NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of RFM CORPORATION will be held at the RFM Corporate Center, Pioneer cor. Sheridan Sts., Mandaluyong City 1550 on Thursday, 16 July 2015 11:00 A.M. with the following AGENDA:

I. Call to Order

II. Certification of Notice and Quorum

III. Approval of the Minutes of the Annual Stockholders' Meeting held on 02 July 2014

IV. President's Report for 2014 and Audited Financial Statements ending December 31, 2014

V. Ratification of the acts of Management and Board of Directors

VI. Election of Directors for 2015

VII. Appointment of External Auditor

VIII. Other matters

IX. Adjournment

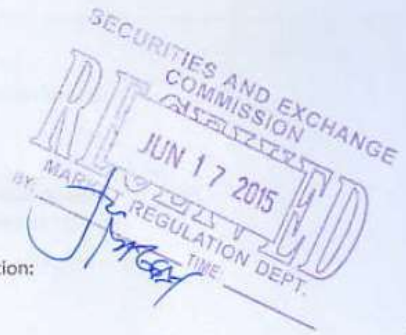
Stockholders of record as of 18 June 2015 shall be entitled to vote at this meeting. Stockholders are requested to bring this Notice and present valid identification cards with picture upon registration for verification purpose. If you cannot personally attend the meeting, you may appoint a proxy to represent you by accomplishing a Proxy form and by submitting the same with the Office of the Corporate Secretary at the above address before the date of the meeting.

The stock and transfer books of the Corporation will not be closed.

03 June 2015, Mandaluyong City.

ATTY. ROWEL S. BARBA
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
Information Statement Pursuant to Section 20
of the Securities Regulation Code



1. Check the appropriate box:

____ Preliminary Information Statement
__X_ Definitive Information Statement

2. Name of Registrant as specified in its charter:

RFM CORPORATION

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

Mandaluyong City, Philippines

4. SEC Identification Number : **12998**

5. BIR Tax Identification Number : **000-064-134-000**

6. Address of Principal Office : **RFM Corporate Center**
Corner Pioneer and Sheridan Streets
Mandaluyong City, Philippines 1550

7. Registrant's telephone number, including area code: **(632) 6318101**

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

16 July 2015
11:00 A.M.
RFM Corporate Center
Corner Pioneer and Sheridan Streets
Mandaluyong City

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

25 June 2015

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**3,500,403,866** common shares

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

Philippine Stock Exchange, Inc. - Common Stock

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

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

(a)	Date of Meeting:	16 July 2015
	Time of Meeting:	11:00 A.M.
	Place of Meeting:	RFM Corporate Center Corner Pioneer and Sheridan Streets Mandaluyong City
	Mailing Address:	RFM Corporate Center Corner Pioneer and Sheridan Streets Mandaluyong City, Philippines 1550
(b)	Approximate Date of Sending Information Statement to Security Holders:	25 June 2015

Item 2. Dissenters' Right of Appraisal

The appraisal right may be exercised by any stockholder who shall have voted against (1) an amendment to the Articles of Incorporation that changes or restricts the rights of any stockholder or class of shares, or authorizes preferences in any respect superior to the outstanding shares of any class, or extends or shortens the corporate existence; (2) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; or (3) a merger and consolidation; by making a written demand on the Corporation for payment of the fair value of his share(s). The written demand together with the share certificate/s of the withdrawing stockholder must be received by the Corporation within thirty (30) calendar days from the date on which the vote was taken. Failure to make the written demand and/or to surrender the share certificate/s within such period shall be deemed a waiver of the appraisal right.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made.

No payment shall be made to any withdrawing stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment.

Upon payment by the Corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the Corporation.

The appraisal right is also available to a dissenting stockholder in case the Corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose as provided in Section 42 of the Corporation Code.

Item 3. Interest of Certain Persons In or Opposition to Matters to be Acted Upon

Each of the incumbent Directors, Nominees for Directors or Officers of the Corporation since the beginning of the last fiscal year or any associate of said persons do not have any substantial interest, direct or indirect, by security holdings, or otherwise, in any matter to be acted upon other than election to the office.

There is no Director who has informed the Corporation, either verbally or in writing, of his intention to oppose any action to be taken by the Corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

Stockholders of record of the Corporation as of 18 June 2015 shall be entitled to vote during the meeting. The outstanding capital stock of the Corporation as of 31 May 2015 is 3,500,403,866 common shares with a par value of Php1.00 per share, all of which are entitled to vote. For the purpose of voting the shares in the meeting, one common share is entitled to one vote.

Manner of Voting

Article 11 of the By-laws of the Corporation provides that the stockholders may vote in person or by proxy.

In accordance with Section 24 of the Corporation Code of the Philippines, each stockholder may vote in any one of the following manner:

1. He may vote such number of shares for as many persons as there are Directors to be elected;

2. He may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by his shares;

3. He may distribute them on the same principle to as many candidates as he may see fit. In any of these instances, the total number of votes cast by the stockholder should not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the total number of Directors to be elected.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Security Ownership of Certain Record and Beneficial Owners as of 31 May 2015 of more than 5% of the Corporation's Voting Securities

(1) Title of Class	(2) Name & Address of Record Owner & Relationship to Issuer	(3) Name of Beneficial Owner & Relationship to Record Owner	(4) Citizenship	(5) No. of Shares	(6) Percentage (%)
Common	PCD Nominee Corp. G/F MKSE Building Ayala Avenue, Makati Stockholder	PCD Participants	Foreign	831,847,321	23.764324
Common	Triple Eight Holdings Inc. 507 Buendia Avebue, North Forbes Park, Makati City Stockholder	Triple Eight Holdings, Inc.	Filipino	658,561,450	18.81387
Common	Horizons Realty, Inc. 11 Kawayan Road N. Forbes Park, Makati City Stockholder	Horizons Realty, Inc.	Filipino	505,565,550	14.451634
Common	PCD Nominee Corp. G/F MKSE Building	PCD Participants	Filipino	413,138,309	11.802590

	Ayala Avenue, Makati Stockholder				
Common	BJS Dev. Corp. 1869 P. Domingo St. Makati City Stockholder	BJS Dev. Corp.	Filipino	311,210,184	8.890694

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. Maria 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 C. Reyes

II. Triple Eight Holdings Inc.
   1. Jose Ma. A. Concepcion III
   2. Ma. Victoria Ana A. Concepcion
   3. Ma. Luisa O. Concepcion
   4. Margarita O. Concepcion
   5. Monica O. Concepcion
   6. Martha O. Uy

III. PCD Nominee Corporation – The PCD is the depository of RFM common shares which are traded in the Philippine Stock Exchange. It is a wholly-owned subsidiary of Philippine Central Depository, Inc. and is the registered owner of the shares in the books of the Corporation's transfer agent, Securities Transfer Services, Inc. PCD was organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The beneficial owners of the shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients. Where shareholders are called upon to vote on similar matter, the PCD Nominee Corporation only informs its participant brokers of such event. In turn, participant brokers get in touch with their clients who are the beneficial owners of shares lodged with the PCD. It is the beneficial owners who have the voting power. The Corporation is not aware that a participant holds more than 5% of outstanding common shares of the Corporation.

IV. BJS Development Corporation
   1. Gordon Joseph Server
   2. Ernest Fritz Server
   3. Joseph B. Server
   4. Josephine Marie Server
   5. James Server Banzhaf
   6. Anne Christine Banzhaf
   7. Ernest Fritz Server Jr.

Based on the records of the Corporation, Mr. Jose Ma. A. Concepcion III is given the voting power over the security ownership of Triple Eight Holdings, Inc. and Horizons Realty, Inc., while Mr. Ernest Fritz Server or Mr. Joseph D. Server Jr. is given the voting power over the security ownership of BJS Development Corporation.

(2) Security Ownership of Management

Security Ownership of Management as of 31 May 2015

(1) Title of Class	(2) Name of Beneficial Owner	(3) Nature of Beneficial Ownership	(4) Citizenship	(5) No. of Shares	(6) Percentage (%)
Common	Jose S. Concepcion, Jr. Kawayan St., N. Forbes Park Makati City	"r"	Filipino	1,917,568	0.0547813
Common	Jose Ma. A. Concepcion III Buendia St., N. Forbes Park Makati City	"r"	Filipino	11,671,886	0.3334445
Common	John Marie A. Concepcion 9 Urdaneta Ave., Urdaneta Village, Makati City	"r"	Filipino	369,974	0.0200687
Common	Ernest Fritz Server 319 Chico Drive, Ayala Alabang Village, Muntinlupa City	"r"	Filipino	564,834	0.0161363
Common	Francisco A. Segovia 521 Acacia Ave., Ayala Alabang, Muntinlupa City	"r"	Filipino	10	0.000000
Common	Felicisimo M. Nacino, Jr. 11-G, Tower I, St. Francis Shangrila, Mandaluyong City	"r"	Filipino	2,056	0.0000587
Common	Joseph D. Server, Jr. 312 Cadena de Amor cor. Ilang-Ilang St., Ayala Alabang Village, Muntinlupa City	"r"	Filipino	135,376	0.0038674
Common	Ma. Victoria Herminia C. Young Kawayan Road, N. Forbes Park, Makati City	"r"	Filipino	10	0.000000
Common	Raissa H. Posadas 11 Nakpil St., San Lorenzo Village, Makati City	"r"	Filipino	2,000	0.0041550
Common	Romeo L. Bernardo 16/F Belvedere Tower San Miguel Ave., Ortigas Center, Pasig City	"r"	Filipino	247	0.0000000
Common	Lilia R. Bautista 33 A Rita St., San Juan, Metro Manila	"r"	Filipino	2,000	0.0000571
Common	Norman P. Uy 217 Madrigal St., Ayala Alabang Village, Muntinlupa City	"r"	Filipino	920,208	0.0262886
Common	Ramon M. Lopez 3306 Pioneer Highlands,	"r"	Filipino	1,128,282	0.0322329

	East Tower, Pioneer cor. Madison Sts., Mandaluyong City				
Common	Minerva C. Laforteza Blk. 9 Lot 17 Burbank St., North Fairview, Q.C.	"r"	Filipino	8,522	0.0002435
Common	Philip V. Prieto 15 Melon St., Valle Verde 1, Pasig City	"r"	Filipino	122	0.0000035
Common	Ariel A. De Guzman 8 Real Palico St., Imus Cavite	"r"	Filipino	9,500	0.0002714

The total number of common shares owned by the Directors and Executive Officers of the Corporation is 16,723,095 shares.

The indirect shareholdings of directors/officers and principal stockholders as of 31 May 2015 are as follows:

	% to total Outstanding Shares	Number of Shares	Total Direct Shares	Total Indirect Shares
Directors:				
Jose Concepcion, Jr.				
Direct	0.0547813%	1,917,568	1,917,568	
Indirect (thru Horizons Realty, Inc.)	0.0000000%			48
Indirect (thru Concepcion Industries Inc)	0.0000428%			1,499
Indirect (thru RPMC Resources Inc .)	0.0000139%			487
Indirect (thru Republic Commodities)	0.0000000%			1
Ernest Fritz Server				
Direct	0.0161363%	564,834	564,834	
Indirect (thru BJS Development Corp)	0.0000485%			1,697
Jose Ma. Concepcion III				
Direct	0.3334440%	11,671,886	11,671,886	
Indirect (thru Horizons Realty, Inc.)	0.0142860%			500,069
Indirect (thru Triple Eight Holdings, Inc.)	8.0040764%			280,175,000
Indirect (thru Concepcion Industries Inc)	0.0000005%			19
Ma. Herminia C. Young				
Direct	0.0000003%	10	10	
Indirect (thru Horizons RealtyInc.)	0.0142860%			500,069
Indirect (thru Young Concept, Inc.)	0.0006856%			24,000
Indirect (thru RepublicCmmodities)	0.0001342%			4,699
Indirect (thru Silang Forest Park, Inc.)	0.0000114%			400
Felicisimo Nacino, Jr.				
Direct	0.0000587%	2,056	2,056	
John Marie A. Concepcion				
Direct	0.0105695%	369,974	369,974	
Indirect (thru Horizons Realty, Inc.)	0.0142847%			500,021
Indirect (thru Select Two Corp.)	0.0092845%			324,996
Indirect (thru Concepcion Industries Inc)	0.0000000%			1
Indirect (thru Republic ommodities)	0.0001342%			4,699
Indirect(thruVictoria L. AranetaProp.)	0.0000805%			2,817
Lilia R. Bautista				
Direct	0.0000571%	2,000	2,000	
Joseph Server, Jr.				
Direct	0.0038674%	135,376	135,376	
Indirect (thru BJS Development Corp)	0.0000000%			1,681
Francisco A. Segovia				
Direct	0.0000003%	10	10	
Indirect (thru RPMC Resources Inc.)	0.0000068%			239
Indirect (thru Feati University)	0.0012453%			43,589
Indirect (thru Chilco Holdings, Inc.)	0.0134356%			470,301
Indirect (thru S & A Industrial Corp.)	0.0000003%			10
Indirect (thru Segovia & Co., Inc.)	0.0001710%			5,984
Indirect (thru Victoria L. Araneta Prop.)	0.0000003%			12

Raissa H. Posadas				
Direct	0.0000571%	2,000	2,000	
Indirect (thru Hyland Realty Corp.)	0.0040979%			143,442
Indirect (thru Concepcion Industries Inc)	0.0000000%			19
Romeo L. Bernardo				
Direct	0.0000071%	247	247	
Officers:				
Norman P. Uy				
Direct	0.0262886%	920,208	920,208	
Minerva C. Laforteza				
Direct	0.0002435%	8,522	8,522	
Ariel A. De Guzman				
Direct	0.0002714%	9,500	9,500	
Philip V. Prieto				
Direct	0.0000035%	122	122	
Ramon M. Lopez				
Direct	0.0313759%	1,128,282	1,098,282	

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

1. Name and Information on the Directors and Executive Officers of the Corporation

(Please refer to the Management Report hereto attached for the names and information on the Directors and Executive Officers of the Corporation.)

The Nomination Committee of the Corporation pursuant to its Manual on Corporate Governance adopted the following criteria for the selection of an independent director:

Qualifications:

1. Holder of at least one (1) share of stock of the Corporation;
2. He shall be at least a college graduate or have sufficient experience in business management to substitute for such formal education;
3. He shall be at least twenty one (21) years old;
4. He shall have proven to possess integrity and probity;
5. He shall be diligent;
6. He shall have practical understanding of the business of the Corporation;
7. He shall have membership in good standing in relevant industry, business or professional organizations; and
8. He shall have previous business experience.

Permanent Disqualifications:

1. No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, which disqualification may be waived by a

majority vote of the Board of Directors, upon the recommendation of the Nomination Committee.

2. Any person finally convicted judicially of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or similar fraudulent acts or transgressions;

3. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;

4. Any person judicially declared to be insolvent;

5. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and

6. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Temporary Disqualifications:

Any of the following shall be a ground for the temporary disqualification of a director:

1. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

2. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency unless absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. A director, however, shall not be considered absent if he participates in the meetings via teleconferences;

3. Dismissal/termination from directorship in another listed corporation the shares of which are listed on the Exchange, for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;

4. Being under preventive suspension by the Corporation;

5. In the case of independent director,

    i. his beneficial equity ownership in the corporation or any of its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;

    ii. In the case of independent directors, the additional grounds for temporary disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

6. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

1. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
2. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
3. Any person judicially declared to be insolvent;
4. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
5. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

After the required pre-screening of the qualifications above-stated, the incumbent independent directors Mr. Romeo L. Bernardo and Ms. Lilia R. Bautista, are again nominated for the same positions. Mr. Bernardo was first nominated in 2002 by Triple Eight Holdings, Inc., Horizons Realty, Inc., BJS Development Corporation and Renaissance Property Mgt. Corp., and Ms. Lilia R. Bautista was first nominated in September 2005 by Mr. Jose S. Concepcion, Jr. Mr. Bernardo is not in any way related to nor does he hold any position in the corporations that recommended him as independent director, although the said corporations belong to the top 20 stockholders of RFM Corporation. Neither is Ms. Bautista in any way related to Mr. Jose S. Concepcion, Jr.

2. Significant Employees

There are no persons other than the Executive Officers who are expected by the Corporation to make significant contribution to its 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. 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 Directors, 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, 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.

