,341)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	**(114,424)**	(158,156)
INTEREST INCOME	**10,409**	25,627
EQUITY IN NET EARNINGS OF AN ASSOCIATE	**-**	210,858
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	**(13)**	2,924
OTHER INCOME (CHARGES) - Net	**46,887**	(80,428)
INCOME BEFORE INCOME TAX	**1,277,400**	916,809
INCOME TAX EXPENSE	**426,034**	248,822
NET INCOME	**₱851,366**	₱667,987
Attributable to:		
Equity holders of the Parent Company	**₱870,299**	₱699,254
Non-controlling interests	**(18,933)**	(31,267)
	₱851,366	₱667,987
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company (Note 6)	**₱3.42**	₱2.40

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

ZENAIDA M. POSTRADO
Treasurer and Chief Finance Officer

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
NET INCOME	**₱851,366**	₱667,987
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss		
Share in other comprehensive income of an associate	-	156
Items that may be reclassified to profit or loss		
Gain (loss) on exchange differences on translation of foreign operations	**4,986**	(5,879)
Net gain on available-for-sale financial assets	-	211
Income tax expense	-	(21)
	4,986	(5,689)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**4,986**	(5,533)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax	**₱856,352**	₱662,454
Attributable to:		
Equity holders of the Parent Company	**₱873,376**	₱694,412
Non-controlling interests	**(17,024)**	(31,958)
	₱856,352	₱662,454

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

ZENAIDA M. POSTRADO
Treasurer and Chief Finance Officer

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Attributable to Equity Holders of the Parent Company											
					Cumulative Translation Adjustments		Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Reserve for Retirement Plan	Translation Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Treasury Stock	Total	Non-controlling Interests	Total Equity
As at December 31, 2013 (Audited)	₱1,858,748	₱20,500,284	₱18,219	(₱434,714)	(₱251,603)	₱2,865	₱750,000	₱17,929,528	(₱182,094)	₱40,191,233	₱2,168,692	₱42,359,925
Other comprehensive income												
Net gain on exchange differences on translation of foreign operations	-	-	-	-	3,077	-	-	-	-	3,077	1,909	4,986
Net income (loss) for the period	-	-	-	-	-	-	-	870,299	-	870,299	(18,933)	851,366
Total comprehensive income (loss) for the period	-	-	-	-	3,077	-	-	870,299	-	873,376	(17,024)	856,352
Cash dividends (Note 5)	-	-	-	-	-	-	-	(8,500,021)	-	(8,500,021)	(400,001)	(8,900,022)
As at March 31, 2014 (Unaudited)	₱1,858,748	₱20,500,284	₱18,219	(₱434,714)	(₱248,526)	₱2,865	₱750,000	₱10,299,806	(₱182,094)	₱32,564,588	₱1,751,667	₱34,316,255

Forward

	Attributable to Equity Holders of the Parent Company											
					Cumulative Translation Adjustments		Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Reserve for Retirement Plan	Translation Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Treasury Stock	Total	Non-controlling Interests	Total Equity
As at December 31, 2012 (Audited)	₱1,858,748	₱20,500,284	₱18,219	(₱290,506)	(₱257,418)	₱4,143	₱750,000	₱15,832,541	(₱182,094)	₱38,233,917	₱2,788,465	₱41,022,382
Net loss on exchange differences on translation of foreign operations	-	-	-	-	(5,188)	-	-	-	-	(5,188)	(691)	(5,879)
Net gain on available-for-sale financial assets, net of tax	-	-	-	-	-	190	-	-	-	190	-	190
Share in other comprehensive income of an associate	-	-	-	-	-	156	-	-	-	156	-	156
Other comprehensive income (loss)	-	-	-	-	(5,188)	346	-	-	-	(4,842)	(691)	(5,533)
Net income (loss) for the period	-	-	-	-	-	-	-	699,254	-	699,254	(31,267)	667,987
Total comprehensive income (loss) for the period	-	-	-	-	(5,188)	346	-	699,254	-	694,412	(31,958)	662,454
Cash dividends (Note 5)	-	-	-	-	-	-	-	(500,001)	-	(500,001)	-	(500,001)
As at March 31, 2013 (Unaudited)	₱1,858,748	₱20,500,284	₱18,219	(₱290,506)	(₱262,606)	₱4,489	₱750,000	₱16,031,794	(₱182,094)	₱38,428,328	₱2,756,507	₱41,184,835

