COVER SHEET

1	2	9	9	8					

SEC Registration Number

R	F	M		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S	

(Company's Full Name)

R	F	M		C	o	r	p	o	r	a	t	e		C	e	n	t	e	r	,		C	o	r	n	e	r					
P	i	o	n	e	e	r		a	n	d		S	h	e	r	i	d	a	n		S	t	r	e	e	t	s					
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y																	

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

Enrique Oliver Rey-Matias
(Contact Person)

631-8101
(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

1	7	-	A	

(Form Type)

	7		2	5

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Article X
Amended Articles Number/Section

Total Amount of Borrowings

3,157
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2018**

2. SEC Identification Number **12998** 3. BIR Tax Identification Number **000-064-134-000**

4. Exact name of registrant as specified in its charter: **RFM CORPORATION**

5. **Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of Incorporation or organization — Industry Classification Code:

7. **RFM Corporate Center, Corner Pioneer and Sheridan Streets, Mandaluyong City** **1550**
Address of principal office — Postal Code

8. **(632) 631-81-01**
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 SRC, or SEC 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 par value	**3,482,057,866 shares**

11. Are any or all of these securities listed in the Philippine Stock Exchange?
Yes [✓] No [ ]

All of RFM Corporation's common shares are listed at the Philippine Stock Exchange.

12. The registrant:
a. has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 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 90 days.
Yes [✓] No [ ]

13. Aggregate value of the voting stock held by non-affiliates: **P 284 Million**

14. Documents incorporated by reference. **None**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1 - Business

The RFM Group

RFM Corporation (the "Company") is a major player in the food and beverage industry in the Philippines, specifically in the processing and manufacture of flour, bread, flour-based products like pasta and cake mixes, sauces, milk and juice drinks, and ice cream.

The Company also operates non-food businesses, which include barging services (Rizal Lighterage Corporation) and leasing of commercial/office spaces (Invest Asia Corporation) that serves the internal requirement of the various operating divisions.

History and Business Development

RFM Corporation was incorporated on August 16, 1957 as Republic Flour Mills, Inc. to manufacture flour in the Philippines, a country which does not grow wheat, in order to contribute to the country's greater self-reliance in basic food. From its original business of flour milling, the Company diversified into poultry and livestock production and areas of food manufacturing that includes flour-based products, margarine, milk & juices, canned and processed meat, ice cream, and bottled mineral water.

After RFM established itself in the flour milling business, the Company, in 1963, commissioned new plant facilities to produce cooking oil and margarine. This was then followed by the establishment of a feed mill in 1965 to manufacture poultry and hog feeds, of which key raw materials – bran and pollard – were by-products of the flour operations.

In the early 1971, RFM integrated forward into hog and poultry breeding. It entered into a licensing agreement with Peterson Industries and H & N Layers to breed day-old chicks. The Company, though, divested from the hog operation in 1994, and in the poultry business in 2003 by way of property dividends to its shareholders.

In 1973, the Company signed an exclusive licensing agreement with Swift and Company of Illinois (now Armour Swift & Echrich of the ConAgra Group). This move initiated the entry of RFM into the business of chilled and canned meat processing using the "Swift" brand name. A continuous meat processing plant, the first in the country, was constructed in 1975. The "Swift" brand name was eventually purchased by RFM in 1987, allowing the Company the rights to its exclusive use in the Philippines. The "Swift" brand name is being shared by RFM and Swift Foods, Inc. in their production and sale of processed meat and chicken products, respectively.

From the 1970s to 1980s, RFM concentrated primarily on growing its established core businesses. It also introduced grocery items, such as cake mixes, hotcake mixes, and ingredient mixes during this period.

As RFM began to enter the 1990s, it envisioned itself to become a truly diversified Food Company catering to the Filipino taste. This goal was and continues to be implemented through two approaches: strategic acquisition of Filipino companies with strong local brands, and partnerships with internationally renowned food institutions.

This vision was first manifested in the purchase of Cosmos Bottling Corporation (Cosmos), a Filipino softdrinks company, in 1989, from the Wong Family. Then in 1990, RFM acquired the "Selecta" trademark from the Arce Family. RFM invested in new machinery under a new company, Selecta Dairy Products, Inc. (Selecta), to mass produce the locally famous ice cream flavors within international health standards. And in 1993, the Company ventured into the production of ready-to-drink (RTD) ultra-heat treated (UHT) milk and juices in tetra-packaged format using the brand names Selecta Moo and Sunkist, respectively.

In 1994, Swift, Selecta, and Cosmos conducted an initial public offering of its shares of stock through the Philippine Stock Exchange.

A year later, in 1995, the Company incorporated RFM Properties and Holdings, Inc. to consolidate its real estate assets as well as to break into the land and housing development business. The company was later renamed Philippine Townships, Inc. In 2008, the company was again renamed to Philtown Properties, Inc.

RFM continued to expand its businesses as it ventured into noodle manufacturing, tuna processing, bakeshop business with the acquisition of the Rolling Pin trademark, food franchising with the use of Little Ceasar's Pizza brand of the USA, and thrift banking under Consumer Bank.

The Asian Financial Crisis of 1997, however, put a halt to the business expansion of RFM. The ensuing economic slowdown, more cutthroat market competition, and the dearth of capital financing weighed heavily on the financial operations of the Company. Furthermore, the US$83.7M bond, which it obtained in 1996, became due in 2001, and its payment forced RFM to sell many of its operating subsidiaries, including Consumer Bank which was sold to Philippine Bank of Communications, and Cosmos which was sold to Coca-Cola Inc. and San Miguel Corporation.

In 2003, the company's common shares from Swift Foods, Inc. were declared as property dividends to its stockholders. Likewise, the company's common shares from Philtown Properties, Inc. (formerly Philippine Townships, Inc.), the property company, were declared as property dividends in tranches in 2008, 2009 and 2012. However, the company remains committed in liquidating its landholdings through the development of middle income housing enclaves. It also builds condominium projects in saleable areas in Fort Bonifacio, Rockwell, and Taft.

The remaining business, nevertheless, gives RFM the foundation to build on. Within the Parent Company, the original business of flour making continues; as well as branded food products such as Swift processed chilled and canned meats like hotdogs, vienna sausage, and corned beef, Sunkist Juices, Selecta Milk, Fiesta Pasta Noodles, White King Hot Cake, Butterfresh Margarine, among others. The ice cream business remains profitable and is presently co-owned with Unilever Philippines, under a new corporate name, Unilever RFM Ice Cream, Inc.

In late 2012, RFM entered into a Trademark and Asset Purchase Agreement with The Pacific Meat Company, Inc. (PMCI). The terms of this agreement includes RFM's sale of the "Swift" brand, together with finished goods and raw material inventories, the goodwill of the business connected with the trademarks used for its canned, pouch flexible heat sterilized, refrigerated, chilled and frozen meat products, and certain machinery and equipment, as well as all product formulations, processes, know-how and other technical information relating to the production of meat products.

Early 2014, RFM purchased the Royal pasta trademark and inventory stocks from Unilever Philippines, Inc. (ULP). The company believes this would allow RFM to tighter its market leadership in the pasta category.

The Group and the Products

Food Businesses

RFM Corporation (Parent Company)

RFM Corporation operates two major business segments:

- Institutional segment, which primarily manufactures and sells flour, bakery and other bakery products to institutional customers; and
- Consumer segment, that manufactures and sells ice cream, milk and juices, pasta products, and flour and rice-based mixes.

See table on sales.

Unilever RFM Ice Cream, Inc. (formerly Selecta Wall's Inc.)

Unilever RFM Ice Cream, Inc. is a joint venture enterprise owned 50%-50% by RFM Corporation and Unilever Philippines, Inc. It is engaged in the business of manufacturing, marketing, distributing and selling, importing and exporting of ice cream, ice cream desserts and ice cream novelties, and similar food products.

Interbake Commissary Corporation

Interbake Commissary Corporation was established in 1998, and operates a high-speed Bun Production Line. Its first and continues to be the biggest customer is McDonald's. Interbake supplies the bun requirements to McDonald's over 415 stores in Luzon, as well as the muffin requirements nationwide. Through the years, Interbake has gained an outstanding reputation for delivering world-class quality buns, enabling it to further expand its customer base which now includes 7-11 convenience stores in Luzon. Since 2007, Interbake's bread sales volume had an average annual increase of 10%. In July 2013, the manufacturing operations of Interbake have been folded in to the parent company as Private Label Manufacturing Division.

RFM Foods Philippines Corporation

Established in 1991 as RFM-Indofood Philippines Corporation, then a joint venture company between RFM Corporation and Indofood of the Salim Group of Indonesia, the company's main product lines were instant noodles of various flavors and packaging. The Company, however, ceased operations in October 2000 due to operating losses. The company has been renamed RFM Foods Philippines Corporation, and remains dormant.

Southstar Bottled Water Company, Inc.

Southstar Bottled Water Company, Inc. (Southstar) was incorporated in 1992 to manufacture and distribute all kinds and classes of bottled water, carbonated water, drinking water, fluoridated water, mineral water, natural water, purified water, spring water, well water, flavored water, as well as bottling equipment, purification equipment, coolers, dispensers, water treatment plants, water bottling plants, bottles, crates, including their accessories, attachments, spare parts and any merchandise of similar nature. Southstar, however, suspended its operations due to sustained operating losses.

Engrain – RFM Pacific, Inc.

Engrain – RFM Pacific Inc. (ERPI) is a joint venture owned 50% - 50% by RFM Corporation and Engrain LLC. It was incorporated in June 2013 to engage in the business of selling, marketing and distributing wholesale enzyme-enhanced flour and products for the Philippines and Asia Pacific market.

FWBC Holdings, Inc.

FWBC Holdings, Inc. is 83.38% owned by RFM Corporation, and organized in 2001 to hold and manage Filipinas Water Bottling Corporation (FWBC). FWBC is involved in the processing and distribution of bottled mountain spring water. FWBC, however, ceased operations in June 2012 due to operating losses.

Non-Food Businesses

RFM Equities, Inc.

RFM Equities Inc. is a holding company that is 100% owned by RFM. It was organized in 1996 to hold and manage RFM Corporation's holdings in two small financial services subsidiaries – Conglomerate Securities and Financing Corporation (CSFC) and RFM Insurance Brokers, Inc. (RIBI). CSFC provides consumer-financing services mainly to the managers and employees of the RFM Group. RIBI meanwhile services the insurance needs mainly of the RFM Group, affiliates and business partners. In January 2014, shares in both CSFC and RIBI had been sold.

Rizal Lighterage Corporation

Rizal Lighterage Corporation (RLC) is a barging company that is 93.51% owned by RFM Corporation. It is primarily engaged in providing lighterage and cargo handling services.

Cabuyao Logistics and Industrial Center, Inc.

Formerly Bringmenow, Inc., the company was renamed into Cabuyao Meat Processing Corporation (CMPC) in 2005 upon the transfer into it of the meat manufacturing assets. This is 100% owned by RFM Corporation, and its primary possession is the processing plant in Cabuyao, Laguna, which produces hotdogs, corned beef, hams, and other meat products under the Swift brand. In October 2012, the Company sold its trademark "Swift", finished goods and raw material inventories, as well as specific processed meat equipment. In 2013, the Company was renamed Cabuyao Logistics and Industrial Center, Inc. (CLIC). Due to the discontinuance of the operations of the Parent Company's Meat Division, the use of the Company's operational service areas was also terminated in March 2013. Subsequently, the operations of the Parent Company's Milk and Juice Division were transferred to the Company's premises and facilities in CLIC. When PET line was discontinued its operations, the area where the PET line is located was used to install the Spaghetti Sauce manufacturing lines in 2016.

WS Holdings, Inc.

WS Holdings, Inc. is 60% owned by RFM Corporation and 40% owned by Unilever Philippines, Inc. It was incorporated and registered with the Securities and Exchange Commission in 1999 to invest in, purchase and own shares of stocks, bonds and other securities of obligations including real estate and personal property of any foreign or domestic corporation, or partnership, or association.

Selecta Wall's Land Corporation

Selecta Wall's Land Corporation was incorporated in 1999 to acquire, own, use, develop and hold for investment all kinds of real estate. RFM Corporation owns 35% of this company.

Invest Asia Corporation

Invest Asia Corporation, which owns the RFM head office building and land where the building is located leases commercial and office spaces to its affiliates and third party tenants. RFM Corporation acquired 96% equity interest of Invest Asia and became a subsidiary of the Parent Company on August 2, 2010.

Contribution to Sales

The Group is primarily engaged in manufacturing, milling, and marketing of food and beverage products. The Group operates its business through the business units identified below. Information as to the relative contribution of the divisions and business to total sales are as follows:

Business Unit	**Products**	**Brands**	**Contribution to Sales**
Institutional Group	Flour Products	Republic Special, Cinderella, Hi-Pro Majestic, Señorita, Pantastic, Altar Bread, Customized Flour, All-Purpose Flour, Cake Flour	26.09%
	Hamburger buns, English muffins		
Consumer Group	Flour-based and rice-based products	White King All-Purpose Flour, White King Hotcake Mixes, White King Native Mixes, White King Baking Mixes, White King Bowl Mixes	73.50%
	Pasta	Fiesta Spaghetti, Fiesta Elbow Macaroni, Fiesta Salad Macaroni, Royal Spaghetti, Royal Elbow Macaroni, Royal Salad Macaroni, Royal Linguine, and Royal Penne	
	Spaghetti Sauce	Fiesta Sweet Spaghetti Sauce, Fiesta 3-Cheese Spaghetti Sauce, Fiesta Filipino Style Spaghetti Sauce, Royal Sweet Style Spaghetti Sauce	
	Spaghetti and Sauce bundles	P119 Fiesta Sweet Spaghettipid, P119 Fiesta 3 Cheese Spaghettipid, P109 Fiesta Filipino Spaghettipid, P59 Sweet Spaghettipid, Fiesta Spartyghetti, Royal Sweet Celebration, and Royal Cheesy Celebration	
	Margarine	Selecta Butterfresh	

	RTD Juice, RTD Tea, RTD Milk and Choco Milk, RTD Flavored Milk and RTD Functional Drinks	Sunkist Premium Juice, Sunkist Tetra Juice Drink, Sunkist Juice Drink Doy Packs, Sunco Green Tea and Lemon Tea (Export only), Selecta Moo, Selecta Fortified Low Fat Choco, Selecta Fortified Low Fat Milk, Selecta Fortified Filled Milk, Selecta Fortified Vanilla Milk, Selecta Full Cream Milk, Choco Yey!	
	Ice Cream products	Selecta Supreme, Selecta Super Thick Classic, Selecta Birthday 3-in-1, Selecta Co-brand, Carte D'or, Magnum, Selecta Cornetto, Selecta Cornetto Disc, Selecta Ice Cream Sticks, Selecta Pinipig, Selecta Ice Cream Sandwich, Paddle Pop Watermelon	
Others			0.40%

Domestic and Export Sales

The amounts of revenue, profitability, and identifiable assets attributable to domestic and export operations for 2018, 2017 and 2016 in **Million Pesos** are as follows:

	2018	%	2017	%	2016	%
Sales						
Domestic	13,871	99	12,590	99	12,498	98
Foreign (Export)	200	1	154	1	200	2
	14,071		12,744		12,699	

	2018	2017	2016
Operating income			
Domestic	1,391	1,384	1,374
Foreign (Export)	68	63	57
	1,459	1,447	1,431

Total Assets (All Domestic)	16,796	15,919	14,738

Distribution Methods of the Products or Services

The company engages in different methods of distribution depending on the products/services to meet the needs of customers.

RFM Corporation sells its products through the following accounts: modern trade accounts, distributor accounts, secondary accounts, food service, institutional customers, flour dealers, flour end users and Good Values company store. Modern trade and distributor accounts comprised of hypermarkets, supermarkets, groceries, convenience stores and wholesalers.

Status of New products, Market and Competition

In 2018, RFM, with its two brands – Royal and Fiesta, still remains to be the biggest player in the total Pasta and Spaghetti Sauce category, with 29% market share. The Spaghetti and Sauce bundle is the fastest growing segment under this category, and Fiesta is currently driving this growth.

Fiesta's strong performance in 2018 came from its Spaghetti and Sauce bundles. The brand focused its marketing support on two spaghetti and sauce bundle variants – Filipino and 3 Cheese. The brand's communication on the P119 3 Cheese Spaghettipid talked about how any occasion or normal everyday event can turn into a celebration using Fiesta. Push was also done for its Filipino variant, the P109 Filipino Spaghettipid, and showed for only P109 they can already get a spaghetti and sauce bundle. Both variants grew double digits, 44% and 40% growth, respectively.

Royal also showed positive growth in 2018 with 10% growth coming from its Spaghetti Sauces and Spaghetti and Spaghetti Sauce bundles. In 2018, the brand completed its range of spaghetti sauces by launching its 3rd variant, the Royal Filipino Style Spaghetti Sauce and Royal Pinoy Celebration bundle. These two new products brought in incremental sales to the total brand.

One of RFM's growing brands is Selecta which falls under the RTD Milk Category. RTD White Milk category, which Selecta's core product belongs to, posted a 10.8% growth based on Kantar MAT June 2018. Selecta Fortified Filled Milk, which currently is the fastest growing local brand in the White Milk Business has continuously grew over the past years. In 2018, Selecta Fortified Milk grew by becoming more affordable and more accessible to Filipinos. Kantar showed a growth of 176% for Selecta Fortified Milk, making it the second RTD white milk brand in NCR and third RTD white milk brand nationwide. In 2019, Selecta hopes to further explode the market by continuing to address the barriers of cost and convenience while being supported by an above the line campaign.

As the market for healthy food and drink grows in the Philippines, the same can be seen in healthier variants of milk such as Non-fat and Low fat milk. Because of this, a huge potential can be seen in Selecta's Low Fat variant. In 2018, Selecta Fortified Low Fat Milk promo packs were launched to make low fat milk more accessible and more affordable to Filipinos. In 2019, Selecta aims to grow further as it continues to improve distribution and placement thereby becoming the healthy and affordable low fat milk for Filipinos.

In 2018, the RTD Juice Category experienced many challenges due to the implementation of excise tax on sugar-sweetened beverages. To minimize the impact of this, the management decided to increase selling prices of Sunkist Juices. To ensure that Sunkist remains to be affordable to many Filipinos, keeping faithful to its promise of being the trusted orange juice drink brand that provides quality and affordable orange juice drink to Filipinos, promos were launched.

The Selecta Ice Cream business, under the joint venture with Unilever Philippines, Inc. (ULP) continued to dominate the ice cream category with 76.5% market share. It has launched various ice cream innovations both in the bulk ice cream category (in containers) and the impulse (single-served) category. For the bulk ice cream, it launched favorite Filipino desserts-inspired and trendy flavors for the summer and Christmas seasons under the Supreme platform. Selecta also relaunched its Cookies and Cream Hersheys Cobranded Line which generated good growth for bulk ice cream. On impulse, Selecta Cornetto launched new flavors for the core line and had a major relaunch of its premium line, Cornetto Disc. Magnum also drove growth in the Impulse segment with its back-to-core campaign and strong limited edition flavors.

Competing companies such as Nestle (7.7% market share), Magnolia (7.5% market share), and small brands continue to be aggressive, particularly in the bulk ice cream segment. New player Aice in Impulse segment also entered the market.

For the flour business, the company continues to provide commodity flour to several institutional accounts and flour-based product manufacturers and retailers like biscuits, noodles cakes and bread-makers. There are eleven flour millers in the country, under two trade associations – Philippine Association of Flour Millers

(PAFMIL) and Chamber of Philippine Flour Millers, Inc. (Champflour). RFM Corporation is a member of PAFMIL. The Company has about 8% to 9% of total industry volume sales.

Purchases of Raw Materials and Supplies

RFM Corporation sources Raw and Packaging materials both domestic and overseas.

The Company imports Wheat from U.S., while Durum Semolina from Australia and Dubai, UAE. Tomato Paste currently sourced in China.

Dairy commodity: Skimmed Milk Powder, Buttermilk Powder and Anhydrous Milk Fat mostly bought from Oceania region, though, open to U.S. and Indian origins. Other imported materials procured from countries such as, but not limited to, Germany, U.S., China, Taiwan, Singapore and Indonesia.

Payment terms vary for each supplier. It ranges from Letter of Credit, Documents against Payment at Sight, Documents against Acceptance, Telegraphic Transfer and other applicable payment terms agreeable to both parties.

Customers

RFM Corporation has a wide range of products that cater to all socio-economic class and all age groups.

Its products are sold through hypermarkets, supermarkets, groceries, convenience stores, drug stores, wholesalers, distributors, institutional customers, food establishments, flour dealers, flour end users and the company store.

RFM Corporation is not dependent on any single or few customers that might have any material adverse effect on its business, except for the processing and exclusive sale of hamburger buns, muffins and hotcake to Golden Arches (McDonald's) and hotdog buns to Philippine Seven Corporation (7-11). These buns account for about 95% of the total sales of Private Label Manufacturing Division of RFM Corporation in 2017 and 93% in 2016.

Related Party Transactions

The Group, in the regular course of business, transact with related parties, which may consist but not limited to the following:

- Purchase of goods and services.
- Lease of the plant, property and equipment for manufacturing operations.
- Distribution, sale and merchandising of RFM Group products.

Trademark, Royalty and Patents

A Trademark License Agreement was entered into with Unilever RFM Ice Cream, Inc. for the exclusive right to use the "Selecta" trademarks in its ice cream products and to manufacture, market, and sell Selecta trademarked products. The agreement shall be co-terminus with the Joint Venture Agreement between RFM Corporation and Unilever Philippines, Inc. The license is free from royalty fee and any similar kind of payment. On December 3, 2008, the Trademark License Agreement was extended for another ten (10) years, or from March 30, 2009 to March 29, 2019.

On 01 January 1995, RFM entered into a Trademark License Agreement (TLA) with Sunkist Growers, Inc. (Sunkist). Under the said agreement, Sunkist grants RFM (a) exclusive right, without the right to sublicense, to use the Sunkist Trademark(s) and related Trade dress approved by Sunkist, in connection with the

marketing, distribution and sale of licensed products in the Philippines; (b) exclusive right, without the right to sublicense, to use the Know-How within the Philippines for the production and sale of Licensed Products; (c) the right and privilege to receive technical assistance regarding the implementation of Know-How; and (d) to make available Base Ingredients directly or through authorized Base Ingredients Suppliers to enable RFM to manufacture Licensed Products. For and in consideration of the rights granted above, RFM pays an annual royalty to Sunkist. The Amendment to the TLA was extended for another five (5) years or from 01 January 2005 to 31 December 2009. Another Amendment extending the TLA for another five years was signed by the Parties on 27 January 2010.

On 13 March 2009, Swift Foods, Inc. (SFI) re-assigned and returned to RFM all its rights and interests in the well-known Swift trademark. IPO registration of the mark has been transferred under RFM and a new Certificate of Registration has accordingly been issued to RFM.

In late 2012, RFM entered into a Trademark and Asset Purchase Agreement with The Pacific Meat Company, Inc. (PMCI). The terms of this agreement includes RFM's sale of the "Swift" brand, together with finished goods and raw material inventories, the goodwill of the business connected with the trademarks used for its canned, pouch flexible heat sterilized, refrigerated, chilled and frozen meat products, and certain machinery and equipment, as well as all product formulations, processes, know-how and other technical information relating to the production of meat products.

In January 2014, the Group acquired the Royal trademark from the Unilever Group for ₱2.1 billion (US$46.0 million).

Need for Any Government Approval of Principal Products and Compliance with Environmental Laws

The Group complies with environmental laws and secures government approval for all its products. The Company has existing permits from various government agencies that include the Bureau of Food and Drug (BFAD) and the City Environment and Natural Resources Office (CENRO). The Company also complies with the requirements of Laguna Lake Development Authority (LLDA) for environmental sanitation purposes.

The Company believes that it has complied with all applicable environmental laws and regulations, and incurred about ₱352,954.10 and ₱256,158 during the years 2018 and 2017, respectively, for payment of annual permits and fees.

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the business or financial condition.

Research and Development Activities

The Company invests in Research and Development (R&D) which is necessary for corporate viability. R&D activities focus on customer and consumer satisfaction through innovation via new product development and/or improvement, in new or existing categories via line extensions and formulation review. The development process starts from idea generation/brainstorming that leads to prototype development. Market research activities such as focus group discussions and product tests are done to ensure we are guided by consumer insights and needs. Product standards and specifications are then established including process parameters, equipment/line efficiencies, packaging studies and shelf-life tests. Every product launched in the market had undergone stringent quality control checks to ensure sensory acceptability, food safety and stability.

Aside from Product development, Packaging also plays a critical role in ensuring safety of our products, hence, the Company hired full-time Packaging Engineers to handle testing of various materials suitable for each product type. Stability tests and shelf-life studies as well as transit tests are part of the total development

process. Furthermore, process audits are done to ensure that set standards are strictly being followed, aside from making process improvements for better efficiency.

The Innovation Team, composed of R&D, Marketing and Operations group constantly meet to check project status and monitor deliverables and timelines to ensure flawless execution of new product launches.
We are constantly updated on trends and new technologies to keep us ahead of competition.

The Team conducts regular trade checks for stocks availability and maintain freshness policy.
With reference to regulatory requirements, we have designated personnel doing transactions with the Food and Drug Administration (FDA) to comply with all market requirements, both for local and export markets.

For the last three years, the Company spent about P 7.8 million in 2018, P7.1 million in 2017 and P6.9 million in 2016, for research and development.

Employees

As of December 31, 2018, the Company and its subsidiaries had approximately 493 employees, of which 12 are executives, 45 managers and 116 supervisory staff and 320 were non-supervisory staff. The Company does not anticipate any significant increase in the number of its employees in year 2019.

About 13.18% of the total employees of the Company and its subsidiaries are members of various labor unions. The Company and its subsidiaries have collective bargaining agreements with these unions.

The Company believes that its relationship with its employees is generally good. The Company has not recently experienced any material interruption of operations due to labor disagreements. Labor-Management Councils (LCMs) regularly meet to discuss and resolve work-place issues and production matters.

The employees are covered by retirement plans per division. The plans are trusteed, noncontributory defined benefit pension plan covering substantially all permanent employees of the Company. The Company has no stock option plan.

Working Capital

The Company funds its working capital requirements through internally generated funds and from bank borrowings. The working capital finances the purchase of raw materials, inventory, salaries, administrative expenses, tax payments, and sales receivables until such sales receivables are converted into cash.

Major Business Risks

Like any other business, risks are always considered in the ability or inability to achieve the business objectives and execute strategy effectively. RFM Corporation and its subsidiaries perceive the following business risks:

Financial Risk Management Objectives and Policies

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, AFS financial assets, short term investments, accounts receivable, accounts payable and accrued liabilities and advances to and from related parties. The main purpose of these financial instruments includes raising funds for the Group's operations and managing identified financial risks. The Group has various other financial assets and financial liabilities such as other current receivables, other current assets and customers' deposits which arise directly from its operations. The main risk arising from the use of financial instruments is credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk
Credit risk arises from the risk of counterparties defaulting. Management is tasked to minimize credit risk through strict implementation of credit, treasury and financial policies. The Group deals only with reputable counterparties, financial institutions and customers. To the extent possible, the Group obtains collateral to secure sales of its products to customers. In addition, the Group transacts with financial institutions belonging to the top 25% of the industry, and/or those which provide the Group with long-term loans and/or short-term credit facilities.

The Group does not have significant concentrations of credit risk and does not enter into financial instruments to manage credit risk.

The credit quality of financial assets is managed by the Group using internal credit ratings. Credit quality of cash in banks and cash equivalents and AFS financial assets are based on the nature of the counterparty and the Group's internal rating system.

Financial assets that are neither past due nor impaired are classified as "Excellent" account when these are expected to be collected or liquidated on or before their due dates, or upon call by the Group if there are no predetermined defined due dates. All other financial assets that are neither past due or impaired are classified as "Good" accounts.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising fund to meet commitments from financial instruments.