5. Certain Relationships and Related Transactions

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

- Purchase of goods and services.
- Cash advances for working capital purposes.
- Lease of the Company's main office from a subsidiary company.
- The Parent Company provides management services to Interbake Commissary Corporation
- Distribution, sale and merchandising of RFM Group products.

For a detailed discussion on related party transactions, please refer to Item 12 of the Annual Report (SEC 17-A) and Item 24 of the Notes to the 2014 Consolidated Financial Statements of the Corporation and Subsidiaries.

Item 6. Compensation of Directors and Executive Officers (in Million Pesos)

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III Felicisimo M. Nacino Jr. John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young	President & CEO EVP & COO Managing Director – Ice Cream SVP & GM SVP & GM	2015	P 41.5	P 29.8	P11.7
All officers and directors as a group unnamed		2015	P 14.8	P 13.0	P 1.8

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III Felicisimo M. Nacino Jr. John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young	President & CEO EVP & COO Managing Director – Ice Cream SVP & GM SVP & GM	2014	P 48.7	P 36.6	P12.1
All officers and directors as a group unnamed		2014	P 18.7	P 16.6	P 2.1

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III Felicisimo M. Nacino Jr. John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young	President & CEO EVP & COO Managing Director – Ice Cream SVP & GM SVP & GM	2013	P 46.8	P 35.9	P 10.9
All officers and directors as a group unnamed		2013	P 21.2	P 18.7	P 2.5

Compensation of Directors

(a) Standard Arrangement.

The Board of Directors and members of the Compensation, Nomination and Audit Committees are entitled to a per diem of P10,000 for every meeting, except that the Chairman of the Compensation Committee receives a per diem of P20,000 and the Chairman of the Audit Committee is entitled to a remuneration of P50,000 a month and P20,000 per diem.

(b) Other Arrangement

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

Stock Purchase Plan
The Corporation has no existing stock purchase plan.

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. 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 7. Independent Public Accountants

Sycip Gorres Velayo & Co. is the external auditor of the Corporation. The firm or such other reputable auditing firm will be recommended for appointment at the meeting. The representatives of the firms to be nominated are expected to be present during the meeting and will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions. During the last five fiscal years, there have been no disagreements between the Corporation and its auditors on matters related to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Pursuant to SRC Rule 68 (3) (b) (iv), the Corporation has changed its engagement partner, the former being Mr. Martin Guantes who was engaged for the period January 2007 until December 2012, while the present engagement partner is Ms. Ana Lea C. Bergado.

Audit and Audit Related Fees

For the years 2014, 2013 and 2012, the Company engaged the professional services of SGV. The Group incurred an aggregate audit fee of P2.2 million for 2014, 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 the 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 approves the final audit plan and scope of audit presented by the external auditor before the conduct of audit. The final audit plan was 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 8. Compensation Plans

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed to the Corporations' officers and employees. Likewise, no action will be taken with regard to granting of extension of any option, warrant or right to purchase any securities.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Items 9-14. Issuance and Exchange of Securities, Modification or Exchange of Securities, Financial and Other Information, Mergers, Consolidations, Acquisitions and Similar Matter, Acquisition or Disposition of Property and Restatement of Accounts

No securities are to be issued in exchange for existing securities.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Approval of the Management Report for the fiscal year 2014 and Minutes of the previous Annual Stockholders' Meetings.

A. **Summary of the Annual Stockholders' Meeting held on 02 July 2014**

1. Approval of Previous Minutes

The minutes of the Annual Stockholders' Meeting held on 26 June 2013 was approved and ordered filed.

2. Presentation of the Presidents' Annual Report and Audited Financial Statements

The 2013 Annual Report was noted and appended to the minutes while the 2013 Audited Financial Statements was likewise noted and approved.

3. Ratification of Acts of Management

The minutes of all meetings of the Board of Directors and the acts of the corporate officers for the period between the 2013 Annual Stockholders' Meeting until the 2014 Annual Stockholders' Meeting were ratified, approved and confirmed. Further, all resolutions adopted by the Board of Directors at said meetings were ratified and adopted and all acts and proceedings of all Corporate Officers and Directors since the Annual Meeting were also ratified, approved and confirmed by the stockholders.

4. Election of Directors

The following directors were elected:

Jose S. Concepcion Jr.
Jose Ma. A. Concepcion III
John Marie A. Concepcion
Ma. Herminia Victoria C. Young
Ernest Fritz Server
Joseph D. Server Jr.
Felicisimo M. Nacino, Jr.
Raissa C. Hechanova-Posadas
Francisco A. Segovia
Romeo L. Bernardo as Independent Director
Lilia R. Bautista as Independent Director

5. Appointment of External Auditor

The appointment of External Auditor was delegated to the Board of Directors.

Item 16. Matters Not Required to be Submitted

Approval and ratification of all acts of Management and the Board of Directors for the fiscal year 2014 which are considered purely administrative, such as but not limited to:

1. Renewal of credit facilities, foreign exchange lines, domestic bills line and omnibus line with banks.
2. Authority to purchase, sell, negotiate, trade and transact foreign exchange with CC currency.

3. Application and Acceptance of short term credit lines and finance accommodation with banks.
4. Amendment of authorized signatories for bank, Long Term Commercial Paper and treasury-related transactions.
5. Opening of peso/dollar CASA/ investment in short term Money Market and Temporary Placement instruments with banks.
6. Others.

Item 17. Amendment of Charter, By-laws or Other Documents

None.

Item 18. Voting Procedures

Pursuant to the By-laws of the Corporation, in all regular and special stockholders' meetings, the presence of shareholders who represent a majority of the outstanding capital stock entitled to vote shall constitute a quorum and all decisions made by the majority shall be final. However, the amendment of the Articles of Incorporation of the Corporation to be carried into effect requires the approval of two-thirds (2/3) of the outstanding common stock of the Corporation.

On the election of the member of the Board of Directors, the nominees receiving the highest number of votes shall be declared elected under Section 24 of the Corporation Code of the Philippines and as provided for in Item 4 hereof. Likewise, the nominee for external auditor with the highest number of votes shall be declared elected as such.

The method by which the votes of security holders will be counted is in accordance with the general provisions of the Corporation Code of the Philippines. The counting of votes will be done by the Corporate Secretary.

PART III

SIGNATURE PAGE

After reasonable inquiry to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on 10 June 2015.

RFM CORPORATION
By:



ATTY. ROWEL S. BARBA
Corporate Secretary

MANAGEMENT REPORT OF RFM CORPORATION

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The 2014 Audited Consolidated Financial Statements and the latest Interim Unaudited Financial Statement (Quarterly Report) for 2015 are incorporated herein by reference and are filed as part of this Management Report.

II. INFORMATION CONCERNING DISAGREEMENT 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.

III. MANAGEMENT DISCUSSION AND ANALYSIS (MD &A) OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION FOR YEAR 2014

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, 2014. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of December 31, 2014 and 2013, 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, 2014.

All necessary adjustments to present the Company's consolidated financial position as of December 31, 2014 and 2013 and the results of operations and cash flow for the years then ended have been made.

Analysis of Results of Operations

First Quarter 2015 vs. First Quarter 2014

Food and Beverage Company RFM Corporation posted a net income of P179.4 Million for the first quarter of 2015, higher by 8% over the same period last year. This was achieved on the back of P2.6 Billion in sales revenues, up by 15% over the revenues posted for the same period last year.

Sales came in strong especially for Selecta ice cream, Fiesta and the new Royal pasta, even for the first quarter which is usually a lean quarter. Other groups also showed encouraging volume growth like White King cake mixes and Selecta Milk. Operationally, the company were able to address certain distribution and logistics concerns, resulting to improved placements and trade servicing.

RFM expects to have a more managed costs moving forward as it also gears up for a stronger growth momentum in the peak summer months for ice cream and pasta and as it pushes for more product innovations that will excite further the consumers.

The key financial performance indicators for the Company for the three-month period ended March 31, 2015 as compared to the same period in 2014, are as follows:

Key Financial Performance Indicators (Amounts in Millions)*	For the Quarter Ended	
	March 31, 2015	March 31, 2014
Net Revenues	**P2,571**	P2,238
Net Operating Margin	**266**	218
Net Income (Loss)	**179**	167
EBITDA	**315**	304
Current Ratio	**1.40**	1.38

** Except current ratio*

1. Net Revenues

This is the barometer of the general demand for the Company's products, reflecting their market acceptability visà-vis competition particularly in terms of quality, pricing, and image and perception, as well as availability of the products at the point of purchase market locations. This is of primary importance, and is regularly being monitored for appropriate action and/or improvement.

2. Net Operating Margin

This shows the financial profitability of the primary products of the Company, after deducting the expenses related to their manufacture, distribution, and sale, as well as the general administrative costs in running the business.

3. Net Income

This shows the over-all financial profitability of the Company, including the sale of primary and non-primary products and all other assets, after deducting all costs and expenses, interest expenses on debts and interest income on investments, as well as equity in net earnings or losses of associates.

4. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

This is a general yet reasonable representation of the cash generated by the Company from its current business operations that can then be made available for payment of loan interests, loan principal amortization, and taxes; and any further amount in excess becomes the Company's cash profit.

5. Current Ratio

This determines the Company's ability to meet its currently maturing obligations using its current resources.

Analysis of Financial Condition and Balance Sheet Accounts

As of March 31, 2015, the Group's Total Assets increased to P14.07 Billion compared to December 31, 2014 of P13.96 Billion. The slight increase is due to the increased cash equivalents.

The Group has a current ratio of 1.40 and 1.38 on March 31, 2015 and December 31, 2014, respectively. The Group's Debt to Equity ratio was 0.56 and 0.56 on March 31, 2015 and December 31, 2014, respectively.

Notes to Financial Statements

The Company's financial statements for the first calendar quarter have been prepared in accordance with Philippine Financial Reporting Standards. The same accounting policies and methods of computation used are consistent with the most recent audited financial statements.

The Company discloses the following:

(a) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income, or cash flows, except those stated in Management's Discussion and Analysis of Results of Operations and Financial Condition;.

(b) There are no material changes in estimates of amounts reported in prior financial periods, other than those disclosed in the most recent audited financial statements;

(c) Except as disclosed, there are no known trends, demand, commitments, events or uncertainties that may have an impact on sales and income from continuing operations;
(d) There are no issuances, repurchases and repayments of debt and equity securities other than mentioned;
(e) There are no known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity nor have a favorable or unfavorable impact on revenues or income from continuing operations;
(f) There are no dividends paid separately for ordinary shares and other shares;
(g) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements;
(h) Other than mentioned, there are no material changes in the business composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations;

(i) There is no change in contingent liabilities since the most recent audited financial statements;
(j) There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that remain outstanding as of March 31, 2014;
(k) There were no material off-balance sheet transactions, arrangements, obligations, and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Year ended December 31, 2014 vs. 2013

Management Report on Operations

Food and beverage company RFM Corporation finished the year 2014 with P834 Million net income, or a 6% income growth over the previous year's P786 Million net income.

RFM managed to still post profitability despite operational bottlenecks by focusing its efforts the on higher margin core businesses. The company remains bullish on the market leadership strength of its core brands Selecta and Fiesta, and now with the Royal pasta brand which has put in greater value to the RFM business portfolio.

Financial Position

Analysis of Balance Sheet Accounts

As of December 31, 2014, the Group's total assets increased to P13.96 billion from P13.48 billion last year.

The total non-current assets rose to P8.35 billion due mainly to the acquisition of the Royal Trademark.

Year ended December 31, 2013 vs. 2012

Management Report on Operations

Food and beverage company RFM Corporation finished the year 2013 with P786 Million net income, or a 17% income growth over the previous year's P673 Million net income.

The accelerated income growth was credited to stronger sales of its higher margin businesses. Better margins were achieved due to the lower commodity input costs this year, such as for milk, wheat and sugar, as well as better yields due to scale economies as we reach higher volumes in our key brands, such as Selecta ice cream, and Fiesta spaghetti.

The positive economic climate have further boosted consumer confidence and spending, which led to continued growth practically in all the company's brands, led by Selecta ice cream, Fiesta pasta, White King cake and sauce mixes, Selecta milk and Sunkist juice.

Financial Position

Analysis of Balance Sheet Accounts

As of December 31, 2014, the Group's total assets increased to P13.48 billion from P11.35 billion last year.

Total current assets of the Group rose by P862.53 million to P7.0 billion, mainly due to the increase in cash and cash equivalents due to the collection of deposits for future stock subscription of several shareholders. The shares were issued in 2014.

The total non-current assets also rose to P6.47 billion due mainly to the appraisal increase recognized in the Group's land properties by P1.02 billion to P2.56 billion. The increase in group plant, property and equipment was due to new investments to boost plant capacity and to improve manufacturing efficiencies.

The total liabilities decreased by P743.93 million to P5.06 billion, mainly due to the full settlement of RFM's long-term loan with a floating rate note facility before its maturity in 2015. This was a slight offset by the increase in deferred income tax liabilities due to the recognition of appraisal increase of the Group's land properties.

Year ended December 31, 2012 vs. 2011

Management Report on Operations

Food and beverage company RFM Corporation finished the year 2012 with P672 Million net income, or a 34% income growth over the previous year's P504 Million net income. This was on the back of a 6% sales growth to P11.0 billion for the period.

The accelerated income growth was credited to stronger sales of its higher margin businesses. Better margins were achieved due to the lower commodity input costs this year, such as for milk, wheat and sugar, as well as better yields due to scale economies as we reach higher volumes in our key brands, such as Selecta ice cream, and Fiesta spaghetti.

The positive economic climate have further boosted consumer confidence and spending, which led to continued growth practically in all the company's brands, led by Selecta ice cream, Fiesta pasta, White King cake and sauce mixes, Selecta milk and Sunkist juice.

Financial Position

Analysis of Balance Sheet Accounts

As of December 31, 2012, the Group's total assets increased to P11.35 billion from P10.76 billion last year.

Total current assets of the Group increased by P1.26 billion to P6.13 billion, mainly due to its receivables which grew 26.5% to P2.68 billion from last year's P2.12 billion, contributed by the growth in revenues during the period.

The total non-current assets rose to P5.22 billion due mainly to the increase in plant, property and equipment by P84.15 million to P4.30 billion. The increase in group plant, property and equipment was due to new investments to boost plant capacity and to improve manufacturing efficiencies.

The total liabilities increased by P196.57 million to P5.80 billion. Total current liabilities increased by P646.65 million mainly due to the increase in Accounts payable and accruals which primarily funded the increase in

inventory position as of year end. Meanwhile, the combined long-term debt and long-term obligations have declined by P345.10 million to P1.82 billion due to payment of loan amortizations.

Key Performance Indicators

For the full fiscal years 2014, 2013 & 2012 the Company's and majority-owned subsidiaries' top five (5) key performance indicators are as follows:

In Millions	December 2014	December 2013	December 2012
Revenues	11,010	10,240	10,998
Operating Margin	997	1,009	879
Net Income (Loss)	834	786	673
EBITDA	1,361	1,356	1,195
Current Ratio	1.38	1.82	1.42

(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, 2014 vs. 2013, year ended December 31, 2013 vs. 2012 and year ended December 31, 2012 vs. 2011.

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.

IV. BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS

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 selfreliance 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 byproducts 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 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 (ULP). The Company believes this would allow RFM to tighten its market leadership in the pasta category.

The Group and the Products

FOOD BUSINESSES

RFM Corporation (Parent Company)

Operates two major business segments:

- Institutional segment, which primarily manufactures and sells flour, pasta, bakery and other bakery products to institutional customers; and

- Consumer segment, that manufactures and sells ice cream, meat, 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.)

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

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 260 stores in Luzon. 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 other quick service restaurants such as Wendy's and KFC. Since 2007, Interbake's bread sales volume had an average annual increase of 10%. In July 2013, the manufacturing operations of Interbake has 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.

Incorporated in 1992 to manufacture and distribute all kinds and classes of bottle 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.

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.

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

A barging company that is 91.6% 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. 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 Cabuyao Logistics and Industrial Center, Inc.

WS Holdings, Inc.