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

ZENAIDA M. POSTRADO
Treasurer and Chief Finance Officer

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,277,400**	₱916,809
Adjustments for:		
Depreciation and amortization	**679,001**	583,143
Allowance for impairment losses on receivables and inventory losses	**135,574**	25,294
Equity in net earnings of an associate	**-**	(210,858)
Interest expense and other financing charges	**114,424**	158,156
Interest income	**(10,409)**	(25,627)
Other charges (income) net of loss (gain) on derivatives	**(172,271)**	51,828
Loss (gain) on sale of property and equipment	**13**	(2,924)
Operating income before working capital changes	**2,023,732**	1,495,821
Decrease (increase) in:		
Trade and other receivables	**2,441,057**	1,158,439
Inventories	**(1,667,725)**	(706,235)
Biological assets	**(17,688)**	(22,215)
Prepaid expenses and other current assets	**174,270**	58,266
Decrease in trade payables and other current liabilities	**(941,184)**	(2,207,130)
Cash generated from (used in) operations	**2,012,462**	(223,054)
Interest paid	**(115,793)**	(153,196)
Income taxes paid	**(149,407)**	(117,356)
Interest received	**15,867**	17,149
Net cash flows provided by (used in) operating activities	**1,763,129**	(476,457)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	**(70,562)**	(567,776)
Decrease (increase) in:		
Biological assets	**(456,549)**	(412,742)
Other noncurrent assets	**123,622**	(74,357)
Proceeds from sale of investment and property and equipment	**13,886,452**	2,961
Increase (decrease) in other noncurrent liabilities	**(7,406)**	27,835
Net cash flows provided by (used in) investing activities	**13,475,557**	(1,024,079)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of notes payable	**(1,745,145)**	1,566,133
Cash dividends paid	**(499,754)**	(499,882)
Net cash flows provided by (used in) financing activities	**(2,244,899)**	1,066,251
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(11,003)**	112
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,982,784**	(434,173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,030,943**	4,280,418
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱20,013,727**	₱3,846,245

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

ZENAIDA M. POSTRADO
Treasurer and Chief Finance Officer

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as at and for the period ended March 31, 2014 and comparative financial statements for the same period in 2013 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements are presented in Philippine peso and all values are rounded off to the nearest thousand (₱000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements.

<u>Adoption of New Standards, Amendments to Standards and Interpretations</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards and interpretations [based on International Financial Reporting Interpretation Committee (IFRIC) Interpretations] as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2014

The Group has adopted the following PFRS starting 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*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Offsetting Financial Assets and Financial Liabilities *(Amendments to PAS 32, Financial Instruments Presentation).* The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- 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 the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Novation of Derivatives and Continuation of Hedge Accounting *(Amendments to PAS 39, Financial Instruments: Recognition and Measurement).* The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for annual periods beginning on or after January 1, 2014. Early application is permitted. However, if an entity applies the amendments for an earlier period, then it should disclose that fact. Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, then the previous hedge accounting for that relationship cannot be reinstated.

Except as otherwise indicated, the adoption of these foregoing new or revised standards, amendments to standards and Philippine Interpretations of IFRIC did not have a material effect on the interim consolidated financial statements.

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

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing the interim consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements of the Group. The Group does not plan to adopt these standards early.

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

- Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19, Employee Benefits*). The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations.

  - Definition relating to vesting condition *(Amendment to PFRS 2, Share-based Payment).* The amendment provided for the separate definitions of a 'performance condition' and a 'service condition' from the definition of a 'vesting condition' and thus made the description of each condition clearer. Performance condition and service condition are defined in order to clarify various issues, including the following: (a) a performance condition must contain a service condition; (b) a performance target must be met while the counterparty is rendering service; (c) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (d) a performance condition may be a market or non-market condition and; (e) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.

  - Accounting for contingent consideration in a business combination *(Amendment to PFRS 3, Business Combinations).* The amendment clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9, *Financial Instruments.* The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.

  - Aggregation of operating segments *(Amendment to PFRS 8, Operating Segment).* The amendment clarifies that operating segments may be combined or aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.

  - Reconciliation of the total of the reportable segment assets to the entity's total assets *(Amendment to PFRS 8).* The amendment clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Short-term receivables and payables *(Amendment to PFRS 13, Fair Value Measurement)* clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of the discounting is immaterial. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.

- Key management personnel *(Amendment to PAS 24, Related Parties).* The amendment clarifies that a management entity—an entity that provides key management personnel services—is a related party subject to the related party disclosures. In addition, an entity that uses management entity is required to disclose the expenses incurred for management services. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Scope exceptions for joint ventures (Amendment to PFRS 3). The amendment clarifies that: (a) joint arrangements are outside the scope of PFRS 3, not just joint ventures and; (b) the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Scope paragraph 52 (portfolio exception) *(Amendment to PFRS 13).* The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Clarifying the interrelationship of PFRS 3 and PAS 40, *Investment Property*, when classifying property as investment property of owner-occupied property. The amendment clarifies that the description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property. PFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

▪ PFRS 9, *Financial Instruments (2009, 2010 and 2013).* PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements; (b) changes to address the so-called ‘own credit’ issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The International Accounting Standards Board (IASB) is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets but will potentially have no impact on the classification and measurement of financial liabilities.

2. Segment Information

Operating Segments

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

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

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

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

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

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

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.

Financial information about reportable segments follows:

	For the Three Months Ended March 31, 2014						
	Agro-Industrial	**Value-Added Meats**	**Milling**	**Total Reportable Segments**	**Others**	**Eliminations**	**Consolidated**
REVENUES							
External	**₱16,440,214**	**₱2,890,646**	**₱2,278,798**	**₱21,609,658**	**₱2,619,426**	**₱ -**	**₱24,229,084**
Inter-segment	**172,393**	**16,583**	**179,302**	**368,278**	**64,330**	**(432,608)**	**-**
Total revenues	**16,612,607**	**2,907,229**	**2,458,100**	**21,977,936**	**2,683,756**	**(432,608)**	**24,229,084**
Segment operating results	**513,423**	**117,242**	**586,712**	**1,217,377**	**117,164**	**-**	**1,334,541**
Interest expense and other financing charges	**(67,309)**	**(15,825)**	**(6,463)**	**(89,597)**	**(32,883)**	**8,056**	**(114,424)**
Interest income	**425**	**8,732**	**1,061**	**10,218**	**8,247**	**(8,056)**	**10,409**
Loss on sale of property and equipment	**-**	**-**	**(11)**	**(11)**	**(2)**	**-**	**(13)**
Other income (charges) - net	**(20,180)**	**(8,754)**	**70,954**	**42,020**	**4,867**	**-**	**46,887**
Income tax expense	**(126,054)**	**(30,429)**	**(196,458)**	**(352,941)**	**(71,373)**	**(1,720)**	**(426,034)**
Net income (loss)	**₱300,305**	**₱70,966**	**₱455,795**	**₱827,066**	**₱26,020**	**(₱1,720)**	**₱851,366**