Management is tasked to minimize liquidity risk through prudent financial planning and execution to meet the funding requirements of the various operating divisions within the Group; through long-term and short-term debts obtained from financial institutions; through strict implementation of credit and collection policies, particularly in containing trade receivables; and through capital raising, including equity, as may be necessary. Working capital requirements, on the other hand, are adequately addressed through short-term credit facilities from financial institutions. Trade receivables are kept within manageable levels.

Interest rate risk
The Group's exposure to changes in interest rates relates primarily to the Group's short-term and long-term debt obligations.

Management is tasked to minimize interest rate risk by having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term debts and obligations are market-determined, with the long-term debts and obligations interest rates based on PDST-F-1 plus a certain spread.

There is no other impact on the Group's equity other than those affecting the statement of income.

URICI is not expecting significant exposures to interest rate risk considering the short term maturities of its bank loans. There is no impact on the Groups equity other than those affecting the statement of income.

Foreign exchange risk
The Group's exposure to foreign exchange risk results from the Parent Company and URICI's business transactions and financing agreements denominated in foreign currencies.

Management is tasked to minimize foreign exchange risk through the natural hedges arising from its export business and through external currency hedges. Presently, trade importations are immediately paid or converted into Peso obligations as soon as these are negotiated with suppliers. The Group has not done any external currency hedges in 2018 and 2017.

Market risks

Market risks stems from new and/or existing re-launched products and/or new packaging at low prices being introduced in the market place by competitors. To address these competitive pressures, the Company continues to develop new products in innovative packaging formats to keep a hold on its consumers and increase market share. The strategy requires significant resources for market research, product development, and marketing and promotions. Attendant risks are inventory overstocks, spoilage, and warehousing cost if the new product launched in the market fails to take off. To manage these risks the Company has established a system where success indicators in the target market are closely being monitored and supported by effective supply chain management.

Technological changes

RFM Corporation has been in the flour manufacturing for several decades, and its operating mills are older than many of its competitors which have more modern equipment and, thus, better rated operating yields. To meet these challenges, the Company continues to provide sufficient repairs and maintenance on its equipment and continually upgrades sections of its facilities to remain at par with the modern machineries. Recent installations are a Buhler blending system which allowed for more efficiency in product mixing and customization; and a Buhler carousel packing and weighing system provides very accurate weighing of flour in bags. Likewise, in 2017, the Flour group were able to upgrade Mill II to increase production of All Purpose Flour and transfer some of the capacity of Mill 1B for production of pasta flour. In 2018, it upgraded Mill 1B to improve efficiency, yield and flour absorption. In addition, the Company spends in research and development, particularly in the areas of process engineering and wheat mixtures to produce higher flour yields.

In 2008, the Company invested in a new Buhler C-line Pasta Machine to service its growing market in the spaghetti noodles, under the Fiesta brand. The machine incorporates the patented Polymatik Extrusion Technology, which is presently one of the most advanced in raw material mixing processes, and produces pasta that is firmer, brighter, and with excellent heat tolerance. Further expanding the capacity of the pasta line, the Company invested and installed the Pasta Line 3 in 2014. This is to support the growing volume of the Pasta business.

Improvements, upgrades, and regular maintenance and repairs of its Aseptic Production Line allow the Milk and Juice Division to produce good quality ready-to-drink milk and chocolate-flavored milk. Later part of 2016, a new manufacturing line in Stand-Up pouch format for milk was installed, this is to provide new package format for milk in the market. When PET line was discontinued its operations as part of the rationalizing RFM products in the basis of its profitability contributions to the total business, the area where the PET line is located was used to install the Spaghetti Sauce manufacturing lines last 2016. Sauce line capacity has been expanded last 2017 to 3 lines and last 2018 to 4 lines to support the growing market volume.

Technological advances in manufacturing sector contributed to hectic product competition in the market, RFM recognizes the need to update its technology for a more reliable quality and higher productivity. In 2011 and 2012, the Milk and Juice Division invested in improving and replacing its line instrumentation system which resulted to a fast and more accurate product quality monitoring which ensures that every package conforms to the quality standards. In 2013, the Milk and Juice Division production line was transferred to our Laguna factory compound upgrading it production processes through major overhauling of the machineries and installation of new and more efficient utilities. The production facility was rebuilt and upgraded to further improve compliance to the requirements of the Good Manufacturing Practices. The Company invested P150 Million to this transfer and upgrading. On 2017, the major sterilizing equipment for Milk has been replaced with latest equipment which is designed for higher reliability of milk processing.

Collaboration with technical experts in the field of food science and technology as well as manufacturing has been extended to foreign and local business partners to be updated in the latest food trends, equipment and raw materials sourcing. It has its sources of technology information via attendance to seminars, conferences, conventions, journal subscription and internet access to further enhance its research and development skills and manufacturing processes.

Labor

Like other firms in the food and beverage industry, the Company also partakes of the usual risks of labor unrest and strikes.

On 3 September 2018, the Company was impleaded in a complaint filed before the NLRC NCR, Quezon City by a certain Larry Vic I. Ramos who was an employee of SP Deloraya Job Contracting & Consultancy Services, Inc. (hereinafter referred to as "SP Deloraya"), a third-party contractor which provides manpower services to the Company's Private Label Manufacturing Division. The complainant claimed that he was illegally dismissed and demanded payment of his wages, 13th month pay and regularization, among others. The Company argued that there exists no employer-employee relationship between the complainant and the Company, the complainant being the employee of its co-respondent SP Deloraya. That granting but without conceding that the complainant's abovementioned claims are legitimate, it is the complainant's employer who shall be made answerable to said claims. This being so, the inclusion of the Company and its officers in the case at bar is undoubtedly malicious, tainted with bad faith and misplaced. The Company awaits the resolution of the subject complaint, expecting a favourable outcome.

Item 2 – Properties

RFM Corporation owns a flour milling plant with a daily rated capacity of 930 metric tons per day, and is located in Barangay Pineda, Pasig City. A pasta plant with a rated capacity of 3,000 kgs per hour per spaghetti line (2 lines) and 2,450 kgs per hour for macaroni line (1 line) is also located at RFM Pioneer Plant, Barangay Pineda, Pasig City. A sauce lines (3 lines) located in Cabuyao, Laguna with a rated capacity of 13,579 kilos per day. A milk and juice plant is located in Cabuyao, Laguna, and has a rated capacity of 9.7 million packs per month. The milk and juice Tetra plant currently has five (5) production lines, of which four (4) are owned. Lines are running at 18 hours operation per line for 25 days.

Invest Asia Corporation, a 96% owned subsidiary, owns the RFM head office building and land the building is built on.

In accordance with various loan agreements, the Company and its subsidiaries are restricted from performing certain corporate acts without the prior approval of the creditors, the more significant of which relate to entering into a corporate merger or consolidation, acting as guarantor or surety of obligation and acquiring treasury stocks. The Company and its subsidiaries are also required to maintain certain financial ratios. As of December 31, 2018, the why, including its subsidiaries are in compliance with terms and conditions of these agreements.

A. Institutional Divsion

Description	LOCATION	CONDITION
Land – 32,937 sq. m.	Pineda, Pasig City	
Flour Mills Plant/Building/Silos/ Warehouse	Pineda, Pasig City	In good working condition
Flour Mills-Furniture & Office Equipment	Pineda, Pasig City	In good working condition
Flour Mills - Machinery and Equipment	Pineda, Pasig City	In good working condition
Bun Line	Fairlane, Pasig City	In good working condition
Muffin Line	Fairlane, Pasig City	In good working condition
Spice Mix Building	Fairlane, Pasig City	In good working condition
Warehouse Loading bay	Fairlane, Pasig City	In good working condition
Spaghetti Sauce Line	Cabuyao, Laguna	In good working condition

B. Consumer Division

Description	LOCATION	CONDITION
Pasta Plant/Office/Conference Room/Die Washing Room	Pineda, Pasig City	In good working condition
Pasta Plant – Furniture & Office Equipment	Pineda, Pasig City	In good working condition
Pasta Plant – Long goods line	Pineda, Pasig City	In good working condition
Pasta Plant – Long goods line	Pineda, Pasig City	In good working condition
Pasta Plant – Short goods line	Pineda, Pasig City	In good working condition
Pasta Plant – RM/PM Warehouse	Pineda, Pasig City	In good working condition
Pioneer CDC Warehouse	Pineda, Pasig City	In good working condition

Owned Properties

Description	LOCATION	CONDITION
Milk & Juices Tetra Machines	Cabuyao Laguna (transferred from Manggahan, Pasig City)	In good working condition
Pioneer Business Park Building	Fairlane, Pasig City	Two (2) storey Building

C. Cabuyao Logistics and Industrial Center, Inc.

Description	LOCATION	CONDITION
Land & Improvements	Cabuyao, Laguna	In good working condition
Building & Improvements	Cabuyao, Laguna	In good working condition
Machinery & Equipment	Cabuyao, Laguna	In good working condition

D. Invest Asia Corporation

RFM Building	Corner Pioneer & Sheridan Streets, Mandaluyong City	Eight (8)-storey building with Penthouse

Item 3 – Legal Proceedings

Lawsuits and legal actions are in the ordinary course of the Company's business. However, the Company or any of its subsidiaries is not currently involved in any material pending litigation or legal proceeding that could be expected to have a material adverse effect on the Company's financial position or its result of operations.

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

There were no matters submitted to a vote of security holders during the fourth quarter of this calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – Market for Issuer's Common Equity and Related Stockholders' Matters

(1) Market Information

RFM shares are traded at the Philippine Stock Exchange (PSE). As of December 31, 2018, the total number of issued and outstanding shares of the Company is 3,482,057,866 common shares.

The following are the high and low prices per common share for each quarter within the last three calendar years and the first quarter of 2018:

2018	High	Low
First Quarter	4.71	4.70
Second Quarter	4.74	4.56
Third Quarter	4.86	4.84
Fourth Quarter	4.89	4.60

2017	High	Low
First Quarter	4.80	4.76
Second Quarter	4.46	4.45
Third Quarter	4.50	4.37
Fourth Quarter	4.98	4.97

2016	High	Low
First Quarter	4.23	4.14
Second Quarter	4.20	4.18
Third Quarter	4.20	4.17
Fourth Quarter	5.10	4.90

All shares of the Company are listed in the Philippines Stock Exchange.

The price of RFM shares as of last trading date – April 11, 2019 was ₱4.70.

(2) Holders

As of December 31, 2018, there are a total of 3,157 shareholders of RFM common stock. Filipinos owned 2,624,830,693 common shares or 75.38% while the foreigners owned 857,227,173 common shares or 24.62%.

Below are the top 20 stockholders of common shares as of December 31, 2018:

Name	No. of shares held	% to Total
1. PCD Nominee Corporation (Foreign)	856,966,609	24.61
2. Horizons Realty, Inc..	646,078,738	18.55
3. Triple Eight Holdings, Inc.	639,266,218	18.36
4. BJS Development Corporation	311,210,184	8.94
5. PCD Nominee Corporation (Filipino)	125,151,057	3.59
6. FEATI University	112,011,350	3.22

7. Triple Eight Holdings, Inc.	105,890,978	3.04
8. RPMC Resources, Inc.	105,037,214	3.02
9. Renaissance Property Management Corporation	96,945,752	2.78
10. Chilco Holdings, Inc.	72,748,950	2.09
11. Concepcion Industries, Inc.	71,384,424	2.05
12. Select Two Incorporated	49,499,612	1.42
13. S & A Industrial Corporation	41,308,360	1.19
14. Republic Commodities Corporation	33,115,616	0.95
15. Macric Incorporated	23,302,412	0.67
16. Lace Express Inc.	23,278,716	0.67
17. Monaco Express Corporation	23,278,552	0.67
18. Sole Luna, Inc.	22,305,308	0.64
19. Foresight Realty Development Corporation	19,215,194	0.55
20. Arcon Group Holdings	11,919,518	0.34

There are no securities to be issued in connection with an acquisition, business combination or other reorganization.

(3) Dividends

(a) Dividend per Share

On February 24, 2016, the BOD approved the declaration of ₱0.0779 cash dividend per share or a total of a total of ₱270.50 million to its stockholders. The dividends were paid on March 23, 2016.

On August 24, 2016, the BOD approved the declaration of ₱0.05 special cash dividend per share or a total of a total of ₱181 million to its stockholders. The dividends were paid on October 4, 2016.

On January 31, 2017, the BOD approved the declaration of ₱0.08576 cash dividend per share or a total of a total of ₱300 million to its stockholders. The dividends were paid on March 10, 2017.

On September 27, 2017, the BOD approved the declaration of ₱0.0575 regular cash dividend per share or a total of a total of ₱200 million to its stockholders. The dividends were paid on November 8, 2017.

On January 31, 2018, the BOD approved the declaration of ₱0.08571 cash dividend per share or a total of a total of ₱300 million to its stockholders. The dividends were paid on March 14, 2018.

On September 7, 2018, the BOD approved the declaration of ₱0.0637 regular cash dividend per share or a total of a total of ₱222 million to its stockholders. The dividends were paid on October 17, 2018.

(b.) Dividends Restriction

The Parent Company's retained earnings as of December 31, 2018 is restricted to the extent of the amount of the undistributed equity in net earnings of an associate included in its retained earnings amounting to ₱390.82 million. These will only be available for declaration as dividends when these are actually received.

The long-term loan agreements entered into by RFM Corporation with its creditors allows the Company to declare and pay cash dividends upon compliance with the required current ratio, debt-to-equity ratio and debt service coverage ratio.

Item 6 – Management Discussion and Analysis of Financial Conditions and Results of Operations for Year 2018

Introduction

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of RFM Corporation and its Subsidiaries for the period December 31, 2018. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2018. All necessary adjustments to present the Company's consolidated financial position as of December 31, 2018 and 2017 and the results of operations and cash flow for the years then ended have been made.

Year ended December 31, 2018 vs. 2017

Management Report on Operations

Food and Beverage Company RFM Corporation posted revenue of Php14.07 billion which is 10% higher compared to last year's revenue of Php12.74 billion. Resulting net income for 2018 is Php1.107 billion or a growth of 6.0% vs last year.

RFM's profitability was driven by its branded consumer products focusing its efforts the on higher-margin core businesses. The company remains bullish on the market leadership strength of its core brands Fiesta, Royal and Selecta.

Financial Position

Analysis of Balance Sheet Accounts

As of December 31, 2018, the Group's total assets increased from last year's P15.92 billion to P16.80 billion due to higher short term investment amounting to about P1.34billion. The total liabilities increased from last year's P4.7 billion to P5.1 billion due to higher advances from related parties.

Year ended December 31, 2017 vs. 2016

Management Report on Operations

Food and Beverage Company RFM Corporation posted revenue of Php12.74 billion which is 0.4% higher compared to last year's revenue of Php12.69 billion and 2.3% higher without the effect of discontinued sales of Third party (DOLE) in 2016. Resulting net income for 2017 is Php1.045 billion or a growth of 4.5% vs last year. The company has improved its income margin from 7.88% in 2016 to 8.20% in 2017.

Financial Position

Analysis of Balance Sheet Accounts

As of December 31, 2017, the Group's total assets increased from last year's P14.74 billion to P15.92 billion due to higher long term investment amounting to about P1billion. The total liabilities slightly increased from last year's P4.6 billion to P4.8 billion due to higher loans and income tax payable as an effect of higher operating income.

Key Performance Indicators

For the full fiscal years 2018, 2017 & 2016 the Company's and majority-owned subsidiaries' top five (5) key performance indicators are as follows:

In Millions	**December 2018**	December 2017	December 2016
Revenues	**14,071**	12,744	12,699
Operating Margin	**1,459**	1,447	1,431
Net Income	**1,107**	1,045	1,000
EBITDA	**1,971**	1,836	1,809
Current Ratio	**1.43**	1.48	1.61

(a) Revenue Growth

These indicate external performance of the Company and its subsidiaries in relation to the movement of consumer demand and the competitors' action to the market behavior. These also express market acceptability and room for development and innovations. These are being monitored and compared as a basis for further study and development.

(b) Operating Margin

This shows the result after operating expenses have been deducted. Operating expenses are examined, checked and traced for major expenses. These are being analyzed and compared to budget, and previous years, to ensure prudence and discipline in spending behind marketing and selling activities.

(c) Net Income

This represents the outcome or results of operations. This measures the over-all performance of the team, the consequence of all the contributory factors affecting supply, demand, utilization and decisions.

(d) EBITDA

This measures the Company's ability to generate cash from operation by adding back non-cash expenses (i.e. depreciation and amortization expense) to earnings before interest and tax.

(e) Current Ratio

This determines the company's ability to meet its maturing obligations using its current resources. It indicates the possible tolerable shrinkage in current resources without threat to the claims of current creditors.

Causes for Any Material Changes from Period to Period of FS, which shall include vertical and horizontal analyses of any material item

Please refer to the discussions under Results of Operations and Financial Position for the year ended December 31, 2018 vs. 2017, year ended December 31, 2017 vs. 2016 and year ended December 31, 2016 vs. 2015.

The Company is not aware of the following:

(i) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(ii) All material off-balance sheet transaction, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Seasonal Aspects that has Material Effect on the FS

There is no material effect with the seasonal aspect of certain raw materials specifically wheat on the financial statements.

Audit and Audit Related Fees

For the years 2018, 2017 and 2016, the Company engaged the professional services of SGV. The Group incurred an aggregate audit fee of P2.2 million for 2018, excluding out of pocket expenses. The engagement involves the examination of the Company's financial statements in accordance with generally accepted auditing standards. It includes on a test basis review and evaluation of system, documentation and procedures to ascertain that adequate internal controls are in place. Also, they provide updates on latest regulatory or compliance requirement with government agencies such as Securities and Exchange Commission and other government agencies.

The audit committee's approval policies and procedure for external auditors are:

1. Statutory audit of company's annual financial statements

    a. The Audit Committee ensures that the services of the external auditor conform with the provision of the company's manual of corporate governance specifically articles 2.3.4.1; 2.3.4.3 and 2.3.4.4

    b. The Audit Committee makes an assessment of the quality of prior year audit work services, scope, and deliverables and makes a determination of the reasonableness of the audit fee based on the proposed audit plan for the current year.

    c. The Audit Committee approved the final audit plan and scope of audit presented by the external auditor before the conduct of audit. The final audit plan was already the output after the conclusion of the series of pre-audit planning with Management.

    d. The Audit Committee reports to the Board the approved audit plan.

2. For other services other than annual financial statements audit:

    a. The Audit Committee evaluates the necessity of the proposed services presented by Management taking into consideration the following:

        i. The effectiveness of company's internal control and risk management arrangement, systems and procedures, and management degree of compliance.

ii. The effect and impact of new tax and accounting regulations and standards.

iii. Availability of in-house technical expertise.

iv. Cost benefit of the proposed undertaking.

b. The Audit Committee approves and ensures that other services provided by the external auditor shall not be in conflict with the functions of the external auditor for the annual audit of its financial statements.

Item 7 – Financial Statements

The consolidated financial statements and schedules listed are filed as part of previously submitted form 17-A.

Item 8 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There is no event in the past five (5) years wherein the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company regularly adopts New Statement of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS) where applicable.

PART III - CONTROL ON COMPENSATION AND INFORMATION

Item 9 – Directors and Executive Officers of the Issuer

(1) List of Directors, Including Independent Directors, and Executive Officers (as of 31 December 2018)

Name of Director/ Executive Officer	*Position*	*Age*	*Term as Director*
Jose S. Concepcion Jr.	Chairman of the Board	87	35
Ernest Fritz Server	Vice Chairman	75	29
Jose Ma. A. Concepcion III	Director/President & CEO	60	31
Joseph D. Server, Jr.	Director	78	38
Felicisimo M. Nacino Jr.	Director	66	22
John Marie A. Concepcion	Director/Managing Director & CEO, Ice Cream, and Marketing Adviser, Consumer Group	56	30
Ma.Victoria Herminia C. Young	Director/ SVP & GM, Consumer Group	59	11
Francisco A. Segovia	Director	64	31
Raissa Hechanova-Posadas	Director	58	20
Romeo L. Bernardo	Independent Director	64	15
Lilia R. Bautista	Independent Director	83	11

Atty. Jufil E. Siquian[1]	Corporate Secretary/AVP & Head, Corporate Legal & Labor Relations	41	NA
Enrique Oliver I. Rey-Matias	VP-Finance & Chief Finance Officer and Treasurer/Concurrent General Manager, Flour Group/Compliance Officer	47	NA
Philip V. Prieto	Assistant Treasurer	60	NA
Adenawer P. Torres	VP for Sales	51	NA
Melchor B. Bacsa	VP & Head of Supply Chain, Consumer Group	57	NA
Harry E. Alvarez	AVP & Head of Supply Chain - Logistics	44	NA
Susan A. Atienza	AVP, Research & Development, Consumer Group	61	NA
Tee Jay T. Sumawang	AVP & Head of Information Technology	38	NA
Stephen James O. Uy[2]	AVP & Head of SBU, Flour Group	28	NA
Evangeline L. Caballa[3]	AVP & Group Controller	32	NA
Atty. Mitchie Vanessa T. Magomnang[4]	Corporate Secretary/ AVP & Head of Legal and Labor Relations Department	42	NA
Maria Patrocinio V. Valdez	Head of Human Resources	66	NA

As provided in the Company's amended Articles of Incorporation, eleven (11) directors were elected to its Board of Directors during the last Annual Stockholders meeting. The officers, on the other hand, were elected during the Organizational Meeting following the Annual Stockholders' meeting, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been qualified and elected or appointed.

The Company's Board of Directors has committees for Audit, Compensation, Nomination, and Investment. There are two (2) independent directors, one of whom is the Chairman of the Audit Committee and the other heads the Compensation Committee. The following sets forth certain information as to the directors and executive officers of the Company as of December 31, 2018:

Directors

Jose S. Concepcion, Jr.
87 years old
Filipino

Born on 29 December 1931, has an Associate's degree in Business Administration from De La Salle University and a Bachelor's degree in Agriculture from Araneta University. He is the Chairman of the Board of Directors of RFM Corporation and of Swift Foods, Inc. He also holds the Chairman position in the Asean-Business Advisory Council – Philippines, and East-Asia Business Council – Philippines. He is the Founding Chairman of the National Citizens Movement for Free Elections (NAMFREL), Special Resource Person of UCPB CIIF Finance Development. He is the Chairman of the Board of Directors of Swift Foods, Inc., and Member of the Board of Trustees of TOSP Foundation, Inc. He was previously the Secretary of the Department of Trade and Industry, Chairman of the Board of Investments, member of the Central Bank Monetary Board from 1986-1991, Co-Chairman of Bishops-Businessmen Conference from 1991-1998, and a delegate to the 1971 Constitutional Convention. He served as director of the Corporation from years 1970

[1] Resigned effective 15 August 2018.

[2] Promoted as Assistant Vice-President effective 1 January 2018.

[3] Promoted as Assistant Vice-President effective 1 January 2018.

[4] Appointed as Corporate Secretary and Head of Legal and Labor Relations Department on 16 August 2018, replacing Atty. Jufil E. Siquian who resigned effective 15 August 2018. Then promoted as Assistant Vice-President effective 4 January 2019.

to 1985 and was first elected on 3 April 1997 as Chairman of the Board. He is also the Chairman of the Nomination Committee of RFM Corporation.

Ernest Fritz Server
75 years old
Filipino

Born on 08 July 1943, has a Bachelor of Arts degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. He is the Vice-Chairman of the Board of Directors of RFM Corporation. He is also a Vice-Chairman of Philtown Properties, Inc., and a Director of RFM Equities, Inc. He is the President of Superior Las Pinas, Inc., Capital Mediaworks, Inc., and Vicinetum Holdings, Inc. He is also a trustee of TOSP Foundation, Inc. He is a member of the Board of Directors of BJS Development Corporation, Phil. Stratbase Consultancy, Inc., ABS-CBN Convergence, Inc., Seacage Industries, Inc., and 818 Aqua Farms, Inc. and Chairman of Westview Properties, Inc. and Arrakis Holding, Inc. He served as President of Philam Fund, Philippine Home Cable Holdings, Inc., Trans-Pacific Properties, Inc. and United Housing Corporation. He served as Chairman of Intercity Properties, Inc. and Vice Chairman of Commercial Bank of Manila, Consumer Bank, Cosmos Bottling, Co. He also served as a Director of Farmingtown, Rizal Lighterage Corporation, RFM Insurance Brokers, Inc. and Psi Technologies. He first became a director of the Corporation on 27 October 1988. He is a member of both the Executive Committee and Compensation Committee of RFM Corporation.

Jose Ma. A. Concepcion III
60 years old
Filipino

Born on 23 June 1958, has a Bachelor's degree in Business Management from Dela Salle University. He is the President and Chief Executive Officer of RFM Corporation. He first became a director of the Corporation on 30 October 1986 and was elected President and Chief Executive Officer in 1989. He previously held similar positions in the various subsidiaries of the company such as RFM Equities, Inc., RFM Insurance Brokers, Inc., Rizal Lighterage Corporation, Cabuyao Logistics & Industrial Center, Inc., Interbake Commissary Corporation, Filipinas Water Bottling Co., Inc., and Invest Asia Corporation. He concurrently holds the position of Chairman of the Board of Unilever RFM Ice Cream, Inc. (URICI) and a Co-Chairman of Integrated Global Low-Temperature, (IGLO) Philippines, Inc., a cold-chain company. He is also a director of Concepcion Industries Inc., the largest air-conditioner and refrigerator manufacturer in the country. In 2016, he was appointed by the President of the Philippines as Presidential Consultant for Entrepreneurship, a position which he also previously held in 2005 until 2010. He was an awardee of the Ten Outstanding Young Men of the Philippines (TOYM) in 1995 and Time Global 100 List of Young Leaders for the New Millennium in 1994. He is associated with major business and industry and various socio-civic associations. He is the founding Trustee of the Philippine Center for Entrepreneurship – Go Negosyo. He also currently chairs the ASEAN Business Advisory Council (ABAC).

Joseph D. Server Jr.
78 years old
Filipino

Born on 08 October 1940, has a Bachelor of Arts degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania in the United States. He is the Chairman of the Board of BJS Development Corporation and the President of JSA & Associates, Inc. and Powerhouse Holdings, Inc. He first became a director of the Corporation on 30 August 1979. He is presently a member of the Audit Committee of RFM Corporation.

Felicisimo M. Nacino, Jr.
66 years old
Filipino

Born on 09 May 1952, has a Bachelor of Arts degree in Economics and a Master's degree in Business Administration, both from the University of the Philippines. He previously served as the Executive Vice-President & Chief Operating Officer of the Corporation and currently serves as Director of RFM Corporation, Unilever RFM Ice Cream Inc., and other companies in the RFM Group. He first became a director of RFM Corporation on 30 March 1995. He is also a member of the Audit and Executive Committees of the Corporation.

John Marie A. Concepcion
56 years old
Filipino

Born on 13 January 1962, has a degree in Business Administration from Seattle University, Washington, U.S.A. He is the Chief Executive Officer & Managing Director of Unilever RFM Ice Cream, Inc. He is also a director and treasurer of Selecta Walls Land Corporation (SWLC). He became a director of the RFM Corporation on 29 October 1987. He also concurrently serves as the Marketing Adviser for the Consumer of Group of RFM Corporation.

Ma. Victoria Herminia C. Young
59 years old
Filipino

Born on 4 August 1959, has a Bachelor of Science Degree in Management and Marketing from Assumption College. She is currently Senior Vice-President and General Manager of Consumer Group handling the R&D, Logistics, White King Division, Milk & Juice Division, Sales Division, Operations Division, Exports Division and subsidiary companies in Cabuyao namely Cabuyao Logistics & Industrial Center and Bevco Philippines. She is a Trustee and President of TOSP Foundation, Inc., Trustee of Soul Mission Org., Ronald McDonald House of Charities and the President of Interbake Commissary Commission. She was appointed as Senior Vice President for the Consumer Group of the Corporation in January 2014.