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

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

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,Pioneer, Senorita, Altar Bread, Milenyo	36.5%
	Hamburger buns, English muffins		
Consumer Group	Flour-based and Rice-based products	White King All Purpose Flour, White King Hotcake mixes, White King Brownie Mixes, White King ChampO-Rado, White King Aroz Cald-O, White King Chicken Sopas	
	Pasta	Fiesta Spagehtti, Fiesta Elbow Macaroni, Fieta Salad Macaroni	

	Spaghetti Sauce	Royal Spaghetti, royal Linguini, Royal Macaroni	
	Margarine	Fiesta Sweet Spaghetti Sauce, Fiesta Italian Style Spaghetti Sauce, Fiesta 3-Cheese Spaghetti Sauce	
	Ready to drink Juice, Ready to Drink Tea, Powdered Juice, Ready to Drink Milk and Choco Milk, Ready to Drink Functional Drinks	Selecta Butterfresh Sunkist Orange Pulp, sunkist Healthy Heart, Sunkist Iced Tea, Sunkist Tetra Juice Drink, Sunkist Doy Packs, Alo Green Tea, Selecta Moo, Selecta Fortified Filled Low Fat Milk, Seleta Full Cream Milk, Vitwater	63.10%
	Ice Cream Products	Selecta Supreme, Selecta Gold Series, Selecta Super Thick Classic, Selecta Birthday 3-in-1, Selecta Cornetto Disc, Selecta Ice Cream Sticks, Selecta Paddle Pop	
Others			0.40%

Domestic and Export Sales

The amounts of revenue, profitability, and identifiable assets attributable to domestic and export operations for 2014, 2013 and 2012 in Million Pesos are as follows:

	2014	%	**2013**	%	**2012**	%
Sales						
Domestic	10,790	98	9,981	98	10,730	98
Foreign (Export)	220	2	251	2	268	2
	11,010		10,240		10,998	
	2014		**2013**		**2012**	
Operating income (loss)						
Domestic	962		965		855	
Foreign (Export)	35		44		24	
	997		1,009		879	
Total Assets (All Domestic)	13,959		13,482		11,350	

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, wet market 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

The Food and Beverage industry, in which RFM Corporation belongs to, is generally a fast-growing but competitive consumer industry.

Last year RFM acquired ROYAL from Unilever and together with FIESTA, RFM became the dominant market leader in Pasta. Total volume share for RFM is at 34% and value share is at 36%. For spaghetti, FIESTA maintains market leadership, finishing the year at 26% volume share and 24% value share. On the other hand ROYAL regained its market leadership in macaroni, with volume share of 15% and value share of 20% by the end of the year. Looking into the spaghetti sauce segment, FIESTA has now become the #3 player in the market following the dominant players like Del Monte and UFC. Growing 9% in volume sales, FIESTA ends the year at 10% volume share and 8% value share.

Just like last year, Kris Aquino still continues to endorse FIESTA Spaghetti as the value brand. On the other hand, ROYAL makes its comeback this year, after several years of being silent, by getting a new face for the brand – Dawn Zulueta. Dawn perfectly matches the image of ROYAL Premium Pasta.

RFM did not only excel in the Pasta segment but also in its Flour and Flour Mixes business. White King's Baking Mixes added two new products to its Premium Baking Mixes line. The new products are WHITE KING Moist Chocolate Cake Mix and Belgian Chocolate Chip Cookie Mix. These new additions to the baking mixes line of WHITE KING posted stellar growth for the brand with 51% growth in sales. This year, WHITE KING also became aggressive in its support for its Bowl Mixes line, launching the new WHITE KING Champ-O-Rado TVC and gained 46% growth in sales during the campaign period. Another highlight for WHITE KING this year is the 15% growth of WHITE KING All-Purpose Flour versus last year. These excellent products, new innovations, and campaigns further strengthened RFM's stature as one of the pioneer flour millers in the Philippines.

Fiesta, Royal, and White King are brands gaining strength in equity and are starting to become powerhouse brands through more awareness and trial among its consumers.

For the Milk products, Selecta Moo's re-launch campaign in 2014 was a crucial business builder for the brand. This new initiative provided a much needed boost to RFM's flavored milk business, as it posted a 3%age growth vs. YA despite logistical challenges and low service levels in trade. This also helped ensure the brand remain relevant and competitive in trade, as the competition aired its first ever TVC in May in time for the back to school season in major terrestrial and cable channels, plus massive out of home advertisements all over Luzon and Metro Manila. In addition, another competitor continued with its back to school airing of its TVC, including massive out of the country trip promotions, and on-ground events in key cities in Manila, Cebu and Davao.

Selecta Moo's campaign harped on the unique fortified milk + chocolate formulation, its key differentiating factor vs. other chocolate drink brands. This campaign was aimed at targeting both moms and kids, by ensuring mothers of the nutritional benefits of milk, and offering kids the best chocolate drink taste in every pack of Moo. The brand aired its new TVC last September, coupled with trade merchandising tools that highlighted its unique product formula. Coupled with its continued consumer promotions, and on-going kid-centric drives via its "Adventure Time" packaging design, the brand remained strong and continues to be RFM's business driver in its milk industry. Collectively, these initiatives have proven effective and beneficial for the Moo brand as it catapulted itself from #3 spot, to #2 in the flavored Milk industry next to Nestle Chuckie, besting out Zest-O Choc-O and Magnolia Chocolait in the process* (MAT May 2014, AC Nielsen Retail Index).

2014 also saw the aggressive move of RFM in further establishing itself as a strong chocolate drink challenger, as it launched its latest choco drink brand, Choco Yey! last June. This new product, designed for mass based consumers, was priced at P10 SRP using convenient and hygienically proven 100ml tetra wedge packs. Currently, the brand is faring well in North Luzon and Southern Tagalog areas. And as RFM continues to rebuild its GMA distribution operations, it is expected that this new product will soon become a strong challenger to low priced chocolate milk drink brands.

The White Milk business of RFM has shown phenomenal growth this year at +21% vs. YA (value), despite the logistical and operational challenges that the brand faced similar to Flavored Milk. Its highly competitive pricing (up to 20% lower vs. the leading brand), revitalized premium packaging design last June, and continued

strong modern trade presence, were the notable drivers that lead to its strong finish this year. A considerable achievement, considering the lack of above the line advertising support provided to the brand.

Combined Flavored and Milk business of RFM garnered a total of 11% growth in value this year, 3% shy of its previous year's growth.

The Beverage business showcased a more challenging scenario for RFM, as most of its products posted lackluster performances this year. Heavily hit was the PET business, with Sunkist Juices in PET registered a 22% decline from YA, due to lack of innovation, advertising support and heavy advertising and new product campaigns from competition (i.e. Del Monte Bone Smart, Oishi Fruit C, Mogu Mogu). Similarly, ALO Green Tea (-34%), Sunkist Iced Tea (-16%) and VitWater (-16%) suffered significant drop this year, due to lack of awareness and heavy initiatives from competition.

On the Tetra Juice business, the biggest segment in RFM's beverage portfolio, its latest relaunch drive which featured the new Minions packaging from the previous Angry Birds, managed to help recover its decline in June to December. Prior to the relaunch, Sunkist with Angry Birds sales were continuously posting dip, with a 19% YTD drop last May. During the second half of the year, the brand registered a slight turn around in sales with the introduction of the new labels that has strong affinity with kids, the Despicable Me's Minions. The campaign featured TVC support on cable, out-of-home digital advertisements, off-premise display and merchandising in video arcade shops in key SM stores, plus instore shelf enhancements and display. Collectively, these provided significant gains in sales, with volumes registering only -10% drop by year end, a +9%age improvement from its first half of 2014.

On the other hand, one of the biggest gainers for the beverage business is the Doy Pack Pouch SKU, wherein total sales achieved an astounding 31% increase in volume and value performance this year. On top of the good standing and competitive equity of the 185ml pack (+24% vs. YA), the newly launched 250ml SKU, which was recently pipelined in September, was also a key contributor to its volume growth. Although still in its infancy and with nominal contribution to 2014 sales (5% to total Doy), this Jumbo SKU is expected to gain traction in trade and will soon become a key challenger to Zest-O's Big 250 SKU, currently the leading doy pack brand in the market relying on the Sunkist brand equity. However, although the Doy Pack pouch contributed mainly to total Beverage volumes to stay afloat at 6% vs. YA, this gain is not enough to pull up its total Value performance as it still slid to -10% vs. YA.

Overall, despite the decline on RFM Beverage business, outlook for the category is expected to grow in the next coming months as it aggressively pushes for its new product developments for the brand, moving toward the premium juice market and innovative functional fruit juices that are currently dominating the beverage juice drink industry.

The Selecta Ice Cream business, under the joint venture with Unilever Philippines, continued to dominate the ice cream category with 76% 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 several exciting Chocolate and Pinoy flavors for both summer and Christmas seasons under the Supreme platform. The Value platform through the new flavor for Birthday 3in1 (three flavors in one pack) packs attracted the mass based buyers into the category. On impulse, Selecta Cornetto launched new flavors for both the core and premium line. Ice cream sticks, another mass based line is also growing double digit, benefitting from the extension of Supreme new flavors.

Competing Companies, while small, continue to be aggressive, particularly in the bulk ice cream segment.

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 materials and packaging materials both overseas and domestically.

The Company imports from the US and Australia (wheat,), New Zealand (anhydrous milk fat), India and Australia (skimmed milk powder), Switzerland, Spain and other countries.

The payment forms vary for each supplier. It ranges from Letter of Credit, drawn against payment, down payment, and various credit terms offered by supplier

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, wet market 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 to Golden Arches (Mc Donalds). These hamburger buns account for about 83% of the total sales of Private Label Division of RFM Corporation in 2014 and 67% in 2013.

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.
Cash advances for working capital purposes.
Lease of the plant property and equipment for manufacturing operations.
The Parent Company provides management services to Interbake Commissary Corporation.

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-RFM Ice Cream, 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 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 KnowHow; 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 pasta trademark from the Unilever Group for P2.1 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. 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 P403,874 and P383,000 during the years 2014 and 2013, 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 new product development and/or improvement in new or existing categories via line extensions, reformulation and innovation. The development process covers product specifications, process standards, equipment efficiencies, packaging studies and cost management. Every product launched in the market had undergone stringent quality control checks to ensure food safety and sensory acceptability.

The Company conducts research and development activities to improve existing products and to create new product lines, as well as to improve production processes, quality control measures, and packaging to meet the continuing and changing demands of the consumers at the least possible cost. The Company spent about P15.2 million and P14.6 million in 2014 and 2013 respectively, for research and development.

Employees

As of December 31, 2014, the Company and its subsidiaries had approximately 454 employees, of which 11 are executives, 38 managers and 108 supervisory staff and 297 were non-supervisory staff. The Company does not anticipate any significant increase in the number of its employees in year 2015.

About 19% 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. LaborManagement 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, accounts receivable, bank loans, accounts payable and accrued liabilities, long-term debts and obligations 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 and interest rate 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. With respect to credit risk arising from financial assets other than accounts receivable (such as cash and cash equivalents and AFS financial assets), the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

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 shortterm 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. Presently, the Group has existing long-term debts that fund capital expenditures. 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.

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 2013 and 2012.

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. 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.

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 as well as fruit juices under the Selecta and Sunkist brands. In 2008 and 2009, investments were made in automated PET bottle injection, blowing, filling, and packing facilities to cater to a newly developing packaging format for juice and tea drinks. In 2013, the PET line instrumentation and controls system has been upgraded to provide a more accurate on-line measurements and monitoring.

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.

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, RFM also partakes of the usual risk of labor unrest, and strikes.

The pending cases are those which are related to the retrenchment of 116 trade merchandisers in 2006. Eventually, three (3) separate groups of employees and three (3) individuals filed separate complaints for illegal dismissal. Two cases (Panao Case and Ayta Case) were settled in 2012 (but a group of complainants in Panao Case questioned the settlement which is now pending in the Court of Appeals).One case (Sarmiento Case) was dismissed due to prescription in 2012 but the complainant filed an appeal before the Court of Appeals, which subsequently dismissed the case based on the compromise agreement executed by the parties. On October 17, 2014, one case (Raquin Case) was declared closed and terminated by the Court of Appeals after amicable settlement through mediation. Another case (Alarva Case) is deemed closed and terminated as a result of the payment of the nominal damages on December 10 and 22, 2014.

As of December 31, 2014, only (1) case is pending before the Court of Appeals. The pending case is currently being handled by external counsel specializing on labor matters on behalf of the Company.

On August 15, 2014, the MJ Union filed a Notice of Strike before the National Conciliation & Mediation Board raising issues of violations of the Collective Bargaining Agreement (CBA). However, on December 16, 2014, the Notice of Strike was withdrawn when the Management and the Union agreed to a settlement agreement.

Item 2 – Properties

RFM Corporation owns a flour milling plant with a daily rated capacity of 980 metric tons per day, and is located in Barangay Pineda, Pasig City. A pasta plant with a rated capacity of 3,000 kgs (Input) per hour is also located at RFM Pioneer Plant, Barangay Pineda, Pasig City. 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 four (4) production lines, of which two (2) are owned. Lines are running at 15 hours operation per line for 25 days. The 2 PET lines are completely owned by RFM, with combined production capacity of 12000 cases a day at 26 days operation per month.

Wholly owned food subsidiary Interbake Commissary Corporation owns a margarine plant with a capacity of 23MT per day located in Pioneer, Pasig City.

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, 2014, the Company, including its subsidiaries are in compliance with terms and conditions of these agreements.

A. Flour Division:

Description	LOCATION	CONDITION
Land – 28,951 sq. m.	Pineda, Pasig City	
Flour Mills Plant/Building/Silos/ Warehouse	Pineda, Pasig City	In good condition
Flour Mills-Furniture & Office Equipment	Pineda, Pasig City	In good condition
Flour Mills - Machinery and Equipment	Pineda, Pasig City	With a capacity of 980 metric tons per day

B. Pasta Contract Manufacturing Division

Description	LOCATION	CONDITION
Land - 2,356 sq. m.	Pineda, Pasig City	In good condition
Pasta Plant/Office/Conference Room/ Die Washing Room	Pineda, Pasig City	In good condition
Pasta Plant – Furniture & Office Equipment	Pineda, Pasig City	In good condition
Pasta Plant – Long goods line	Pineda, Pasig City	With a capacity of 3,000 kgs per hour
Pasta Plant – Short goods line	Pineda, Pasig City	With capacity of 2,650 kgs per hour
Pasta Plant – RM/PM Warehouse	Pineda, Pasig City	With capacity of 2,380 pallet positions
Pioneer CDC Warehouse	Pineda, Pasig City	With capacity of 3,864 pallet positions

C. Milk and Juice Division:

Owned Properties

Description	LOCATION	CONDITION
Milk & Juices Tetra Machines	Cabuyao Laguna (transferred from Manggahan, Pasig City)	In good condition
Pioneer Business Park Building	Fairlane, Pasig City	Two (2) storey Building
Pet Line Machines	Cabuyao, Laguna	With capacity of 4 million bottles per month

D. Cabuyao Logistics and Industrial Center, Inc. (formerly Cabuyao Meat Processing Corporation)

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

E. Interbake Commissary Corporation:

Description	LOCATION	CONDITION
Bun Line	Fairlane, Pasig City	With capacity of 3000 dz/hr
Muffin Line	Fairlane, Pasig City	With capacity of 600 dozens per hour
Private Label	Fairlane, Pasig City	With capacity of 8 tons per day
Margarine Plant	Fairlane, Pasig City	With capacity of 8 tons a day

F. 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.

V. DIRECTORS AND EXECUTIVE OFFICERS

(a) The following nominees for the Directors are also the incumbent directors of the Corporation:

(1) List of Directors, Including Independent Directors, and Executive Officers as of 31 May 2015

Name of Director/ Executive Officer	*Position*	*Age*	*Term as Director*
Jose S. Concepcion Jr.	Chairman of the Board, Chairman, Nomination Com.	83	32
Ernest Fritz Server	Vice Chairman, Member, Compensation Com.	71	26
Jose Ma. A. Concepcion III	Director/President & CEO, Chairman, Management Com	56	28
Joseph D. Server	Director, Member, Audit Com.	74	35
Felicisimo M. Nacino Jr.	Director, Member, Audit Com.	63	19
John Marie A. Concepcion	Director/Managing Director, Ice Cream	53	27
Ma.Victoria Herminia C. Young	Director/SVP & GM, Consumer Group	55	8
Francisco A. Segovia	Director	61	28
Raissa Hechanova Posadas	Director, Member, Compensation Com. & Nomination Com.	55	17
Romeo L. Bernardo	Independent Director, Chairman, Compensation Com., Member, Nomination Com., Audit Com. & Management Com	60	12
Lilia R. Bautista	Independent Director, Chairman, Audit Com., Member, Management Com.	79	8
Rowel S. Barba	Corporate Secretary/VP & Head, Corporate Legal &Labor Relations Division	51	NA
Norman P. Uy	SVP & GM, Institutional Group	56	NA
Ramon M. Lopez	VP & Exec. Assistant to the President & CEO and Concurrent Head, Corporate Planning	54	NA
Minerva C. Laforteza	Treasurer, VP & Head, Finance & Controllership	50	NA
Philip V. Prieto	Asst. Treasurer	56	NA
Eduardo M. Policarpio	VP & Head of Sales	53	NA

Melchor B. Bacsa	VP & Head of Operations	54	NA
Susan A. Atienza	AVP, Research & Development, Flour Based Group	58	NA
Faye Christine B. Matriano	AVP, Marketing Manager, WK	40	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 Management, which replaced the Investment committee. 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 May 31, 2015

Directors

Jose S. Concepcion, Jr.
83 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. at the same time Chief Executive Officer. 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 a member of the Board of Directors of Philtown Properties, Inc. (formerly Philippine Townships, Inc.), and Member of the Board of Trustees of CARITAS and RFM 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 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
71 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 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. and RFM Foundation, Inc. He is the President of Superior Las Pinas, Inc., Westview Properties, Inc., Capital Mediaworks, Inc. Multimedia Telephony, Inc. (Broadband Philippines) and Seacage Industries, Inc. He is a member of the Board of Directors of BJS Development Corporation, Phil Stratbase Consultancy, Inc. and Chairman of Arrakis Holding, Inc. He was the President of Philam Fund, Philippine Home Cable Holdings, Inc., Trans-Pacific Properties, Inc. and United Housing Corporation. He became the 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 was the Chairman of the Investment Committee and a member of the Compensation Committee of RFM Corporation.