	For the Three Months Ended March 31, 2013						
	Agro-Industrial	Value-Added Meats	Milling	Total Reportable Segments	Others	Eliminations	Consolidated
REVENUES							
External	₱15,186,905	₱2,997,882	₱2,127,840	₱20,312,627	₱2,654,011	₱ -	₱22,966,638
Inter-segment	143,406	32,396	138,644	314,446	59,360	(373,806)	-
Total revenues	15,330,311	3,030,278	2,266,484	20,627,073	2,713,371	(373,806)	22,966,638
Segment operating results	282,578	158,741	423,410	864,729	51,255	-	915,984
Interest expense and other financing charges	(107,860)	(9,548)	(1,458)	(118,866)	(39,290)	-	(158,156)
Interest income	1,837	6,182	764	8,783	16,844	-	25,627
Equity in net earnings of an associate	-	-	-	-	210,858	-	210,858
Gain on sale of property and equipment	18	-	2,143	2,161	763	-	2,924
Other income (charges) - net	(239)	2,961	(84,575)	(81,853)	1,425	-	(80,428)
Income tax expense	(50,797)	(47,509)	(101,950)	(200,256)	(48,566)	-	(248,822)
Net income	₱125,537	₱110,827	₱238,334	₱474,698	₱193,289	₱ -	₱667,987

3. Property, Plant and Equipment

This account consists of:

March 31, 2014

	Land and Land Improvements	Buildings and Improvements	Machinery Equipment, Furniture and Others	Transportation Equipment	Construction in Progress	Total
Cost:						
December 31, 2013	**₱2,323,925**	**₱7,364,208**	**₱10,530,509**	**₱427,180**	**₱11,432**	**₱20,657,254**
Additions	**3,299**	**27,831**	**33,537**	**-**	**5,895**	**70,562**
Disposals	**-**	**-**	**(583)**	**(878)**	**-**	**(1,461)**
Transfers/reclassifications	**(1,597)**	**(26,533)**	**(183,942)**	**-**	**(4,693)**	**(216,765)**
Currency translation adjustments	**1,820**	**12,035**	**13,299**	**1,599**	**453**	**29,206**
March 31, 2014	**2,327,447**	**7,377,541**	**10,392,820**	**427,901**	**13,087**	**20,538,796**
Accumulated depreciation:						
December 31, 2013	**328,302**	**2,473,221**	**6,190,524**	**411,019**	**-**	**9,403,066**
Additions	**4,978**	**74,544**	**171,831**	**1,633**	**-**	**252,986**
Disposals	**-**	**-**	**(581)**	**(779)**	**-**	**(1,360)**
Transfers/reclassifications	**-**	**(14,498)**	**(39,575)**	**-**	**-**	**(54,073)**
Currency translation adjustments	**-**	**6,528**	**11,127**	**1,594**	**-**	**19,249**
March 31, 2014	**333,280**	**2,539,795**	**6,333,326**	**413,467**	**-**	**9,619,868**
Carrying amount at March 31, 2014	**₱1,994,167**	**₱4,837,746**	**₱4,059,494**	**₱14,434**	**₱13,087**	**₱10,918,928**

March 31, 2013

	Land and Land Improvements	Buildings and Improvements	Machinery Equipment, Furniture and Others	Transportation Equipment	Construction in Progress	Total
Cost:						
December 31, 2012	₱2,299,736	₱5,471,355	₱8,808,029	₱423,531	₱1,669,506	₱18,672,157
Additions	-	9,777	38,457	-	519,542	567,776
Disposals	-	-	(95,814)	(1,028)	-	(96,842)
Transfers/reclassifications	-	14,441	29,412	(53)	(49,987)	(6,187)
Currency translation adjustments	(631)	(12,169)	(8,499)	(758)	(125)	(22,182)
March 31, 2013	2,299,105	5,483,404	8,771,585	421,692	2,138,936	19,114,722
Accumulated depreciation:						
December 31, 2012	308,335	2,211,939	5,636,743	410,872	-	8,567,889
Additions	5,104	51,317	147,552	1,803	-	205,776
Disposals	-	-	(95,778)	(1,028)	-	(96,806)
Transfers/reclassifications	-	22	179	36	-	237
Currency translation adjustments	-	(5,883)	(6,863)	(748)	-	(13,494)
March 31, 2013	313,439	2,257,395	5,681,833	410,935	-	8,663,602
Carrying amount at March 31, 2013	₱1,985,666	₱3,226,009	₱3,089,752	₱10,757	₱2,138,936	₱10,451,120

Depreciation charged to operations amounted to ₱253.0 million and ₱205.8 million for the three months period ended March 31, 2014 and 2013, respectively.