Francisco A. Segovia
64 years old
Filipino

Born on 17 January 1954, has a Bachelor of Science degree in Business Management from the Ateneo De Manila University. He is President of Segovia & Corporation, Inc., Fritz International Philippines, Inc., Horseworld, Inc., Big A. Aviation Corporation, Intellicon, Inc., Regina Realty/Chilco Holdings, Araneta Institute of Agriculture, Republic Dynamics Corporation and Republic Consolidated Corporation. He is a director of RFM Equities, Inc., and Philtown Properties, Inc. He first became a director of the RFM Corporation on 30 October 1986. He is also a member of the Investment Committee of the Corporation.

Raissa Hechanova-Posadas
58 years old
Filipino

Born on 16 April 1960, has a Master's degree in Business Administration from Imede (now IMD) Lausanne, Switzerland and a degree in Bachelor of Arts major in Applied Economics from De La Salle University. She joined the Corporation as director in April 1997, replacing her father, Mr. Rafael G. Hechanova, former

Chairman of the Board of Directors of RFM Corporation. She is a member of the Compensation and Nomination Committees of the Corporation.

Romeo L. Bernardo
64 years old
Filipino

Born on 5 September 1954, Mr. Bernardo received his Bachelor of Science degree in Business Economics from the University of the Philippines (Magna Cum Laude) and a Master's Degree in Development Economics from Williams College, Mass. USA. He has had a varied career in public institutions before he co-founded LBT (with former Energy Secretary Del Lazaro and corporate lawyer Helen Tiu) in 1997. His public sector work spans teaching finance at the state university, a career in the Department of Finance rising to the Undersecretary post , and working in multilateral institutions such as the IMF and the World Bank, based in Washington DC, as well as the ADB in Manila. Presently, he provides business advice as board director in leading listed Philippine companies such as ALFM family of funds (Chairman), Bank of the Philippine Islands, Globe Telecom, Aboitiz Power, National Reinsurance Corporation of the Philippines, Philippine Investment Management (PHINMA) Inc., and Institute of Development and Econometric Analysis, Inc. He also does/has done policy advisory for multilateral and bilateral institutions and he Philippine government in public finance, capital markets, public-private partnership, pension reform, economic governance. He is the lead Philippine partner/advisor to Global Source Partners, a global network of independent analysts. He first became an independent director of RFM Corporation on 25 September 2002. He is presently the Chairman of the Compensation Committee and member of the Audit, Executive and Nomination Committees of RFM Corporation.

Lilia R. Bautista
83 years old
Filipino

Born on 16 August 1935, is an Independent Director of the Company since September 2006. She is also an independent director of Transnational Diversified Group and a professional lecturer at the Philippine Judicial Academy. Recently, she was appointed as Dean of the College of Law of Jose Rizal University. She previously held several positions including as a Member of the Appellate Body of the World Trade Organization, Chairman, Securities and Exchange Commission, Ex-Officio Member, Anti-Money Laundering Council, Senior DTI Undersecretary & Special Trade Negotiator and subsequently acting DTI Secretary. Ex-officio member of the Monetary Board, Chairman of the Board of Investments, National Development Company and other DTI agencies. She was appointed Ambassador to the United Nations and other international agencies in Geneva, Switzerland. She holds an L.L.B., University of the Philippines, LLM, University of Michigan (Dewitt Fellow), M.B.A., University of the Philippines, and attended special courses in corporate finance and reorganization, New York University and Investment negotiation course, Georgetown University. She is presently the Chairman of the Audit Committee of RFM Corporation.

Executive Officers

Management is comprised of owner-managers and professional managers. Mr. Jose Maria A. Concepcion III is the President and Chief Executive officer of RFM Corporation, and is also a major shareholder. He joined the Company in 1980 as a route salesman, and occupied positions in sales and marketing before he became President and Chief Executive Officer in 1989.

Enrique Oliver I. Rey-Matias
47 years old
Filipino

Born on 26 December 1971, has a Bachelor of Science degree major in Business Economics from the U.P School of Economics magna cum laude and a Master's degree in Business Management from the Asian Institute of Management. Prior to joining RFM, he worked for eight years at the Philippine as well as Southeast and South Asian operations of Liwayway Marketing Corporation (Oishi) as Vice President – Finance. He was appointed as Chief Finance Officer and Treasurer of the Corporation, effective November 2015. He also worked at the Bangko Sentral ng Pilipinas and at the Philippine Senate President's Office.

Philip V. Prieto
60 years old
Filipino

Born on 20 August 1958, has a Bachelor's of Arts degree from the University of San Francisco. He is currently the General Manager of Invest Asia Corporation and concurrently the Assistant Treasurer of RFM Corporation. He joined the Corporation in 1995 as the Purchasing Manager of Cosmos Bottling Corporation when this was still owned by RFM Corporation.

Melchor B. Bacsa
57 years old
Filipino

Born on 6 January 1961, a Licensed Chemical Engineer, has a Bachelor of Science Degree in Chemical Engineering from the Adamson University. Prior to joining RFM Corporation, he was the Director for Operations, Branded Consumer Foods Division from 2008 to 2010 at Universal Robina Corporation, where he started his career in 1983. He also held top positions in professional organizations namely Production Management Association of the Philippines (PROMAP) and First Cavite Industrial Estate Association (FCIEA). He joined the company in January 2011 as Vice President and Head of Operations and Exports Division.

Adenawer P. Torres
51 years old
Filipino

Born on June 27, 1967, has a Bachelor of Science in Commerce Degree, Major in Business Management from the University of the Assumption, Pampanga. He has 29 years of extensive experience in Sales, Trade Marketing and Product Distribution in various industries like consumer goods, pharmaceuticals, automotive oil and banking. Prior to joining RFM Corporation for the first time back in 2008, he was the National Key Accounts Manager/ Modern Trade Head from 2005 to 2008 at General Mills Foods, Inc, where he was instrumental in driving the growth in the local market of popular international brands Pillsbury, Green Giant and Betty Crocker. He previously served as a Sales Consultant of Kettle Foods Corporation before rejoining RFM Corporation as Vice President for Sales.

Susan A. Atienza
61 years old
Filipino

Born on 2 May 1957, has a Bachelor of Science Degree in Food Technology from the Philippine Women's University. She was the former Plant Manager at Leslie Corporation from 1979 to 1987 and R&D Manager for Branded Snacks of San Miguel Mills, Inc. from 2003 to 2009. She initially joined RFM Corporation in

1987 until 2001 as R&D Manager of the Bakery Group and re-joined the company in December 2009 as Assistant Vice President - Research & Development of the Consumer Group.

Tee Jay T. Sumawang
38 years old
Filipino

Born on July 21, 1980, has a Bachelor of Science degree in Computer and Information Science major in Systems and Software Engineering for which he graduated from the Far Eastern University – East Asia College in Manila. He started to work in Grand Alphatech International Corporation in 2001 as a Software Engineer and left the company in 2006 as Assistant IT Manager/Software Architect. Prior to joining RFM Corporation, he was with Information Technology Solutions, International as a Senior Technical Specialist (Technical Team Lead). He joined RFM Corporation in February 2007 as Assistant IT Manager and is currently the Assistant Vice President and Head of Information Technology.

Harry E. Alvarez Jr.
44 years old
Filipino

Born on 5 December 1974, has a Bachelor Degree in Industrial Engineering from Mapua Institute of Technology. He has 13 years of well-rounded experience in Planning, Logistics and Total Supply Chain Operations from top food manufacturing companies in the Philippines. Prior to joining RFM Corporation, he was the Supply Chain Manager of San Miguel Mills Incorporated for 4 years. He joined RFM in June 2006 as Supply Chain Manager – ICC Division.

Maria Patrocinio V. Valdez
66 years old
Filipino

Born on 14 November 1952, has a Bachelor of Arts Degree in Business Administration from Maryknoll College. She joined RFM Corporation in 1982 as Personnel Supervisor then became Manager for Compensation Planning and Administration and eventually Assistant Vice-President for Corporate Compensation and Benefits. In 2005, she became a consultant for Executive Compensation and also to the RFM Compensation Committee. Effective 2015, she became the Head of Human Resources Department.

Stephen James O. Uy
28 years old
Filipino

Born on 3 January 1990, has a Bachelor of Science degree in Management major in Communications Technology Management at the Ateneo De Manila University in October 2011. Prior to joining the Corporation, he was a Trading Analyst at All Asian Countertrade from 2012 to 2015. He joined RFM in March 2015 as Senior Management Trainee of Flour Group and was appointed as Head of Materials Management and Sales in April 2016.

Evangeline L. Caballa
32 years old
Filipino

Born on 4 July 1986, has a Bachelor of Science in Accountancy at the University of Santo Tomas in May 2007, she passed her CPA licensure in the same year. Prior to joining the Corporation, she was an Analyst at Accenture. She first joined RFM as General Accounting Supervisor in 2009 up to 2013. She moved to

Chevron Holding Inc. in 2013 as its Sr. Trade Accountant. She rejoined RFM in 2014 as Corporate Accounting Manager and was promoted to Group Controller in September 2015.

Atty. Mitchie Vanessa T. Magomnang
42 years old
Filipino

Born on 7 November 1976, has a Bachelor of Laws degree as *Class Salutatorian* in April 2006 from Mindanao State University Marawi City and was admitted to the Philippine Bar in 2007. Prior to taking up law studies, she graduated *Cum Laude* from the same university in 1997 with the degree of Bachelor of Science in Accountancy. She is also a Certified Public Accountant. She was the Head of Legal of Philtown Properties, Inc., Attorney II at the Bureau of Internal Revenue and Chief-of-Staff in the House of Representative before joining the Company in 2016 as Legal Counsel.

(2) Significant Employees

There is no person other than the executive officers, who are expected by the Corporation to make significant contribution to the business.

(3) Family Relationships

Jose S. Concepcion Jr. is the father of Jose Ma. A. Concepcion III, John Marie A. Concepcion, and Ma. Victoria Herminia C. Young while Francisco A. Segovia is his nephew. Ernest Fritz Server and Joseph Server are brothers.

(4) Involvement in Certain Legal Proceedings

To the best knowledge and information of the Corporation, the nominees for Director, its present Board of Directors and its Executive Officers are not, presently or during the last five years, involved or have been involved in any legal proceeding involving themselves and/or their properties before any court of law or administrative body in and out of the country that are material to their ability and/or integrity. Likewise, the said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or the laws of any other country.

Item 10 – Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two fiscal years, and the estimated amount to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and four other most highly compensated executive officers follows:

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III John Marie Concepcion Ma.Victoria Herminia C. Young Enrique Oliver I. Rey-Matias Roderick P. Perdigon	President & CEO Managing Director – Ice Cream SVP & GM VP & CFO VP & Head of Supply Chain	2018	P 42.99	P 29.4	P 13.59
All officers and directors as a group unnamed		2018	P 14.13	P 12.31	P 1.82

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young Enrique Oliver I. Rey-Matias	President & CEO Managing Director – Ice Cream SVP & GM SVP & GM VP & CFO	2017	P 40.2	P 29.4	P 10.8
All officers and directors as a group unnamed		2017	P 10.1	P 9.5	P 0.6

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young Eduardo M. Policarpio	President & CEO Managing Director – Ice Cream SVP & GM SVP & GM VP & Head of Sales	2016	P 45.2	P 32.6	P 12.6
All officers and directors as a group unnamed		2016	P 17.3	P 15.6	P 1.7

Compensation of Directors and Officers

(a) Standard Arrangement.

The Board of Directors and members of the Compensation, Nomination and Audit Committees are entitled to a per diem of Ten Thousand (Php10,000.00) for every meeting, except that the Chairman of the Compensation Committee is entitled to a per diem amounting to Twenty Thousand (Php20,000.00). Additionally, the Chairman of the Audit Committee is entitled to a remuneration of Fifty Thousand Pesos (Php50,000.00) a month.

(b) Other Arrangement

There is no director providing any service or other arrangements for a fee, to the Company, other than those disclosed herein.

Employment Contracts

The registrant's executive officers are entitled to transportation and other benefits, bonus scheme, and retirement plan.

1. Transportation Benefits
   a. An executive officer is assigned a vehicle which he may purchase, at market value, after six (6) years, or return the same to the Corporation in exchange for a replacement vehicle.
   b. All expenses related to the registration, comprehensive insurance, repairs and maintenance of the assigned vehicle are paid by the Corporation.
   c. Reimbursement of gasoline expenses up to a certain amount of liters per month.

2. Bonus Scheme
   Based on individual performance and attainment of the specific objectives of the Company's business plan, bonus is given in accordance with company policy.

3. Retirement Plan
   Availment of the retirement benefit is provided after the individual has rendered at least five (5) years of service with the Company at 25% of basic pay per year of service. The value increases by 5% per additional year of service up to a maximum of 125%.

4. Other Benefits
   a. Hospitalization Plan: A hospitalization plan is provided for the executive officers and his immediate dependents in accordance with company policy.
   b. Vacation Leave: 15 days per year, accumulated up to 30 days but not encashable.
   c. Sick Leave: 15 days per year, accumulated up to 45 days but not encashable.
   d. Executive Check-up: Once every four (4) years; SPEC 24 KSAT blood test every two (2) years.

Warrants and Options Outstanding: Repricing

There are no outstanding warrants or stock options held by the directors or executive officers. As such, there are no price or stock warrants or options that are adjusted or amended. There were no material transactions during the past three (3) years between the Corporation and its executive officers other than the regular employment agreements.

Item 11 – Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2018, the direct and indirect-beneficial owners in excess of 5% of the common shares of RFM Corporation are set forth in the table below.

Title of Class	Name and address record/beneficial owner	Name of Beneficial Owner and relationship with Record Owner	Citizenship	Amount and nature of record/beneficial ownership (Shares)	Percent of Class
Common	PCD Nominee Corporation GF MKSE Bldg., Ayala Ave., Makati City (Foreign)		Foreign	856,966,609 "r"	24.61
Common	Horizons Realty, Inc.		Filipino	646,078,738 "r"	18.55

Common	Triple Eight Holdings, Inc. # 18 Gen. Capinpin St., San Antonio Village, Pasig City	Triple Eight Holdings, Inc.	Filipino	639,266,218 "r"	18.36
Common	BJS Development Corporation 1869 P. Domingo Street Makati City	BJS Development Corp.	Filipino	311,210,184 "r"	8.94

List of person or persons acting together to direct the voting or disposition of the shares held by:

I. Horizons Realty, Inc.
1. Jose S. Concepcion, Jr.
2. Ma. Victoria A. Concepcion
3. Jose Ma. A. Concepcion III
4. Ma. Victoria Herminia C. Young
5. Luis Bernardo A. Concepcion
6. John Marie A. Concepcion
7. Ma. Lourdes Celine C. Lebron
8. Ma. Victoria Ana C. Monasterio
9. Mary Elizabeth C. Santos
10. Michelle Marie C. Reyes

II. Triple Eight Holdings Inc.
1. Jose Ma. A. Concepcion III
2. Marissa O. Concepcion
3. Ma. Luisa Margarita O. Concepcion
4. Jose Christian O. Concepcion
5. Margarita O. Villareal

III. BJS Development Corporation
1. Joseph Server, Jr.
2. Christopher Mark B. Server
3. Hanz Joseph Banzhaf
4. Christine Michelle Server
5. Estelita Server
6. Claudia Veronica B. Lanza
7. Caroline Therese Server
8. Catherine Ann Server
9. Sylvia Alexandra Banzhaf

(b) Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount and nature of record/beneficial ownership (Shares)	Citizenship	Percent of Class
Common	Jose Ma. A. Concepcion Jr Kawayan St., North Forbes Park, Makati	2,037,920 "r"	Filipino	0.058
Common	Jose Ma. A. Concepcion III Talisay Rd., North Forbes Park Makati	11,671,886 "r"	Filipino	0.33
Common	John Marie A. Concepcion Urdaneta Ave., Urdaneta Village, Makati	369,974 "r"	Filipino	0.010
Common	Ma. Victoria Herminia C. Young Cabildo St., Urdaneta Village Makati	10 "r"	Filipino	0.00
Common	Ernest Fritz Server Chico Drive Ayala Alabang, Muntinlupa	564,834 "r"	Filipino	0.016

Common	Joseph Server, Jr. Cadena de Amor cor. Ilang-Ilang St. Ayala Alabang, Muntinlupa	135,376 "r"	Filipino	0.003
Common	Felicisimo Nacino, Jr. Alexandra Condominiums, Pasig City	2,056 "r"	Filipino	0.00
Common	Raissa Hechanova-Posadas Nakpil St., San Lorenzo Village, Makati City	2,000 "r"	Filipino	0.00
Common	Francisco A. Segovia Acacia Avenue, Ayala Alabang, Muntinlupa	10 "r"	Filipino	0.00
Common	Romeo L. Bernardo Belvedere Tower, San Miguel Ave., Ortigas Center, Pasig	247 "r"	Filipino	0.00
Common	Lilia R. Bautista Rita St. San Juan Metro Manila	2,000 "r"	Filipino	0.00
Common	Enrique Oliver I. Rey-Matias Unit 77 Cathedral Heights Townhouse, 32E Sta. Ignaciana St., New Manila, Quezon City	150,000 "r"	Filipino	0.004
Common	Philip V. Prieto Melon St. Valle Verde St., Pasig City	122 "r"	Filipino	0.00

The indirect shareholdings of directors/officers and principal stockholders as of December 31, 2018 are as follows:

	% to total Outstanding Shares	Number of Shares	Total Direct Shares	Total Indirect Shares
Directors:				
Jose Concepcion, Jr.				
Direct	0.0585263%	2,037,920	2,037,920	
Indirect (thru Ma. Victoria A. Concepcion)	0.0745251%			2,595,006
Ernest Fritz Server				
Direct	0.0162213%	564,834	564,834	
Indirect (thru Fritz Server, Jr.)	0.0058892%			205,064
Jose Ma. Concepcion III				
Direct	0.3352008%	11,671,886	11,671,886	
Indirect (thru Triple Eight Holdings, Inc.)	19.0572350%			663,583,950
Indirect (as NG of Catherine Concepcion)	0.0017231%			60,000
Indirect (as NG of J.M. Christian Concepcion)	0.0017231%			60,000
Indirect (as NG of Margarita Concepcion)	0.0017231%			60,000
Indirect (as NG of Monica Concepcion)	0.0017231%			60,000
Ma. Herminia C. Young				
Direct	0.0000003%	10	10	
Indirect (thru YC Holdings, Inc.)	0.5771907%			20,098,114
Indirect (thru Arthur John S. Young, Jr.)	0.0055523%			193,334
Indirect (ITF Christina Young)	0.0017231%			60,000
Indirect (ITF P. Anthony Young)	0.0017231%			60,000
Indirect (ITF Timothy Young)	0.0017231%			60,000
Felicisimo Nacino, Jr.				
Direct	0.0000590%	2,056	2,056	
John Marie A. Concepcion				
Direct	0.0106252%	369,974	369,974	
Indirect (thru Select Two Corp.)	1.2836551%			44,697,612
Indirect (as NG of N. Marie Concepcion)	0.0017231%			60,000
Indirect (as NG of J. Michael Concepcion)	0.0017231%			60,000
Lilia R. Bautista				
Direct	0.0000574%	2,000	2,000	
Joseph Server, Jr.				
Direct	0.0038878%	135,376	135,376	
Indirect (thru Joseph Server, Jr. or Estelita Server)	0.1563778%			5,445,166

Francisco A. Segovia				
Direct	0.0000003%	10	10	
Indirect (thru Chilco Holdings, Inc.)	2.0892516%			72,748,950
Indirect (thru Segovia & Co., Inc.)	0.0643298%			2,240,000
Raissa H. Posadas				
Direct	0.0000574%	2,000	2,000	
Romeo L. Bernardo				
Direct	0.0000071%	247	247	
Officers:				
Enrique Oliver I. Rey-Matias				
Direct	0.0043078%	150,000	150,000	
Philip V. Prieto				
Direct	0.0000035%	122	122	

	% to total Outstanding Shares	Number of Shares	Total Direct Shares	Total Indirect Shares
Principal Stockholders:				
Triple Eight Holdings, Inc.				
Direct	21.39990846%	745,157,196	745,157,196	
Horizons Realty, Inc.				
Direct	18.67113538%	650,139,738	650,139,738	
BJS Development Corporation				
Direct	8.9375362%	311,210,184	311,210,184	

(b) Voting Trust Holders of 5% or More

To the extent known to the Corporation, there are no persons holding more than 5% of the Corporation's stocks of a class under a voting trust or similar agreement.

(c) Changes in Control

No change in control of the Corporation has occurred since the beginning of its last fiscal year.

Item 12 – Certain Relationships and Related Transactions

The Company and its subsidiaries have no transaction involving a director, executive officer, or stockholder, nor members of their immediate family, who owns ten percent (10%) or more of total outstanding shares of the Company that are not in the ordinary course of the business of the Company.

The Parent Company is engaged in the manufacture and sale of flour, juices, milk, pasta and other flour products.

The Parent Company wholly or partially owns its subsidiaries where the basis of management control lies, as follows:

	Percentage of Ownership	
	2018	2017
Cabuyao Logistics and Industrial Center, Inc. (CLIC)*	100.00	100.00
Interbake Commissary Corporation (ICC)	100.00	100.00
RFM Equities, Inc. (REI)	100.00	100.00
RFM Foods Philippines Corporation (RFM Foods)**	100.00	100.00
Southstar Bottled Water Company, Inc. (Southstar)**	100.00	100.00
Swift Tuna Corporation (Swift Tuna)**	100.00	100.00
Invest Asia Corporation (IAC)	96.00	96.00
Rizal Lighterage Corporation (RLC)	93.51	93.51
FWBC Holdings, Inc.**	83.38	83.38
Filipinas Water Bottling Company, Inc. (FWBC)**	44.88	44.88
RFM Canning and Marketing, Inc. (RFM Canning)**	70.00	70.00
WS Holdings, Inc. (WHI)	60.00	60.00

**Changed its name from Cabuyao Meat Processing Corporation to Cabuyao Logistics and Industrial Center, Inc. in 2013*
***Dormant*

Significant related party transactions are as follows:

		2018		2017				
Related Parties	Transaction	**Amount**	**Outstanding receivable (payable)**	Amount	Outstanding receivable (payable)	Balance Sheet Account	Terms	Conditions
Joint venture								
ULP	Sale of goods and services	**₱10,735**	**₱–**	₱13,158	₱1,268	Receivables	Non-interest bearing to be to be settled in cash	-do-
-do-	Service agreement	**186,445**	**22,760**	244,073	6,090	-do-	Non-interest-bearing, collectible in 60 days	-do-
-do-	-do-	**–**	**(202,437)**	–	(56,369)	Accounts Payable and Other Current Liabilities	Non-interest bearing	-do-
-do-	Purchase of goods and services	**–**	**41,544**	–	65,235	Accounts Payable and Other Current Liabilities	-do-	-do-
-do-	Rent expenses	**13,465**	**–**	13,465	–	-do-	-do-	-do-
URICI	Management service income	**21,453**	**9,100**	30,491	7,829	Receivables	Non-interest bearing, collectible on demand but not later than 12 months	Unsecured, no impairment
-do-	Commission income	**3,849**	**–**	5,295	–	Receivables	-do-	-do-
-do-	Service fees	**–**	**(1,289)**	–	(1,289)	Accounts payables and other current liabilities	-do-	-do-
Unilever NV	Cost reimbursement	**–**	**34,727**	–	1,808	Accounts Payable and Other Current Liabilities	Non-interest bearing	Unsecured, no impairment
Subsidiaries								
ICC	Advances	**(17,868)**	**92,170**	(11,863)	110,054	Receivables	-do-	-do-
-do-	Toll processing	**157,427**	**(75,348)**	153,328	(112,346)	Accounts payables and other current liabilities	Non-interest bearing, collectible within 30 days	-do-
IAC	Rent expense	**6,761**	**(3,623)**	7,320	(2,541)	-do-	-do-	-do-
-do-	Advances	**–**	**(500)**	–	(500)	-do-	Non-interest bearing	-do-
RLC	-do-	**42,867**	**(7,059)**	37,984	–	Accounts payables and other current liabilities	-do-	-do-
CLIC	Lease of Facilities	**40,605**	**(47,239)**	40,775	(49,086)	Accounts payables and other current liabilities	-do-	-do-
-do-	Current Advances	**–**	**337,119**	–	381,808	Receivables	Non-interest bearing	Secured by property and equipment amounting to ₱300.00 million, no impairment
-do-	Non-current advances	**–**	**2,762**	–	2,762	-do-	-do-	-do-
FWBC	Sale of goods	**–**	**13,808**	–	13,393	Receivables	Non-interest bearing, collectible within 60 days	Unsecured, no impairment
REI	Current Advances	**–**	**(37,035)**	–	(37,035)	Accounts payables and other current liabilities	-do-	-do-
RFM Canning	Current Advances	**–**	**34,813**	–	34,813	Receivables	Non-interest bearing	Unsecured, no impairment

Entities under common major shareholder group						**Entities under common major shareholder group**		
Swift Foods, Inc.	Lease income	₱–	₱6,592	₱236	₱6,592	Receivables	Non-interest bearing	Unsecured, partially impaired
RIBI	Rental Income	335	60	544	45	Receivables	-do-	Unsecured and will be settled in cash
CSFC	Rental Income	112	38	158	35	-do-	-do-	-do-
Joey Pepperoni Pizzeria	Lease income	608	7,936	1,474	6,955	-do-	-do-	-do-
-do-	Sales of goods	–	1,396	–	1,396	-do-	Non-interest bearing, collectible in 60 days	-do-
Philtown	Advances	–	129,159	–	128,973	-do-	Non-interest-bearing	Secured by a property of Philtown; due and demandable; partially impaired
-do-	Loans receivable	–	–	106,483	53,483	-do-	Interest bearing	Secured by a property of Philtown; due and demandable
Kettle Foods Corporation	Sales of goods	34	217	(7,449)	183	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment
Republic Consolidated Corporation	Purchase of services	–	(22,452)	–	(22,452)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	-do-
-do-	Advances	–	–	–	(13,415)	-do-	Non-interest bearing, collectible in 60 days	Unsecured, partially impaired
-do-	Advances	–	–	–	(10,603)	-do-	Non-interest bearing	Unsecured, no impairment
-do-	Purchase of services	–	(647)	–	(89)	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment

The Company has no material transactions (that may not be available from others) with other parties falling outside the definition of "related parties".

Transactions with Promoters.
None.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits on SEC Form 17-C

See accompanying Index to exhibits on pages 44.

The following exhibit is filed as a separate section of this report:

Subsidiaries of the Registrant are contained in the information on the Notes to Consolidated financial statements on pages 1 and 2 of filed Audited Financial Statement that is filed as part of this form 11-A.

(b) Reports on SEC Form 17-C

Date Reported	Item no.	Meeting/ Date	Subject
10 January 2018	09	3 January 2018	Shares Buy Back The Corporation bought on 3 January 2018 a total of 11,000 shares.
10 January 2018	09	4 January 2018	Shares Buy Back The Corporation bought on 4 January 2018 a total of 27,000 shares.
10 January 2018	09	5 January 2018	Shares Buy Back The Corporation bought on 5 January 2018 a total of 36,000 shares.
10 January 2018	09	8 January 2018	Shares Buy Back The Corporation bought on 8 January 2018 a total of 27,000 shares.
10 January 2018	09	9 January 2018	Shares Buy Back The Corporation bought on 9 January 2018 a total of 15,000 shares.
17 January 2018	09	10 January 2018	Shares Buy Back The Corporation bought on 10 January 2018 a total of 15,000 shares.
17 January 2018	09	11 January 2018	Shares Buy Back The Corporation bought on 11 January 2018 a total of 42,000 shares.
17 January 2018	09	16 January 2018	Shares Buy Back The Corporation bought on 16 January 2018 a total of 10,000 shares.
25 January 2018	09	18 January 2018	Shares Buy Back The Corporation bought on 18 January 2018 a total of 95,000 shares.
25 January 2018	09	19 January 2018	Shares Buy Back The Corporation bought on 19 January 2018 a total of 50,000 shares.
25 January 2018	09	22 January 2018	Shares Buy Back The Corporation bought on 22 January 2018 a total of 45,000 shares.
25 January 2018	09	23 January 2018	Shares Buy Back The Corporation bought on 23 January 2018 a total of 7,000 shares.