Jose Ma. A. Concepcion III
56 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 the Corporation. In 2005, he was appointed by the President of the Philippines as the Presidential Consultant for Entrepreneurship which he held until 2010. He is the Chairman of the Board of Directors of Cabuyao Meat Processing Corporation, Interbake Commissary Corporation, RFM Equities, Inc., RFM Insurance Brokers, Inc., FWBC Holdings, Inc., Filipinas Water Bottling Company, Inc., Unilever RFM Ice Cream, Inc.(formerly Selecta Walls, Inc.), He is a director of Concepcion Industries Inc., the largest air-conditioner and refrigerator manufacturer in the country. 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 first became a director of the Corporation on 30 October 1986 and was elected President and Chief Executive Officer in 1989.

Joseph D. Server Jr.
74 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 Chairman of the Board of BJS Development Corporation. 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.
63 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 was the Executive Vice-President & Chief Operating Officer of the Corporation and still serves as Director of RFM Corporation 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 Committee of the Corporation.

John Marie A. Concepcion
53 years old
Filipino

Born on 13 January 1962, has a degree in Business Administration from Regis School, Seattle University, Washington, U.S.A. He is the Managing Director of Unilever RFM-Ice Cream from 1999 to present. He is also a Director of Unilever-Phils., Inc. He was the President and COO of Selecta Dairy Products, Inc. from 1990-1999. He became a director of the RFM Corporation on 29 October 1987.

Ma. Victoria Herminia C. Young
55 years old
Filipino

Born on 4 August 1959, has a Bachelor of Science Degree in Management and Marketing from Assumption College in 1981. She is currently the Senior Vice President & Head of Consumer Group of the Corporation. She is a Trustee and President of RFM Foundation, Inc., Trustee of Soul Mission Org., Ronald McDonald House of Charities and a Director of Interbake Commissary Commission. He became a director of the RFM Corporation on 27 September 2006.

Francisco A. Segovia
61 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. (formerly Philippine Townships, Inc.). He first became a director of the RFM Corporation on 30 October 1986.

Raissa Hechanova Posadas
55 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
60 years old
Filipino

Born on 5 September 1954, Mr. Bernardo received a Bachelor of Science degree in Business Economics from the University of the Philippines (Magna Cum Laude) and a Masters 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 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 is also an Independent Director of Trans-Asia Petroleum Corporation. 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, Management and Nomination Committees of RFM Corporation.

Lilia R. Bautista
79 years old
Filipino

Born on 16 August 1935, Ms. Bautista 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 Permanent Court of Arbitration, Eisenhower Fellows Association of the Philippines, CIBI Foundation, 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. Thereafter, 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 and a member of the Management 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.

Norman P. Uy
56 years old
Filipino

Born on 23 December 1958, has a Bachelor of Arts Degree in Philosophy from the University of the Philippines and was awarded "Athlete of the Year" in 1980. Prior to joining RFM Corporation, he was Assistant to the Vice President of Marketing at CFC-URC, then held the position of Operations Manager for Robinsons Commercial Complex, and was Project Coordinator for ADMACOR based in Indonesia. He is currently Senior Vice President & Head, Institutional Group. He joined RFM in 1989 as General Services Division Manager.

Ramon M. Lopez
54 years old
Filipino

Born on 26 October 1960, has a Bachelor of Arts degree major in Economics from U.P School of Economics and a Masters Degree in Economics at Williams College, Massachusetts, U.S.A. He is a member of the Board of Directors of Phil. Chamber of Food Manufacturers. He is currently Vice President & Executive Assistant to the President and CEO, and concurrent Head, Corporate Planning. He joined the Corporate Planning Department of RFM Corporation in 1994.

Rowel S. Barba
51 years old
Filipino

Born on 13 May 1964, has a Bachelor of Arts degree major in Political Science and Bachelor of Laws degree, both from the University of the Philippines (Diliman). Prior to joining the Corporation, he was the Corporate Secretary, Director, Member of the Management Committee and Chief Legal Counsel and Head of the Legal Division of Jaka Investments Corporation. While with Jaka, he also served as the Corporate Secretary and director in various subsidiaries and affiliates, and the Operating Unit Head of the Transport Division. He was the former Governor for Southern Luzon of the Integrated Bar of the Philippines and currently the Legal Counsel of the Philippine Practical Shooting Association. He is currently the Corporate Secretary, Vice President and Head of Corporate Legal and Labor Relations Division of the Corporation. He is also the Corporate Secretary of Interbake Commissary Corporation, RFM Insurance Brokers, Inc., and Rizal Lighterage Corporation. He joined RFM Corporation in April 2007.

Minerva C. Laforteza
50 years old
Filipino

Born on 9 March 1965, has a Bachelor of Science degree in Business Administration and Accountancy and a Masters degree in Business Administration from the University of the Philippines (Diliman). She joined RFM Corporation in 1989 as Accounting Supervisor. She is currently the Treasurer, Vice-President & Head, Finance & Controllership.

Susan A. Atienza
58 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 Plant Manager at Leslie Corporation from 1979 to 1987. She held the position of 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 Flour Based Group.

Eduardo M. Policarpio
53 years old
Filipino

Born on 25 September 1961, has a Bachelor of Science Degree in Medical Technology from the University of Santo Tomas. He was the District Manager of Merck Pharmaceuticals after passing the board in 1983. Prior to joining RFM Corporation, he was with Universal Robina Corporation from 1995 to 2010 and held the position of National Sales Director – Beverage Group for 2.5 years. He joined RFM in December 2010 as Vice President and Head of Sales.

Melchor B. Bacsa
54 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.

Philip V. Prieto
56 years old
Filipino

Born on 20 August 1958, has a Bachelor of Arts degree from the University of San Francisco. He was formerly the VP, Corporate Procurement and Materials Management of the Corporation and currently the General Manager of Invest Asia Corporation. He joined the Corporation in 1995 as the Purchasing Manager of Cosmos Bottling Corporation when this was still owned by RFM Corporation.

Faye Christine B. Matriano
40 years old
Filipino

Born on 21 December 1974, has a Bachelor's degree in Psychology from Ateneo De Manila University and completed a Certificate Course in Marketing Management at New York University. Prior to joining RFM Corporation, she was the Senior Brand Manager at General Mills International from 2002 to 2007. She started her career in marketing at Universal Robina Corporation in 1999 to 2002 where she initially held the position of Brand Assistant and later on becoming the Assistant Brand Manager. She joined the Company in March 2009 as Group Product Manager of White King Division and promoted to Assistant Vice President and Marketing Manager in May 2012.

VI. SECURITIES OF THE CORPORATION

(1) Market Information

RFM shares are traded at the Philippine Stock Exchange (PSE). As of May 31, 2015, the total number of issued and outstanding shares of the Company is 3,500, 403,866 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 2015:

2015	High	Low
First Quarter	5.32	5.26

2014	High	Low
First Quarter	5.84	5.47
Second Quarter	6.30	6.05
Third Quarter	5.38	5.21
Fourth Quarter	5.20	5.01

2013	High	Low
First Quarter	4.75	4.72
Second Quarter	5.15	4.80
Third Quarter	4.95	4.80
Fourth Quarter	5.55	5.50

2012	High	Low
First Quarter	2.05	1.99
Second Quarter	3.58	3.23
Third Quarter	4.24	4.05
Fourth Quarter	5.09	4.85

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

The price of RFM shares as of last trading date – May 29, 2015 was P4.06.

(2) Holders

As of May 31, 2015, there are a total of 3,246 shareholders of RFM common stock. Filipinos owned 2,668,326,231 common shares or 76.23% while foreigners owned 832,077,635 common shares or 23.77%.

Below are the top 20 stockholders of common shares as of May 31, 2015:

Name	**No. of shares held**	**% to Total**
1. PCD Nominee Corporation (Foreign)	831,847,321	23.764324
2. Triple Eight Holdings, Inc.	552,670,472	15.788763
3. Horizons Realty, Inc.	505,865,550	14.451634
4. PCD Nominee Corporation (Filipino)	413,138,309	11.802590
5. BJS Development Corporation	311,210,184	8.890694
6. Feati University	112,011,350	3.199955
7. Triple Eight Holdings, Inc.	105,890,978	3.025107

8. RPMC Resources, Inc.	105,037,214	3.000717
9. Renaissance Property Management Corp.	96,945,752	2.769559
10. Chilco Holdings Inc.	72,748,950	2.078302
11. Concepcion Industries, Inc.	71,384,424	2.039320
12. Select Two Incorporated	49,499,612	1.414111
13. S&A Industrial Corporation	41,308,360	1.180103
14. Republic Commodities Corporation	33,115,616	0.946051
15. Macric Incorporated	23,302,412	0.665706
16. Lace Express Inc.	23,278,716	0.665029
17. Monaco Express Corporation	23,278,552	0.665025
18. Foresight Realty & Dev't Corp	19,215,194	0.548942
19. Hyland Realty Corporation	11,919,518	0.340518
20. Arcon Group Holdings	11,919,518	0.340518

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 29, 2012, the BOD approved the declaration of P=0.02391 cash dividend per share, or a total of P=75.57 million representing the first tranche of the 30% of recurring net income for 2011 to its stockholders of record as of March 14, 2012. The dividends were paid on April 12, 2012.

On November 14, 2012, the BOD approved the declaration of P=0.02434 cash dividend per share, or a total of P=76.92 million representing the full declaration of the 30% recurring net income for 2011 to its stockholders of record as of November 28, 2012. The dividends were paid on December 26, 2012

On April 30, 2013, the BOD approved the declaration of P=0.032369 cash dividend per share, or a total of P=102.30 million representing the first tranche of the 30% of recurring net income for 2012 to its stockholders of record as of May 16, 2013. The dividends were paid on June 11, 2013.

On August 28, 2013, the BOD approved the declaration of P=0.027256 cash dividend per share, or a total of P=86.14 million representing the full declaration of the 30% recurring net income for 2012 to its stockholders of record as of September 11, 2013. The dividends were paid on October 7, 2013.

On March 24, 2014 the BOD approved the declaration of P=0.034515 cash dividend per share or a total of P=120.82 million to its stockholders. The dividends were paid on May 6, 2014.

On October 1, 2014 the BOD approved the declaration of P=0.032842 cash dividend per share or a total of P=114.96 million to its stockholders. The dividends were paid on November 11, 2014.

(b) Dividends Restriction

The Parent Company's retained earnings as of December 31, 2014 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 P12.4 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.

VII. LEADING PRACTICES ON CORPORATE GOVERNANCE

(a) Evaluation System to Measure Compliance with Manual of Corporate Governance

There is no particular system presently being applied to measure the Corporation's compliance with the provisions of its Manual on Good Corporate Governance. Compliance with the Manual on Good Corporate Governance is validated by the Corporation using the Annual Corporate Governance Report For Publicly Listed Companies (SEC Form ACGR) and the PSE Corporate Governance Guidelines Disclosure Survey.

(b) Measure being Undertaken to Fully Comply with the Adopted Leading Practices on Good Corporate Governance

The following are some of the measures undertaken by the Company to ensure that full compliance with the leading practices on good governance are observed:

1. During the scheduled meetings of the Board of Directors, the attendance of each director is monitored and recorded;

2. The Compliance Officer has been designated to monitor compliance with the provisions and requirements of the Corporation's Manual on Corporate Governance;

3. The Corporation has created an audit committee, compensation committee, nomination committee, and investment committee;

4. The Board has elected independent directors of at least two or 20% of the member of such Board, whichever is lesser;

5. The nomination committee pre-screens and shortlists all candidates nominated to become directors in accordance with the qualification and disqualification set up and established;

6. The directors and officers were given copies of the Manual of the Corporate Governance of the Corporation for their information, guidance and compliance.

7. On 24 March 2010, the Board approved a revised Manual of Corporate Governance incorporating the changes under SEC Memorandum Circular No. 6, Series of 2009.

8. On 3 March 2011, a refresher course on Corporate Governance was conducted by SyCip Gorres Velayo & Co. Knowledge Institute to directors and key officers of the Corporation.

9. On 1 July 2013, the Corporation completed and filed with the SEC its Annual Corporate Governance Report, which was subsequently revised on March 11, 2014.

(c) Deviation from the Corporation's Manual of Corporate Governance

Per records, no director failed to meet the fifty percent (50%) attendance requirement in all board meetings, whether regular or special, during his incumbency, or any twelve (12) month period during the said incumbency in accordance with the Revised Manual on Corporate Governance of the Company.

(d) Any plan to improve corporate governance of the company

The Company will continue monitoring compliance with its Revised Manual on Corporate Governance (Revised MCG) and Annual Corporate Governance Report (ACGR) to ensure full compliance thereto. The Company will improve its Revised MCG as needed and proper in its best judgment.

VIII. REGISTRANT'S MANAGEMENT REPORT

The Corporation shall undertake to provide without charge, a copy of the registrant's Annual Report on SEC Form 17-A upon written request to:

MR. RAMON M. LOPEZ
VP & Exec. Asst. to the Pres. & CEO
& Concurrent Head, Corporate Planning
8/F RFM Corporate Center
Pioneer Corner Sheridan Streets
Mandaluyong City

RFM CORPORATION
By:



ATTY. ROWEL S. BARBA
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, LILIA R. BAUTISTA, Filipino of Legal age and a resident of San Juan, Metro Manila, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an Independent director of RFM Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Services
Jose Rizal University	Dean Law School	2012 - Present
St. Martin de Porres Aide Association (St. Martin Charity Hospital)	Trustee	2012 - Present
Permanent Court of Arbitration	Member, National Group	2012 - Present
Good Governance for Socio – Economic Enhancement (GGOSEE)	Trustee	2010 - Present
Philippine Judicial Academy	Professorial Lecturer	2010 - Present
Eisenhower Fellows Association of the Philippines	Member	2010 - Present
PHILJA Development Center	Trustee	2007 - Present
Transnational Diversified Group	Independent Director (not a listed company)	2006 - Present
CIBI Foundation	Member	2009 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of RFM Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director of RFM Corporation under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of RFM Corporation of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 02 JUN 2015 day of _____ 2015 at Mandaluyong City.

Lilia R. Bautista
LILIA R. BAUTISTA
affiant

SUBSCRIBED AND SWORN to before me this 02 JUN 2015 day of _____ 2015, affiant identified by me through her Passport no. QQ607731 who avowed to me under penalty of law to the whole truth of the contents of the foregoing instrument.