4. Related Party Disclosures

The Company, certain subsidiaries and their shareholders, and associate in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial period 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:

	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	December 31, 2013	₱ -	₱ -	₱117	₱ -	On demand; non-interest bearing	Unsecured; no impairment
Parent Company*	**March 31, 2014**	**781**	**143,696**	**6,601**	**7,249,946**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	9,658	760,202	24,558	685,654		
Affiliates**	**March 31, 2014**	**40,564**	**760,986**	**71,559**	**760,666**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	92,179	2,813,671	100,456	754,340		
Shareholder in subsidiaries	**March 31, 2014**	**-**	**-**	**33,274**	**65,019**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	-	-	26,007	55,887		
Total	**March 31, 2014**	**₱41,345**	**₱904,682**	**₱111,434**	**₱8,075,631**		
Total	December 31, 2013	₱101,837	₱3,573,873	₱151,138	₱1,495,881		

* *Amounts owed to Parent Company as at March 31, 2014 include cash dividends amounting to P6,829,405 (Note 5).*

** *Affiliates refer to companies owned by San Miguel Corporation ("SMC" or the "Parent Company") and Top Frontier Investment Holdings, Inc. (the "Ultimate Parent Company"). Amounts owed by affiliates as at March 31, 2014 and December 31, 2013 amounting to ₱1,684 is included under "Other noncurrent assets" account.*

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

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

5. Dividends

On March 3, 2014, cash dividends of ₱20.00 and ₱1.20 per share were paid to all preferred and common shareholders, respectively, of record as at February 19, 2014.

On March 26, 2014, the Company's Board of Directors (BOD) declared cash dividends to all common shareholders of record as at April 11, 2014 amounting to ₱48.00 per share, payable on May 12, 2014.

6. Basic and Diluted Earnings Per Share (EPS)

Basic and diluted 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.

Basic EPS is computed as follows:

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
Net income attributable to equity holders of the Parent Company	**₱870,299**	₱699,254
Less dividends on preferred shares for the period	**300,000**	300,000
Net income attributable to common shareholders of the Parent Company (a)	**₱570,299**	₱399,254
Common shares issued and outstanding	**166,667,096**	166,667,096
Weighted average number of common shares (b)	**166,667,096**	166,667,096
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)	**₱3.42**	₱2.40

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

7. Financial Risk Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

The Group's accounting policies in relation to derivatives are set out in Note 8 to the interim consolidated financial statements.

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

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

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

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

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

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;

- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and

- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by ₱37.0 million for the period ending March 31, 2014 and for the year ending December 31, 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 March 31, 2014 and December 31, 2013, the terms and maturity profile of the interest-bearing financial instruments, together with the gross amounts, are shown in the following tables:

March 31, 2014	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**Total**
Fixed rate					
Philippine peso-denominated	**₱ -**	**₱800,000**	**₱ -**	**₱ -**	**₱800,000**
Interest rate		**5.4885%**			
Floating rate					
Philippine peso-denominated	**-**	**3,700,000**	**-**	**-**	**3,700,000**
Interest rate		**3-month PDST-F plus margin**			
	₱ -	**₱4,500,000**	**₱ -**	**₱ -**	**₱4,500,000**

December 31, 2013	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	Total
Fixed rate					
Philippine peso-denominated	₱ -	₱800,000	₱ -	₱ -	₱800,000
Interest rate		5.4885%			
Floating rate					
Philippine peso-denominated	-	3,700,000	-	-	3,700,000
Interest rate		3-month PDST-F plus margin			
	₱ -	₱4,500,000	₱ -	₱ -	₱4,500,000

Foreign Currency Risk

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

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

	March 31, 2014		December 31, 2013	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$3,762**	**₱168,594**	US$6,403	₱284,261
Trade and other receivables	**8,518**	**381,734**	8,652	384,106
	12,280	**550,328**	15,055	668,367
Liabilities				
Notes payable	**12,505**	**560,412**	14,163	628,766
Trade payables and other current liabilities	**11,718**	**525,142**	14,182	629,610
Other noncurrent liabilities	**-**	**-**	1	44
	24,223	**1,085,554**	28,346	1,258,420
Net foreign currency-denominated monetary liabilities	**(US$11,943)**	**(₱535,226)**	(US$13,291)	(₱590,053)

The Group reported net foreign exchange gains (losses) of ₱12.9 million and (₱1.5 million) for the period ended March 31, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
March 31, 2014	44.815
December 31, 2013	44.395
March 31, 2013	40.800
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 March 31, 2014 and December 31, 2013.