25 January 2018	09	24 January 2018	Shares Buy Back The Corporation bought on 24 January 2018 a total of 15,000 shares.
25 January 2018	09	25 January 2018	Certificate of Attendance of Directors in the Board Meetings of the Corporation for January 2018 to December 2018.
1 February 2018	09	25 January 2018	Shares Buy Back The Corporation bought on 24 January 2018 a total of 5,000 shares.
1 February 2018	09	26 January 2018	Shares Buy Back The Corporation bought on 26 January 2018 a total of 24,000 shares.
1 February 2018	09	29 January 2018	Shares Buy Back The Corporation bought on 29 January 2018 a total of 30,000 shares.
1 February 2018	09	30 January 2018	Shares Buy Back The Corporation bought on 30 January 2018 a total of 30,000 shares.
1 February 2018	09	31 January 2018	Shares Buy Back The Corporation bought on 31 January 2018 a total of 30,000 shares.
06 February 2018	09	31 January 2018	Declaration of Cash Dividend Board approval of Cash Dividend
06 February 2018	04	31 January 2018	Promotions of Mr. Stephen O Uy from Head, SBU-Flour Group to Assistant Vice-President and Head, SBU-Flour Group and Ms. Evangeline L. Caballa from Group Controller to Assistant Vice-President and Group Controller
6 February 2018	09	1 February 2018	Shares Buy Back The Corporation bought on 1 February 2018 a total of 100,000 shares.
6 February 2018	09	2 February 2018	Shares Buy Back The Corporation bought on 2 February 2018 a total of 50,000 shares.
6 February 2018	09	5 February 2018	Shares Buy Back The Corporation bought on 5 February 2018 a total of 50,000 shares.
6 February 2018	09	5 February 2018	Sale of Treasury Shares The Corporation sold on 5 February 2018 a total of 3,000,000 treasury shares
13 February 2018	09	6 February 2018	Shares Buy Back The Corporation bought on 6 February 2018 a total of 500,000 shares.
28 February 2018	09	21 February 2018	Shares Buy Back The Corporation bought on 21 February 2018 a total of 31,000 shares.
28 February 2018	09	22 February 2018	Shares Buy Back The Corporation bought on 22 February 2018 a total of 6,000 shares.
28 February 2018	09	23 February 2018	Board Consent for Sale of Treasury Shares The Corporation informally consented to the sale of 1,121,800 treasury shares
28 February 2018	09	23 February 2018	Board Consent for Sale of Treasury Shares The Corporation informally consented to the sale of an additional 98,000 treasury shares
28 February 2018	09	23 February 2018	Shares Buy Back

			The Corporation bought on 23 February 2018 a total of 98,000 shares.
28 February 2018	09	26 February 2018	Sale of Treasury Shares The Corporation sold on 26 February 2018 a total of 1,200,000 treasury shares
28 February 2018	09	27 February 2018	Shares Buy Back The Corporation bought on 27 February 2018 a total of 241,000 shares.
9 March 2018	09	2 March 2018	Shares Buy Back The Corporation bought on 2 March 2018 a total of 43,000 shares.
9 March 2018	09	7 March 2018	Shares Buy Back The Corporation bought on 7 March 2018 a total of 10,000 shares.
2 April 2018	09	27 March 2018	Shares Buy Back The Corporation bought on 27 March 2018 a total of 32,000 shares.
2 April 2018	09	28 March 2018	Shares Buy Back The Corporation bought on 28 March 2018 a total of 24,000 shares.
10 April 2018	09	3 April 2018	Shares Buy Back The Corporation bought on 3 April 2018 a total of 10,000 shares.
10 April 2018	09	3 April 2018	Shares Buy Back The Corporation bought on 3 April 2018 a total of 25,000 shares.
10 April 2018	09	4 April 2018	Shares Buy Back The Corporation bought on 4 April 2018 a total of 100,000 shares.
17 April 2018	09	10 April 2018	Shares Buy Back The Corporation bought on 10 April 2018 a total of 50,000 shares.
17 April 2018	09	11 April 2018	Shares Buy Back The Corporation bought on 11 April 2018 a total of 100,000 shares.
17 April 2018	09	12 April 2018	Shares Buy Back The Corporation bought on 12 April 2018 a total of 50,000 shares.
17 April 2018	09	13 April 2018	Shares Buy Back The Corporation bought on 13 April 2018 a total of 250,000 shares.
25 April 2018	09	18 April 2018	Shares Buy Back The Corporation bought on 18 April 2018 a total of 3,000 shares.
25 April 2018	09	19 April 2018	Shares Buy Back The Corporation bought on 19 April 2018 a total of 23,000 shares.
25 April 2018	09	20 April 2018	Shares Buy Back The Corporation bought on 20 April 2018 a total of 352,000 shares.
25 April 2018	09	23 April 2018	Shares Buy Back The Corporation bought on 23 April 2018 a total of 200,000 shares.
25 April 2018	09	24 April 2018	Shares Buy Back The Corporation bought on 24 April 2018 a total of 17,000 shares.
3 May 2018	09	25 April 2018	Shares Buy Back

			The Corporation bought on 25 April 2018 a total of 20,000 shares.
3 May 2018	09	26 April 2018	Shares Buy Back The Corporation bought on 26 April 2018 a total of 20,000 shares.
3 May 2018	09	27 April 2018	Shares Buy Back The Corporation bought on 27 April 2018 a total of 100,000 shares.
3 May 2018	09	30 April 2018	Shares Buy Back The Corporation bought on 30 April 2018 a total of 80,000 shares.
3 May 2018	09	11 July 2018	The Annual Stockholders' Meeting is on 11 July 2018 at 2:30 P.M. Stockholders of record as of 11 June 2018.
11 May 2018	09	4 May 2018	Shares Buy Back The Corporation bought on 4 May 2018 a total of 10,000 shares.
22 May 2018	09	15 May 2018	Shares Buy Back The Corporation bought on 15 May 2018 a total of 1,000 shares.
22 May 2018	09	16 May 2018	Shares Buy Back The Corporation bought on 16 May 2018 a total of 39,000 shares.
22 May 2018	09	17 May 2018	Shares Buy Back The Corporation bought on 17 May 2018 a total of 122,000 shares.
29 May 2018	09	23 May 2018	Shares Buy Back The Corporation bought on 23 May 2018 a total of 550,000 shares.
29 May 2018	09	25 May 2018	Shares Buy Back The Corporation bought on 25 May 2018 a total of 1,000 shares.
29 May 2018	09	28 May 2018	Shares Buy Back The Corporation bought on 25 May 2018 a total of 18,000 shares.
5 June 2018	09	29 May 2018	Shares Buy Back The Corporation bought on 29 May 2018 a total of 15,000 shares.
5 June 2018	09	4 June 2018	Shares Buy Back The Corporation bought on 4 June 2018 a total of 11,000 shares.
7 June 2018	09	5 June 2018	Shares Buy Back The Corporation bought on 5 June 2018 a total of 65,000 shares.
14 June 2018	09	11 June 2018	Shares Buy Back The Corporation bought on 11 June 2018 a total of 1,000,000 shares.
14 June 2018	09	11 June 2018	Shares Buy Back The Corporation bought on 11 June 2018 a total of 1,000,000 shares.
14 June 2018	09	6 June 2018	Shares Buy Back The Corporation bought on 6 June 2018 a total of 1,000,000 shares.
20 June 2018	09	19 June 2018	Shares Buy Back The Corporation bought on 19 June 2018 a total of 10,000 shares.
20 June 2018	09	25 July 2018	The Annual Stockholders' Meeting previously scheduled on 11 July 2018 has

			been cancelled and re-scheduled to 25 July 2018 at 11:00 A.M. Stockholders of record as of 11 June 2018.
27 June 2018	09	20 June 2018	Shares Buy Back The Corporation bought on 20 June 2018 a total of 53,000 shares.
27 June 2018	09	21 June 2018	Shares Buy Back The Corporation bought on 21 June 2018 a total of 80,000 shares.
27 June 2018	09	22 June 2018	Shares Buy Back The Corporation bought on 22 June 2018 a total of 100,000 shares.
2 July 2018	09	28 June 2018	Shares Buy Back The Corporation bought on 28 June 2018 a total of 9,000 shares.
10 July 2018	09	3 July 2018	Shares Buy Back The Corporation bought on 3 July 2018 a total of 55,000 shares.
10 July 2018	09	6 July 2018	Shares Buy Back The Corporation bought on 6 July 2018 a total of 108,000 shares.
10 July 2018	09	9 July 2018	Shares Buy Back The Corporation bought on 9 July 2018 a total of 15,000 shares.
18 July 2018	09	11 July 2018	Shares Buy Back The Corporation bought on 11 July 2018 a total of 35,000 shares.
18 July 2018	09	13 July 2018	Shares Buy Back The Corporation bought on 13 July 2018 a total of 20,000 shares.
18 July 2018	09	17 July 2018	Shares Buy Back The Corporation bought on 17 July 2018 a total of 3,000 shares.
23 July 2018	09	18 July 2018	Shares Buy Back The Corporation bought on 18 July 2018 a total of 26,000 shares.
23 July 2018	09	19 July 2018	Shares Buy Back The Corporation bought on 19 July 2018 a total of 45,000 shares.
23 July 2018	09	20 July 2018	Shares Buy Back The Corporation bought on 20 July 2018 a total of 90,000 shares.
24 July 2018	04	15 August 2018	Resignation of Atty. Jufil E. Siquian as Assistant Vice-President & Head of Corporate Legal and Labor Relations and as Corporate Secretary
26 July 2018	09	23 July 2018	Shares Buy Back The Corporation bought on 23 July 2018 a total of 10,000 shares.
26 July 2018	09	24 July 2018	Shares Buy Back The Corporation bought on 24 July 2018 a total of 58,000 shares.
26 July 2018	09	7 September 2018	The Special Stockholders' Meeting is on 07 September 2018 at 11:00 A.M. Stockholders of record as of 08 August 2018.

30 July 2018	09	25 July 2018	Shares Buy Back The Corporation bought on 25 July 2018 a total of 20,000 shares.
30 July 2018	09	26 July 2018	Shares Buy Back The Corporation bought on 26 July 2018 a total of 55,000 shares.
30 July 2018	09	27 July 2018	Shares Buy Back The Corporation bought on 27 July 2018 a total of 19,000 shares.
30 July 2018	09	25 July 2018	Board approved merger among RFM Corporation (as Parent Company and Surviving Corporation) and its Subsidiaries Cabuyao Logistics and Industrial Center, Inc. (CLIC), Interbake Commissary Corporation (ICC) and Invest Asia Corporation (IAC)
30 July 2018	09	25 July 2018	Results of the 2018 Annual Stockholders' Meeting of RFM Corporation: 1. Election by the stockholders of the following directors for 2018: Jose S. Concepcion Jr. Jose Ma. A. Concepcion III John Marie A. Concepcion Ma. Victoria Herminia C. Young Ernest Fritz Server Francisco A. Segovia Felicisimo M. Nacino Jr. Raissa Hechanova Posadas Joseph Server Jr. Lilia R. Bautista as Independent Director Romeo L. Bernardo as Independent Director 2. Election by the Board of Directors of the following officers of the Corporation: Jose S. Concepcion Jr. – Chairman of the Board Ernest Fritz Server – Vice Chairman Jose Ma. A. Concepcion III – President & Chief Executive Officer John Marie A. Concepcion – Managing Director & CEO, Ice Cream, Marketing Adviser and Consumer Group Ma. Victoria Herminia C. Young – SVP & General Manager, Consumer Group Enrique Oliver I. Rey-Matias – VP & CFO/ Concurrent General Manager, Flour Group/Compliance Office Melchor B. Bacsa – VP & Head of Supply Chain, Consumer Group Philip V. Prieto – Assistant Treasurer Susan A. Atienza – AVP & Head of Research & Development, Institutional Group Maria Patrocinio V. Valdez – Head of Human Resources

			Atty. Jufil E. Siquian – AVP & Head of Corporate Legal & Labor Relations/ Corporate Secretary Tee Jay T. Sumawang – AVP & Head of Information Technology Harry E. Alvarez – AVP & Head of Supply Chain, Logistics Adenawer P. Torres – VP Sales Stephen James O. Uy – AVP & Head of SBU, Flour Group Evangeline L. Caballa – AVP & Group Controller Atty. Mitchie Vanessa T. Magomnang – Risk Management Officer 3. In Organizational Meeting, the following were appointed: AUDIT Chairperson : Lilia R. Bautista Member : Romeo L. Bernardo Joseph D. Server, Jr. Felicisimo M. Nacino, Jr. COMPENSATION Chairperson: Ernest Fritz Server Member : Romeo L. Bernardo Raissa Hechonova-Posadas EXECUTIVE Chairperson: Jose Ma. A. Concepcion III Member : Ernest Fritz Server Felicisimo M. Nacino, Jr. Romeo L. Bernardo CORPORATE GOVERNANCE Chairperson: Romeo L. Bernardo Member : Lilia R. Bautista Joseph D. Server, Jr. 4. Approval by the stockholders of the following: a. Appointment of External Auditor b. Approval of Financial Statements c. Amendment of Article 17.1 of the Corporation's By-Laws
3 August 2018	09	30 July 2018	Shares Buy Back The Corporation bought on 30 July 2018 a total of 55,000 shares.
3 August 2018	09	31 July 2018	Shares Buy Back

			The Corporation bought on 31 July 2018 a total of 5,000,000 shares.
3 August 2018	09	7 September 2018	Amended Agenda of Special Stockholders' Meeting The Special Stockholders' Meeting is on 07 September 2018 at 11:00 A.M. Stockholders of record as of 08 August 2018.
23 August 2018	04	16 August 2018	Appointment of Atty. Mitchie Vanessa T. Magomnang as Head of Corporate Lega Department and Acting Corporate Secretary of the Corporation
23 August 2018	09	20 August 2018	Shares Buy Back The Corporation bought on 20 August 2018 a total of 3,000 shares.
23 August 2018	09	22 August 2018	Shares Buy Back The Corporation bought on 22 August 2018 a total of 69,000 shares.
30 August 2018	09	23 August 2018	Shares Buy Back The Corporation bought on 23 August 2018 a total of 1,000 shares.
30 August 2018	09	28 August 2018	Shares Buy Back The Corporation bought on 28 August 2018 a total of 100,000 shares.
30 August 2018	09	29 August 2018	Shares Buy Back The Corporation bought on 29 August 2018 a total of 17,000 shares.
12 September 2018	09	31 January 2018	Declaration of Cash Dividend Board approval of Cash Dividend
12 September 2018	09	7 September 2018	Results of the 7 September 2018 Special Stockholders' Meeting of RFM Corporation: 1. RFM Corporation approved the merger of RFM Corporation (as Parent and the Surviving entity) and its three (3) subsidiaries, namely: Invest Asia Corporation, Interbake Commissary Corporation and Cabuyao Logistics and Industrial Center, Inc. 2. The amendment of the Second Article of RFM Corporation's Article of Incorporation was approved in order to reflect and integrate in its primary purpose the absorbed business and/or purposes of the three (3) merged subsidiaries, namely: Invest Asia Corporation, Interbake Commissary Corporation and Cabuyao Logistics and Industrial Center, Inc.
12 September 2018	09	5 September 2018	Shares Buy Back The Corporation bought on 5 September 2018 a total of 34,000 shares.
19 September 2018	09	12 September 2018	Shares Buy Back The Corporation bought on 12 September 2018 a total of 1,001,000 shares.
19 September 2018	09	13 September 2018	Shares Buy Back

			The Corporation bought on 13 September 2018 a total of 29,000 shares.
19 September 2018	09	17 September 2018	Shares Buy Back The Corporation bought on 17 September 2018 a total of 188,000 shares.
19 September 2018	09	18 September 2018	Shares Buy Back The Corporation bought on 18 September 2018 a total of 1,000 shares.
26 September 2018	09	19 September 2018	Shares Buy Back The Corporation bought on 19 September 2018 a total of 10,000 shares.
26 September 2018	09	20 September 2018	Shares Buy Back The Corporation bought on 20 September 2018 a total of 97,000 shares.
26 September 2018	09	21 September 2018	Shares Buy Back The Corporation bought on 21 September 2018 a total of 70,000 shares.
26 September 2018	09	24 September 2018	Shares Buy Back The Corporation bought on 24 September 2018 a total of 500,000 shares.
26 September 2018	09	25 September 2018	Shares Buy Back The Corporation bought on 25 September 2018 a total of 96,000 shares.
3 October 2018	09	26 September 2018	Shares Buy Back The Corporation bought on 26 September 2018 a total of 22,000 shares.
3 October 2018	09	27 September 2018	Shares Buy Back The Corporation bought on 27 September 2018 a total of 10,000 shares.
3 October 2018	09	28 September 2018	Shares Buy Back The Corporation bought on 28 September 2018 a total of 475,000 shares.
3 October 2018	09	1 October 2018	Shares Buy Back The Corporation bought on 1 October 2018 a total of 15,000 shares.
3 October 2018	09	2 October 2018	Shares Buy Back The Corporation bought on 2 October 2018 a total of 61,200 shares.
10 October 2018	09	3 October 2018	Shares Buy Back The Corporation bought on 3 October 2018 a total of 30,000 shares.
10 October 2018	09	4 October 2018	Shares Buy Back The Corporation bought on 4 October 2018 a total of 4,000 shares.
10 October 2018	09	5 October 2018	Shares Buy Back The Corporation bought on 8 October 2018 a total of 29,000 shares.
10 October 2018	09	8 October 2018	Shares Buy Back The Corporation bought on 8 October 2018 a total of 500,000 shares.
10 October 2018	09	9 October 2018	Shares Buy Back The Corporation bought on 9 October 2018 a total of 345,000 shares.
29 October 2018	09	22 October 2018	Shares Buy Back The Corporation bought on 22 October 2018 a total of 450,000 shares.
29 October 2018	09	23 October 2018	Shares Buy Back

			The Corporation bought on 23 October 2018 a total of 20,000 shares.
29 October 2018	09	24 October 2018	Shares Buy Back The Corporation bought on 24 October 2018 a total of 5,000 shares.
29 October 2018	09	25 October 2018	Shares Buy Back The Corporation bought on 25 October 2018 a total of 5,000 shares.
29 October 2018	09	26 October 2018	Shares Buy Back The Corporation bought on 25 October 2018 a total of 5,000 shares.
6 November 2018	09	29 October 2018	Shares Buy Back The Corporation bought on 29 October 2018 a total of 1,000 shares.
6 November 2018	09	31 October 2018	Shares Buy Back The Corporation bought on 31 October 2018 a total of 12,000 shares.
9 November 2018	09	5 November 2018	Shares Buy Back The Corporation bought on 5 November 2018 a total of 8,000 shares.
9 November 2018	09	6 November 2018	Shares Buy Back The Corporation bought on 6 November 2018 a total of 32,000 shares.
9 November 2018	09	7 November 2018	Shares Buy Back The Corporation bought on 7 November 2018 a total of 15,000 shares.
9 November 2018	09	8 November 2018	Shares Buy Back The Corporation bought on 8 November 2018 a total of 7,000 shares.
16 November 2018	09	9 November 2018	Shares Buy Back The Corporation bought on 9 November 2018 a total of 80,000 shares.
16 November 2018	09	12 November 2018	Shares Buy Back The Corporation bought on 12 November 2018 a total of 10,000 shares.
16 November 2018	09	13 November 2018	Shares Buy Back The Corporation bought on 13 November 2018 a total of 10,000 shares.
16 November 2018	09	12 November 2018	Shares Buy Back The Corporation bought on 12 November 2018 a total of 30,000 shares.
26 November 2018	09	19 November 2018	Shares Buy Back The Corporation bought on 19 November 2018 a total of 62,000 shares.
26 November 2018	09	20 November 2018	Shares Buy Back The Corporation bought on 20 November 2018 a total of 18,000 shares.
26 November 2018	09	21 November 2018	Shares Buy Back The Corporation bought on 21 November 2018 a total of 21,000 shares.
26 November 2018	09	22 November 2018	Shares Buy Back The Corporation bought on 22 November 2018 a total of 20,000 shares.
26 November 2018	09	23 November 2018	Shares Buy Back The Corporation bought on 23 November 2018 a total of 15,000 shares.
26 November 2018	09	26 November 2018	Shares Buy Back

			The Corporation bought on 26 November 2018 a total of 20,000 shares.
3 December 2018	09	27 November 2018	Shares Buy Back The Corporation bought on 27 November 2018 a total of 18,000 shares.
3 December 2018	09	28 November 2018	Shares Buy Back The Corporation bought on 28 November 2018 a total of 15,000 shares.
3 December 2018	09	29 November 2018	Shares Buy Back The Corporation bought on 29 November 2018 a total of 20,000 shares.
10 December 2018	09	3 December 2018	Shares Buy Back The Corporation bought on 3 December 2018 a total of 32,000 shares.
10 December 2018	09	4 December 2018	Shares Buy Back The Corporation bought on 4 December 2018 a total of 41,000 shares.
10 December 2018	09	5 December 2018	Shares Buy Back The Corporation bought on 5 December 2018 a total of 30,000 shares.
12 December 2018	09	6 December 2018	Shares Buy Back The Corporation bought on 6 December 2018 a total of 2,004,000 shares.
12 December 2018	09	7 December 2018	Shares Buy Back The Corporation bought on 7 December 2018 a total of 15,000 shares.
12 December 2018	09	10 December 2018	Shares Buy Back The Corporation bought on 10 December 2018 a total of 31,000 shares.
12 December 2018	09	11 December 2018	Shares Buy Back The Corporation bought on 11 December 2018 a total of 30,000 shares.
19 December 2018	09	12 December 2018	Shares Buy Back The Corporation bought on 12 Decembe- 2018 a total of 19,000 shares.
19 December 2018	09	13 December 2018	Shares Buy Back The Corporation bought on 13 Decembe- 2018 a total of 50,000 shares.
19 December 2018	09	14 December 2018	Shares Buy Back The Corporation bought on 14 Decembe- 2018 a total of 24,000 shares.
19 December 2018	09	17 December 2018	Shares Buy Back The Corporation bought on 17 Decembe- 2018 a total of 565,000 shares.
19 December 2018	09	18 December 2018	Shares Buy Back The Corporation bought on 18 Decembe- 2018 a total of 50,000 shares.
21 December 2018	09	19 December 2018	Shares Buy Back The Corporation bought on 19 Decembe- 2018 a total of 33,000 shares.
21 December 2018	09	20 December 2018	Shares Buy Back The Corporation bought on 20 Decembe- 2018 a total of 45,000 shares.
3 January 2019	09	21 December 2018	Shares Buy Back The Corporation bought on 21 Decembe- 2018 a total of 47,000 shares.
3 January 2019	09	27 December 2018	Shares Buy Back

			The Corporation bought on 27 December 2018 a total of 30,000 shares.
3 January 2019	09	28 December 2018	Shares Buy Back The Corporation bought on 28 December 2018 a total of 181,000 shares.

RFM CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED COMPANY FINANCIAL STATEMENTS

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

The management of RFM Corporation is responsible for the preparation and fair presentation of the consolidated company's financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the Philippine Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated company's financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting or to cease operations or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated company's financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres Velayo & Co., the independent auditor appointed by the stockholders has audited the consolidated company's financial statements in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 10th day of April 2019

Jose S. Concepcion, Jr.	**Jose Maria Concepcion III**	**Enrique Oliver Rey-Matias**
Chairman of the Board	President & CEO	VP-Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 01 APR 2019 day of _____ 2019 affiant(s) exhibiting to me his/her Passport as follows:

Names	Passport Number	Date of Issue / Expiry	Place of Issue
Jose S. Concepcion, Jr.	P2514823A	30 Mar 2017/29 Mar 2022	DFA, Manila
Jose Maria Concepcion III	P3744591A	21 July 2017/20 July 2022	DFA, Manila
Enrique Oliver Rey-Matias	P5401351A	20 Dec 2017/ 19 Dec 2022	DFA, NCR East

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Series of 2019

MITCHIE VANESSA T. MAGOMNANG
Notary Public for and in Mandaluyong City
Notarial Commission No. 0475-18
Commission expires on 31 December 2019
8th Floor, RFM Corporate Center
Pioneer corner Sheridan Sts., Mandaluyong City
PTR No. 3812740, Jan. 03, 2019, Mandaluyong City
IBP Lifetime Member No. 09975
Roll of Attorneys No. 53507

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly notarized, in the City of Mandaluyong on 01 APR 2019.

RFM Corporation

By:

JOSE MARIA CONCEPCION III
President and Chief Executive Officer

ENRIQUE OLIVER I. REY MATIAS
Vice President – CFO

SUBSCRIBED AND SWORN to before me this 01 APR 2019 day of _____, 2019 affiants exhibiting their Passport as follows:

Names	Passport Number	Date of Issue / Expiry	Place of Issue
Jose Maria Concepcion III	P3744591A	21 July 2017/ 20 July 2022	DFA, Manila
Enrique Oliver Rey-Matias	P5401351A	20 Dec 2017/ 19 Dec 2022	DFA, NCR East

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MITCHIE VANESSA T. MAGOMNANG
Notary Public for and in Mandaluyong City
Notarial Commission No. 0475-18
Commission expires on 31 December 2019
8th Floor, RFM Corporate Center
Pioneer corner Sheridan Sts., Mandaluyong City
PTR No. 3812740, Jan. 03, 2019, Mandaluyong City
IBP Lifetime Member No. 09975
Roll of Attorneys No. 53187

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	1	2	9	9	8

COMPANY NAME

RFM CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

RFM CORPORATE CENTER, PIONEER CORNER SHERIDAN STREETS, MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
rfmmail@rfm.com.ph	(02) 631-8101	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,157	7/12	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique Oliver I. Rey-Matias	eoirey-matias@rfm.com.ph	(02) 631-8101	N/A

CONTACT PERSON's ADDRESS

RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City

NOTE 1. In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2. All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
RFM Corporation
RFM Corporate Center
Pioneer corner Sheridan Streets
Mandaluyong City

Opinion

We have audited the consolidated financial statements of RFM Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with the financial reporting framework as described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment testing of trademark with indefinite useful life and goodwill

Under Philippine Financial Reporting Standards, the Group is required to test for impairment the Royal trademark with indefinite useful life and the goodwill from the investment in Unilever-RFM Ice Cream, Inc. on an annual basis. These annual impairment tests are significant to our audit because the carrying value of these intangible assets of ₱2,271.5 million as of December 31, 2018 is material to the consolidated financial statements. In addition, the assessment process requires significant judgment from management because of the use of assumptions and other information, specifically the discount rate, revenue growth rate, royalty savings rate, budgeted brand support and projected operating expenses and maintenance capital expenditures which are affected by expected future market or economic conditions.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and discussion of significant judgments and estimates, and Note 13 for the disclosures relating to trademark and goodwill.

Audit Response

We involved our internal specialist in evaluating the management's assessment including the methodologies and the assumptions used in determining the recoverable amounts of the trademark and the goodwill. We compared the key assumptions used such as revenue growth rate, budgeted brand support and projected operating expenses and maintenance capital expenditures against historical performance of the products under the Royal brand and Unilever-RFM Ice Cream, Inc. We also compared the revenue growth rate and the royalty savings rate against relevant published market information. We tested the parameters used in the determination of the discount rate against market data. We likewise reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of the trademark and the goodwill.