Doc. No. 292;
Page No. 60;
Book No. I;
Series of 2015

ANGELINE G. VILLAMOR-LIM
Notary Public for and in Mandaluyong City
Notarial Commission No. 7231-15
Commission Expires on 31, December 2016
BARRIA LIM SIQUIAN & PANEUFS LAW OFFICES
2nd Floor, RFM Corporate Center
Pioneer corner Shaw Blvd., Sts. Mandaluyong City
PTR No. [illegible] Mandaluyong City
[illegible] Leyte
Roll of Attorneys No. 36941

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ROMEO L. BERNARDO**, Filipino, of legal age and a resident of Unit 6, Forest Hills Townhomes, 20 Mariposa Street, Cubao, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of RFM Corporation.
2. I am affiliated with the following companies or organizations:

Aboitiz Power Corporation	Independent Director	May 2008
ALFM Dollar Bond Fund	Chairman	2003
ALFM Euro Bond Fund	Chairman	2005
ALFM Growth Fund	Chairman	2007
ALFM Money Market Fund	Chairman	2007
ALFM Peso Bond Fund	Chairman	2003
Bank of the Philippine Islands	Independent Director	August 21, 2002
BPI Capital Corporation	Independent Director	October 23, 2012
BPI Direct Savings Bank, Inc.	Independent Director	February 11, 2004
BPI Family Savings Bank, Inc.	Independent Director	February 18, 2004
BPI Globe BanKo Inc.	Independent Director	May 30, 2008
BPI/MS Insurance Corporation	Independent Director	December 4, 2009
BPI-PhilAm Life Assurance Corporation	Independent Director	April 2006
Foundation for Economic Freedom	Vice Chair & Founding Fellow	1997
GlobalSource Partners	Advisor	2007
Institute for Development & Econometric Analysis, Inc (IDEA)	Board of Trustee	2005
Lazaro Bernardo Tiu & Associates, Inc.	President & Managing Director	October 1996
National Reinsurance Investment Corporation of the Philippines	Independent Director	June 2006
Philippine Institute for Development Studies	Board of Trustee	October 2005
Philippine Investment Management (PHINMA), Inc.	Independent Director	August 2005
Philippine Stock Index Fund, Inc.	Chairman	2007
RFM Corporation	Independent Director	October 2002
RL Bernardo & Associates, Inc.	Chairman	April 2000
Globe Telecom Inc.	Director	September 2001
Trans-Asia Petroleum Corporation	Independent Director	June2014

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of RFM Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director of RFM Corporation under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of RFM Corporation of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 29th day of May, 2015 at Pasig City, Philippines. 02 JUN 2015

ROMEO L. BERNARDO
Affiant

SUBSCRIBED AND SWORN to before me this 02 JUN 2015 at MANDALUYONG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. EB2294305 issued at DFA Manila, Philippines on April 11, 2011.

Doc. No. 298;
Page No. 60;
Book No. I;
Series of 2015

ANGELINE G. VILLAMOR-LIM
Notary Public for and in Mandaluyong City
Notarial Commission No. 0237-15
Commission Expires on 31, December 2016
BARBA LIM SIQUIAN & PAREDES LAW OFFICES
2nd Floor, RFM Corporate Center
Pioneer corner Sheridan, Sts. Mandaluyong City
PTR No. 2334460, 1/6/2015, Mandaluyong City
IBP No. [illegible], [illegible], Leyte
Roll of Attorneys No. 36941

RFM CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Securities and Exchange Commission
SEC Building EDSA, Greenhills
Mandaluyong City

The management of RFM Corporation (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, including the additional components attached therein, in accordance with the financial reporting framework as described in Note 2 to the consolidated financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip, Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the periods December 31, 2014, 2013 and 2012, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Signed this 22nd day of April 2015

Jose S. Concepcion, Jr.
Chairman of the Board

Jose Maria Concepcion III
President & CEO

Minerva C. Laforteza
VP-Finance & Controllership

SUBSCRIBED AND SWORN to before me this 23 APR 2015 of _____ 2015 affiant(s) exhibiting to me his/her Passport as follows:

Names	Passport Number	Date of Issue/Expiry	Place of Issue
Jose S. Concepcion, Jr.	EB7150358	14 Jan 2013 /13 Jan 2018	DFA, Manila
Jose Maria Concepcion III	EB7274235	02 Feb 2013 /01 Feb 2018	DFA, Manila
Minerva C. Laforteza	EC2080880	12 Sept 2014/11 Sept 2019	DFA, Manila

Doc No. 156
Page No. 33
Book No. 1
Series of 2015

JUDE E. SIQUIAN
Notary Public for and in Mandaluyong City
Notarial Commission No. 0288-15
Commission Expires on 31, December 2016
BARRA LIM SIQUIAN & PAREDES LAW OFFICES
2nd Floor, RFM Corporate Center,
Pioneer corner Sheridan Sts. Mandaluyong City
PTR No. 2374461, 1/6/2015, Mandaluyong City
IBP No. 0983188, 1-6-2015, Makati
Roll of Attorneys No. 48372

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,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A and have issued our report thereon dated April 28, 2015. 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.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751260, January 5, 2015, Makati City

April 28, 2015

A member firm of Ernst & Young Global Limited

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,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
RFM Corporation

We have audited the accompanying consolidated financial statements of RFM Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RFM Corporation and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with the financial reporting framework as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751260, January 5, 2015, Makati City

April 28, 2015

A member firm of Ernst & Young Global Limited

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱725,209**	₱2,885,218
Accounts receivable (Note 6)	**2,513,462**	2,207,947
Advances to related parties (Note 24)	**110,748**	140,015
Inventories (Note 7)	**1,893,689**	1,547,535
Other current assets (Note 8)	**365,402**	214,788
Total Current Assets	**5,608,510**	6,995,503
Noncurrent Assets		
AFS financial assets (Note 9)	**312,599**	315,993
Investment in associates and joint venture (Note 10)	**153,756**	141,857
Property, plant and equipment (Note 12):		
At cost	**2,986,312**	3,077,305
At appraised value	**2,115,094**	2,564,222
Investment properties (Note 13)	**337,757**	35,545
Intangible assets (Note 14)	**2,275,700**	197,473
Deferred income tax assets - net (Note 26)	**82,586**	82,722
Other noncurrent assets	**86,352**	70,987
Total Noncurrent Assets	**8,350,156**	6,486,104
TOTAL ASSETS	**₱13,958,666**	₱13,481,607
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	**₱2,575,807**	₱2,614,209
Bank loans (Note 16)	**927,100**	725,000
Current portion of long-term debts (Note 17)	**288,971**	265,846
Customers' deposits	**159,123**	96,844
Advances from related parties (Note 24)	**71,372**	88,482
Income tax payable (Note 26)	**21,440**	56,723
Provisions (Note 18)	**6,000**	6,000
Total Current Liabilities	**4,049,813**	3,853,104
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 17)	**362,831**	651,801
Deferred income tax liabilities - net (Note 26)	**466,459**	504,717
Net pension obligation (Note 25)	**110,668**	45,995
Security deposits	**1,907**	2,069
Total Noncurrent Liabilities	**941,865**	1,204,582
Total Liabilities	**4,991,678**	5,057,686

(Forward)

	December 31	
	2014	2013
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 19)	**₱3,500,404**	₱3,160,404
Capital in excess of par value (Note 19)	**2,048,588**	788,643
Deposit for stock subscriptions (Note 19)	**–**	1,599,945
Equity reserve	**(7,075)**	(7,075)
Net changes in fair value of AFS financial assets (Note 9)	**–**	(655)
Revaluation increment on land (Note 12)	**1,286,346**	1,286,346
Share-based compensation (Note 32)	**–**	673
Retained earnings (Note 19)	**2,159,341**	1,602,258
	8,987,604	8,430,539
Non-controlling Interests	**(20,616)**	(6,618)
Total Equity	**8,966,988**	8,423,921
TOTAL LIABILITIES AND EQUITY	**₱13,958,666**	₱13,481,607

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		
	2014	2013	2012
REVENUE			
Manufacturing	**₱10,960,194**	₱10,178,891	₱10,965,933
Services and others	**50,227**	61,067	32,116
	11,010,421	10,239,958	10,998,049
COST OF SALES AND SERVICES (Note 20)			
Manufacturing	**(6,716,807)**	(6,459,168)	(7,222,341)
Services and others	**(287,894)**	(111,033)	(47,908)
	(7,004,701)	(6,570,201)	(7,270,249)
GROSS PROFIT	**4,005,720**	3,669,757	3,727,800
OPERATING EXPENSES			
Selling and marketing (Note 21)	**(1,951,033)**	(1,769,554)	(1,783,241)
General and administrative (Note 22)	**(1,057,308)**	(890,861)	(1,065,407)
OTHER INCOME (CHARGES)			
Interest expense (Note 23)	**(51,775)**	(62,715)	(117,368)
Dividend income	**26,163**	–	825
Interest and financing income (Note 23)	**8,368**	17,789	22,076
Gain on sale of investments in shares of stock (Notes 2 and 9)	**3,182**	80	35,819
Gain on sale of Swift trademark	–	–	600,000
Impairment loss on:			
AFS financial assets (Note 9)	–	–	(545,861)
Other noncurrent asset	–	(3,072)	–
Reversal of allowance for inventory obsolescence (Note 7)	–	12,505	26,255
Other income (charges) - net	**35,916**	42,450	32,919
INCOME BEFORE INCOME TAX	**1,019,233**	1,016,379	933,817
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**133,315**	209,028	276,419
Deferred	**52,174**	21,426	(15,228)
	185,489	230,454	261,191
NET INCOME	**₱833,744**	₱785,925	₱672,626
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱838,327**	₱787,889	₱676,105
Non-controlling interests	**(4,583)**	(1,964)	(3,479)
	₱833,744	₱785,925	₱672,626
Basic/Diluted Earnings Per Share (Note 27)	**₱0.25**	₱0.25	₱0.21

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱833,744**	₱785,925	₱672,626
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit and loss:			
Valuation gains realized through profit or loss (Note 9)	–	(1,905)	(25,744)
Net changes in fair value of AFS financial assets (Note 9)	–	(656)	1,906
	–	(2,561)	(23,838)
Items that will not be reclassified to profit and loss:			
Remeasurement loss on defined benefit plans - net of deferred income tax effect of ₱19,486, ₱14,936 and (₱15,470) in 2014, 2013 and 2012, respectively (Note 25)	**(45,467)**	(34,849)	36,097
Revaluation increment on land - net of deferred income tax effect of ₱307,459 (Note 12)	–	717,404	–
	(45,467)	682,555	36,097
	(45,467)	679,994	12,259
TOTAL COMPREHENSIVE INCOME	**₱788,277**	₱1,465,919	₱684,885
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱792,860**	₱1,467,883	₱688,364
Non-controlling interests	**(4,583)**	(1,964)	(3,479)
	₱788,277	₱1,465,919	₱684,885

See accompanying Notes to Consolidated Financial Statements.



RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock	Capital in Excess of Par Value	Deposit for Stock Subscriptions	Equity Reserve	Net Changes In Fair Value Of AFS Financial Assets	Revaluation Increment on Land	Share-based Compensation	Retained Earnings	Subtotal	Non-Controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2011	**₱3,160,404**	**₱788,643**	**₱-**	**(₱7,075)**	**₱25,744**	**₱568,042**	**₱180**	**₱621,336**	**₱5,158,174**	**₱3,439**	**₱5,161,613**
Net income	–	–	–	–	–	–	–	676,105	676,105	(3,479)	672,626
Other comprehensive income (loss)											
Remeasurement gain on defined benefit plans	–	–	–	–	–	–	–	36,097	36,097	–	36,097
Valuation gains realized through profit or loss	–	–	–	–	(25,744)	–	–	–	(25,744)	–	(25,744)
Net changes in fair value of AFS financial assets	–	–	–	–	1,906	–	–	–	1,906	–	1,906
Total comprehensive income	–	–	–	–	(23,838)	–	–	712,202	688,364	(3,479)	684,88
Property dividends (Note 19)	–	–	–	–	–	–	–	(143,388)	(143,388)	–	(143,388)
Cash dividends (Note 19)	–	–	–	–	–	–	–	(152,491)	(152,491)	(2,505)	(154,996)
Share-based compensation plan	–	–	–	–	–	–	180	–	180	–	180
BALANCES AT DECEMBER 31, 2012	**3,160,404**	**788,643**	**–**	**(7,075)**	**1,906**	**568,042**	**360**	**1,037,658**	**5,550,858**	**(2,545)**	**5,548,293**
Net income	–	–	–	–	–	–	–	787,889	787,889	(1,964)	785,925
Other comprehensive income (loss)											
Remeasurement loss on defined benefit plans (Note 25)	–	–	–	–	–	–	–	(34,849)	(34,849)	–	(34,849)
Revaluation of land	–	–	–	–	–	717,404	–	–	717,404	–	717,404
Valuation gains realized through profit or loss (Note 9)	–	–	–	–	(1,905)	–	–	–	(1,905)	–	(1,905)
Net changes in fair value of AFS financial assets (Note 9)	–	–	–	–	(656)	–	–	–	(656)	–	(856)
Total comprehensive income	–	–	–	–	(2,561)	717,404	–	753,040	1,467,883	(1,964)	1,465,919
Cash dividends (Note 19)	–	–	–	–	–	–	–	(188,440)	(188,440)	(2,109)	(190,549)
Deposit for stock subscriptions (Note 19)	–	–	1,599,945	–	–	–	–	–	1,599,945	–	1,599,945
Share-based compensation plan	–	–	–	–	–	–	313	–	313	–	313
BALANCES AT DECEMBER 31, 2013	**₱3,160,404**	**₱788,643**	**₱1,599,945**	**(₱7,075)**	**(₱655)**	**₱1,286,346**	**₱673**	**₱1,602,258**	**₱8,430,559**	**(₱6,618)**	**₱8,423,921**

(Forward)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock	Capital in Excess of Par Value	Deposit for Stock Subscription	Equity Reserve	Net Changes In Fair Value Of AFS Financial Assets	Revaluation Increment on Land	Share-based Compensation	Retained Earnings	Subtotal	Non-Controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2013	**₱5,160,404**	**₱788,643**	**₱1,599,945**	**(₱7,675)**	**(₱655)**	**₱1,286,360**	**₱673**	**₱1,602,258**	**₱9,430,530**	**(₱6,618)**	**₱9,423,921**
Net income	–	–	–	–	–	–	–	838,327	838,327	(4,583)	833,744
Other comprehensive loss											
Remeasurement loss on defined benefit plans (Note 25)	–	–	–	–	–	–	–	(45,467)	(45,467)	–	(45,467)
Total comprehensive income (loss) for the year	–	–	–	–	–	–	–	792,860	792,860	(4,583)	788,277
Disposal of subsidiaries (Note 2)	–	–	–	–	655	–	–	–	–	(8,415)	(8,760)
Cash dividends (Note 19)	–	–	–	–	–	–	–	(235,777)	(235,777)	–	(235,777)
Issuance of capital stock (Note 19)	348,000	1,259,945	(1,599,945)	–	–	–	–	–	–	–	–
Share-based compensation plan	–	–	–	–	–	–	(673)	–	(673)	–	(673)
BALANCES AT DECEMBER 31, 2014	**₱5,508,404**	**₱2,048,588**	**₱-**	**(₱7,675)**	**₱-**	**₱1,286,360**	**₱-**	**₱2,159,341**	**₱9,987,604**	**(₱20,616)**	**₱9,966,988**