	March 31, 2014			
	₱1 Decrease in the US Dollar Exchange Rate		**₱1 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	**(₱2,379)**	**(₱3,048)**	**₱2,379**	**₱3,048**
Trade and other receivables	**(2,332)**	**(7,819)**	**2,332**	**7,819**
	(4,711)	**(10,867)**	**4,711**	**10,867**
Notes payable	**-**	**12,505**	**-**	**(12,505)**
Trade payables and other current liabilities	**2,956**	**10,831**	**(2,956)**	**(10,831)**
	2,956	**23,336**	**(2,956)**	**(23,336)**
	(₱1,755)	**₱12,469**	**₱1,755**	**(₱12,469)**

	December 31, 2013			
	₱1 Decrease in the US Dollar Exchange Rate		₱1 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	(₱884)	(₱6,138)	₱884	₱6,138
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)
	₱548	₱13,126	(₱548)	(₱13,126)

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

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

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

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

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as at March 31, 2014 and December 31, 2013:

	March 31, 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	**₱20,013,727**	**₱20,013,727**	**₱20,013,727**	**₱ -**	**₱ -**	**₱ -**
Trade and other receivables - net	**9,316,712**	**9,316,712**	**9,316,712**	**-**	**-**	**-**
Derivative assets	**10,654**	**10,654**	**10,654**	**-**	**-**	**-**
AFS financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**9,435**	**9,435**	**-**	**-**	**-**	**9,435**
Financial Liabilities						
Notes payable	**6,907,597**	**6,923,450**	**6,923,450**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	**13,821,085**	**13,821,085**	**13,821,085**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position)	**82,658**	**82,658**	**82,658**	**-**	**-**	**-**
Long-term debt - net of debt issue costs	**4,485,329**	**4,829,975**	**194,573**	**4,635,402**	**-**	**-**
Other noncurrent liabilities (excluding retirement liability)	**43**	**43**	**-**	**43**	**-**	**-**

	December 31, 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	₱7,030,943	₱7,030,943	₱7,030,943	₱ -	₱ -	₱ -
Trade and other receivables - net	25,662,903	25,662,903	25,662,903	-	-	-
Derivative assets	4,621	4,621	4,621	-	-	-
AFS financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	9,416	9,416	-	-	-	9,416
Financial Liabilities						
Notes payable	8,647,785	8,668,590	8,668,590	-	-	-
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,343,256	14,343,256	14,343,256	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position)	249,772	249,772	249,772	-	-	-
Long-term debt - net of debt issue costs	4,483,300	4,877,952	194,573	4,683,379	-	-
Other noncurrent liabilities (excluding retirement liability)	41	41	-	41	-	-

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

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

<u>Trade and Other Receivables</u>
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk. The Group has no significant concentration of the credit risk with any counterparty.

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

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

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

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

Financial information on the Group's maximum exposure to credit risk as at March 31, 2014 and December 31, 2013, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	March 31, 2014	December 31, 2013
Cash and cash equivalents	**₱20,013,727**	₱7,030,943
Trade and other receivables - net	**9,316,712**	25,662,903
Derivative assets	**10,654**	4,621
AFS financial assets	**9,435**	9,416
	₱29,350,528	₱32,707,883

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

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock
The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and cumulative translation adjustments are excluded from capital for purposes of capital management.

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

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

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

8. Financial Assets and Financial Liabilities

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

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

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

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

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

except those covered by hedge accounting relationships, are classified under this category.

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

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

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

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

The Group's derivative assets are classified under this category (Note 7).

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

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

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

The Group's cash and cash equivalents and trade and other receivables are included under this category (Note 7).

HTM Investments. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired.

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

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or are 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 (Note 7).

<u>Financial Liabilities</u>
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 (Note 7).

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

The Group's liabilities arising from its trade or borrowings such as notes payable, trade payables and other current liabilities, long-term debt and other noncurrent liabilities are included under this category (Note 7).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Debt Issue Costs

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

Offsetting Financial Instruments

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

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

	March 31, 2014		December 31, 2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱20,013,727**	**₱20,013,727**	₱7,030,943	₱7,030,943
Trade and other receivables - net	**9,316,712**	**9,316,712**	25,662,903	25,662,903
Derivative assets	**10,654**	**10,654**	4,621	4,621
AFS financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**9,435**	**9,435**	9,416	9,416
Financial Liabilities				
Notes payable	**6,907,597**	**6,907,597**	8,647,785	8,647,785
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	**13,821,085**	**13,821,085**	14,343,256	14,343,256
Derivative liabilities (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position)	**82,658**	**82,658**	249,772	249,772
Long-term debt - net of debt issue costs	**4,485,329**	**4,526,241**	4,483,300	4,533,089
Other noncurrent liabilities (excluding retirement liability)	**43**	**43**	41	41

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

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

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

Notes Payable and Trade Payables and Other Current Liabilities. The carrying amounts of notes payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. As at March 31, 2014 and December 31, 2013, discount rates used range from 1.72% to 2.63% and 0.47% to 2.48%, 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 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 March 31, 2014 and December 31, 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 March 31, 2014 and December 31, 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 March 31, 2014 and December 31, 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 period 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.

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 March 31, 2014 and December 31, 2013 of 108,658 and 174,248 metric tons, respectively. These options can be exercised at various calculation dates in 2014 with specified quantities on each calculation date. As at March 31, 2014 and December 31, 2013, the net negative fair value of these options amounted to ₱30.7 million and ₱185.9 million, respectively.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at March 31, 2014 and December 31, 2013, the total outstanding notional amount of such embedded currency forwards amounted to US$47.9 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 March 31, 2014 and December 31, 2013, the net negative fair value of these embedded currency forwards amounted to ₱41.3 million and ₱59.2 million, respectively.

For the periods ended March 31, 2014 and 2013 and December 31, 2013 and 2012, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to ₱44.0 million, (₱72.2 million), (₱475.2 million), and ₱205.5 million, respectively.

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.