Adequacy of allowance for doubtful accounts on trade receivables upon adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss model (ECL) to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model in calculating the allowance for doubtful accounts of its trade receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The disclosures on the allowance for doubtful accounts are included in Notes 2, 3 and 6 to the consolidated financial statements.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical tests and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We checked the transition adjustments and reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, process, and procedures.

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in the (1) identification of the performance obligations across diverse range of customer arrangements; and (2) determination whether the transaction price includes variable consideration and consideration payable to customers. The Group's variable considerations include sales incentives while consideration payable to customers pertain to payments for in-store display and use of shelf space, and non-refundable upfront fees such as listing fees.

The disclosures related to the adoption of PFRS 15 are included in Notes 2, 3 and 4 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption impact assessment and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model of PFRS 15. In addition, we checked whether the performance obligations within the contracts have been identified; and whether management has identified the components of the transaction price and applied the constraint on variable consideration. We evaluated the management's assumptions by comparing the historical experience of the Group with the assumptions used in its estimates as it relates to variable consideration. In relation to the consideration payable to customers arising from trading arrangements, we obtained an understanding of the nature of such arrangements and checked management's assessment on whether such consideration is a payment for a distinct good or service from the customer.

We reviewed and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Accounting for the investment in Unilever-RFM Ice Cream, Inc.

The Group has ownership of 50% in Unilever-RFM Ice Cream, Inc. as of December 31, 2018. This investment is accounted for using the proportionate consolidation method as allowed by the Philippine Securities and Exchange Commission. This is a key audit matter because Unilever-RFM Ice Cream, Inc. contributed significantly to the consolidated assets, consolidated liabilities, consolidated revenues and consolidated net income of the Group as of and for the year ended December 31, 2018.

Refer to Note 2 to the consolidated financial statements for the relevant accounting policy, and Note 11 for the disclosures relating to Group's investment in Unilever-RFM Ice Cream, Inc.

Audit Response

We sent instructions to the statutory auditor of Unilever-RFM Ice Cream, Inc. to perform an audit on the financial information of Unilever-RFM Ice Cream, Inc. for the purpose of the Group's consolidated financial statements. These instructions contained a discussion on their scope of work, risk assessment procedures, audit strategy and reporting requirements. We discussed with Unilever-RFM Ice Cream, Inc. statutory auditor about their key audit areas, specifically the adoption and implementation of PFRS 9 and PFRS 15, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2018. We reviewed the statutory auditor's working papers and obtained relevant conclusion statements related to their audit procedures.

We obtained the financial information of Unilever-RFM Ice Cream, Inc. from its statutory auditor and recomputed the Group's proportionate share in the assets, liabilities and net income of Unilever-RFM Ice Cream, Inc. as of and for the year ended December 31, 2018. We also reviewed the Group's disclosure with respect to its investment in Unilever-RFM Ice Cream, Inc.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the financial reporting framework as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

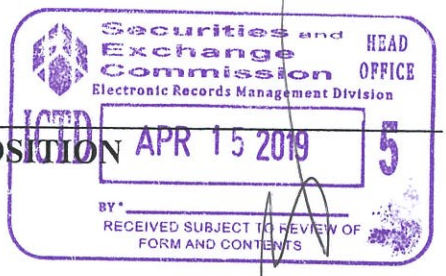
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332621, January 3, 2019, Makati City

April 2, 2019



RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,356,895**	₱1,513,049
Short-term cash investments (Note 5)	**23,000**	39,619
Current portion of:		
Held-to-maturity (HTM) investments (Note 9)	**–**	310,371
Held-to-collect (HTC) investments (Note 9)	**189,128**	–
Receivables (Notes 6 and 21)	**2,321,679**	2,178,571
Inventories (Note 7)	**1,242,327**	1,533,885
Other current assets (Note 8)	**196,157**	324,035
Total Current Assets	**6,329,186**	5,899,530
Noncurrent Assets		
Noncurrent portion of:		
HTM investments (Note 9)	**–**	693,156
HTC investments (Note 9)	**722,369**	–
Investments in joint venture and associate (Note 10)	**153,469**	152,245
Property, plant and equipment (Note 12):		
At appraised value	**3,117,628**	3,117,628
At cost	**3,876,948**	3,303,535
Intangible assets (Note 13)	**2,271,495**	2,271,497
Deferred income tax assets - net (Note 23)	**190,598**	143,696
Other noncurrent assets (Notes 6, 21 and 24)	**134,749**	337,462
Total Noncurrent Assets	**10,467,256**	10,019,219
TOTAL ASSETS	**₱16,796,442**	₱15,918,749
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 15)	**₱440,000**	₱556,500
Accounts payable and other current liabilities (Notes 14 and 21)	**3,876,060**	3,202,302
Income tax payable	**103,733**	225,554
Total Current Liabilities	**4,419,793**	3,984,356
Noncurrent Liabilities		
Net retirement obligation (Note 22)	**101,147**	161,671
Security deposits	**1,930**	1,923
Deferred income tax liabilities - net (Note 23)	**596,708**	618,235
Total Noncurrent Liabilities	**699,785**	781,829
Total Liabilities	**5,119,578**	4,766,185

(Forward)



	December 31	
	2018	2017
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 16)	**₱3,500,404**	₱3,500,404
Additional paid-in capital (Note 16)	**2,059,220**	2,059,437
Treasury stock (Note 16)	**(86,408)**	(14,327)
Equity reserve	**(7,075)**	(7,075)
Revaluation increment on land - net (Note 12)	**1,789,684**	1,789,684
Retained earnings (Note 16)	**4,450,664**	3,851,762
	11,706,489	11,179,885
Non-controlling Interests	**(29,625)**	(27,321)
Total Equity	**11,676,864**	11,152,564
TOTAL LIABILITIES AND EQUITY	**₱16,796,442**	₱15,918,749

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Manufacturing	**₱14,014,472**	₱12,702,877	₱12,655,872
Services and others	**56,660**	40,774	42,786
	14,071,132	12,743,651	12,698,658
COST OF SALES AND SERVICES (Note 17)	**(8,709,589)**	(7,561,515)	(7,422,861)
GROSS PROFIT	**5,361,543**	5,182,136	5,275,797
OPERATING EXPENSES			
Selling and marketing (Note 18)	**(2,596,674)**	(2,541,734)	(2,760,792)
General and administrative (Note 19)	**(1,305,722)**	(1,193,559)	(1,084,170)
OTHER INCOME (CHARGES)			
Interest expense (Note 20)	**(20,649)**	(16,273)	(9,852)
Reversal of impairment loss (impairment loss) on property, plant and equipment (Note 12)	**–**	18,456	3,432
Interest income (Note 20)	**67,787**	36,317	23,411
Dividend income (Note 9)	**855**	134	65
Other income (charges) - net (Note 10)	**44,410**	(10,607)	38,289
INCOME BEFORE INCOME TAX	**1,551,550**	1,474,870	1,486,180
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**523,899**	489,599	481,701
Deferred	**(79,054)**	(59,490)	4,099
	444,845	430,109	485,800
NET INCOME	**₱1,106,705**	₱1,044,761	₱1,000,380
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,109,009**	₱1,042,345	₱1,001,850
Non-controlling interests	**(2,304)**	2,416	(1,470)
	₱1,106,705	₱1,044,761	₱1,000,380
Basic/Diluted Earnings Per Share (Note 25)	**₱0.32**	₱0.30	₱0.29

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱1,106,705**	₱1,044,761	₱1,000,380
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit and loss:			
Remeasurement gain (loss) on defined benefit retirement plan (Note 22)	**34,240**	9,001	(29,088)
Income tax effect	**(10,272)**	(2,700)	8,726
Revaluation increment on property, plant and equipment (Note 12)	–	638,097	–
Income tax effect	–	(191,429)	–
	23,968	452,969	(20,362)
TOTAL COMPREHENSIVE INCOME	**₱1,130,673**	₱1,497,730	₱980,018
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,132,977**	₱1,495,314	₱981,488
Non-controlling interests	**(2,304)**	2,416	(1,470)
	₱1,130,673	₱1,497,730	₱980,018

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Treasury Stock (Note 16)	Equity Reserve	Revaluation Increment on Land (Note 12)	Retained Earnings (Note 16)	Subtotal	Non-controlling Interests	Total Equity
As of January 1, 2018, as previously reported	₱3,500,404	₱2,059,437	(₱14,327)	(₱7,075)	₱1,789,684	₱3,851,762	₱11,179,885	(₱27,321)	₱11,152,564
Effect of adoption of new accounting standards (Notes 2 and 6)	–	–	–	–	–	(11,080)	(11,080)	–	(11,080)
As of January 1, 2018, as restated	3,500,404	2,059,437	(14,327)	(₱7,075)	1,789,684	3,840,682	11,168,805	(27,321)	11,141,484
Net income for the period	–	–	–	–	–	1,109,009	1,109,009	(2,304)	1,106,705
Other comprehensive income:									
Remeasurement loss on defined benefit retirement plan	–	–	–	–	–	23,968	23,968	–	23,968
Total comprehensive income for the period	–	–	–	–	–	1,132,977	1,132,977	(2,304)	1,130,673
Cash dividends	–	–	–	–	–	(522,995)	(522,995)	–	(522,995)
Purchase of shares into treasury (Note 16)	–	–	(92,758)	–	–	–	(92,758)	–	(92,758)
Sales of treasury shares (Note 16)	–	(217)	20,677	–	–	–	20,460	–	20,460
As of December 31, 2018	₱3,500,404	₱2,059,220	(₱86,408)	(₱7,075)	₱1,789,684	₱4,450,664	₱11,706,489	(₱29,625)	₱11,676,864
As of January 1, 2017	₱3,500,404	₱2,057,297	(₱20,155)	(₱7,075)	₱1,343,016	₱3,303,307	₱10,176,794	(₱27,745)	₱10,149,049
Net income for the period	–	–	–	–	–	1,042,345	1,042,345	2,416	1,044,761
Other comprehensive income:									
Revaluation increment on land	–	–	–	–	446,668	–	446,668	–	446,668
Remeasurement loss on defined benefit retirement plan	–	–	–	–	–	6,301	6,301	–	6,301
Total comprehensive income for the period	–	–	–	–	446,668	1,048,646	1,495,314	2,416	1,497,730
Cash dividends	–	–	–	–	–	(500,191)	(500,191)	(1,992)	(502,183)
Purchase of shares into treasury (Note 16)	–	–	(121,797)	–	–	–	(121,797)	–	(121,797)
Sales of treasury shares (Note 16)	–	2,140	127,625	–	–	–	129,765	–	129,765
As of December 31, 2017	₱3,500,404	₱2,059,437	(₱14,327)	(₱7,075)	₱1,789,684	₱3,851,762	₱11,179,885	(₱27,321)	₱11,152,564

(Forward)

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Treasury Stock (Note 16)	Equity Reserve	Revaluation Increment on Land (Note 12)	Retained Earnings (Note 16)	Subtotal	Non-controlling Interests	Total Equity
As of January 1, 2016	₱3,500,404	₱2,048,588	₱–	(₱7,075)	₱1,343,016	₱2,766,592	₱9,651,525	(₱24,262)	₱9,627,263
Net income for the period	–	–	–	–	–	1,001,850	1,001,850	(1,470)	1,000,380
Other comprehensive income:									
Remeasurement loss on defined benefit retirement plan	–	–	–	–	–	(20,362)	(20,362)	–	(20,362)
Total comprehensive income for the period	–	–	–	–	–	981,488	981,488	(1,470)	980,018
Cash dividends	–	–	–	–	–	(444,773)	(444,773)	(2,013)	(446,786)
Purchase of shares into treasury (Note 16)	–	–	(313,679)	–	–	–	(313,679)	–	(313,679)
Sales of treasury shares (Note 16)	–	8,709	293,524	–	–	–	302,233	–	302,233
As of December 31, 2016	₱3,500,404	₱2,057,297	(₱20,155)	(₱7,075)	₱1,343,016	₱3,303,307	₱10,176,794	(₱27,745)	₱10,149,049

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,551,550**	₱1,474,870	₱1,486,180
Adjustments for:			
Depreciation and amortization (Notes 12 and 13)	**421,772**	389,088	378,476
Interest income (Note 20)	**(67,787)**	(36,317)	(23,411)
Equity in net earnings of an associate (Note 10)	**(12,156)**	(10,934)	(12,279)
Interest expense (Note 20)	**20,649**	16,273	9,852
Loss on sale of property, plant and equipment (Note 12)	**3,383**	18,578	7,941
Movement in net retirement obligation (Note 22)	**(26,284)**	(4,446)	(6,649)
Provision for (reversal of) impairment loss on property, plant and equipment (Note 12)	**426**	(18,456)	(3,432)
Unrealized foreign exchange loss - net	**324**	3,370	1,450
Operating income before working capital changes	**1,891,877**	1,832,026	1,838,128
Decrease (increase) in:			
Receivables	**(153,515)**	128,432	87,806
Inventories	**291,558**	(364,067)	(8,015)
Other current assets	**127,878**	(41,830)	(74,989)
Increase (decrease) in:			
Accounts payable and other current liabilities	**675,905**	(135,679)	96,097
Security deposits	**7**	231	(211)
Net cash generated from operations	**2,833,710**	1,419,113	1,938,816
Income taxes paid, including creditable withholding taxes	**(645,367)**	(408,879)	(385,020)
Interest paid	**(20,630)**	(16,410)	(8,769)
Interest received	**67,969**	36,628	14,286
Net cash from operating activities	**2,235,682**	1,030,452	1,559,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Short-term cash investments (Note 5)	**16,619**	1,082,127	(1,035,775)
Other noncurrent assets	**42,738**	(187,225)	(42,748)
Acquisitions of:			
HTM investments (Note 9)	**–**	(562,521)	(355,114)
HTC investments (Note 9)	**(318,330)**	–	–
Property, plant and equipment (Note 12)	**(840,726)**	(945,633)	(57,894)
Proceeds from redemption of HTC investments	**410,360**	–	–
Proceeds from sale of:			
Property, plant and equipment (Note 12)	**854**	190	–
Investments in shares of stock	**–**	350	–
Net cash used in investing activities	**(688,485)**	(612,712)	(1,491,531)

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of treasury stock (Note 16)	**₱20,460**	₱129,765	₱302,233
Payments of dividends	**(514,229)**	(507,582)	(444,146)
Bank loans (Note 15)			
Availments	**69,276,750**	32,966,000	23,470,750
Payments	**(69,393,250)**	(32,869,500)	(23,364,250)
Reacquisition of shares into treasury (Note 16)	**(92,758)**	(121,797)	(313,679)
Net cash used in financing activities	**(703,027)**	(403,114)	(349,092)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(324)**	1,869	2,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**843,846**	16,495	(279,098)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,513,049**	1,496,554	1,775,652
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,356,895**	₱1,513,049	₱1,496,554

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

RFM Corporation (the Parent Company) was incorporated on August 16, 1957 and registered with the Philippine Securities and Exchange Commission (SEC). On July 9, 2007, the SEC approved the extension of the Company's corporate life from August 22, 2007 to October 13, 2056. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange (PSE) since 1966. The Parent Company is mainly involved in the manufacturing, processing and selling of wheat, flour and flour products, pasta, milk, juices, margarine, and other food and beverage products. The Parent Company and its subsidiaries are collectively referred to herein as the Group. The principal office address of the Parent Company is RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City.

On July 31, 2018, the Board of Directors (BOD) of the Parent Company approved the planned upstream merger among the Parent Company (the surviving corporation) and its subsidiaries – Cabuyao Logistics Industrial Center, Inc. (CLIC), Interbake Commissary Corporation (ICC) and Invest Asia Corporation (IAC) (collectively, the absorbed corporations) and is seen as desirable and advantageous to the parties and their respective shareholders for the following business reasons:

- The integration of the administrative facilities of the four (4) corporations will result in economies of scale and efficiency of operations;
- The consolidation of assets of the four (4) corporations will allow the procurement of financing and credit facilities under more favorable terms; and,
- The merger will make possible the more productive use of the properties of the constituent corporations.

On January 31, 2019, the Certificate of Filing of Articles and Plan of Merger by and between RFM Corporation as the Surviving Corporation and CLIC, ICC and IAC as the Absorbed Corporations was issued by the Securities and Exchange Commission.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issuance by the Parent Company's Audit Committee on April 2, 2019, as delegated by the Board of Directors (BOD) on March 29, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for the Group's land, which are stated at appraised values and net retirement liability which is measured at present value of the defined benefit obligations less fair value of the plan assets. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All values are rounded off to the nearest thousand pesos (₱000), except for the number of shares or when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with the financial reporting framework as allowed by the SEC which represents Philippine Financial Reporting Standards (PFRSs) except PFRS 11, *Joint Arrangements*, with respect to the Parent Company's investment in Unilever RFM Ice Cream, Inc. (URICI) (see Note 11).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018.

The consolidated subsidiaries, which are all incorporated in the Philippines, and the effective percentages of ownership as of December 31, 2018 and 2017 are as follows:

Entity	Nature of Business	Percentage of Ownership
Cabuyao Logistics and Industrial Center, Inc. (CLIC)**	Leasing	100.00
Interbake Commissary Corporation (ICC)**	Toll processing	100.00
RFM Equities, Inc. (REI)	Holding	100.00
RFM Foods Philippines Corporation (RFM Foods)*	Food retailer	100.00
Southstar Bottled Water Company, Inc. (Southstar)*	Bottled water business	100.00
Swift Tuna Corporation (Swift Tuna)*	Manufacturing	100.00
Invest Asia Corporation (IAC)**	Leasing	96.00
Rizal Lighterage Corporation (RLC)	Barging services	93.51
FWBC Holdings, Inc.*	Holding company	83.38
Filipinas Water Bottling Company, Inc. (FWBC)*	Bottled water manufacturing	44.88
RFM Canning and Marketing, Inc. (RFM Canning)*	Canning services	70.00
WS Holdings, Inc. (WHI)	Holding company	60.00

**Dormant*
***Entities for merger*

Subsidiaries

Subsidiaries are entities controlled by the Parent Company. The Parent Company controls an investee if, and only, if the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments where necessary are made to ensure consistency with the policies adopted by the Group.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full. However, intra-group losses are also eliminated but are considered an impairment indicator of the assets transferred.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling interests
Non-controlling interests represent the portion of equity in a subsidiary not attributable, directly of indirectly, to the Parent Company. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interest are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of consolidated statement of financial position and consolidated statement of changes in equity, separately from the equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings.

  The effect of adopting PFRS 9 as at January 1, 2018 are as follows:

  a) Classification and measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The following are the changes in the classification of the Group's financial assets:

  - Cash in banks and cash equivalents, short-term cash investments, trade and nontrade receivables, advances to officers and employees, advances to related parties and other receivables previously classified as loans and receivables as at December 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Investment in bonds previously classified as held-to-maturity investments as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost beginning January 1, 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 measurement category		
PAS 39 measurement category	January 1, 2018	Fair value through profit or loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash in banks and cash equivalents	₱1,390,042	₱–	₱1,390,042	₱–
Short-term cash investments	39,619	–	39,619	–
Trade receivables	2,028,337	–	2,028,337	–
Nontrade receivables	36,248	–	36,248	–
Advances to officers and employees	33,701	–	33,701	–
Advances to related parties	207,587	–	207,587	–
Other receivables	52,648	–	52,648	–
Held-to-maturity investments	1,003,527	–	1,003,527	–
	₱4,791,709	₱–	₱4,791,709	₱–

b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon the adoption of PFRS 9, the Group recognized additional impairment on the Group's trade receivables of ₱11.08 million, which resulted in a net decrease in retained earnings of the same amount as at January 1, 2018. The table below presents a reconciliation of the prior period's closing impairment allowance measured in accordance with PAS 39 and the provisions in accordance with PAS 37 to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

Measurement category	Impairment allowance under PAS 39/Provision under PAS 37	Remeasurement	Impairment allowance under PFRS 9
Loans and Receivables (PAS 39)/ Financial Assets at Amortized Cost (PFRS 9)			
Receivables			
Trade	₱146,835	₱11,080	₱157,915

Impairment allowance recognized in accordance with PFRS 9 amounted to ₱171.19 million as of December 31, 2018 (see Note 6).

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information was not restated and were reported under PAS 11, PAS 18 and related Interpretations.

  The adoption of PFRS 15 as at January 1, 2018 did not have any significant impact to the consolidated financial statements.

  The effects of adopting PFRS 15 as at December 31, 2018 are as follows:

	Without PFRS 15 impact	PFRS 15 Adjustment Increase/ (decrease)	As reported
Revenues			
Sale of goods	₱8,664,726	(₱241,172)	₱8,423,554
Operating expenses			
Selling and marketing expenses	₱1,672,240	(₱241,172)	₱1,431,068

  The adjustments are due to the effect of changes on the following:

- *Consideration paid/payable to customers*
  Before the adoption of PFRS 15, amounts paid to customers such as payments for in-store display and use of shelf space, and non-refundable upfront fees such as listing fees are recognized as part of selling and marketing expenses. These amounts are contractually agreed amounts with customers and/or estimated amounts based on historical experience with customers. Related accruals are recognized in the consolidated statement of financial position within Accounts payable and other current liabilities.

  Under PFRS 15, the Group is required to assess whether consideration payable to a customer should be treated as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. The Group assessed that such fees paid do not provide a distinct good or service to the Group and should be treated as a reduction to the transaction price.

  Total adjustments to net sales related to consideration payable to customers for 2018 amounted to ₱152.54 million.

- *Variable considerations*
  The Group offers sales incentives through various programs to customers. Such sales incentives include customer rebates, price reductions and performance incentives among others. The extent and mode of such arrangements vary across different segments of the Group. A number of sales incentives, such as customer rebates and performance incentives, requires the customer to achieve certain performance targets relating to the value of product purchased and pre-determined volume levels. These are based on annual targets, specific terms in each agreement, and accumulated historical experience, and accruals are established based on expected payout. Before the adoption of PFRS 15, such amounts are recognized as part of selling and marketing expense and related accrual is recognized in the consolidated statement of financial position within Accounts payable and other current liabilities.

  Under PFRS 15, the Group assessed that such sales incentives affect the final transaction price the Group expects to receive from the customers and hence, are accounted accordingly as reduction to the revenue. Accumulated historical experience is used to estimate the provision for such sales incentives, using the most likely amount method; revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

  Total adjustments to net sales related to variable considerations for 2018 amounted to ₱88.63 million.

Since the effect of the adoption of the new standard do not represent cash inflows or outflows, cash generated by or used in operating activities presented in the consolidated statements of cash flows have not been amended.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the

fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The Group has assessed that the adoption of the Interpretation has no significant impact to the Group's consolidated financial statements as its practice is currently aligned with the Interpretation

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.



These amendments are expected to have no significant impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.



The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

The Group will adopt the amendments as it becomes applicable effective January 1, 2019.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments expectedly will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.



Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.



Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  These amendments expectedly will have no impact on the consolidated financial statements of the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Group is currently assessing the impact of adopting these amendments.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;
c. Expected to be realized within twelve months after the reporting period; or
d. Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets including deferred taxes as noncurrent

A liability is current when:

a. It is expected to be settled in normal operating cycle;
b. It is held primarily for the purpose of trading;
c. It is due to be settled within twelve months after the reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities including deferred taxes as noncurrent.

Fair Value Measurement
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 the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and which are subject to an insignificant risk of changes in value.

Short-term Cash Investments
Short-term cash investments are short term placements with maturities of three months but less than one year from date of acquisition. The Group earns interest at the respective short-term deposit rates.

Financial Instruments (prior to adoption of PFRS 9)

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

The Group's financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) investments. The Group also classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities.



The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market.

The Group determines the classification of its financial assets and financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as a liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

"Day 1" difference
Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of 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 fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which 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" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, the Group's loans and receivables include cash and cash equivalents, short-term cash investments, trade receivables, nontrade receivables, advances to related parties and other receivables.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities and which investments the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs.

The Group's investment in bonds as of December 31, 2017 is classified under this category.

Embedded derivatives
Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. In measuring the embedded derivatives, the Group takes into account the probability that the conditions

(e.g., event of default) triggering the exercise of the derivatives will happen in the future. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

As of December 31 2017, the Group's other financial liabilities include bank loans and accounts payable and other current liabilities (excluding payables to government agencies).

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired loans and receivables carried at amortized cost are derecognized when they are assessed as uncollectible either as a direct reduction of the carrying amount or through use of an allowance account when impairment has been previously recognized in the said amount.

Financial Instruments (upon adoption of PFRS 9)

Date of recognition
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets and financial liabilities consist of amortized cost and other financial liabilities.

Initial recognition and measurement of financial assets
The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition

As of January 1, 2018 and December 31, 2018, the Group's financial assets consist only of financial assets at amortized cost.

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Under PFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

As of January 1, 2018 and December 31, 2018, the Group's financial assets at amortized cost include cash and cash equivalents, short-term cash investments, trade receivables, nontrade receivables, advances to related parties, hold-to-collect investments and other receivables.



Initial recognition and measurement of financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. As of January 1, 2018 and December 31, 2018, the Group's financial liabilities include bank loans and accounts payable and other current liabilities (excluding payables to government agencies).

Subsequent measurement - other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction cost.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash and cash equivalents, short-term cash investments and HTC investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's and Moody's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. The Group considers a debt investment security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payments are already past due for a certain number of days, which depends on the normal customer arrangements and business terms and varies across relevant business segment/sub-segment of the Group, ranging from 90 days to 360 days, except for certain circumstances when the



reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider trade receivables to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For nontrade and other receivables and advances to related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

This policy is applicable to Group's financial assets except for trade receivables, for which the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Write-off policy
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets and Financial Liabilities (prior to and upon adoption of PFRS 9)

Financial asset
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 Group's right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows 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 or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right 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 of 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 an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments (prior to and upon adoption of PFRS 9)
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the product to its present location and condition are accounted for as follows:

Finished goods	- determined using the moving average method; cost includes direct materials, direct labor and a proportion of manufacturing overhead costs based on normal operating capacity
Goods in process	- applicable allocation of fixed and variable overhead costs
Raw materials, spare parts and supplies	- purchase cost using the moving average method

NRV of finished goods and goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. For raw materials, NRV is the current replacement cost. In case of spare parts and supplies, NRV is the estimated realizable value of the inventories when disposed of at their condition at the reporting date. An allowance for inventory obsolescence is provided for slow-moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Other Current Assets
Other current assets include prepaid expenses, deposit on purchases of inventories, tax credits and input VAT.

Prepaid expenses. These are expenses paid in advance and recorded as asset before they are utilized. Prepaid expenses that are expected to be realized for no more than 12 months after the reporting date are classified as current assets; otherwise, these are classified as other noncurrent assets.

Deposit on purchases of inventories. This account comprises of advance payments to suppliers for payments on goods to be purchased in connection with the Group's operations. These are reclassified as part of inventory upon delivery of the related asset.

Value-added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Other Noncurrent Assets
Other noncurrent assets include security deposits and deposit on purchases of property, plant and equipment.

Deposit on purchases of property plant and equipment. This account comprises of advance payments to contractors for the construction and development of property, plant, and equipment. These are reclassified as part of property, plant and equipment upon the completion or delivery of the related asset.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation, and any impairment in value. The initial cost of items of property, plant and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property, plant and equipment.

Land is stated at appraised value based on a valuation performed by an independent firm of appraisers. The increase in the valuation of land is credited to "Revaluation increment on land" account, net of deferred income tax effect, and presented under the equity section of the consolidated statement of financial position.