See accompanying Note to Consolidated Financial Statements

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

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,019,233**	₱1,016,379	₱933,817
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 23)	**363,995**	346,297	315,595
Interest expense (Notes 16, 17 and 23)	**51,775**	62,715	117,368
Dividend income (Note 9)	**(26,163)**	–	(825)
Equity in net earnings of an associate (Note 10)	**(12,444)**	(11,935)	(11,172)
Interest and financing income (Note 23)	**(8,368)**	(17,789)	(22,076)
Unrealized foreign exchange loss - net	**4,092**	919	377
Gain on sale of investments in shares of stock (Note 9)	**(3,182)**	(80)	(35,819)
Loss on sale of property and equipment (Note 12)	**2,111**	10,113	708
Share-based compensation (Note 32)	**(673)**	313	180
Movement in net pension obligation (Note 25)	**(280)**	33,558	(24,123)
Impairment loss of property and equipment	–	–	5,243
Loss on sale of investment property (Note 13)	–	1,608	–
Gain on sale of trademark	–	–	(600,000)
Impairment loss on AFS financial assets	–	–	545,861
Mark-to-market gain on derivative liability	–	–	(1,732)
Movement in provisions	–	(61,982)	15,825
Operating income before working capital changes	**1,390,096**	1,380,116	1,239,227
Decrease (increase) in:			
Accounts receivable	**(293,358)**	379,921	(682,660)
Inventories	**(346,154)**	241,511	(183,826)
Other current assets	**(161,245)**	(4,431)	147,993
Increase (decrease) in:			
Accounts payable and accrued liabilities	**(130,677)**	(72,136)	528,468
Customers' deposits	**62,279**	17,638	60,868
Security deposits	**(162)**	–	(1,271)
Cash generated from operations	**520,779**	1,942,619	1,108,799
Income taxes paid, including creditable withholding taxes	**(183,025)**	(206,773)	(302,232)
Interest paid	**(46,504)**	(70,192)	(119,681)
Interest received	**8,368**	17,604	21,926
Net cash from operating activities	**299,618**	1,683,258	708,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	**223,764**	41,738	52,648
Investments in shares of stock	**34,663**	44,686	43,746
Investment property	–	27,298	–
Trademark (Note 10)	–	–	600,000
Dividends received (Note 9)	**26,708**	–	825
Acquisition of:			
Property and equipment and investment properties (Notes 12 and 13)	**(348,316)**	(718,073)	(437,258)
Trademark	**(2,080,932)**	–	–
AFS financial assets (Note 9)	–	(33,405)	(15,000)
Investment in joint venture (Note 10)	–	(3,123)	–

(Forward)

	Years Ended December 31		
	2014	2013	2012
Decrease (increase) in:			
Other noncurrent assets	**(₱13,725)**	(₱16,603)	₱49,083
Investments	**–**	–	13,508
Net cash from (used) in investing activities	**(2,157,838)**	(657,482)	307,552
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of bank loans (Note 16)	**24,309,100**	22,597,000	15,863,755
Availment of long-term debts (Note 17)	**–**	395,000	160,000
Deposit for stock subscriptions	**–**	1,599,945	–
Payments of:			
Bank loans (Note 16)	**(24,107,000)**	(22,760,500)	(15,855,250)
Long-term debts and obligations (Notes 17 and 19)	**(265,845)**	(1,298,015)	(505,104)
Dividends paid (Note 19)	**(234,007)**	(115,724)	(135,460)
Advances from (payments to) related parties (Note 24)	**–**	(32,058)	117,788
Net cash from (used in) financing activities	**(297,752)**	385,648	(354,271)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,037)**	(919)	(377)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,160,009)**	1,410,505	661,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,885,218**	1,474,713	812,997
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱725,209**	₱2,885,218	₱1,474,713

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Number of Shares or When Otherwise Indicated)

---

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

Corporate Information

RFM Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1957. 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 and its shares are listed in the Philippine Stock Exchange (PSE) starting in 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 as the Group.

The principal office address of the Parent Company is RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City.

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 28, 2015, as delegated by the Board of Directors (BOD) on its meeting dated April 21, 2015.

---

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 available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company's functional currency. All values are rounded off to the nearest thousand pesos (P=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 Philippine Securities and Exchange Commission (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).

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 and amended pronouncements starting January 1, 2014. Adoption of these new and amended pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

· Amendment to PFRS 1, *Meaning of Effective PFRSs* (Part of *Annual Improvements to PFRSs* 2011 - 2013 Cycle)

· Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements, Investment Entities*

· Amendment to PFRS 13, *Fair Value Measurement, Short-term Receivables and Payables* (Part of *Annual Improvements to PFRSs* 2010 - 2012 Cycle)

In the *Annual Improvements to PFRSs* 2010 - 2012 Cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

· Amendments to PAS 32, *Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities*

· Amendments to PAS 36, *Impairment of Assets, Recoverable Amount Disclosures for NonFinancial Assets*

· Amendments to PAS 39, *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*

· Philippine Interpretation IFRIC-21, *Levies*

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

	Percentage of Ownership	
	2014	2013
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 Insurance Brokers, Inc. (RIBI)***	–	100.00
Conglomerate Securities and Financing Corporation (CSFC)***	–	86.14
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 ***Divested in 2014*

In 2014, the Parent Company, through REI, disposed its investments in RIBI and CSFC for P34.79 million. The Group recognized a gain on disposal of subsidiaries of P3.18 million.

Net proceeds from sale	**P34,663**
Net assets of RIBI and CSFC	**(40,241)**

Valuation loss on CSFC's AFS financial assets	**(655)**
Non-controlling interests	**9,415**
Gain on disposal of subsidiaries	**P3,182**

In 2012, the Parent Company acquired additional shares in RLC, a subsidiary, at a total cash consideration of P0.08 million and accordingly executed corresponding deeds of absolute sale of shares of stock with the former shareholders.

Subsidiaries
Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, 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 involvement with the investee; and,

· The ability to use power over the investee to affect the amount of the investor's 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 statements of income and comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Consolidated financial statements are prepared 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 other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling interest
Non-controlling interest represents the portion of equity not attributable to the Group. 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.

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 incurred are expensed 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 either in the consolidated statement of income or as a change to other comprehensive 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) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

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 December 31.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 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.

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 that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 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 securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transactions costs. The Group's financial assets are further classified into the following categories: financial assets at FVPL (as derivatives designated as hedging instruments in an effective hedge, as appropriate), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group also classifies its financial liabilities as financial liabilities at FVPL (as derivatives designated as hedging instruments in an effective hedge, as appropriate) and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each balance sheet date.

Financial instruments are classified as 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.

As of December 31, 2014 and 2013, the Group has no financial assets and financial liabilities at FVPL and HTM investments.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. 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. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, the Group's loans and receivables include accounts receivable, advances to related parties and other current receivables.

AFS financial assets
Non-derivative financial assets are designated as AFS when they are not classified in any of the three other categories. The Group classifies financial assets as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Net changes in fair value of AFS financial assets". When the financial asset is disposed of, the cumulative gain or loss previously recorded in the consolidated statement of comprehensive income is recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on financial assets are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investments. The major factor of this decision is whether or not the Group will experience inevitable further losses on investments. These financial assets are classified as noncurrent unless there is intention to dispose of such assets within 12 months of the balance sheet date.

AFS financial assets in unquoted equity securities are carried at historical cost, net of impairment.

As of December 31, 2014 and 2013, the Group's AFS financial assets include investments in unquoted redeemable preferred and common shares, and quoted common and golf club shares.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Financial liabilities are classified as current, except for maturities greater than twelve months after the balance sheet date. These are classified as noncurrent liabilities.

As of December 31, 2014 and 2013, the Group's other financial liabilities include bank loans, accounts payable and accrued liabilities, long-term debts and advances from related parties.

Derivatives
Derivative financial instruments (swaps and option contracts to economically hedge exposure to fluctuations in interest rates) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income for the year, unless the transaction is a designated and effective hedging instrument.

Impairment of Financial Assets
The Group assesses at each balance sheet 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. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of impairment loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of

the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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. The carrying amount of the receivable is reduced either directly or through the use of an allowance account. Impaired financial assets carried at amortized cost are derecognized when they are assessed as uncollectible either at a direct reduction of the carrying amount or through use of an allowance account when impairment has been previously recognized in the said amount.

AFS financial assets
For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income.

Impairment losses on equity investments are recognized in the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

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

· the right to receive cash flows from the asset has expired;

· the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

· the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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 liability
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
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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.

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 and goods in process - determined using the weighted average method; cost includes direct materials, direct labor and a proportion of manufacturing overhead costs based on normal operating capacity

Raw materials, spare parts and supplies - purchase cost using the weighted 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 goods in process, cost includes the applicable allocation of fixed and variable overhead costs.

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 balance sheet date.

An allowance for inventory obsolescence is provided for slow-moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Investments in an Associate and Joint Ventures
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.

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.

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

The Group's investments in an associate and joint ventures are accounted for using the equity method except for its investment in URICI, a joint venture, which was accounted for using the proportionate

consolidation method as permitted by the Philippine SEC. This method involves consolidating a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the 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 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 as part of Other Income 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 profit or loss.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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 balance sheet.

Revaluation of land is made so that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet 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 profit or loss.

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.

Depreciation and amortization are 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 are amortized 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 or 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 or amortization ceases 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) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, 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 written off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefits expected from its use or disposal.

Investment Properties

Investment properties consist of land and building and improvement that are not occupied substantially for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and any impairment losses. Land is carried at cost less any accumulated impairment losses.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets.

Depreciation ceases at the earlier of the date the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the investment property is derecognized.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized from the accounts when they have been either disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the Group accounts for such property in accordance with the policy stated under investment property up to the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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.

The 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 Group amortizes computer software over three years.

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, either individually or at the cash-generating unit level. The assessment of indefinite life of trademark 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 statement of profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

The carrying values of investments in joint ventures and investment in an associate, property, plant and equipment and computer software are reviewed for impairment when events 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 cash-generating unit (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.

Previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, but not, however, to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had there been no impairment loss recognized for the asset in prior years. A reversal of an impairment loss is recognized in the consolidated statement of income.

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 "Capital in excess of par value" 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 Parent Company, 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.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to the "Capital in excess of par value" account.

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-interests method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which control ceases.

Share-based Compensation Plan

URICI, through Unilever Philippines, Inc., operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an

expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and including any market performance conditions, excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets, employee of the entity remaining over a specified time period, etc.) and impact of any non-vesting conditions (e.g. the requirement for employees to serve).

Non-market vesting conditions are included in the assumptions on the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, URICI issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

The grant of options over its equity instruments to the employees of URICI is treated as a capital contribution.

Deposit for Stock Subscriptions

Deposit for stock subscriptions represent the amount received which will be applied as payment in exchange for a fixed number of the Parent Company's capital stock. These are classified as equity if there is sufficient unissued authorized capital stock; or if in the case where the unissued capital stock is insufficient to cover the amount of the deposit, the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and the proposed increase has been filed with the Philippine SEC on or before the balance sheet date. Otherwise, the deposits are classified as liability.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, 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 by the BOD of the Company. Stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Revenue Recognition

Revenue from sale of goods and services from manufacturing and service operations is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding value-added tax (VAT), returns and discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements, except for RIBI, an insurance broker, which acts as an agent. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods (Manufacturing)

Revenue 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.

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 effective interest 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 and Expense Recognition
Cost of sales and services
Cost of sales is recognized when goods are delivered to and accepted by the buyer. Cost of services is recognized when the related services are performed.

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. Selling and marketing, and general and administrative expenses are expensed as incurred.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Pension 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
· Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine 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 profit or loss.

Remeasurements 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. Remeasurements are not reclassified to profit or loss 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. 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

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Leases where lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are recognized as expense in the consolidated 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 balance sheet date.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet 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 operating 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 balance sheet 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 balance sheet 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 balance sheet date.

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 profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Earnings Per Share
Basic earnings per share is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to any stock split or stock dividends declared and stock rights exercised during the year, if any.

Diluted earnings per share is computed by adjusting the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year for the effects of all dilutive potential common shares.

The Parent Company does not have potentially dilutive common shares.

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 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 balance sheet 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.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the Parent Company statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the profit or loss, any exchange component of that gain or loss shall be recognized in the parent company statement of income.

Provisions 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. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated 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 consolidated financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Balance Sheet Date

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

Pronouncements Issued but Not yet Effective

The Group will adopt the following pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended pronouncements to have significant impact on its financial statements:

Effective beginning January 1, 2015

· Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

· *Annual Improvements to PFRSs* (2010 to 2012 cycle)

· PFRS 2, *Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

· PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

· PFRS 8, *Operating Segments - Aggregation of Operating Segments* and *Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

· PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization* The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Group will consider this amendment in its future revaluations of property, plant and equipment.

· PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

· *Annual Improvements to PFRSs* (2011 to 2013 cycle)

· PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

· PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

· PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only

differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective beginning January 1, 2016

· Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

· Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

· PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rateregulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRSs. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

· Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

· Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

· Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRSs and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRSs electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRSs.

· *Annual Improvements to PFRSs* (2012-2014 cycle)

· PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

· PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

· PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

· PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

· PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the*

Interim Financial Report'
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by crossreference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective beginning January 1, 2018

· PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

· PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

· PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, especially on the valuation of investment in unquoted equity shares and impairment methodology for financial assets. Under PFRS 9, investment in equity shares should be measured at fair value. The adoption of PFRS 9 will have no impact on the classification and measurement of the Group's financial liabilities.

Deferred Effectivity

· Philippine Interpretation IFRIC-15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements.

---

3. **Management's Use of Significant Judgments and Accounting Estimates**

The preparation of the consolidated financial statements requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported and the disclosures made. The accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from these estimates, and such estimates will be adjusted accordingly, when the effects become determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Impairment of unquoted AFS financial assets
The Group determines whether there is any objective evidence that an unquoted AFS financial asset is impaired at each balance sheet date. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2014 and 2013, there are no impairment indicators. AFS financial assets in equity securities amounted to P=312.60 million and P=315.99 million as of December 31, 2014 and 2013, respectively (see Note 9).

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for doubtful accounts
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 effective interest rate. 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 are payment history, inactive accounts, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. As of December 31, 2014 and 2013, the carrying value of accounts receivable amounted to P=2,513.46 million and =P2,207.95 million, respectively (see Note 6). As of December 31, 2014 and 2013, advances to related parties amounted to P=110.75 million and P=140.02 million, respectively (see Note 24).

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.

As of December 31, 2014 and 2013, the carrying values of the Group's inventories amounted to P=1,893.69 million and P=1,547.54 million as of December 31, 2014 and 2013, respectively (see Note 7).

Estimation of useful lives of property, plant and equipment, investment properties and computer software
The Group estimates the useful lives of depreciable property, plant and equipment, investment properties and computer software 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, investment properties and computer software 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, investment properties and computer software in 2014 and 2013. The carrying values of property, plant and equipment, investment properties and computer software are disclosed in Notes 12, 13 and 14 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. 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 balance sheet date.

The appraisal increase on land at appraised value amounting to P=1,286.35 million as of December 31, 2014 and 2013 is presented as "Revaluation increment on land" account, net of deferred income tax effect of =P551.29 million, in the equity section of the consolidated balance sheets (see Note 12).

Impairment of property, plant and equipment, investment properties and investments in associates and joint venture
The Group assesses whether there are indications of impairment on its property, plant and equipment, investment properties and investments in associate and joint venture, at least on an annual basis. If there are, impairment testing is performed. This requires an estimation of the value-in-use of the CGUs to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying values of property, plant and equipment, investment properties and investments in associates and joint venture are disclosed in Notes 10, 12 and 13 to the consolidated financial statements.

Impairment of trademark and goodwill
The Group reviews for impairment the carrying value of trademark and goodwill 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 and goodwill annually every December 31. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. 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.

No impairment losses were recognized for the years ended December 31, 2014, 2013 and 2012.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet 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 =P167.80 million and P=129.79 million as of December 31, 2014 and 2013, respectively (see Note 26).

Estimation of pension benefits obligations
The determination of the Group's pension benefits obligation depends on the selection by management of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 25 and include, among others the discount rate and rate of salary increase.Net pension obligation amounted to =P110.67 million and P=46.00 million as of December 31, 2014 and 2013, respectively (see Note 25).

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. Provisions amounted to P=6.00 million as of December 31, 2014 and 2013 (see Note 18).

4. Segment Information

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

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.