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

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

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

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

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

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

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

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

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

March 31, 2014

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	**₱ -**	**₱10,654**	**₱10,654**
AFS financial assets	**8,312**	**1,123**	**9,435**
Financial Liabilities			
Derivative liabilities	**-**	**82,658**	**82,658**

December 31, 2013

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	₱ -	₱4,621	₱4,621
AFS financial assets	8,312	1,104	9,416
Financial Liabilities			
Derivative liabilities	-	249,772	249,772

As at March 31, 2014 and December 31, 2013, the Group has no financial instruments valued based on Level 3. During the period, 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.

9. Other Matters

a. On May 7, 2014, the Company's BOD declared cash dividends to all preferred shareholders of record as at May 22, 2014 amounting to ₱20.00 per share, payable on June 3, 2014.

b. There were no unusual items as to 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.

c. There were no material changes in estimates of amounts reported in prior financial years.

d. Certain changes in prior period's amounts were due to reclassifications for consistency with the current period presentation. These reclassifications had no effect on the reported financial position and financial performance for any period.

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

f. 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 operations.

g. 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 consolidated statements of financial position date, except for Note 35 (b) of the 2013 Audited Consolidated Financial Statements that remain outstanding as at March 31, 2014. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

h. 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 March 31, 2014.

i. Except for the Processed Meats, Dairy, Poultry and Fresh Meats businesses which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicality on the interim operations of the Company's other businesses are not material.

j. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at end of March 31, 2014. These consist mainly of constructions and fixed asset acquisitions. Also included are the major repairs of fixed assets needed for normal operations of the businesses. These projects will be carried forward to the next quarter until completion. The fund to be used for these projects will come from available cash and short-term loans.

Annex “B”

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Pure Foods Company Inc. (“SMPFC” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at and for the period ended March 31, 2014 (with comparative figures as at December 31, 2013 and for the period ended March 31, 2013). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2014, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

I. FINANCIAL PERFORMANCE

2014 vs 2013

The Group posted strong first quarter results as consolidated net income increased by 27% driven by Poultry and Fresh Meats, Flour and Dairy businesses.

Revenues reached P24.2 billion, a 5% growth or a P1.3 billion increase versus 2013, on account of higher sales volume and better selling prices in most of the businesses.

Similarly, cost of sales of P19.7 billion was up by 5%, or an increase of P911.0 million compared to same period in 2013, largely due to higher volume and increase in costs of some major raw materials.

Gross profit posted 8% growth driven by higher revenues and the Group’s initiatives to continuously improve operational efficiencies that helped reduce costs. Also, increased availability of cheaper alternative input materials tempered the impact of rising raw material prices.

Interest expense and other financing charges dropped by 28% primarily due to lower average level of borrowings coupled with decrease in banks’ lending rates.

Interest income decreased by 59% due to lower average level of money market placements and reduction in interest rates.

The sale of SMPFC’s shares in Manila Electric Company (Meralco) in September 2013 explained the 100% decline in the equity in net earnings of an associate.

Gain (loss) on sale of property and equipment contrasted that of 2013 on account of the loss recognized on retirement of certain fixed assets during the first quarter of 2014 versus the gain recognized from disposal of assets for the same period in 2013.

Other income (charges) - net likewise contrasted that of 2013 primarily due to the year-to-date March 2014’s net unrealized mark-to-market gain on wheat options as against the net unrealized mark-to-market loss during the first quarter of 2013.

The commendable overall performance of the Group resulted in higher taxable income, thus, the 39% and 71% increases in income before income tax and income tax expense, respectively.

Net income attributable to equity holders of the Parent Company was higher versus 2013 level due to better combined performances of subsidiaries where SMPFC holds significant ownership.

On the other hand, net loss attributable to non-controlling interests was reduced due to lower loss recognized by certain subsidiaries where non-controlling stockholders hold stake.

Business Highlights:

Agro-Industrial

San Miguel Foods, Inc.'s (SMFI) Feeds business posted 3% revenue growth mainly due to higher volume brought about by the strong performance of certain feed segments of the business. The continuous effort to minimize costs and improve operational efficiencies enabled the Feeds business to register a modest growth in operating income.

Revenue of the combined Poultry and Fresh Meats business of SMFI went up by 11% largely on account of the increased sales volume of poultry products and better selling prices as the industry's demand and supply situation improved in the first quarter of 2014. This, combined with improvements in growing efficiencies, translated to an operating profit higher than same period in 2013.

Value-Added

The Purefoods-Hormel Company, Inc.'s (PF-Hormel) revenue for the first quarter of 2014 was lower than last year's level due to the purposive move to reduce *'sales-to-trade'* to normalize the high inventory level coming from December of last year. As a result, operating income of PF-Hormel's Process Meats business decreased as compared to first quarter of 2013.

Milling

Revenue of the Company's Milling business under San Miguel Mills, Inc. (SMMI) grew by 11% on account of higher flour sales volume and additional revenue from the grain terminal operations. The reduction in wheat cost, although resulted in a slide in selling prices, enabled the business to surpass last year's operating income.

Dairy and Others

Most categories under Magnolia, Inc.'s (Magnolia) Dairy, Fats and Oils business registered volume growth, thus, the 9% increase in revenue. The higher revenue, combined with effective fixed costs management, resulted in operating income that exceeded 2013's performance.