Revaluation of land is made periodically such that the carrying amount does not differ materially from that which would be determined using the fair value at the reporting date. For subsequent revaluations, any resulting increase in the assets' carrying amount as a result of the revaluation is credited to "Revaluation increment on land" account, net of deferred income tax effect, in the consolidated statement of comprehensive income. Any resulting decrease is directly charged against any related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation increment in respect of the same assets. In case the land is disposed of, the related revaluation increment



is transferred directly to retained earnings. Transfers from revaluation increment to retained earnings are not made through the consolidated statement of income.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Land improvements	5 to 20
Silos, buildings and improvements	5 to 30
Machinery and equipment	5 to 25
Office furniture and fixtures	2 to 10
Transportation and delivery equipment	5

Leasehold improvements recognized under "Silos, buildings and improvements" are depreciated over the life of the assets or the lease term, whichever is shorter.

Construction in progress are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. Construction in progress are reclassified into appropriate class of property, plant and equipment when the relevant assets are completed and available for use.

Depreciation and amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Property, plant and equipment are derecognized when either these are disposed of or when these are permanently withdrawn from use and there are no more future economic benefits expected from its use or disposal.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives (e.g., computer software) are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The

amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives such as trademark and goodwill are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

As of December 31, 2018 and 2017, the Group's intangible assets consist of trademark with indefinite useful life and computer software that is amortized over three years using the straight-line method.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value, at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 in the consolidated statement of income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or group of CGU's that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.



Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every reporting date.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs:

(i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred;
(ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and
(iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Where funds are borrowed specifically to finance a project, the amount capitalized represents actual borrowing costs incurred less any investment income on the temporary investment of the borrowed funds. Where the funds used to finance a project form part of general borrowings, the amount capitalized is determined by applying the capitalization rate to the expenditures on the asset. The amount of capitalized borrowing cost, though, cannot exceed the actual borrowing cost incurred during the period.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Investments in Joint Ventures and Associate

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries (e.g., contractual arrangements, voting rights and potential voting rights).

The Group's investments in joint venture and associate are accounted for using the equity method except for its investment in URICI, a joint venture, which is accounted for using the proportionate consolidation method as permitted by the SEC. This method involves consolidating a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the Group's consolidated financial statements on a line-by-line basis.



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

The consolidated statement of income reflects the Group's share of the financial performance of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income under "Other income (charges)" and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

After application of the equity method and the proportionate consolidation method for the investment in URICI, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in the associate and joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss in the consolidated statement of income.

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

Impairment of Noncurrent Nonfinancial Assets

The carrying values of property, plant and equipment, and intangible assets (except trademark) are reviewed for impairment when event or changes in circumstances indicate that the carrying values may not be recoverable.

Trademark and goodwill are tested for impairment at least annually or when there is an identified indicator of impairment.

If any such indication exists or where the carrying value exceeds the recoverable amount, the asset is written down to its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

The recoverable amount of an asset or CGU is the greater of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.



Impairment losses, if any, are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Capital Stock
Capital stock is stated at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case shares are issued to extinguish or to settle the liability of the Group, the share shall be measured at either the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Treasury Stock
Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying value and the consideration, if reissued, is recognized in the "Additional paid-in capital" account. The cost of treasury stock sold or cancelled is determined on a first-in, first-out basis.

When the shares are retired, the capital stock account is reduced by its par value, and the excess of cost over par value upon retirement is debited to "Additional paid-in capital" to the extent of the specific or average additional paid-in capital when the shares were issued and to the retained earnings for the remaining balance.

Equity Reserve
Equity reserve is the difference between the acquisition cost of an entity under common control and the Parent Company's proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling of interest method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which control ceases.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, effect of changes in accounting policy and other capital adjustments.



Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved and declared by the BOD of the Parent Company. Stock dividends are treated as transfers from retained earnings to paid-in capital stock when approved and declared by the BOD and the stockholders representing at least two-thirds of the outstanding capital stock.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting period.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is calculated in the same manner, adjusted for the effects of any potential dilutive common shares. Where the effect of the potential dilutive common shares would be anti-dilutive, basic and diluted earnings per share are stated at the same amount.

The Group does not have potential dilutive common shares in 2018 and 2017.

Revenue Recognition (prior to adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, returns and value-added taxes (VAT). The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods (Manufacturing)
Revenue from sale of goods shown as "Net sales" is recognized, net of applicable discounts, when the significant risks and rewards of ownership of the goods have passed to the buyer and there is actual delivery made and the same is accepted by the buyer.

Sale of services (Service)
Revenue is recognized upon performance of services in accordance with the substance of the relevant agreements.

Revenue Recognition (upon adoption of PFRS 15)

Revenue from Contracts with Customers
The Group primarily derives its revenue from the sale of goods and rendering of services from manufacturing and service operations, respectively. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has concluded that it is acting as principal in all of its revenue arrangements because the Group is the primary obligor who is responsible for delivering the goods and providing the services to the customers and the Group bears the credit risk.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods (Manufacturing)
Revenue from sale of goods is recognized when control of the goods being sold has transferred to the customer and when there are no longer any unfulfilled obligations to the customer. This is generally

on the time of delivery of the goods to the customer except for flour sales, which are recognized at the time the goods are dispatched from the warehouses (i.e., point in time).

Revenue recognized comprises of the invoice price of goods delivered after the deduction of estimated variable considerations and considerations paid/payable to customers. Variable considerations such as discounts, rebates, returns, sales incentives, and other adjustments are provided for in the period the related sales are recorded. Accumulated experience is used to estimate the provision for discounts, using the most likely amount method; revenue is only recognized to the extent that it is highly probable a significant reversal will not occur.

Sale of services (Service)
Revenue, net of any incentives, is generally recognized when the services are rendered. The performance obligations are satisfied and payment is generally due upon completion and billing of the services.

Revenue not in scope under PFRS 15

Rent
Rent income is recognized on a straight-line basis over the terms of the lease.

Interest and financing income
Interest income is recognized as the interest accrues using the EIR method.

Dividend income
Dividend income on investments in shares of stock is recognized when the Group's right to receive the payment is established, which is the date when the dividend declaration is approved by the investee's BOD and/or the stockholders.

Cost of Goods Sold
Cost of goods sold is recognized when the related goods are sold.

Selling and Marketing and General and Administrative Expenses
Selling and marketing expenses are costs incurred to sell or distribute the goods. It includes export and documentation processing and delivery, among others. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Short-term Employee Benefits
Short-term employee benefits include salaries and wages, vacation leave and sick leave benefits and other benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. These are recognized in the consolidated statements of income in the appropriate expense categories.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefits costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized in other comprehensive income and transferred to retained earnings in the period in which they arise. Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are recognized as an expense in the parent company statement of income on a straight-line basis over the lease term.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credit from excess of minimum corporate income tax (MCIT) over regular corporate income tax

(RCIT) [excess MCIT], and unused net cperating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused excess MCIT and NOLCO can be utilized.

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

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

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred income tax relating to items recognized outside of the consolidated statement of income is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provision and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of



the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The expense relating to any provision is presented in the parent company statement of income, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Events after the reporting date that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated financial statement when material.

3. Management's Use of Significant Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to exercise judgment, make accounting estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from the estimates and assumptions used. The effect of any change in estimates or assumptions is reflected in the consolidated financial statements when they become reasonably determinable.

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

Determination of useful life of trademark
The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be appropriate. When there are events that indicate that the indefinite useful life assessment is no longer appropriate, the useful life assessment will be changed from indefinite to finite.

Based on analysis of relevant factors indicated below, management has assessed that there is no foreseeable limit to the period over which the trademark is expected to generate cash inflows for the Group:

- Management does not expect to encounter significant difficulties in renewing the registration of the trademark.
- Management has assessed that the cost of renewing the trademark as insignificant when compared with the economic benefits expected to flow to the Group from the continued use of the trademark.
- Management is committed to continue to invest for the long term to extend the period over which the trademark is expected to continue to provide economic benefits.

Consequently, management assessed that the trademark has an indefinite useful life as of December 31, 2018 and 2017.

Distinction between Investment Properties and Owner-occupied Properties
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Definition of Default and Credit-impaired Financial Assets (upon the adoption of PFRS 9)
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when contractual payments are already past due for a certain number of days, which depends on the normal customer arrangements and business terms and varies across relevant business segment/sub-segment of the Group, ranging from 90 days to 360 days. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. The criteria above have been applied to all financial assets measured at amortized cost held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group's expected loss. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

Simplified approach for trade receivables (upon the adoption of PFRS 9)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer accounts that have similar loss patterns (i.e., by segment and customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrices to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Use of Macro-economic Forecasts and Incorporation of Forward-looking Information. (upon the adoption of PFRS 9)
Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Macro-economic indicators that are considered relevant to the Group include, but not limited to, changes in inflation, consumer price index, gross domestic product and commodity prices.

Grouping of instruments for losses measured on collective basis.
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The Group considers in its collective assessment based on its business segments and type of customers. The appropriateness of groupings is monitored and reviewed on a periodic basis by Group. As of December 31, 2018, the total gross carrying amount of loans and receivables for which lifetime ECLs have been measured on a collective basis amounted to ₱2,152.12 million (see Note 6).

Revenue recognition on sale of goods
The Group's main revenue source is its sale of goods. Revenue recognition under PFRS 15 involves the Group's application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the customer; and (c) recognition of revenue as the Group satisfies the performance obligation.

a) *Existence of a contract*
The Group's primary document for a contract with a customer is an approved purchased order with terms clearly identified including the product specification and payment terms and for some customer groups, with a signed marketing and distributorship agreement. Each party's rights regarding the goods to be transferred is clearly identified including the product specification, quantity and payment terms. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

b) *Identifying performance obligation*
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. The Group undertakes to sell the products specified including its quantity indicated in an approved purchased order. This is considered as one performance obligation.

c) *Recognition of revenue as the Group satisfies the performance obligation.*
The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered, except for flour sales which are recognized at the time the goods are dispatched from the warehouse.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of allowance for doubtful accounts (prior to adoption of PFRS 9)
The Group maintains allowance for doubtful accounts based on the results of the individual and collective assessments. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. If no future cash flows is expected, impairment loss is equal to the carrying balance of the receivables. Factors

considered in individual assessment would require the Group to classify its receivables based on the credit characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on the historical loss experience of the receivables grouped per credit risk profile.

As of December 31, 2017, the total carrying value of the receivables amounted to ₱2,193.12 million, net of allowance for doubtful accounts of ₱165.40 million (see Note 6).

Estimation of expected credit losses.
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. In 2018, ECL recognized on the Group's financial assets amounted to ₱171.19 million (see Note 6).

Estimation of variable consideration and assessing the constraint
The Group offers sales incentives through various programs to customers. Such sales incentives include customer rebates, price reductions, performance incentives, among others. The extent and mode of such arrangements vary across different segments of the Group. Such incentives give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount method is the appropriate method to use in estimation since the Group's contracts only include a single volume threshold (i.e., has only two possible outcomes, either the entity achieves a performance target or does not).

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Determination of NRV of inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying values of the Group's inventories amounted to ₱1,242.33 million and ₱1,533.89 million as of December 31, 2018 and 2017, respectively (see Note 7).

Estimation of useful lives of property, plant and equipment
The Group estimates the useful lives of depreciable property, plant and equipment based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Estimated useful lives are based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from



previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded operating expenses and decrease the carrying value of the assets and vice versa.

There had been no changes in the estimated useful lives of property, plant and equipment in 2018 and 2017. The carrying values of property, plant and equipment are disclosed in Note 12 to the consolidated financial statements.

Valuation of land under revaluation basis
The Group's parcels of land are carried at revalued amounts, which approximate their fair values at the date of the revaluation, less any subsequent accumulated impairment losses. The revaluation is performed by professionally qualified appraisers and uses the Sales Comparison Approach (see Note 12). Revaluations are made every three to five years to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the reporting date.

Management believes that there is no significant change in the fair value of the parcels of land as of December 31, 2018 because there were no significant improvements made to such parcels of land from the last valuation date and no impairment indicators existed as of December 31, 2018.

As of December 31, 2018 and 2017, the carrying values of parcels of land carried at revalued amounts amounted to ₱3,117.63 million (see Note 12).

Impairment of trademark, goodwill and property, plant and equipment
The Group reviews for impairment the carrying value of trademark, goodwill and property, plant and equipment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of trademark, goodwill and property, plant and equipment annually every reporting period.

For purposes of impairment testing of trademark and property, plant and equipment, the most appropriate valuation approach used is based on the circumstances relevant to the Group and based on the extent of available information. The Group determined that the recoverable amount of the trademark with infinite useful life is fair value less cost of disposal. The fair value of the trademark was calculated using relief from royalty method that considers royalty savings accruing arising from the ownership of the trademark. Management assessed that the costs of disposal, which mainly pertain to the cost of transferring the certificate of registration with the Intellectual Property Office and documentary stamp tax, to be insignificant. The key assumptions used to determine the fair value are further discussed in Note 13.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. The Group determined that the recoverable amount of the goodwill is value-in-use. Value-in-use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used and the expected future cash in-flows and the growth rates. Assessments require the use of estimates and assumptions such as discount rates, future capital requirements and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. The key assumptions used to determine the recoverable amount are further discussed in Note 13.

For property, plant and equipment, the Grup assesses impairment on the assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the estimated recoverable amount represents the net fair value less costs to sell.

No impairment losses were recognized in 2018, 2017 and 2016 (see Notes 12 and 13).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is probable that the Group will be able to utilize the tax benefits arising from these deferred income tax assets and that sufficient future taxable profits are available for the utilization of the deferred income tax assets recognized.

Deferred income tax assets recognized amounted to ₱396.41 million and ₱319.20 million as of December 31, 2018 and 2017, respectively (see Note 23).

Estimation of retirement benefit obligation
The determination of the Group's retirement benefit obligation depends on the selection by management of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include, among others the discount rate and rate of salary increase.

Net retirement obligation amounted to ₱101.15 million and ₱161.67 million as of December 31, 2018 and 2017, respectively (see Note 22).

Estimation of provisions
The estimate of the probable costs for the resolution of possible third party claims has been developed in consultation with outside consultant/legal counsel handling the Group's defense on these matters and is based upon an analysis of potential results. When management and its outside consultant/legal counsel believe that the eventual liabilities under these and any other claims, if any, will not have a material effect on the consolidated financial statements, no provision for probable losses is recognized in the Group's consolidated financial statements. The amount of provision is being reassessed at least on an annual basis to consider new relevant information.

4. Segment Information and Revenue from Contracts with Customers

The Group's management reports its operating business segments into the following: (a) consumer business, (b) institutional business, and (c) other operations. The consumer business segment manufactures ice cream products, milk and juices, and sells the latter together with pasta and rice-based mixes. The institutional business segment primarily manufactures flour and bread products, pasta and rice-based mixes but only sells flour and bread products. Other segments consist of lighterage, office space leasing and other services shown in aggregate as "Other operations". These are the operating segments reported to the chief operating decision maker.

The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. All operating business segments used by the Group meet the definition of reportable segment under PFRS 8, *Segment Reporting*.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade, wages and taxes currently payable and accrued liabilities.

Intersegment transactions, i.e., segment revenues and segment expenses, include transfers between business segments. Those transfers are eliminated in consolidation and reflected in the "eliminations" column.

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

Information with regard to the Group's significant business segments follows:

	2018						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱10,342,643	₱3,671,829	₱44,009	₱12,651	₱14,071,132	₱–	₱14,071,132
Intersegment sales	–	–	239,254	₱12,651	251,905	(251,905)	₱–
	₱10,342,643	₱3,671,829	₱283,263	₱25,302	₱14,323,037	₱(251,905)	₱14,071,132
Results							
Interest and other financial charges - net	(₱19,001)	₱68	₱5,014	₱61,058	₱47,139	₱–	₱47,139
Equity in net earnings of an associate	₱–	₱–	₱ 5,064	₱–	₱5,064	₱7,092	₱12,156
Income before income tax	₱ 1,243,886	₱281,074	₱ 28,493	₱ 600,697	₱2,154,150	(₱602,600)	₱1,551,550
Provision for income tax	(330,583)	–	(4,527)	(109,735)	(444,845)	–	(₱444,845)
Net income	₱913,303	₱281,074	₱23,966	₱490,962	₱1,709,305	(₱602,600)	₱1,106,705
Other information							
Segment assets	₱ 16,160,193	₱ 18,743,462	₱ 1,077,061	₱ 5,243,755	₱41,224,471	(₱25,492,995)	₱15,731,476
Investments	314,964	–	81,585	1,890,709	2,287,258	(1,222,292)	1,064,966
Consolidated Total Assets	₱16,475,157	₱18,743,462	₱1,158,646	₱7,134,464	₱43,511,729	(₱26,715,287)	₱16,796,442
Consolidated Total Liabilities	₱ 16,508,460	₱ 9,603,131	₱ 758,309	₱ 4,182,855	₱31,052,755	(₱25,933,177)	₱5,119,578
Capital expenditures	₱648,514	₱313,694	₱35,457	₱2,181	₱999,846	₱–	₱999,846
Depreciation and amortization	82,744	128,250	200,796	9,982	421,772	–	421,772

	2017						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱9,291,267	₱3,411,610	₱40,774	₱-	₱12,743,651	₱-	₱12,743,651
Intersegment sales	1,330	-	225,885	-	227,215	(227,215)	-
	₱9,292,597	₱3,411,610	₱266,659	₱-	₱12,970,866	(₱227,215)	₱12,743,651
Results							
Interest and other financial charges - net	(₱11,503)	₱124	(₱3,397)	₱34,820	₱20,044	₱-	₱20,044
Equity in net earnings of an associate	₱-	₱-	₱10,934	₱-	₱10,934	₱-	₱10,934
Income before income tax	₱908,236	₱483,325	₱20,375	₱615,507	₱2,027,443	(₱552,573)	₱1,474,870
Provision for income tax	(266,870)	-	(5,244)	(157,995)	(430,109)	-	(430,109)
Net income	₱641,366	₱483,325	₱15,131	₱457,512	₱1,597,334	(₱552,573)	₱1,044,761
Other information							
Segment assets	₱6,805,785	₱5,094,541	₱1,149,833	₱2,300,357	₱15,350,516	(₱ 592,221)	₱14,758,295
Investments	314,964	-	61,728	2,007,306	2,383,998	(1,223,544)	1,160,454
Consolidated Total Assets	₱7,120,749	₱5,094,541	₱1,211,561	₱4,307,663	₱17,734,514	(₱1,815,765)	₱15,918,749
Consolidated Total Liabilities	₱14,533,127	₱7,050,264	₱823,502	₱3,765,190	₱26,172,083	(₱21,405,898)	₱4,766,185
Capital expenditures	₱396,590	₱160,712	₱3,482	₱1,737	₱562,521	₱-	₱562,521
Depreciation and amortization	185,848	110,847	81,776	10,617	389,088	-	389,088

	2016						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱9,102,012	₱3,553,860	₱42,786	₱-	₱12,698,658	₱-	₱12,698,658
Intersegment sales	3,225	-	227,515	-	230,740	(230,740)	-
	₱9,105,237	₱3,553,860	₱270,301	₱-	₱12,929,398	(₱230,740)	₱12,698,658
Results							
Interest and other financial charges - net	(₱8,856)	₱122	₱296	₱21,997	₱13,559	₱-	₱13,559
Equity in net earnings of an associate	₱-	₱-	₱5,116	₱7,163	₱12,279	₱-	₱12,279
Income before income tax	₱901,557	₱714,398	₱19,863	₱343,752	₱1,979,570	(₱493,390)	₱1,486,180
Provision for income tax	(242,395)	-	(7,275)	(236,130)	(485,800)	-	(485,800)
Net income (loss)	₱659,162	₱714,398	₱12,588	₱107,622	₱1,493,770	(₱493,390)	₱1,000,380
Other information							
Segment assets	₱4,730,016	₱4,495,637	₱1,411,220	₱5,658,398	₱16,295,271	(₱1,768,161)	₱14,527,110
Investments	314,864	-	61,675	1,057,069	1,433,608	(1,222,123)	211,485
Consolidated Total Assets	₱5,044,880	₱4,495,637	₱1,472,895	₱6,715,467	₱17,728,879	(₱2,990,284)	₱14,738,595
Consolidated Total Liabilities	₱2,743,910	₱1,293,080	₱998,863	₱493,760	₱5,529,613	(₱940,067)	₱4,589,546
Capital expenditures	₱182,805	₱136,431	₱15,705	₱20,173	₱355,114	₱-	₱355,114
Depreciation and amortization	171,800	106,925	86,982	11,922	377,629	847	378,476

Revenue from Contracts with Customers

The Group's revenues are from its sale of goods and rendering of services. The Group's revenues are all recognized at a point in time (i.e. when it transfers control of goods to a customer or when the service is already rendered).

The following table disaggregates the Group's revenues on sale of goods by segment for the year ended December 31, 2018 :

	2018
Institutional business	**₱3,671,829**
Consumer business	**10,342,643**
Total revenue from contracts with customers	**₱14,014,472**

Total revenue recognized from services rendered in 2018 amounted to ₱56.66 million.

5. Cash and Cash Equivalents and Short-term Cash Investments

	2018	2017
Cash on hand and in banks	₱988,857	₱609,151
Cash equivalents	1,368,038	903,898
	₱2,356,895	₱1,513,049

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term investments made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates. Interest income earned from cash in banks and cash equivalents amounted to ₱2.32 million, ₱0.82 million and ₱5.88 million in 2018, 2017 and 2016, respectively (see Note 20).

Short-term cash investments amounting to ₱23.00 million and ₱39.62 million as of December 31, 2018 and 2017, respectively, have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates. Interest income earned on short-term cash investments amounted to ₱31.14 million, ₱18.35 million and ₱17.31 million in 2018, 2017 and 2016, respectively (see Note 20).

6. Receivables

	2018	2017
Trade receivables:		
Third parties	₱2,116,965	₱2,016,317
Related parties (Note 21)	35,154	12,020
Advances to related parties (Note 21)	235,380	207,587
Advances to officers and employees	38,275	33,701
Nontrade receivables	28,712	36,248
Other receivables	38,382	52,648
	2,492,868	2,358,521
Less: Allowance for doubtful accounts	171,189	165,398
	2,321,679	2,193,123
Less: Noncurrent portion of advances to related parties (see Note 21)	–	14,552
Current portion	₱2,321,679	₱2,178,571

Trade receivables are noninterest-bearing and are generally on a 30 to 60 days term.

The movement in the allowance for doubtful accounts, which were determined using specific and collective impairment follows:

	2018					
	Trade receivables	Nontrade receivables	Advances to officers and employees	Advances to related parties	Other receivables	Total
At January 1, as reported	₱146,835	₱4,307	₱4,856	–	₱9,400	₱165,398
PFRS 9 transition adjustment	11,080	–	–	–	–	11,080
At January 1, as restated	157,915	4,307	4,856	–	9,400	176,478
ECL Provisions (Notes 18 and 19)	43,670	–	–	48,620	–	92,290
Write-offs	(97,579)	–	–	–	–	(97,579)
At December 31	₱104,006	₱4,307	₱4,856	₱48,620	₱9,400	₱171,189

	2017					
	Trade receivables	Nontrade receivables	Advances to officers and employees	Advances to related parties	Other receivables	Total
At January 1	₱134,664	₱4,307	₱4,856	₱–	₱9,400	₱153,227
Provisions (Notes 18 and 19)	101,428	–	–	–	–	101,428
Write-offs	(89,257)	–	–	–	–	(89,257)
At December 31	₱146,835	₱4,307	₱4,856	₱–	₱9,400	₱165,398

7. Inventories

	2018	2017
At NRV:		
Raw materials	₱594,953	₱840,019
Finished goods	421,987	525,397
Spare parts and supplies	113,729	83,221
	1,130,669	1,448,637
At cost:		
Raw materials in transit	110,899	85,018
Goods in process	759	230
	111,658	85,248
	₱1,242,327	₱1,533,885

Total cost of inventories stated at NRV as of December 31, 2018 and 2017 are as follows:

	2018	2017
Raw materials	₱612,484	₱853,287
Finished goods	427,981	533,696
Spare parts and supplies	118,808	84,535
	₱1,159,273	₱1,471,518

The cost of inventories recognized as cost of goods sold amounted to ₱6,753.43 million, ₱5,690.79 million and ₱5,503.67 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).

Movements in the allowance for losses and inventory obsolescence are as follows:

	2018	2017
Balance at beginning of year	₱22,881	₱28,752
Provisions (Note 17)	30,648	25,031
Write-off/Reversal	(24,925)	(30,902)
Balance at end of year	₱28,604	₱22,881

Reversals of allowance for losses pertain to sale of inventories previously provided with such allowances.

8. Other Current Assets

	2018	2017
Prepaid expenses	₱109,800	₱78,447
Deposits on purchases	33,349	116,591
Creditable withholding taxes	20,913	86,683
Input VAT	13,528	17,415
Others	18,567	24,899
	₱196,157	₱324,035

9. HTC Investments/ HTM Investments

The Parent Company invested in various quoted Peso-denominated government securities amounting to ₱911.50 million and ₱1,003.53 million as of December 31, 2018 and 2017, respectively. These securities have effective interest rates ranging from 2.25% to 8.31% for the year ended December 31, 2018 and 2.25% to 4.625% for the year ended December 31, 2017. These securities have maturities ranging from less than a year to 3 years.

Interest income earned amounted to ₱34.33 million and ₱17.15 million for the years ended December 31, 2018 and 2017, respectively (see Note 20).

As of December 31, 2018, HTC investments were considered to be of investment grade thus, no provision for expected credit loss was recognized on these investments.

10. Investments in Joint Venture and Associate

	2018	2017
Cost	₱141,313	₱141,313
Accumulated equity in net earnings		
Beginning of year	10,932	12,278
Equity in net earnings for the year	12,156	10,934
Dividends received	(10,932)	(12,280)
End of year	12,156	10,932
Carrying value	₱153,469	₱152,245

Summarized financial information of Selecta Walls Land Corporation (SWLC), an associate, as of and for the years ended December 31 follow:

	2018	2017
Current assets (includes cash amounting to ₱11.48 million and ₱24.26 million as of December 31, 2018 and 2017, respectively)	₱25,877	₱24,276
Noncurrent assets	226,638	226,980
Current liabilities (includes income tax payable amounting to ₱0.52 million and ₱1.26 million as of December 31, 2018 and 2017, respectively)	587	1,358

	2018	2017
Revenue	26,930	26,930
Interest income	59	75
Expenses	2,078	4,105
Provision for income tax	4,647	4,677
Net income	20,264	18,223

The carrying amount of the investment is computed as follows:

	2018	2017
Equity	₱246,360	₱244,320
Beneficial interest of the Group	60%	60%
Share of the Group	147,816	146,592
Premium paid	2,528	2,528
Carrying amount of the investment	₱150,344	₱149,120

Dividends received from SWLC amounted to ₱6.38 million, ₱7.16 million and ₱7.19 million in 2018, 2017 and 2016, respectively.

SWLC's registered office address and principal place of business is Manggahan Light Industrial Compound, Bo. Manggahan, Pasig City.

Engrain-RFM Pacific, Inc.
In 2013, the Parent Company entered into a joint arrangement with Engrain LLC to form a new corporation named Engrain-RFM Pacific, Inc., the primary purpose of which is to sell, market, distribute at wholesale enzyme-enhanced flour-based products for the Philippines and Asia Pacific market. The Parent Company has a 50% equity interest in the said arrangement. The Parent Company has accounted for its investment in Engrain-RFM Pacific, Inc. as a joint venture under PFRS 11.

Engrain-RFM Pacific, Inc. has not yet started commercial operations. Cost of investment in Engrain-RFM Pacific, Inc. amounted to ₱3.13 million as of December 31, 2018 and 2017.

Engrain-RFM Pacific, Inc.'s principal place of business is the same as with the Parent Company.