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:

	2014						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	6,942,129	4,018,065	50,227	–	11,010,421	–	11,010,421
Intersegment sales	13,275	188,858	33,123	–	235,256	(235,256)	–
	6,955,404	4,206,923	83,350	–	11,245,677	(235,256)	11,010,421
Results							
Interest and other financial charges - net	(₱11,754)	(₱6,144)	₱31	(₱25,540)	(₱43,407)	₱–	(₱43,407)
Equity in net earnings of an associate	₱–	₱–	₱12,179	₱–	₱12,444	₱–	₱12,444
Income (loss) before provision for income tax and non-controlling interest	₱265,038	₱818,594	₱161,901	₱391,768	₱1,637,301	(₱618,068)	₱1,019,233
Provision for income tax	–	–	–	(185,489)	(185,489)	–	(185,489)
Net income (loss)	₱265,038	₱818,594	₱161,901	₱206,279	₱1,451,812	(₱618,068)	₱833,744
Other information							
Segment assets	₱5,451,662	₱4,502,209	₱460,685	₱3,726,515	₱14,141,071	(₱418,749)	₱13,722,322
Investments	314,964	–	61,787	999,131	1,375,882	(1,222,125)	153,757
Deferred income tax assets	80,108	2,456	23	–	82,587	–	82,587
Consolidated Total Assets	₱5,846,734	₱4,504,665	₱522,495	₱4,725,646	₱15,599,540	(₱1,640,874)	₱13,958,666
Consolidated Total Liabilities	₱3,377,663	₱1,082,427	₱392,196	₱944,387	₱5,796,673	(₱804,995)	₱4,991,678
Capital expenditures	₱151,100	₱181,407	₱6,946	₱8,484	₱347,937	₱–	₱347,937
Depreciation and amortization	208,681	119,128	28,588	8,445	364,842	(847)	363,995
Noncash expenses other than depreciation and amortization	77,103	2,645	–	13,761	93,509	–	93,509

	2013						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱6,201,043	₱3,981,523	₱52,169	₱5,224	₱10,239,959	₱–	₱10,239,959
Intersegment sales	1,767	331,363	48,908	–	382,039	(382,039)	–
	₱6,202,810	₱4,312,886	₱101,077	₱5,224	₱10,621,998	(₱382,039)	₱10,239,959
Results							
Interest and other financial charges - net	(₱13,495)	(₱7,413)	₱4,286	(₱28,304)	(₱44,926)	₱–	(₱44,926)
Equity in net earnings of an associate	₱–	₱–	₱11,935	₱–	₱11,935	₱–	₱11,935
Income (loss) before provision for income tax and non-controlling interest	₱336,364	₱827,667	(₱30,953)	₱299,996	₱1,433,074	(₱416,695)	₱1,016,379
Provision for income tax	–	–	–	(230,454)	(230,454)	–	(230,454)
Net income (loss)	₱336,364	₱827,667	(₱30,953)	₱69,542	₱1,202,620	(₱416,695)	₱785,925
Other information							
Segment assets	₱4,727,534	₱4,323,418	₱1,314,389	₱3,159,985	₱13,525,326	(₱581,166)	₱12,944,160
Investments	314,964	–	62,709	1,308,659	1,686,332	(1,231,607)	454,725
Deferred income tax assets	76,158	2,845	3,719	–	82,722	–	82,722
Consolidated Total Assets	₱5,118,656	₱4,326,263	₱1,380,817	₱4,468,644	₱15,294,380	(₱1,812,773)	₱13,481,607
Consolidated Total Liabilities	₱2,552,563	₱1,342,028	₱1,191,219	₱1,100,104	₱6,185,914	(₱1,128,228)	₱5,057,686
Capital expenditures	₱566,123	₱104,756	₱30,355	₱8,760	₱709,994	₱–	₱709,994
Depreciation and amortization	189,459	88,468	63,515	5,702	347,144	(847)	346,297
Noncash expenses other than depreciation and amortization	6,345	20,747	1,492	29,945	58,529	–	58,529

	2012						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱7,159,702	₱3,816,614	₱6,669	₱15,064	₱10,998,049	₱–	₱10,998,049
Intersegment sales	3,340	626,232	92,430	–	722,002	(722,002)	–
	₱7,163,042	₱4,442,846	₱99,099	₱15,064	₱11,720,051	(₱722,002)	₱10,998,049
Results							
Interest and other financial charges - net	(₱18,866)	(₱4,308)	(₱5,165)	(₱66,953)	(₱95,292)	₱–	(₱95,292)
Equity in net earnings of an associate	₱–	₱–	₱–	₱11,172	₱11,172	₱–	₱11,172
Income (loss) before provision for income tax and non-controlling interest	₱362,585	₱857,580	(₱50,075)	₱225,228	₱1,395,318	(₱461,501)	₱933,817
Provision for income tax	(172,608)	(32,654)	(1,505)	(54,424)	(261,191)	–	(261,191)
Net income (loss)	₱189,977	₱824,926	(₱51,580)	₱170,804	₱1,134,127	(₱461,501)	₱672,626
Other information							
Segment assets	₱7,767,427	₱7,618,668	₱1,202,663	₱2,773,421	₱19,362,179	(₱8,569,207)	₱10,792,972
Investments	469,346	–	107,362	1,128,357	1,705,065	(1,236,508)	468,557
Deferred income tax assets	82,859	3,239	2,280	–	88,378	–	88,378
Consolidated Total Assets	₱8,319,632	₱7,621,907	₱1,312,305	₱3,901,778	₱21,155,622	(₱9,805,715)	₱11,349,907
Consolidated Total Liabilities	₱8,360,641	₱2,575,207	₱1,127,751	₱2,890,214	₱14,953,813	(₱9,152,199)	₱5,801,614
Capital expenditures	₱477,973	₱93,300	₱25,629	₱7,396	₱604,298	₱–	₱604,298
Depreciation and amortization	172,241	80,428	57,742	5,184	315,595	–	315,595
Noncash expenses other than depreciation and amortization	23,361	76,392	5,494	110,256	215,503	–	215,503

5. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱322,912**	₱430,632
Cash equivalents	**402,297**	2,454,586
	₱725,209	₱2,885,218

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 ₱8.37 million, ₱10.57 million and ₱15.41 million in 2014, 2013 and 2012 respectively (see Note 23).

6. Accounts Receivable

	2014	2013
Trade receivables:		
Third parties	₱2,428,147	₱2,343,088
Related parties (Note 24)	11,019	14,399
Nontrade receivables	205,515	144,121
Advances to officers and employees	25,431	38,155
Other receivables	47,447	59,321
	2,717,559	2,546,624
Less allowance for doubtful accounts	204,097	338,677
	₱2,513,462	₱2,207,947

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

Nontrade receivables include the receivable from the sale of land in Manggahan and receivable from stockholders.

The movement in the allowance for doubtful accounts for the years ended December 31 follows:

	2014				
	Trade receivables	Nontrade receivables	Advances to officers and employees	Other receivables	Total
January 1, 2014	₱190,733	₱144,121	₱2,423	₱1,400	₱338,677
Provision	46,053	–	–	–	46,053
Reversals	(7,917)	(1,082)	–	–	(8,999)
Write-offs	(52,988)	(118,646)	–	–	(171,634)
December 31, 2014	₱175,881	₱24,393	₱2,423	₱1,400	₱204,097

	2013				
	Trade receivables	Nontrade receivables	Advances to officers and employees	Other receivables	Total
January 1, 2013	₱202,497	₱388,263	₱114,350	₱1,400	₱706,510
Provision	27,803	–	–	–	27,803
Reversal	(4,645)				(4,645)
Write-offs	(34,922)	(244,142)	(111,927)	–	(390,991)
December 31, 2013	₱190,733	₱144,121	₱2,423	₱1,400	₱338,677

As of December 31, 2014 and 2013, allowance for doubtful accounts amounting to ₱124.90 million and ₱319.01 million, respectively, were determined using specific impairment.

7. Inventories

	2014	2013
At Cost and at NRV:		
Finished goods	₱812,016	₱408,235
Raw materials	525,525	863,635
Spare parts and supplies	87,695	10,185
	1,425,236	1,282,055

(Forward)

	2014	2013
At Cost:		
Goods in process	₱7,803	₱4,930
Raw materials in transit	460,650	260,550
	468,453	265,480
	₱1,893,689	₱1,547,535

8. Other Current Assets

	2014	2013
Short - term deposit	₱86,314	₱–
Creditable withholding taxes	78,019	63,592
Prepaid expenses	69,627	40,580
Deposits on purchases	67,483	45,678
Input VAT	63,315	56,220
Receivable from Meralco	–	4,456
Others	644	4,262
	₱365,402	₱214,788

9. AFS Financial Assets

	2014	2013
Unquoted AFS financial assets:		
Redeemable Philtown preferred shares (Net of impairment loss of ₱544,500)	₱307,447	₱307,447
Common shares	5,002	8,396
Quoted AFS financial assets:		
Golf club and other common shares	150	150
End of year	₱312,599	₱315,993

The AFS financial assets in unquoted shares of stock are carried at cost less any impairment in value because fair values cannot be readily determined.

The preferred shares of Philtown have no voting rights and redeemable at the discretion of Philtown's BOD at ₱3.50 per share but no less than its par or issued value.

Rollforward of net changes in fair value of AFS financial assets follows:

	2014	2013
Beginning of year	(₱655)	₱1,906
Derecognition due to sale of a subsidiary (Note 2)	655	–
Valuation gains realized in profit or loss due to sale of investment	–	(1,905)
Unrealized loss	–	(656)
End of year	₱–	(₱655)

Dividend income earned from AFS financial assets amounted to ₱26.16 million, nil and ₱0.83 million in 2014, 2013 and 2012, respectively.

10. **Investment in Associates and Joint Venture**

	2014	2013
Cost		
Beginning of year	**₱141,313**	₱138,188
Addition	**–**	3,125
End of year	**141,313**	141,313
Accumulated Equity in Net Earnings		
Beginning of year	**544**	7,879
Equity in net earnings for the year	**12,444**	11,935
Dividends received	**(545)**	(19,270)
End of year	**12,443**	544
	₱153,756	₱141,857

Summarized financial information of Selecta Walls Land Corporation (SWLC), an associate follow:

	December 31, 2014	December 31, 2013
Current assets (includes cash amounting to ₱24.49 million and ₱12.36 million as of December 31, 2014 and 2013, respectively)	**₱29,515**	₱19,899
Noncurrent assets	**224,416**	224,416
Current liabilities (includes income tax payable amounting to ₱1.17 million and ₱1.30 million as of December 31, 2014 and 2013, respectively)	**1,517**	1,786
Equity	**246,838**	227,006
Beneficial interest of the Group	**60%**	60%
Share of the Group	**148,103**	136,204
Premium paid	**2,528**	2,528
Carrying amount of the investment	**₱150,631**	₱138,732
Revenue	**₱26,930**	₱26,930
Interest income	**58**	68
Provision for income tax	**4,738**	4,826
Net income	**₱20,739**	₱19,892

Dividends received from SWLC amounted to ₱3.80 million and ₱7.76 million for the years ended December 31, 2014 and 2013, respectively.

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 as of April 30, 2014. Investment in Engrain-RFM Pacific, Inc. amounted to ₱3.13 million as of December 31, 2014 and 2013.

11. Interest in a Joint Venture Proportionately Consolidated

URICI, a 50% joint venture of the Parent Company and Unilever Philippines, Inc. (ULP), 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 ULP, the estimated value of the Parent Company's 50% ownership interest in URICI amounted to ₱2,685.94 million and ₱3,704.19 million as of December 31, 2014 and 2013, respectively.

On October 1, 2012, the Parent Company requested for an exemptive relief from the adoption of PFRS 11 to its investment in URICI from the SEC. 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 to 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 domestic corporations, the 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	**2014**	2013
Consolidated Balance Sheets		
Cash and cash equivalents	**(₱75,549)**	(₱123,445)
Accounts receivable	**(337,975)**	(326,229)
Advances to related parties	**(3,628)**	(18,223)
Inventories	**(241,195)**	(156,664)
Other current assets	**(91,294)**	(30,737)
Total Current Assets	**(749,641)**	(655,298)

(Forward)

Increase (decrease) in	2014	2013
Property, plant and equipment		
At cost	**(₱950,738)**	(₱952,833)
Investment in associate and joint venture	**587,886**	742,538
Deferred income tax assets – net	**(80,108)**	(76,159)
Other noncurrent assets	**(261,506)**	(239,846)
Total Noncurrent Assets	**(704,466)**	(526,300)
Total Assets	**(1,454,107)**	(1,181,598)
Bank loans	**(703,500)**	(725,000)
Accounts payable and accrued liabilities	**(692,413)**	(734,501)
Income tax payable	**(21,389)**	(39,695)
Advances from related parties	**(53,857)**	(36,727)
Provisions	**(184,770)**	–
Total Current Liabilities	**(1,655,929)**	(1,535,923)
Net pension obligation	**(42,471)**	(21,620)
Total Noncurrent Liabilities	**(42,471)**	(21,620)
Total Liabilities	**(₱1,698,400)**	(₱1,557,543)
Consolidated Statements of Income		
Revenue	**(₱3,354,295)**	(₱3,072,691)
Cost of goods sold	**(1,617,097)**	(1,437,006)
Gross profit	**(1,737,198)**	(1,635,685)
Selling and marketing expenses	**(513,910)**	(651,056)
General and administrative expenses	**(676,960)**	(449,042)
Other income	**386,650**	383,669
Income before income tax	**(159,678)**	(151,918)
Provision for income tax	**(159,678)**	(151,918)
Net income	**₱–**	₱–

Summarized financial information of URICI as of and for the years ended December 31, 2014 and 2013 follow:

	2014	2013
Current assets (includes cash amounting to ₱75.55 million and ₱123.45 million as of December 31, 2014 and 2013, respectively)	**₱749,641**	₱655,298
Noncurrent assets	**1,101,789**	1,078,276
Current liabilities (includes income tax payable amounting to ₱21.39 million and ₱39.70 million and provisions amounting to nil as of December 31, 2014 and 2013, respectively)	**1,655,929**	1,535,923
Noncurrent liabilities - net pension obligation	**42,471**	21,620
Revenue	**3,354,295**	3,072,691
Depreciation and amortization expense	**50,791**	132,961
Interest income	**211**	126
Interest expense	**12,753**	23,458
Provision for income tax	**159,678**	151,918
Net income	**373,333**	351,946
Other comprehensive income - remeasurement gain (loss) on net pension obligation	**(8,411)**	156
Total comprehensive income	**364,922**	352,102

Dividends received from URICI amounted to ₱378.84 million and ₱372.06 million for the years ended December 31, 2014 and 2013, respectively.

12. Property, Plant and Equipment

As of December 31, 2014:

	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	₱31,473	₱956,894	₱4,138,714	₱226,834	₱108,243	₱166,357	₱5,628,515
Additions	–	148,883	51,607	9,716	29,497	108,234	347,937
Write-off/disposal	(61)	(2,176)	(16,429)	(71,035)	(5,876)	–	(95,577)
Transfer (Note 13)	–	(87,562)	–	–	–	–	(87,562)
Reclassification	(14,088)	10,231	33,994	(2,849)	(3,544)	(37,832)	(14,088)
At December 31	17,324	1,026,270	4,207,886	162,666	128,320	236,759	5,779,225
Accumulated depreciation and amortization:							
At January 1	11,066	365,009	1,901,026	156,796	96,017	–	2,529,914
Depreciation and amortization	599	43,188	272,239	31,794	5,252	–	353,072
Write-off/disposal	–	(2,176)	(12,000)	(51,956)	(3,590)	–	(69,722)
Transfer (Note 13)	–	(40,707)	–	–	–	–	(40,707)
Reclassification	–	51,326	(58,653)	(16,414)	23,741	–	–
At December 31	11,665	416,640	2,102,612	120,220	121,420	–	2,772,557
Accumulated impairment loss:							
At January 1	–	–	21,296	–	–	–	21,296
Reversal of provision for impairment	–	–	(940)	–	–	–	(940)
December 31	–	–	20,356	–	–	–	20,356
Net Book Values at December 31	₱5,659	₱609,630	₱2,084,918	₱42,446	₱6,900	₱236,759	₱2,986,312
At Appraised Value - Land							
At January 1							₱2,564,222
Sale							(200,020)
Transfer (Note 13)							(263,196)
Reclassification							14,088
At December 31							₱2,115,094

As of December 31, 2013:

	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	₱31,473	₱883,990	₱3,737,380	₱221,861	₱128,221	₱93,294	₱5,096,219
Additions	–	98,519	412,429	31,416	4,482	170,231	717,077
Write-off/disposal	–	(20,608)	(104,456)	(48,178)	(25,432)	–	(198,674)
Reclassification	–	(5,007)	93,361	21,735	972	(97,168)	13,893
At December 31	31,473	956,894	4,138,714	226,834	108,243	166,357	5,628,515
Accumulated depreciation and amortization:							
At January 1	10,465	320,914	1,699,565	168,016	112,344	–	2,311,304
Depreciation and amortization	601	40,075	260,551	34,929	10,141	–	346,297
Write-off/disposal	–	(15,116)	(59,090)	(46,149)	(26,468)	–	(146,823)
Reclassification	–	19,136	–	–	–	–	19,136
At December 31	11,066	365,009	1,901,026	156,796	96,017	–	2,529,914
Accumulated impairment loss:							
At January 1	–	–	26,539	–	–	–	26,539
Reversal of provision for impairment	–	–	(5,243)	–	–	–	(5,243)
December 31	–	–	21,296	–	–	–	21,296
Net Book Values at December 31	₱20,407	₱591,885	₱2,216,392	₱70,038	₱12,226	₱166,357	₱3,077,305
At Appraised Value - Land							
At January 1							₱1,539,359
Revaluation							1,024,863
At December 31							₱2,564,222

In 2013, the Group revalued its parcels of land based on valuations performed by qualified independent appraisers whose report was dated January 2, 2014 (see Note 30). The revaluation resulted in revaluation increment of ₱1,286.35 million is presented under the "Revaluation increment on land" account, net of deferred income tax effect of ₱551.29 million (see Note 26). The movements in revaluation increment on land are as follows:

	2014	2013
Beginning of the year	**₱1,286,346**	₱568,942
Appraisal increase during the year	–	1,024,863
Tax effect	–	(307,459)
End of the year	**₱1,286,346**	₱1,286,346

The cost of these parcels of land amounted to ₱1,071.55 and ₱1,286.35 million as of December 31, 2014 and 2013, respectively.