San Miguel Super Coffeemix Co. Inc.'s (SMSCCI) ended the first quarter of 2014 with improvements in operating performance compared with same period in 2013 mainly on account of the 17% revenue growth and lower fixed costs.

2013 vs 2012

SMPFC posted commendable first quarter 2013 result as consolidated net income grew by 19% on the back of the improved performance of the Agro-Industrial cluster, composed of Poultry and Fresh Meats, and Feeds businesses, and the strong performance of the other major businesses.

The increase in revenues brought about by higher volume and better selling prices, combined with cost breaks in some raw material prices, resulted in 25% surge in gross profit.

Selling and administrative expenses went up by 21% mainly due to higher advertising and promotions spending on brand-building activities, increased rental, warehousing and third party services costs brought about by higher sales volume and inventory, and higher distribution and transportation costs.

Higher monthly average level of borrowings to partly finance expansion projects and working capital requirements of certain subsidiaries resulted in a 13% increase in interest expense and other financing charges versus 2012's level.

Interest income dropped by 37% due to the decline both in the average level of money market placements and in the placement rates in the first quarter of 2013 as against same period in 2012.

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

Lower gain on sale of property and equipment was recognized due to minimal disposal of idle assets during the first quarter of 2013 versus same period in 2012.

Other income (charges) - net contrasted that of 2012 mainly due to mark-to-market loss brought about by lower market price of wheat options and lower mark-to-market gain recognized from the Group's embedded third currency transactions.

The strong overall performance of the Group resulted in higher taxable income, thus, the 18% and 15% increases in income before income tax and income tax expense, respectively.

Net income attributable to equity holders of the Parent Company was higher versus 2012 level due to better combined performances of subsidiaries where SMPFC holds significant ownership.

On the other hand, net income attributable to non-controlling interests contrasted that of 2012 as certain subsidiaries where non-controlling stockholders hold stake did not achieve their profitability.

Business Highlights:

Agro-Industrial

Notwithstanding the prolonged backyard hog market contraction which resulted in the decline in volume, SMFI Feeds business posted a modest 2% 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 business to achieve double-digit growth in operating income.

SMFI's combined Poultry and Fresh Meats business registered 5% increase in revenue due to favorable selling prices and robust sales in stable-priced channels such as Magnolia Chicken Stations and Monterey Meat Shops. From an operating loss in the same period in 2012, the business recorded a strong turnaround in operating performance on the back of the improvements both in selling prices and hog growing efficiencies.

Value-Added

The PF-Hormel's Processed Meats business delivered favorable result with revenue and operating profit posting double-digit growths mainly due to the strong performance of PF-Hormel's core brands led by Tender Juicy, Purefoods Star Hotdog, Purefoods Fun Nuggets and Purefoods Corned Beef.

Milling

Despite the softening of flour prices, the Company's Flour business under SMMI registered revenue almost at par with 2012's level because of higher volume. The improvements in wheat cost helped the business surpassed operating income in the same period of 2012.

Dairy and Others

The combined effect of the 5% increase in revenue and the drop in prices of dairy ingredients enabled the Company's Dairy, Fats and Oils business under Magnolia to achieve a double-digit growth in operating income.

SMSCCI posted a revenue growth of 27% on account of the improved sales in the general trade, supported by increased level of advertising and promotion spending.

II. FINANCIAL POSITION

The Group's consolidated financial position remained stable with current ratio as at March 31, 2014 recorded at 1.68:1. Debt to equity ratio, on the other hand, increased from 0.72:1 in December 2013 to 1.06:1 in March 2014 due to the declaration on the same month of P8.0 billion cash dividend to SMPFC's common shareholders.

Analysis of Financial Position Accounts

<u>Unaudited Financial Position as at March 31, 2014 vs Audited December 31, 2013</u>

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. The collection of peak season sales made in December 2013 likewise contributed to the drop in trade and other receivables - net.

Proceeds from collections were then used to pay-off maturing short-term loans, thus, the 20% decline in notes payable.

Inventories grew by 10% mainly due to the shipment of soybean meal, usage of which will commence in the second quarter of 2014, and the increased availability of another major raw material for feeds.

Year-to-date March 2014's net unrealized mark-to-market gain on wheat options explains the increase in derivative assets.

Prepaid expenses and other current assets was 6% lower versus year-end 2013 level as December balance includes input taxes recognized on delayed billings of some third party suppliers which were subsequently applied against output taxes payable in the first quarter of 2014.

Noncurrent biological assets grew by 5% due to the increase in volume of breeding stock.

Compared to year-end 2013 balance, deferred tax assets as at March 2014 dropped by 6% due to higher unrealized mark-to-market loss recognized in December 2013.

Other noncurrent assets declined by 7% on account of the reclassification of input taxes from noncurrent to current status.

Trade payables and other current liabilities rose by 46% while unappropriated retained earnings dropped by 43% due to the declaration in March 2014 of P8.0 billion cash dividend to all outstanding common shareholders of the Company payable in May 2014.

Income tax payable was 62% higher versus year-end 2013 level on account of the Group's income tax liability in the first quarter of 2014 which added to the outstanding 2013 tax liability.

The cash dividend declaration by a subsidiary where non-controlling stockholders hold stake resulted in a 19% decline in the balance of non-controlling interests.

Unaudited Financial Position as at March 31, 2013 vs Restated December 31, 2012

Cash and cash equivalents dropped by 10% as funds were used for cash dividend payments and to partly settle certain payables with suppliers.