11. Interest in Joint Venture Proportionately Consolidated

URICI, a 50% joint venture of the Parent Company and Unilever Philippines, Inc. (UPI), is engaged in manufacturing, distributing, marketing, selling, importing, exporting and dealing in ice cream, ice cream desserts and ice cream novelties and similar food products. Based on the buy-out formula as stipulated in the shareholders' agreement between the Parent Company and Unilever Philippines, Inc., the estimated value of the Parent Company's 50% ownership interest in URICI amounted to ₱7,030.11 million and ₱6,077.12 million as of December 31, 2018 and 2017, respectively.

On October 1, 2012, the Parent Company requested from the SEC for an exemptive relief from the adoption of PFRS 11 on its investment in URICI. On November 22, 2012, upon consideration of the Parent Company's justifications, the SEC approved that the Parent Company be relieved from the adoption of PFRS 11 on its investment in URICI on the following grounds:

- Material impact

  The transition from the proportionate consolidation method to equity method in accounting for the Parent Company's interest in URICI would materially affect the Parent Company's consolidated financial statement line items decreasing revenue, gross profit, net operating income, gross assets and gross liabilities.

- Peculiarities of the arrangement

  a. The trademark agreement indicates that URICI can use "Selecta" licensed trademarks, trade names, logos, designs, symbols, words or devices other than the marks only upon approval of the Parent Company. This is an indication that the Parent Company has an indirect control on the activities being performed under the joint arrangement.

     The use of the trademark license by URICI is under the control of the Parent Company. Accordingly, the main products produced by URICI must conform to the quality standards of the Parent Company.

  b. URICI does not own any real property and instead, has a lease agreement with SWLC, the lessor. SWLC is 35% and 25% owned by the Parent Company and WS Holdings, Inc. (WSHI), respectively, and 40% owned by Unilever, a foreign corporation. WSHI is 60% owned by the Parent Company. Thus, the Parent Company indirectly controls SWLC, the owner of the real property being leased and used by URICI in its business.

Presented below is the impact on the consolidated financial statements if PFRS 11 is applied on the Parent Company's investment in URICI:

Increase (decrease) in	2018	2017
Consolidated Statements of Financial Position		
Cash and cash equivalents	**(₱222,709)**	(₱177,050)
Receivables	**(511,400)**	(429,771)
Advances to related parties	**(22,760)**	(9,877)
Inventories	**(331,876)**	(390,654)
Other current assets	**(118,529)**	(175,288)
Total Current Assets	**(1,207,274)**	(1,182,640)
Property, plant and equipment	**(1,488,818)**	(1,089,983)
Investment in associate and joint venture	**474,308**	307,055
Deferred income tax assets - net	**(189,848)**	(142,840)
Other noncurrent assets	**(116,714)**	(140,686)
Total Noncurrent Assets	**(1,321,072)**	(1,066,454)
Total Assets	**(₱2,528,346)**	(₱2,249,094)

Increase (decrease) in	2018	2017
Bank loans	**(₱440,000)**	(₱556,500)
Accounts payable and other current liabilities	**(1,653,002)**	(1,420,485)
Income tax payable	**(89,482)**	(74,074)
Advances from related parties	**(282,374)**	(124,492)
Total Current Liabilities	**(2,464,858)**	(2,175,551)
Net retirement obligation	**(63,488)**	(68,480)
Total Liabilities	**(₱2,528,346)**	(₱2,244,031)

Increase (decrease) in	2018	2017	2016
Consolidated Statements of Income			
Revenue	**(₱5,590,918)**	(₱4,997,684)	(₱4,438,834)
Cost of goods sold	**(2,601,392)**	(2,331,851)	(2,059,439)
Gross profit	**(2,989,526)**	(2,665,833)	(2,379,395)
Operating expenses	**(1,882,071)**	(1,727,776)	(1,569,341)
Income from operations	**(1,107,455)**	(938,057)	(810,054)
Other income - net	**776,872**	671,187	567,658
Income before income tax	**(330,583)**	(266,870)	(242,396)
Provision for income tax	**(330,583)**	(266,870)	(242,396)
Net income	**₱–**	₱–	₱–

Summarized financial information of URICI as of and for the years ended December 31 follow:

	2018	2017
Current assets (includes cash amounting to ₱445.42 million and ₱354.10 million as of December 31, 2018 and 2017, respectively)	**₱2,414,548**	₱2,365,280
Noncurrent assets	**3,590,760**	2,747,017
Current liabilities (includes income tax payable amounting to ₱178.96 million and ₱148.15 million as of December 31, 2018 and 2017, respectively)	**4,929,716**	4,361,227
Noncurrent liabilities - net retirement obligation	**126,976**	136,961

Statements of Comprehensive Income	2018	2017	2016
Revenue	**₱11,181,836**	₱9,995,368	₱8,877,668
Depreciation and amortization expense	**300,217**	279,821	256,234
Interest income	**1,092**	310	352
Interest expense	**39,139**	23,361	18,992
Provision for income tax	**661,166**	533,740	484,792
Net income	**1,518,861**	1,244,496	1,111,720
Other comprehensive loss - remeasurement loss on net retirement obligation	**18,983**	(4,349)	(340)
Total comprehensive income	**₱1,537,844**	₱1,240,147	₱1,111,380

In 2018, 2017 and 2016, dividends received by the Parent Company from URICI amounted to ₱601.67 million, ₱537.98 million and ₱489.49 million, respectively.

12. Property, Plant and Equipment

As of December 31, 2018:

	At Cost							
	Land at Appraised Value	Land Improvements	Silos Buildings and Improvements	Machinery And Equipment	Transportation and Delivery Equipment	Office Furniture and Fixtures	Construction in Progress	Total
At Cost:								
Cost:								
At January 1	₱3,117,628	₱17,324	₱1,303,266	₱5,267,772	₱115,223	₱143,819	₱141,412	₱6,988,816
Additions	–	–	78,682	612,745	2,101	3,485	302,833	999,846
Write-off/Disposal	–	–	(443)	(174,551)	(5,740)	–	–	(180,734)
Transfer/Reclassifications	–	–	(14,238)	121,431	–	37	(107,230)	
At December 31	3,117,628	17,324	1,367,267	5,827,397	111,584	147,341	337,015	7,807,928
Accumulated depreciation:								
At January 1	–	13,467	629,635	2,802,524	84,409	133,863	–	3,663,898
Depreciation (Note 20)	–	601	60,071	344,008	11,022	6,068	–	421,770
Write-off/Disposal	–	–	(443)	(172,350)	(3,704)	–	–	(176,497)
Transfer/Reclassifications	–	–	(397)	370	–	27	–	–
At December 31	–	14,068	688,866	2,974,552	91,727	139,958	–	3,909,171
Accumulated impairment loss:								
At January 1	–	–	–	21,383	–	–	–	21,383
Impairment loss	–	–	–	426	–	–	–	426
December 31	–	–	–	21,809	–	–	–	21,809
Net Book Values at December 31	₱3,117,628	₱3,256	₱678,401	₱2,831,036	₱19,857	₱7,383	₱337,015	₱3,876,948

As of December 31, 2017:

	At Cost							
	Land at Appraised Value	Land Improvements	Silos Buildings and Improvements	Machinery And Equipment	Transportation and Delivery Equipment	Office Furniture and Fixtures	Construction in Progress	Total
At Cost:								
Cost:								
At January 1	₱2,479,531	₱17,324	₱1,208,541	₱5,004,146	₱113,682	₱138,043	₱121,687	₱6,603,423
Revaluation increment	638,097	–	–	–	–	–	–	–
Additions	–	–	45,751	284,327	10,834	5,776	215,833	562,521
Write-off/Disposal	–	–	(2,988)	(164,847)	(9,293)	–	–	(177,128)
Reclassifications	–	–	51,962	144,146	–	–	(196,108)	–
At December 31	3,117,628	17,324	1,303,266	5,267,772	115,223	143,819	141,412	6,988,816
Accumulated depreciation:								
At January 1	–	12,868	573,285	2,636,261	81,547	129,215	–	3,433,176
Depreciation (Note 20)	–	599	58,476	313,096	12,155	4,756	–	389,082
Write-off/Disposal	–	–	(2,126)	(146,833)	(9,293)	(108)	–	(158,360)
At December 31	–	13,467	629,635	2,802,524	84,409	133,863	–	3,663,898
Accumulated impairment loss:								
At January 1	–	–	–	39,839	–	–	–	39,839
Reversal of impairment loss	–	–	–	(18,456)	–	–	–	(18,456)
December 31	–	–	–	21,383	–	–	–	21,383
Net Book Values at December 31	₱3,117,628	₱3,857	₱673,631	₱2,443,865	₱30,814	₱9,956	₱141,412	₱3,303,535

In 2017, the Parent Company entered into a supply agreement with Buhler Asia Pte., Ltd. for the installation and the commissioning for the equipment for hard wheat mill. As of December 31, 2018, the Parent Company already received the equipment for hard wheat mill from Buhler Asia Pte, Ltd. and reclassified its advance payment made in 2017 from "Other noncurrent assets" account to Construction in Progress under "Property, plant and equipment" account amounting to ₱159.12 million (see Note 24).

Construction in progress (CIP) as of December 31, 2018 includes the construction of warehouse in Cabuyao. CIP as of December 31, 2017 includes the Group's share in the CIP of URICI pertaining to the capacity improvements in its Pasig plant.

In 2018, the Group sold various items of property, plant and equipment with a total net book value of ₱4,237 million for ₱854 million, resulting to a net loss of ₱ 3,383 million.

Land

As of December 31, 2018 and 2017, the aggregate fair values of land amounted to ₱3,117.63 million. The fair values of land were determined on December 31, 2017 using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may be considered. Factors such as the property location, desirability, neighborhood, utility, size, terrain and the time element are involved in estimating the market value of the land. The valuation is performed by an SEC-accredited independent valuer who has valuation experience for similar properties in the Philippines since 1980. A net gain from the revaluation of the land amounting to ₱446.67 million was recognized in 2017. The cost of these parcels of land amounted to ₱560.94 million as of December 31, 2018 and 2017.

The fair value has been categorized as Level 3 fair value measurement based on the inputs to valuation technique used. The significant unobservable valuation input used is price per square meter ranging from ₱54,400 to ₱75,700. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis. Management believes there is no significant change in fair value of the parcels of land as of December 31, 2018 and 2017.

13. Intangible Assets

	2018			
	Trademark	Goodwill	Computer Software	Total
Cost	**₱2,080,932**	**₱190,563**	**₱9,097**	**₱2,280,592**
Accumulated Amortization				
At January 1	–	–	9,095	9,095
Amortization (Note 20)	–	–	2	2
At December 31	–	–	9,097	9,097
Net Book Values	**₱2,080,932**	**₱190,563**	**₱–**	**₱2,271,495**

	2017			
	Trademark	Goodwill	Computer Software	Total
Cost	₱2,080,932	₱190,563	₱9,097	₱2,280,592
Accumulated Amortization				
At January 1	–	–	9,089	9,089
Amortization (Note 20)	–	–	6	6
At December 31	–	–	9,095	9,095
Net Book Values	₱2,080,932	₱190,563	₱2	₱2,271,497

Trademark

In January 2014, the Parent Company acquired the Royal trademark from the Unilever Group for ₱2.1 billion (US$46.0 million). Management assessed that the Royal pasta trademark has an indefinite useful life (see Note 3). Consequently, the trademark is subject to impairment testing at least annually or when impairment indicators are identified. Management has determined that the recoverable amount of trademark is fair value less cost of disposal wherein fair value is determined using the relief from royalty method. This method considers royalty savings accruing to the Parent Company arising from the ownership of the trademark using cash flow projections based on the financial budgets approved by senior management covering 10-year explicit forecast period. Management assessed the costs of disposal, which mainly pertain to the cost of transferring the certificate of registration with the Intellectual Property Office and documentary stamp tax, to be insignificant.

Key assumptions used to determine the fair value as of and for the years ended December 31 follow:

Assumptions	2018	2017	Decription
Discount rate	11.7%	9.72%	Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management used discount rate based on weighted average cost of capital (WACC).
Growth rates	7% to 50%	7% to 53%	Growth rates in revenues are based on the Parent Company's expectations of market developments and past historical performance.
Royalty savings rate	10%	10%	Royalty savings rate is based on the prevailing comparable past trademark royalty rate obtained from survey by independent third party.
Budgeted brand support	3%	3%	Cash flow forecast for brand support is based on past experience and is approved by the Parent Company's senior management. Brand support is based on revenues.

As of December 31,2018 and 2017, the recoverable amount of the trademark is higher than its carrying value. Management believes that a decrease in long-term growth rate by 4.5% and 3.4% as of December 31, 2018 and 2017 would cause the carrying value of the Royal pasta trademark to exceed the recoverable amount.

Goodwill

Goodwill amounting to ₱190.56 million pertains to the Parent Company's investment in URICI (see Note 2). Goodwill is subject to impairment testing at least annually or when impairment indicators are identified. Management has determined that the recoverable amount of the goodwill is value-in-use, which is based on a discounted cash flow model. The cash flow projections are based on financial projections approved by senior management covering a 5-year explicit forecast period, including a terminal value.

Key assumptions used to determine value-in-use as of and for the years ended December 31, 2018 and 2017 follow:

Assumptions	2018	2017	Description
Discount rate	7.10%	9.01%	Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management used discount rate based on weighted average cost of capital (WACC).
Growth rates	1% to 10%	1% to 12%	Growth rates in revenues are based on URICI's expectations of market developments and past historical performance.
Operating expenses and maintenance capital expenditures			Are based on approved financial budgets by the senior management

As of December 31, 2018 and 2017, the recoverable amount of URICI is higher than its carrying value.

14. Accounts Payable and Other Current Liabilities

	2018	2017
Accrued expenses	₱1,931,085	₱1,478,509
Trade payables:		
Third parties	1,404,225	1,454,063
Related parties (Note 21)	51,726	22,542
Advances from related parties (Note 21)	293,017	57,909
Withholding taxes and other government payables	52,210	75,867
Refund liabilities	38,481	–
Due to customers	205	63,085
Other payables	105,111	50,327
	₱3,876,060	₱3,202,302

Trade payables are noninterest-bearing and are generally settled on 30-60 days' terms.

Other payables include advances from officers and employees, other deferred credits, and cash bonds from distributors as security to retain their credit line.

Details of accrued expenses are as follow:

	2018	2017
Advertisements and promotions	₱810,380	733,916
Profit bonus	285,373	173,467
Freight and handling	185,981	119,613
Payroll	163,388	131,800
Manpower services	96,395	52,719
Accrued merchandising charges	57,675	17,279
Rentals	56,787	27,065
Importation	25,951	54,663
Commission	33,138	22,174
Utilities	4,736	17,159
Interest (Note 15)	2,071	2,052
Others	209,210	126,602
	₱1,931,085	₱1,478,509

Other accrued expenses mainly consist of accruals made for royalties and utilities.

15. Bank Loans

Bank loans represent the Group's proportionate share in the unsecured short-term loans of URICI from local banks and lending investors bearing effective annual interest rates within the range of 2.35% to 3.00% in 2018 and 2017. The Group's share in the outstanding principal balance of these bank loans amounted to ₱440 million and ₱556.50 million as of December 31, 2018 and 2017, respectively.

Interest expense on bank loans amounted to ₱19.57 million, ₱11.68 million and ₱9.50 million in 2018, 2017 and 2016, respectively (see Note 20).

16. Equity

Capital stock

On October 14, 2013, the SEC approved the amendment of the Parent Company's articles of incorporation to remove the pre-emptive rights of the stockholders to all issuances or dispositions of any class of shares of the Parent Company, unless otherwise prescribed by the BOD.

As of December 31, 2018 and 2017, the Parent Company has 3,978,265,025 authorized common shares with ₱1 par value per share. Issued and outstanding common shares of 3,482,057,866 and 3,497,513,066 are held by 3,157 and 3,174 shareholders as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, capital stock consists of the following:

	Number of Shares			
	Authorized		Issued and Outstanding	
	2018	2017	**2018**	2017
Issued	**3,978,265,025**	3,978,265,025	**3,500,403,866**	3,500,403,866
Less: Treasury stock	–	–	**(18,346,000)**	(2,890,800)
Issued and Outstanding	**3,978,265,025**	3,978,265,025	**3,482,057,866**	3,497,513,066

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Transaction	Common Stock Transactions	
1993		185,800,356	
1994	August 3, 1994	93,304,663	(a)
1995	April 7, 1995	1,116,420,076	(b)
1997	February 25, 1997	5,950,650	(c)
1998		20,042,392	(c)
1999		1,804,979	(c)
2000	July 21, 2000	229,582,173	(d)
2000	December 14, 2000	45,252,983	(d)
2001		21,950,505	(c)
2002		195,891,163	(c)
2006	March 17, 2006	47,857,244	(d)
2008	January 9, 2008	1,963,857,184	(e)
2008	July 29, 2008	(767,310,502)	(f)
2014	March 24, 2014	340,000,000	(g)
2016	Various	(74,973,600)	(h)
2016	Various	70,810,600	(h)
2017	Various	(26,592,400)	(i)
2017	Various	27,864,600	(i)
2018	Various	(19,655,200)	(j)
2018	Various	4,200,000	(j)
		3,482,057,866	

(a) On July 28, 1994, the SEC approved the Parent Company's declaration of a 50% stock dividend.
(b) On April 7, 1995, the SEC approved a 5-for-1 stock split for the common stock, effectively reducing the par value from ₱10.00 to ₱2.00.
(c) This is the result of the conversion of Parent Company's preferred shares to common shares. Conversion of shares was made at various dates within the year.
(d) Information on the offer price is not available since the shares were not issued in relation to a public offering.
(e) On June 28, 2007, the SEC approved the 2-for-1 stock split for the common stock, effectively reducing the par value from ₱2.00 to ₱1.00.
(f) Cost of retired shares amounted to ₱991.76 million.
(g) On March 24, 2014, the Parent Company issued additional 340.00 million shares.
(h) Purchased 74.97 million treasury stock amounting to ₱313.68 million on various dates in 2016. Re-issued 70.81 million treasury stock amounting to ₱302.23 million on various dates in 2016 resulting in excess of issue price over the cost of treasury stock amounting to ₱8.71 million which is presented under "Additional paid-in capital" account in equity.
(i) Purchased 26.59 million treasury stock amounting to ₱121.80 million on various dates in 2017. Re-issued 27.86 million treasury stock amounting to ₱129.80 million on various dates in 2017 resulting in excess of issue price over the cost of treasury stock amounting to ₱2.14 million which is presented under "Additional paid-in capital" account in equity.
(j) Purchased 19.66 million treasury stock amounting to ₱92.76 million on various dates in 2018. Re-issued 4.20 million treasury stock amounting to ₱20.68 million on various dates in 2018 resulting in excess of cost of treasury stock over the issue price amounting to ₱0.22 million which is presented under "Additional paid-in capital" account in equity.

Retained earnings

The details of the Parent Company's declaration of cash dividends follow:

Date of BOD Approval	Amount (in millions)	Type	Amount per share	Record date	Payment Date
September 7, 2018	₱222.97	Cash	₱0.063700	September 21, 2018	October 17, 2018
January 31, 2018	300.02	Cash	0.085710	February 15, 2018	March 14, 2018
September 27, 2017	200.19	Cash	0.057500	October 11, 2017	November 8, 2017
January 31, 2017	300.00	Cash	0.085760	February 14, 2017	March 10, 2017
August 24, 2016	174.27	Cash	0.050000	September 8, 2016	February 8, 2017
February 24, 2016	270.50	Cash	0.077900	March 10, 2016	March 23, 2016

The Group's retained earnings as of December 31, 2018 is restricted for the payment of dividends to the extent of the cost of treasury stock, deferred income tax assets, accumulated equity in undistributed net earnings of an associate and consolidated subsidiaries amounting to ₱390.82 million. In accordance with SRC Rule 63, as amended (2011), Annex 68C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 amounted to ₱4,059.85 million.

17. Cost of Sales and Services

	2018	2017	2016
Raw materials used and changes in inventories (Note 7)	**₱6,753,432**	₱5,690,791	₱5,503,668
Outside services	**662,567**	655,670	703,831
Depreciation and amortization (Note 20)	**273,228**	277,073	266,855
Utilities	**272,716**	274,323	304,566
Personnel costs (Note 20)	**262,652**	249,673	201,859
Repairs and maintenance	**197,719**	150,332	158,638
Rental	**81,855**	55,988	58,795
Provision for inventory obsolescence (Note 7)	**30,648**	25,031	32,670
Direct labor	**10,894**	10,219	14,915
Taxes and licenses	**4,008**	3,553	3,334
Fuel and oil	**2,314**	2,657	934
Other expenses	**157,556**	166,205	172,796
	₱8,709,589	₱7,561,515	₱7,422,861

18. Selling and Marketing Expenses

	2018	2017	2016
Advertisements	**₱1,225,865**	₱1,184,928	₱1,326,475
Freight and handling	**827,835**	753,947	751,379
Outside services	**265,099**	260,933	276,607
Personnel costs (Note 20)	**78,965**	85,759	101,591
Rental	**42,019**	51,221	90,385
Provision for doubtful accounts (Note 6)	**40,075**	91,172	96,997
Depreciation and amortization (Note 20)	**21,084**	18,868	13,737
Transportation and travel	**7,619**	7,805	10,073
Other expenses	**88,113**	87,101	93,548
	₱2,596,674	₱2,541,734	₱2,760,792

Other expenses include utilities, royalty, repairs and maintenance and other miscellaneous expenses.

19. General and Administrative Expenses

	2018	2017	2016
Personnel costs (Note 20)	**₱560,689**	₱520,328	₱337,280
Outside services	**193,064**	193,368	155,666
Depreciation and amortization (Note 20)	**127,460**	93,147	97,884
Royalty and service fees	**70,499**	70,751	50,898
Professional fees	**61,217**	62,602	65,336
Taxes and licenses	**63,591**	57,556	51,866
Provision for doubtful accounts (Notes 6 and 21)	**52,215**	10,256	155,641
Repairs and maintenance	**38,300**	39,252	37,294
Rental	**22,205**	19,213	12,115
Director's fees	**21,088**	20,814	21,258
Utilities	**20,794**	14,879	10,707
Transportation and travel	**15,842**	26,599	16,959
Representation and entertainment	**7,703**	6,682	6,762
Insurance	**3,004**	3,137	4,805
Office supplies	**2,204**	3,517	4,300
Donations	**150**	8,173	4,905
Other expenses	**45,697**	43,285	50,494
	₱1,305,722	₱1,193,559	₱1,084,170

20. Other Income and Costs and Expense

Interest Income

	2018	2017	2016
Interest income on short-term investments (Note 5)	**₱31,137**	₱18,350	₱17,306
Interest income on cash and cash equivalents (Note 5)	**2,317**	819	5,875
Interest income on HTC investments (Note 9)	**34,333**	–	–
Interest income on HTM investments (Note 9)	–	17,148	230
	₱67,787	₱36,317	₱23,411

Personnel Costs

	2018	2017	2016
Salaries and wages	**₱764,726**	₱518,462	₱468,140
Retirement benefits costs (Note 22)	**28,220**	41,239	30,363
Other employee benefits	**109,360**	296,059	142,227
	₱902,306	₱855,760	₱640,730

The distribution of the above amounts follows:

	2018	2017	2016
Cost of sales and services (Note 17)	**₱262,652**	₱249,673	₱201,859
Selling and marketing expenses (Note 18)	**78,965**	85,759	101,591
General and administrative expenses (Note 19)	**560,689**	520,328	337,280
	₱902,306	₱855,760	₱640,730

Depreciation and Amortization of Property, Plant and Equipment, and Computer Software

	2018	2017	2016
Property, plant and equipment (Note 12)	**₱421,770**	₱389,082	₱376,984
Computer software (Note 13)	**2**	6	1,492
	₱421,772	₱389,088	₱378,476

Distribution of the above amounts follows:

	2018	2017	2016
Cost of sales and services (Note 17)	**₱273,228**	₱277,073	₱266,855
Selling and marketing expenses (Note 18)	**21,084**	18,868	13,737
General and administrative expenses (Note 19)	**127,460**	93,147	97,884
	₱421,772	₱389,088	₱378,476

Interest Expense

	2018	2017	2016
Interest expense on bank loans (Note 15)	**₱19,569**	₱11,680	₱9,496
Others	**1,080**	4,593	356
	₱20,649	₱16,273	₱9,852

21. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Terms and Conditions of Transactions with Related Parties
There have been no guarantees provided or received for any related party receivables or payables. These accounts are non-interest bearing, generally unsecured and will be settled in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company's transactions and account balances with related parties follows:

		2018		2017				
Related Parties	Transaction	Amount	Outstanding receivable (payable)	Amount	Outstanding receivable (payable)	Statement of Financial Position Account	Terms	Conditions
Joint venture								
ULP	Sale of goods and services	₱10,735	₱–	₱13,158	₱1,268	Receivables	Non-interest bearing to be to be settled in cash	-do-
-do-	Service agreement	186,445	22,760	244,073	6,090	-do-	Non-interest-bearing, collectible in 60 days	-do-
-do-	-do-	–	(202,437)	–	(56,369)	Accounts payables and other current liabilities	Non-interest bearing	-do-
-do-	Purchase of goods and services	–	41,544	–	65,235	Accounts payables and other current liabilities	-do-	-do-
-do-	Rent expenses	13,465	–	13,465	–	-do-	-do-	-do-
URICI	Management service income	21,453	9,110	30,491	7,829	Receivables	Non-interest bearing, collectible on demand but not later than 12 months	Unsecured, no impairment
-do-	Commission income	3,849	–	5,295	–	Receivables	-do-	-do-
-do-	Service fees	–	(1,289)	–	(1,289)	Accounts payables and other current liabilities	-do-	-do-

(Forward)

Related Parties	Transaction	2018 Amount	2018 Outstanding receivable (payable)	2017 Amount	2017 Outstanding receivable (payable)	Statement of Financial Position Account	Terms	Conditions
Unilever NV	Cost reimbursement	–	34,727	–	1,808	Accounts payables and other current liabilities	Non-interest bearing	Unsecured, no impairment
Subsidiaries								
ICC	Advances	(17,868)	92,170	(11,863)	110,054	Receivables	-do-	-do-
-do-	Toll processing	157,427	(75,348)	153,328	(112,346)	Accounts payables and other current liabilities	Non-interest bearing, collectible within 30 days	-do-
IAC	Rent expense	6,761	(3,623)	7,320	(2,541)	-do-	-do-	-do-
-do-	Advances	–	(500)	–	(500)	-do-	Non-interest bearing	-do-
RLC	-do-	42,867	(7,059)	37,984	–	Accounts payables and other current liabilities	-do-	-do-
CLIC	Lease of Facilities	40,605	(47,239)	40,775	(49,086)	Accounts payables and other current liabilities	-do-	-do-
-do-	Current Advances	–	337,119	–	381,808	Receivables	Non-interest bearing	Secured by property and equipment amounting to ₱300.00 million, no impairment
-do-	Non-current advances	–	2,762	–	2,762	-do-	-do-	-do-
FWBC	Sale of goods	–	13,808	–	13,393	Receivables	Non-interest bearing, collectible within 60 days	Unsecured, fully impaired
REI	Current Advances	–	(37,035)	–	(37,035)	Accounts payables and other current liabilities	-do-	-do-
RFM Canning	Current Advances	–	34,813	–	34,813	Receivables	Non-interest bearing	Unsecured, fully impaired
Entities under common major shareholder group								
Swift Foods, Inc.	Lease income	–	6,595	236	6,592	Receivables	Non-interest bearing	Unsecured, partially impaired
RIBI	Rental Income	335	60	544	45	Receivables	-do-	Unsecured and will be settled in cash
CSFC	Rental Income	112	38	158	35	-do-	-do-	-do-
Joey Pepperoni Pizzeria	Lease income	608	7,936	1,474	6,955	-do-	-do-	-do-
-do-	Sales of goods	–	1,396	–	1,396	-do-	Non-interest bearing, collectible in 60 days	-do-

(Forward)

		2018		2017				
Related Parties	Transaction	Amount	Outstanding receivable (payable)	Amount	Outstanding receivable (payable)	Statement of Financial Position Account	Terms	Conditions
Philtown	Advances	₱–	₱129,159	₱–	₱128,973	-do-	Non-interest-bearing	Secured by a property of Philtown; due and demandable; partially impaired
-do-	Loans receivable	–	–	106,483	53,483	-do-	Interest bearing	Secured by a property of Philtown; due and demandable
Kettle Foods Corporation	Sales of goods	34	217	7,449	183	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment
Republic Consolidated Corporation	Purchase of services	–	(22,542)	–	(22,542)	Accounts payables and other current liabilities	Interest-bearing, collectible in 60 days	-do-
-do-	Advances	–	–	–	(13,415)	-do-	Non-interest bearing, collectible in 60 days	Unsecured, partially impaired
-do-	Advances	–	–	–	(10,603)	-do-	Non-interest bearing	Unsecured, no impairment
-do-	Purchase of services	–	(647)	–	(89)	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment

On October 18, 2017, REI and Philtown Properties, Inc. (Philtown) executed a loan agreement whereby REI agreed to lend Philtown a total amount of ₱82.71 million. Philtown assigned its receivables from a third party worth ₱29.17 million to secure a portion of the loan while the rest is secured by a real estate mortgage executed by Philtown. As of December 31, 2018, outstanding receivable from Philtown related to this agreement amounted to ₱45.11 million, ₱53.48 million of which is presented as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 6).