Trade and other receivables - net decreased by 7% as peak season sales made in December 2012 were collected during the first quarter of 2013. Proceeds from these collections were likewise used to pay-off the Group's suppliers.

The 34% decrease in derivative assets is largely due to the lower market price of wheat options.

Other noncurrent assets rose by 8% mainly on account of the accumulated creditable input taxes on capital expenditures of a subsidiary, operations of which is expected to commence by the third quarter of 2013.

Notes payable grew by 21% due to short-term borrowings made to finance capital expenditures and working capital requirements.

Payments made by the Group to suppliers resulted in the 15% decline in trade payables and other current liabilities.

Income tax payable was 39% higher versus year-end 2012 level on account of the Group's income tax liability in the first quarter of 2013 resulting in additional income tax, on top of the outstanding 2012 tax liability.

The 11% decrease in deferred tax liabilities resulted from a subsidiary's recognition of unrealized losses from valuation of wheat options.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	March 31	
(In millions)	**Unaudited 2014**	**Unaudited 2013**
Net cash flows provided by (used in) operating activities	P1,763.1	(P476.5)
Net cash flows provided by (used in) investing activities	13,475.6	(1,024.1)
Net cash flows provided by (used in) financing activities	(2,244.9)	1,066.3

Net cash flows provided by (used in) operations basically consist of income for the period and changes in non-cash current assets, certain current liabilities and others.

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

	March 31	
(In millions)	**Unaudited 2014**	**Unaudited 2013**
Proceeds from sale of investment and property and equipment	P13,886.5	P3.0
Acquisitions of property, plant and equipment	(70.6)	(567.8)
Increase in noncurrent biological assets and other noncurrent assets	(332.9)	(487.1)
Increase (decrease) in other noncurrent assets	(7.4)	27.8

The net cash flows provided by (used in) financing activities consist of the net availments (payments) of short-term loans and payment of dividends to shareholders.

The effect of exchange rate changes on cash and cash equivalents amounted to (P11.0) million and P0.1 million in March 31, 2014 and 2013, respectively.

IV. 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	Unaudited March 2014	Audited December 2013
Liquidity: Current Ratio	1.68	2.15
Solvency: Debt to Equity Ratio	1.06	0.72
Asset to Equity Ratio	2.06	1.72
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	10.59%	11.88%
Interest Rate Coverage Ratio	17.89	15.61

KPI	Unaudited Period Ended March 2014	Unaudited Period Ended March 2013
Operating Efficiency: Volume Growth	4.87%	(0.80%)
Revenue Growth	5.50%	2.54%
Operating Margin	5.51%	3.99%

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

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

* *Annualized for quarterly reporting; excluding cash dividends paid to preferred shareholders*

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

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS AT MARCH 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	₱7,545,890,033.36	₱4,174,810,529.74	₱1,316,305,040.19	₱341,306,494.29	₱225,884,429.50	₱1,487,583,539.64
Less: Allowance	491,901,117.79	-	-	-	-	491,901,117.79
Net Trade Receivable	7,053,988,915.57	4,174,810,529.74	1,316,305,040.19	341,306,494.29	225,884,429.50	995,682,421.85
B. Non-Trade	2,288,616,425.45	270,747,979.99	133,985,632.08	428,120,603.00	75,480,208.80	1,380,282,001.58
Less: Allowance	25,893,661.37	-	-	-	-	25,893,661.37
Net Non-Trade Receivable	2,262,722,764.08	270,747,979.99	133,985,632.08	428,120,603.00	75,480,208.80	1,354,388,340.21
Net Receivables	₱9,316,711,679.65	₱4,445,558,509.73	₱1,450,290,672.27	₱769,427,097.29	₱301,364,638.30	₱2,350,070,762.06

Accounts Receivable Description

Trade - Receivables arising from the ordinary course of business.
Non - Trade - consist mostly of receivables from affiliates/SMC subsidiaries/receivables from employees and deposits/claims from suppliers.

II. Accounts Receivable Description

	Type of Accounts Receivable:	Nature/Description	Collection Period
a.	Trade Receivables	Sales of fresh and processed meats, poultry, feeds, flour,cooking oils, breadfill, desserts and dairy-based products and importation and marketing of coffee and coffee-related products	
		San Miguel Foods, Inc	46 days
		San Miguel Mills, Inc. and subsidiaries	25 days
		Magnolia, Inc. and subsidiaries	38 days
		PT San Miguel Pure Foods Indonesia	62 days
		San Miguel Pure Foods International Limited	44 days
		San Miguel Super Coffeemix Co., Inc.	35 days
		The Purefoods-Hormel Company, Inc.	53 days
b.	Non-Trade Receivables	Advances to affiliates and company loans extended to employees	
		Employee loans and advances	Every 15^{th}& 30^{th} of the month
		Advances to Affiliates	Upon demand

III. Normal Operating Cycle

San Miguel Foods, Inc.	110 days
San Miguel Mills, Inc. and subsidiaries	57 days
Magnolia, Inc. and subsidiaries	95 days
PT San Miguel Pure Foods Indonesia	155 days
San Miguel Pure Foods International Limited	132 days
San Miguel Super Coffeemix Co., Inc.	222 days
The Purefoods-Hormel Company, Inc.	145 days