Significant transactions with subsidiaries and joint venture which have been eliminated in the consolidation:

a. Distribution services provided by the Parent Company to URICI for the export of frozen dairy dessert/mellorine whereby URICI pays service fees equivalent to 7% of the total net sales value of goods distributed. Service fees amounted to ₱21.45 million, ₱30.49 million and ₱22.06 million in 2018, 2017 and 2016, respectively.

b. In 2013, the Parent Company entered into an agreement with its subsidiary, ICC, to manufacture and store its products by providing skilled manpower, supervision, tools, equipment and all related works and services necessary to manufacture and store the products in accordance with the quality standards set by the Parent Company.

c. The Parent Company engages RLC for its lighterage requirements. Service fees to RLC amounted to ₱42.87 million, ₱37.98 million and ₱36.40 million in 2018, 2017 and 2016, respectively.

d. The Parent Company also leases its manufacturing facilities located in Cabuyao, Laguna from its subsidiary, Cabuyao Logistics Industrial Center. Rental for the years 2018, 2017 and 2016 amounted to ₱40.61 million, ₱40.77 million and ₱39.99 million, respectively.

e. The Parent Company leases its office space in Mandaluyong City from IAC, one of its subsidiaries. Rental for the years 2018, 2017 and 2016 amounted to ₱10.23 million, ₱10.23 million and ₱10.23 million, respectively.

Compensation of key management personnel of the Group by benefit type follows:

	2018	2017
Salaries and other short-term benefits	**₱43,093**	₱72,127
Proportionate share in share-based compensation of URICI	–	836
Retirement benefits costs	7,735	19,748
	₱50,828	₱92,711

In 2018, the Group recognized provision on expected credit losses on its advances to related parties amounting to ₱48.62 million (Note 6).

22. Retirement Benefits

The Parent Company, joint venture and certain subsidiaries have funded, noncontributory defined benefit retirement plans (the Plans) covering substantially all their permanent employees.

a. Retirement Benefit Cost

The components of retirement benefit cost recognized in the consolidated statements of income for the years ended December 31 follow:

	2018	2017	2016
Current service cost	**₱20,993**	₱21,414	₱23,271
Net interest cost	**7,227**	8,063	7,092
Curtailment loss	**–**	11,762	–
Retirement benefits costs	**₱28,220**	₱41,239	₱30,363

b. Net Retirement Obligation

The details of the net retirement obligation recognized in the consolidated statements of financial position as of December 31, 2018 and 2017 follow:

	2018	2017
Defined benefit obligation	**₱322,588**	₱356,822
Fair value of plan assets	**(221,441)**	(195,151)
Net retirement obligation	**₱101,147**	₱161,671

Movement in net retirement obligation follow:

	2018	2017
January 1	**₱161,671**	₱175,118
Retirement benefit cost	**28,220**	41,239
Remeasurement gain	**(34,240)**	(9,001)
Transfers	**–**	–
Actual contribution	**(48,000)**	(43,000)
Benefits paid out of Company's funds	**(6,504)**	(2,685)
Net retirement obligation	**₱101,147**	₱161,671

Changes in the present value of the defined benefit obligation follow:

	2018	2017
January 1	**₱356,822**	₱365,826
Current service cost	**20,993**	21,414
Interest cost	**18,931**	18,455
Remeasurement gain	**(44,785)**	(6,645)
Benefits paid out plan assets	**(22,869)**	(51,305)
Benefits paid directly out of the Group's fund	**(6,504)**	(2,685)
Effect of curtailment	**–**	11,762
Transfers	**–**	–
December 31	**₱322,588**	₱356,822

Changes in the fair value of plan assets follow:

	2018	2017
January 1	**₱195,151**	₱190,708
Contributions	**48,000**	43,000
Asset return included in net interest cost	**11,703**	10,392
Benefits paid	**(22,868)**	(51,305)
Remeasurement gain (loss)	**(10,545)**	2,356
Transfers	**–**	–
December 31	**₱221,441**	₱195,151

Breakdown of the plan assets follow:

	2018	2017
Investments in:		
Debt securities other than bonds	**₱20,259**	₱18,946
Equity securities	**5,149**	6,874
Corporate bonds	**97,577**	88,369
Real estate	**6,195**	6,195
Unit investment trust fund	**49,870**	64,219
Cash and cash equivalents	**41,880**	583
Receivables	**1,293**	10,737
	222,223	195,923
Payables	**(782)**	(772)
	₱221,441	₱195,151

The plan assets are held by a trustee bank. The investing decisions of these plan assets are made by the authorized officers of the Company.

As of December 31, 2018 and 2017, the principal assumptions used in determining the defined benefit obligation of the Group follow:

	December 31	
	2018	2017
Discount rate per annum	**7.24% to 7.26%**	5.00% to 5.62%
Future annual increase in salary rate	**5.00% to 5.90%**	5.00% to 5.90%

The following are expected payments to be made out of the defined benefit plan obligation in the future years:

	2018	2017
One year and less	**₱23,759**	₱17,894
Between 1 and 5 years	**165,011**	104,934
Between 5 and 10 years	**213,065**	281,271
Between 10 and 15 years	**103,493**	97,634
Between 15 and 20 years	**104,538**	123,408
Beyond 20 years	**225,171**	252,969
Total expected payments	**₱835,037**	₱878,110

The average duration of the defined benefit plan obligations as of December 31, 2018 and 2017 ranges from 11-16 years.

The Group expects to contribute ₱43.42 million to the retirement fund in 2019.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, assuming if all other assumptions were held constant:

	Discount rate		Future salary increases	
	+1%	-1%	+1%	-1%
2018	**(₱22,614)**	**₱20,323**	**₱21,818**	**(₱19,494)**
2017	(₱27,672)	₱25,766	₱27,599	(₱24,533)

23. Income Taxes

a. The details of the Group's net deferred income taxes per company follow:

	2018		2017	
	Net deferred income tax assets	**Net deferred income tax Liabilities**	Net deferred income tax assets	Net deferred income tax liabilities
Parent Company	**₱–**	**(₱534,277)**	₱–	(₱555,953)
URICI	**189,848**	–	142,840	–
IAC	–	**(32,188)**	–	(32,038)
CLIC	–	**(30,207)**	–	(30,207)
ICC	**727**	–	833	–
Others	**23**	**(36)**	23	(37)
	₱190,598	**(₱596,708)**	₱143,696	(₱618,235)

b. The components of the Group's net deferred income tax liabilities follow:

	2018	2017
Deferred income tax recognized in profit or loss:		
Deferred income tax assets on:		
Allowances for:		
Doubtful accounts	**₱35,052**	₱49,619
Inventory losses and obsolescence	**6,940**	6,864
Impairment loss on property, plant and equipment	**436**	4,583
Accrued advertisements and promotions	**103,833**	79,658
Accrued profit bonus	**84,819**	52,040
Unamortized past service cost	**29,977**	25,245
Net retirement obligation	**8,366**	12,433
Accrued retirement liability	**12,189**	9,314
Provision for restructuring	**6,202**	6,985
Others	**61,832**	795
	₱349,646	₱247,536

(Forward)

	2018	2017
Deferred income tax liabilities on:		
Net retirement obligation	(₱34,436)	(₱25,813)
Capitalized borrowing cost	(193)	–
Others	(883)	(914)
	(35,512)	(26,727)
Deferred income tax recognized in other comprehensive income:		
Deferred income tax asset on cumulative actuarial losses on defined benefit plan	46,764	71,660
Deferred income tax liability on revaluation increment on land	(767,008)	(767,008)
	(720,244)	(695,348)
Net deferred income tax liabilities	(₱406,110)	(₱474,539)

c. The Group did not recognize deferred income tax assets on following:

	2018	2017
NOLCO	₱119	₱7,458
Excess MCIT	289	188
Allowances for doubtful accounts	118,014	39,120
Unamortized discount	326	–

NOLCO:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2015	₱24,566	(₱24,566)	₱–	2018
2016	183	(75)	108	2019
2017	241	(79)	163	2020
2018	125	–	125	2021
	₱25,115	(₱24,720)	₱395	

Excess MCIT:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2015	₱–	(₱–)	₱–	2018
2016	89	–	89	2019
2017	102	–	102	2020
2018	98	–	98	2021
	₱289	(₱–)	₱289	

d. A reconciliation of the provision for income tax computed at the statutory income tax rate of 30% based on income before income tax to the provision for income computed at the Group's effective income tax rate for the years ended December 31 follows:

	2018	2017	2016
Provision for income tax at the statutory income tax rate 30%	**₱465,465**	₱442,461	₱445,854
Additions to (reductions in) income tax resulting from:			
Dividend income exempted from income tax	**(256)**	(41)	(19)
Nontaxable equity in net earnings of an associate	**(3,647)**	(3,280)	(3,684)
Interest income subjected to final tax	**(18,988)**	(10,798)	–
Movement in unrecognized deferred income tax	**(522)**	12,879	–
Nondeductible expenses	**6,048**	674	5,801
Others	**(3,255)**	(11,786)	37,848
Provision for income tax	**₱444,845**	₱430,109	₱485,800

24. Contracts and Commitments

a. The Parent Company entered into license agreements with Sunkist Growers, Inc., Rovio Entertainment Ltd., and Turner Broadcasting System Asia Pacific, Inc. whereby the licensors granted the Company the non-exclusive license to manufacture, market, distribute and sell the licensed products. The Parent Company agreed to pay a fixed amount of royalty every year, as stipulated in the agreements. Unpaid royalty, included under "Other accrued expenses" account, amounted to ₱9.65 million and ₱7.27 million as of December 31, 2018 and 2017, respectively (see Note 14).

b. In 2017, the Parent Company entered into a supply agreement with Buhler Asia Pte., Ltd. for the installation and the commissioning for the equipment for hard wheat mill. The Parent Company agreed to pay in advance 90% of the contract price amounting to ₱159.16 million. The payment was recorded as part of "Other noncurrent assets" and will be reclassified to "Property, plant and equipment" account once the equipment has been received from Buhler. As of December 31, 2017, the Parent Company recognized a liability amounting to ₱17.68 million representing the remaining contract price for the committed purchase. The amount was reclassified to Property, Plant and Equipment account on 2018 upon payment of the outstanding balance.

As of December 31, 2018, the installation of the equipment has already been completed and classified in the books as Machinery and Equipment amounting to ₱210.58 million (see Note 9).

25. Earnings Per Share

	2018	2017	2016
Net income attributable to equity holders of the Parent Company (a)	**₱1,109,009**	₱1,042,345	₱1,001,850
Weighted average number of common shares outstanding (b)	**3,493,216,981**	3,484,906,329	3,493,803,604
Basic/diluted earnings per share (a/b)	**₱0.32**	₱0.30	₱0.29

The Group does not have potentially dilutive common shares in 2018, 2017 and 2016. Therefore, the basic/dilutive earnings per share are the same.

26. Financial Instruments

The following table summarizes the carrying values of the Group's financial assets and financial liabilities as of December 31:

	2018	2017
Financial Assets		
Cash on hand	**₱254,077**	₱123,007
Cash in banks and cash equivalents	**2,102,818**	1,390,042
Short-term cash investments	**23,000**	39,619
Trade receivables	**2,048,113**	1,862,939
Nontrade receivables	**20,098**	36,248
Advances to officers and employees	**28,563**	33,701
Advances to related parties	**186,760**	207,587
Other receivables	**28,982**	52,648
	4,692,411	3,745,791
HTC investments	**911,497**	1,003,527
	5,603,908	4,749,318
Other Financial Liabilities		
Bank loans	**440,000**	556,500
Accounts payable and other current liabilities*	**3,773,450**	3,091,861
Advances from related parties	**293,017**	142,169
	₱4,506,467	₱3,790,530

**Exclusive of government payables and other nonfinancial liabilities amounting to ₱87.36 million and ₱92.39 million as of December 31, 2018 and 2017, respectively.*

Cash, cash equivalents, trade receivables, nontrade receivables, advances to officers and employees, other receivables, accounts payable and accrued liabilities, advances from related parties. The carrying amounts of these instruments approximate their fair values due to their short-term maturities and demand features.

HTC investments. The fair value of the HTC investments as of December 31, 2018 and 2017 amounted to ₱911.50 million and ₱1,003.53 million and was determined by reference to quoted market bid prices of bonds with similar terms and nature at the close of business on the reporting date (Level 1).

27. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, short-term cash investments, HTC investments, accounts receivable, bank loans, accounts payable and accrued liabilities, and advances to and from related parties. The main purpose of these financial instruments includes raising funds for the Group's operations and managing identified financial risks. The Group has various other financial assets and financial liabilities such as other current receivables, other current assets and customers' deposits which arise directly from its operations. The main risk arising from the use of financial instruments is credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk
Credit risk arises from the risk of counterparties defaulting. Management is tasked to minimize credit risk through strict implementation of credit, treasury and financial policies. The Group deals only with reputable counterparties, financial institutions and customers. To the extent possible, the Group obtains collateral to secure sales of its products to customers. In addition, the Group transacts with financial institutions belonging to the top 25% of the industry, and/or those which provide the Group with long-term loans and/or short-term credit facilities.

The Group does not have significant concentrations of credit risk and does not enter into financial instruments to manage credit risk. The Group's gross maximum exposure to credit risk is equal to the carrying amount of its financial assets, before taking into account any collateral and other credit enhancements.

Set out below is the information about the credit risk exposure on the Company's financial assets using provision matrix as of December 31, 2018:

	Cash in banks and cash equivalents	Short term cash investments	HTC Investments	Trade receivables						
				Days past due						
				Current	< 30 days	<30-60 days	<61-90 days	<91-365 days	>365 days	Total
Expected credit loss rate	–%	–%	–%	0.01%–0.09%	0.01%–1.18%	0.01%–5.55%	0.06%–21.52%	3.27%–44.26%	52.63%–100%	
Estimated total gross carrying amount at default	₱2,102,818	₱23,000	₱911,747	₱1,201,480	₱392,265	₱135,848	₱43,973	₱233,684	₱144,869	₱2,152,119
Expected credit loss	₱–	₱–.	₱–	₱5,186	₱2,224	₱1,624	₱1,169	₱49,852	₱111,134	₱171,189

The table below shows the credit quality of financial assets and an aging analysis of past due but not impaired accounts of the Company as of December 31, 2018.

	Neither past due nor impaired		Past due but not impaired					Impaired Financial Assets	Total
	Excellent	Good	Less than 30 days	31 to 60 days	61 to 90 days	91 to 365 days	Over 365 days		
Cash in banks and cash equivalents	₱2,102,818	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱2,102,818
Short-term cash investments	23,000	–	–	–	–	–	–	–	23,000
Trade receivables	–	1,201,480	392,265	135,848	43,973	233,684	40,863	104,006	2,152,119
Nontrade receivables	–	24,405	–	–	–	–	–	4,307	28,712
Advances to officers and employees	–	33,419	–	–	–	–	–	4,856	38,275
Advances to related parties	–	186,760	–	–	–	–	–	48,620	235,380
Other current receivables	–	28,982	–	–	–	–	–	9,400	38,382
HTC investments	911,747	–	–	–	–	–	–	–	911,747
	₱3,037,565	₱1,475,046	₱392,265	₱135,848	₱43,973	₱233,684	₱40,863	₱171,189	₱5,530,433

As of December 31, 2017:

	Neither past due nor impaired		Past due but not Impaired	Past due and Individually Impaired	Total
	Excellent	Good			
Cash in banks and cash equivalents	₱1,390,042	₱–	₱–	₱–	₱1,390,042
Short-term cash investment	39,619	–	–	–	39,619
Loans and receivables:					
Trade receivables:	97,990	254,832	1,528,680	146,835	2,028,337
Nontrade receivables	–	31,941	–	4,307	36,248
Advances to officers and employees	–	28,845	–	4,856	33,701
Advances to related parties	–	207,587	–	–	207,587
Other current receivables	–	43,248	–	9,400	52,648
Held-to-maturity investments	1,003,527	–	–	–	1,003,527
	₱2,531,178	₱566,453	₱1,528,680	₱165,398	₱4,791,709

Credit quality of cash in banks, cash equivalents and short-term cash investments are based on the nature of the counterparty and the Group's internal rating system.

Financial assets that are neither past due nor impaired are classified as "Excellent" account when these are expected to be collected or liquidated on or before their due dates, or upon call by the Group if there are no predetermined defined due dates. All other financial assets that are neither past due or impaired are classified as "Good" accounts.

The aging analysis of past due but not impaired loans and receivables as of December 31 follows:

	Past due but not impaired					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 365 days	More than 365 days	Total
2017	₱998,879	₱312,392	₱47,280	₱234,064	₱82,900	₱1,675,515

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

Management is tasked to minimize liquidity risk through prudent financial planning and execution to meet the funding requirements of the various operating divisions within the Group; through long-term and short-term debts obtained from financial institutions; through strict implementation of credit and collection policies, particularly in containing trade receivables; and through capital raising, including equity, as may be necessary. Working capital requirements, on the other hand, are adequately addressed through short-term credit facilities from financial institutions. Trade receivables are kept within manageable levels.

The following tables show the maturity profile of the Group's undiscounted cash flows from financial assets used for liquidity purposes and other financial liabilities as of December 31, 2018 and 2017.

As of December 31, 2018:

	Less than 1 year	1 to less than 2 years	2 to less than 3 years	3 to less than 4 years	4 to less than 5 years	More than 5 years	Total
Financial Assets							
Cash on hand	₱ 254,077	₱–	₱–	₱–	₱–	₱–	₱254,077
Cash in banks and cash equivalents	2,102,818	–	–	–	–	–	2,102,818
Short-term cash investment	23,000	–	–	–	–	–	23,000
Trade receivables	2,007,250	144,869	–	–	–	–	2,152,119
HTC investments	911,747	–	–	–	–	–	911,747
	₱5,298,892	₱144,869	₱–	₱–	₱–	₱–	₱5,443,761

Financial Liabilities							
Bank loans**	₱ 440,000	₱–	₱–	₱–	₱–	₱–	₱440,000
Accounts payable and other current liabilities*	3,773,450	–	–	–	–	–	3,773,450
Advances from related parties	293,017	–	–	–	–	–	293,017
	₱4,506,467	₱–	₱–	₱–	₱–	₱–	₱4,506,467

**Excluding payable to government agencies of P87.35 million.*
***Inclusive of interest expense until maturity.*

As of December 31, 2017:

	Less than 1 year	1 to less than 2 years	2 to less than 3 years	3 to less than 4 years	4 to less than 5 years	More than 5 years	Total
Financial Assets							
Cash on hand	₱123,007	₱–	₱–	₱–	₱–	₱–	₱123,007
Cash in banks and cash equivalents	1,390,042	–	–	–	–	–	1,390,042
Short-term cash investment	39,619	–	–	–	–	–	39,619
Trade receivables	1,862,939	–	–	–	–	–	1,862,939
HTC investments	310,371	70,537	422,619	–	200,000	–	1,003,527
	₱3,725,978	₱70,537	₱422,619	₱–	₱200,000	₱–	₱4,419,134
Financial Liabilities							
Bank loans**	₱693,488	₱–	₱–	₱–	₱–	₱–	₱693,488
Accounts payable and other current liabilities*	3,091,861	–	–	–	–	–	3,091,861
Advances from related parties	142,169	–	–	–	–	–	142,169
	₱3,927,518	₱–	₱–	₱–	₱–	₱–	₱3,927,518

**Excluding payable to government agencies of P82.41 million.*
***Inclusive of interest expense until maturity.*

Interest rate risk
The Group's exposure to changes in interest rates relates primarily to the Group's short-term and long-term debt obligations.

Management is tasked to minimize interest rate risk by having a mix of variable and fixed interest rates on its loans. As of December 31, 2018 and 2017, the Group's share in URICI's outstanding bank loans include only short-term loans from local banks and lending investors (see Note 15). URICI is not expecting significant exposures to interest rate risk considering the short term maturities of its bank loans.

There is no other impact on the Group's equity other than those affecting the statement of income.

Foreign exchange risk
The Group's exposure to foreign exchange risk results from the Parent Company's and URICI's business transactions and financing agreements denominated in foreign currencies.

Management is tasked to minimize foreign exchange risk through the natural hedges arising from its export business and through external currency hedges. Presently, trade importations are immediately paid or converted into Peso obligations as soon as these are negotiated with suppliers. The Group has not done any external currency hedges in 2018 and 2017.

A reasonably possible change of –/+1% in 2018 and –/+ 1% in 2017 in United States dollar (US$) exchange rate at December 31, 2018 and 2017 would lead to the following income before income tax movements in the Group's consolidated statements of income:

December 31, 2018:

	Peso equivalent of US dollar denominated assets/liabilities	Increase (decrease) in income before income tax: US dollar weakened by 1% against Philippine peso	Increase (decrease) in income before income tax: US dollar strengthened by 1% against Philippine peso
Cash and cash equivalents	**₱ 342,876**	**(3,429)**	**3,429**
Trade receivables	**38,385**	**(384)**	**384**
Trade payables	**6,381**	**64**	**(64)**
	₱387,642	**(₱3,749)**	**₱3,749**

December 31, 2017:

	Peso equivalent of US dollar denominated assets/liabilities	Increase (decrease) in income before income tax: US dollar weakened by 1% against Philippine peso	Increase (decrease) in income before income tax: US dollar strengthened by 1% against Philippine peso
Cash and cash equivalents	₱77,799	(₱778)	₱778
Trade receivables	10,293	(103)	103
Trade payables	(610)	7	(7)
	₱87,482	(₱874)	₱874

The exchange rate of the Peso to the US Dollar is ₱52.58 and ₱49.93 as of December 31, 2018 and 2017, respectively.

There is no other impact on the Group's equity other than those affecting the consolidated statements of income.

28. Capital Management

It is the objective of the Group to maintain a capital base that adequately services the needs of its present and future operations while keeping within the capital level required by creditors. The capital base is also sufficient to address present and future uncertainties and risks inherent in the business and changes in the economic conditions. Payment of dividends, return of capital, or issuance of shares to increase capital shall be made accordingly and as may be necessary. No changes were made in the objectives, policies and processes as of December 31, 2018 and 2017.

The table below summarizes the total capital considered by the Group:

	2018	2017
Capital stock	**₱3,500,404**	₱3,500,404
Additional paid-in capital	**2,059,220**	2,059,437
Treasury stock	**(86,408)**	(14,327)
Retained earnings	**4,450,664**	3,851,762
	₱9,923,880	₱9,397,276

29. Events after the Reporting Date

On January 30, 2019, the Board of Directors of the Parent Company declared cash dividends equivalent to ₱0.0805 per share to stockholders of record as of February 14, 2019 and payable on March 13, 2019.

On January 31, 2019, the Certificate of Filing of Articles and Plan of Merger by and between RFM Corporation as the Surviving Corporation and CLIC, ICC and IAC as the Absorbed Corporations was issued by the Securities and Exchange Commission.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
RFM Corporation
RFM Corporate Center
Pioneer corner Sheridan Streets
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of RFM Corporation and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A and have issued our report thereon dated April 2, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332621, January 3, 2019, Makati City

April 2, 2019

RFM CORPORATION AND SUBSIDIARIES

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Consolidated Financial Statements

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Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2018 and 2017
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Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016
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* *These schedules, which are required by SRC Rule68, have been omitted because they either are not applicable or does not exceed 5% of the total assets shown in the related Consolidated Balance Sheet.*

RFM CORPORATION AND SUBSIDIARIES
Schedule C. Amounts Receivable/Payable from Related Parties which are eliminated during the Consolidation of Financial Statements
For the year Ended December 31, 2018
(Amounts in Million Pesos unless otherwise stated)

Name and Designation of Debtor	Balance at the beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Non-current	Balance at the end of period
Cabuyao Logistics and Industrial Center, Inc.	335	-	(42)	-	-	-	293
RFM Foods Philippines Corporation	145	-	-	-	-	-	145
Filipinas Water Bottling Company, Inc.	13	1	-	-	-	-	14
RFM Canning & Marketing, Inc.	35	-	-	-	-	-	35
Interbake Commissary Corporation	(2)	19	-	-	-	-	17
Rizal Light Corporation	-	(7)	-	-	-	-	(7)
Invest Asia Corporation	(500)	-	-	-	-	-	(500)
Intercompany Balances, net	**26**	**13**	**(42)**	-	-	-	**(3)**

RFM CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
For the year Ended December 31, 2018
(Amounts in Million Pesos unless otherwise stated)

Name and Designation of Debtor	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	191	-	-	-	-	191
Trademark	2,081	-	-	-	-	2,081
Software	2	-	-	2	-	-
Total	**2,274**	-	-	**2**	-	**2,272**

RFM CORPORATION AND SUBSIDIARIES
Schedule H. CAPITAL STOCK
For the year Ended December 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Balance Sheet caption	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shared Held By		
				Related Parties	Directors, Officers and Employees	Others
Common stock – P1 par value	3,978,265,025	3,500,403,866	-	-	21,622,695	3,478,781,171
Treasury shares	-	(18,346,000)	-	-		(18,346,000)
	3,978,265,025	**3,482,057,866**	**-**	**-**	**21,622,695**	**3,460,435,171**

RFM CORPORATION AND SUBSIDIARIES

Schedule I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

RFM CORPORATION
Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration
For the year Ended December 31, 2018
(Amounts in Thousand Pesos unless otherwise stated)

Unappropriated Retained Earnings, Beginning	3,559,999
Add (less):	
Deferred Income Tax Asset	(114,616)
Accumulated remeasurement loss on defined benefit pension plan closed to retained earnings	
Retained Earnings as adjusted, 1 January 2018	**3,445,383**
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	1,117,950
Less: Non-actual/unrealized income net of tax	
Movement of Deferred Income Tax Assets that increase Net Income	5,528
Net income actually earned during the period	**1,123,478**
Add (less):	
Dividend declarations during the period	(522,995)
Remeasurement loss on defined benefit pension plan closed to retained earnings	13,984
TOTAL RETAINED EARNINGS AS OF 31 DECEMBER 2018 AVAILABLE FOR DIVIDEND	**4,059,850**

RFM CORPORATION AND SUBSIDIARIES
Schedule L. Financial Soundness Indicators

		Years ended December 31		
		2018	2017	2016
1	Current Ratio	1.43	1.48	1.61
2	Debt-to-Equity Ratio	0.44	0.43	0.45
3	Asset-to-Equity Ratio	1.44	1.43	1.45
4	Interest Rate Coverage Ratio	70.66	88.91	145.28
5	Gross Profit Rate	38.10%	40.66%	41.55%
6	Net Income Rate	7.87%	8.20%	7.88%