13. Investment Properties

As of December 31, 2014:

	Land	Buildings and Improvements	Total
Cost			
At January 1	**₱–**	**₱41,174**	**₱41,174**
Additions	–	379	379
Transfers (Note 12)	263,196	87,562	350,758
At December 31	263,196	129,115	392,311
Accumulated Depreciation and Amortization			
At January 1	–	5,629	5,629
Depreciation and amortization	–	8,218	8,218
Transfers (Note 12)		40,707	40,707
At December 31	–	54,554	54,554
Net Book Values at December 31	**₱263,196**	**₱74,561**	**₱337,757**

As of December 31, 2013:

	Land	Buildings and Improvements	Total
Cost			
At January 1	₱28,907	₱32,074	₱60,981
Additions	–	9,100	9,100
Disposal	(28,907)	–	(28,907)
At December 31	–	41,174	41,174
Accumulated Depreciation and Amortization			
At January 1	–	4,054	4,054
Depreciation and amortization	–	1,575	1,575
At December 31	–	5,629	5,629
Net Book Values at December 31	**₱–**	₱35,545	₱35,545

As of December 31, 2014, the land has a fair value of ₱302.19 million determined based on valuation performed by independent appraiser as of December 31, 2013. Management believes that there is no significant change in the fair value of the investment property from December 31, 2013 to December 31, 2014 because there were no significant improvements made to the land and

no impairment indicators existed as of December 31, 2014. As of December 31, 2014, the buildings and improvements have a fair value of ₱92.12 million determined based on valuation performed by an independent appraiser. Management believes that there is no significant change in the fair value of the investment property from 2010 to December 31, 2014 because there were no significant improvements made to the buildings and improvements and no impairment indicators existed as of December 31, 2014.

Rental income from the investment property amounted to ₱15.26 million, ₱13.16 million and ₱11.17 million in 2014, 2013 and 2012, respectively, while the related direct cost which consists of depreciation expense, real property taxes and other direct costs amounted to ₱25.15 million, ₱28.19 million and ₱26.17 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The Group has no restrictions on the realizability of its investment properties.

14. Intangible Assets

	2014			
	Trademark	**Goodwill**	**Computer Software**	**Total**
Cost:				
At January 1	**₱–**	**₱190,563**	**₱9,097**	**₱199,660**
Addition	**2,080,932**	**–**	**–**	**2,080,932**
At December 31	**2,080,932**	**190,563**	**9,097**	**2,280,592**
Accumulated Amortization				
At January 1	**–**	**–**	**2,187**	**2,187**
Amortization	**–**	**–**	**2,705**	**2,705**
At December 31	**–**	**–**	**4,892**	**4,892**
Net Book Values at December 31	**₱2,080,932**	**₱190,563**	**₱4,205**	**₱2,275,700**

	2013			
	Trademark	Goodwill	Computer Software	Total
Cost:				
At January 1	**₱–**	₱190,563	₱2,428	₱192,991
Addition	–	–	6,669	6,669
At December 31	–	190,563	9,097	199,660
Accumulated Amortization				
At January 1	–	–	971	971
Amortization	–	–	1,216	1,216
At December 31	–		2,187	2,187
Net Book Values at December 31	**₱–**	₱190,563	₱6,910	₱197,473

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

The Group has assessed that the trademark has an indefinite useful life and accordingly, performed an impairment test on the trademark on December 31, 2014 using the relief from royalty method.

The Company performed its annual impairment test on its trademark with indefinite useful live as of December 31, 2014. The recoverable amount was determined based on value in use calculations using the cash flow projections from the financial budgets as approved by the Chief Finance Officer covering a ten-year period. Key assumptions used to determine the value in use are

discount rates including cost of debt and cost of capital, growth rates, EBITDA margins, working capital and capital expenditure. The following assumptions were also used in computing value in use:

Royalty rate - 9.0%, which is the prevailing rate on comparable Companies to which category the entity falls.

Discount rates - estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt. Post-tax and pre-tax discount rates applied to cash flow projections is 10.00% and 12.20% as of December 31, 2014.

Growth rate estimates – Short-term growth rates of 40%, 30% and 20% in the first three years and 16% on the succeeding years of projection were based on Company market experiences on the market and on future industry prospects. Long-term growth rate is estimated at 4% based on average inflation rate.

No impairment loss was recognized in 2014.

Goodwill amounting to ₱190.56 million as of December 31, 2014 and 2013, respectively pertains to the Parent Company's investment in URICI (see Note 2).

15. Accounts Payable and Other Current Liabilities

	2014	2013
Trade payables:		
Third parties	**₱1,144,595**	₱1,194,003
Related parties (Note 24)	**53,839**	26
Accrued liabilities:		
Advertisements and promotions	**554,138**	373,549
Freight and handling	**74,240**	37,218
Manpower services	**61,512**	35,787
Payroll	**53,993**	47,279
Profit bonus	**51,245**	47,655
Taxes	**35,810**	32,273
Importation	**22,765**	248,139
Merchandising charges	**8,070**	12,276
Commission expense	**3,836**	7,860
Repairs and maintenance	**2,837**	–
Others	**319,672**	309,070
Cash bond - distributors	**38,389**	26,619
Dividends payable	**13,654**	74,826
Subscriptions payable	**5,383**	6,107
Interest payable (Notes 16 and 17)	**5,271**	5,947
Other payables	**126,558**	155,575
	₱2,575,807	₱2,614,209

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

Other accrued liabilities consist of accruals made for utilities, rentals and others.

Cash bond pertains to cash received from the distributors as security to retain their credit line.

Other payables include advances from officers and employees, withholding taxes and other liabilities to third parties.

16. Bank Loans

This account represents 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 2.30% to 4.25% in 2014 and 1.70% to 4.25% in 2013. Bank loans amounted to ₱927.10 million and ₱725.00 million as of December 31, 2014 and 2013, respectively bearing 1.88% annual interest rate.

During 2014, the Parent Company obtained US$-denominated promissory notes with 30-day term maturities from local banks to finance its purchase of the Royal pasta trademark.

Balance as of December 31, 2014, represents outstanding promissory note obtained on December 19, 2014 amounted to ₱223,600 ($5,000 in USD).

Interest expense amounted to ₱22.94 million in 2014, ₱23.46 million in 2013 and ₱31.34 million in 2012 (see Note 23).

17. Long-term Debts

Long-term debts consist of peso-denominated promissory notes obtained from local banks with the following terms and conditions:

	2014	2013
Parent Company:		
a. Loan from a local bank, with interest on the loan the higher of (1) the sum of three months PDST-F rate plus a certain spread or (2) the BSP overnight reverse repurchase rate and principal payments payable in sixteen equal quarterly installments of ₱23.13 million starting May 29, 2014	**₱300,625**	₱370,000
b. Loan from a local bank with interest rate based on 3-month PDST-F plus a certain spread; payable in seventeen equal quarterly installments of ₱29.41 million each starting May 12, 2012	**176,471**	294,118
ICC:		
c. Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%; payable in seventeen equal quarterly installments of ₱10.88 million each starting October 31, 2013	**130,590**	174,118
d. Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%; payable in seventeen equal quarterly installments of ₱8.82 million each starting March 15, 2012	**44,116**	79,411
Total	**651,802**	917,647
Less current portion	**288,971**	265,846
Noncurrent portion	**₱362,831**	₱651,801

In accordance with the loan agreements, the Parent Company is restricted from performing certain corporate acts without the prior consent or approval of the creditors, the more significant of which relate to entering into merger or consolidation, entering into guaranty or surety of obligation and acquiring treasury stock. The Parent Company is also required to maintain certain financial ratios based on the consolidated financial statements. The Company is in compliance with the terms and conditions of the loan agreements with the banks as of December 31, 2014 and 2013.

On October 26, 2010, several bank institutions granted the Parent Company a Peso-denominated floating rate notes facility in the aggregate principal amount of =P1.50 billion, which has been fully drawn on the same date. The principal amount of the note facility shall be paid within five years and one day from and after the issue date with interest rate of 6.12%. The payments are to be made in sixteen (16) equal quarterly installments of P=93.75 million each to commence at the end of the fifteenth month from the issue date.

a) On February 12, 2013, the Parent Company availed of a loan from a local bank amounting to P=370.00 million. The principal amount of the loan shall be paid within four years from initial drawdown date with interest the higher of (1) the three month PDST-F rate plus a certain spread or (2) the BSP overnight reverse repurchase rate. The payments are to be made in sixteen (16) equal quarterly installments of P=23.13 million each starting May 29, 2014.

b) On May 13, 2011, the Parent Company availed of a loan from a local bank amounting to =P500.00 million. The principal amount of the loan shall be paid within five years from initial drawdown date with interest rate based on 3-month PDST-F rate plus a certain spread. The payments are to be made in seventeen (17) equal quarterly installments of P=29.41 million each to commence at the end of the fourth quarter following the date of borrowing.

On January 28, 2013, through the concurrence of the leaders, the Parent Company made a partial prepayment of their floating rate notes facility amounting to =P900.00 million. The remaining balance was paid-off until end of 2013.

c) On March 15, 2011, ICC obtained a =P150.00 million unsecured and interest-bearing long-term debt from a local bank payable in seventeen (17) equal quarterly installments of P=8.82 million starting March 15, 2012. The interest rate will be based on 3-month PDST-F + 1.75% per annum subject to repricing every quarter. Interest rates for 2014 and 2013 range from 2.69% to 5.08% and 2.69% to 4.51%, respectively. The proceeds of the debt were used to finance the acquisitions of new machinery and equipment, and construction of a warehouse building extension to house the newly acquired assets. The loan agreement provides certain financial ratios that ICC is required to maintain. In 2014, these financial covenants were waived by the bank upon issuance of a surety over the loan by the Parent Company on October 23, 2014.

d) On October 19, 2012, ICC obtained another unsecured and interest-bearing long-term debt from the same local bank amounting to P=185.00 million payable in seventeen (17) equal quarterly installments of P=10.809 million starting October 31, 2013. The interest rate will be based on 3-month PDST-F + 1.75% per annum subject to repricing every quarter. Interest rates for the period October 15 to December 31, 2012 and in 2013 range from 2.69% to 4.51% and 2.69% to 3.68%, respectively. The proceeds of the loan were used to finance acquisitions of machinery and equipment. The loan agreement provides certain financial ratios that ICC is required to maintain. In 2014, the creditor bank permanently waived any event of default arising from noncompliance of required financial ratios.

The proceeds of the loan are to be drawn by ICC based on a committed drawdown date. As of December 31, 2014 and 2013, the whole amount of P=185.00 million has already been drawn by ICC.

As of December 31, 2014, 2013 and 2012, the total interest expense on the long-term debts amounted to =P28.38 million, =P34.05 million and P=82.29 million, respectively.

---

18. **Provisions**

Movements of the provisions for the years ended December 31, 2014 and 2013 follow:

	2014	2013
At January 1	**P6,000**	P67,982
Additions	**–**	501
Settlement	**–**	(62,483)
At December 31	**P6,000**	P6,000

Provisions were recognized for expected claims against the Group arising from the ordinary course of business.

In 2012, CLIC recognized provisions for certain legal, contractual and regulatory matters and restructuring costs amounting to P=66.10 million. Restructuring costs are mainly provisions for employee redundancy already offered or communicated to affected employees of the Group at balance sheet date.

The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

---

19. **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 Company, unless otherwise prescribed by the BOD.

As of December 31, 2014 and 2013, the Parent Company has 3,978,265,025 authorized common stock with P=1 par value. Issued and outstanding common shares of 3,500,403,866 are held by 3,267 and 3,321 shareholders as of December 31, 2014 and 2013, respectively.

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)

(Forward)

		Common Stock

Year	Date of Transaction	Transactions	
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)
		3,500,403,866	

(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 parvalue from =P10.00 to P=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 parvalue from =P2.00 to P=1.00.

(f) Cost of retired shares amounted to =P991.76 million.

(g) On March 24, 2014, the Company issued additional 340.00 million shares.

On November 28, 2013, the BOD approved the proposed issuance of 340 million shares of capital stock to its existing shareholders, namely, Horizons Realty, Inc., BJS Development Corporation, Triple Eight Holdings, Inc. and RPMC Resources, Inc. at the price of P4.77 per share. The said shares will be issued pursuant to the equity fund raising of the Parent Company consisting of a placing and subscription transaction which will be implemented in two concurrent stages comprising of: (a) the offer and sale by the said existing shareholders not exceeding 450 million of their existing shares in the Parent Company ("the placement tranche") and (b) as part of the transaction, the subscription by the selling shareholders and the issuance by the Parent Company to the selling shareholders of unissued common shares at most in the same number and share price as the shares sold in the placement tranche ("the subscription tranche"), with such new common shares being listed as soon as practicable thereafter. In view of the foregoing, the Parent Company wrote to the SEC on December 4, 2013 requesting that the proposed issuance of the 340 million common shares be exempted from the registration requirements under the Securities Regulation Code (SRC). The placing agreement for the placing transaction was executed by and among the Parent Company, the placing agent and the aforementioned shareholders on October 3, 2013, whereas the subscription agreement for the subscription transaction was executed between Parent Company and the shareholders on December 9, 2013.

As of December 31, 2013, the SEC has not approved the request for exemption for registration requirements under the SRC. Accordingly, the amount received for the stock subscription, net of transaction costs, in relation to the subscription tranche amounted to =P1,599.94 million, was presented as deposit for stock subscriptions in the 2013 consolidated balance sheet.

On January 24, 2014, the SEC confirmed that the proposed issuance of the shares discussed above is exempted from the registration requirements under the Securities Regulation Code. On March 24, 2014, the Company issued the 340.00 million shares and the deposit for stock subscription amounting to P=1,599.94 was applied to capital stock and capital in excess of par value.

As of April 28, 2015, the 340.00 million shares are listed with the Philippine Stock exchange.

Retained earnings

The details of the Company's declaration of cash dividends are as follows:

Date of BOD Approval	Amount (in millions)	Type	Amount per share	Record date	Payment date
October 1, 2014	P=114.96	Cash	P=0.032842	October 16, 2014	November 11, 2014
March 24, 2014	120.82	Cash	0.034515	April 7, 2014	May 6, 2014
August 28, 2013	86.14	Cash	0.027256	September 11, 2013	October 7, 2013
April 30, 2013	102.30	Cash	0.032369	May 16, 2013	June 11, 2013
November 14, 2012	76.93	Cash	0.024340	November 28, 2012	December 26, 2012
June 27, 2012	143.39	Property	3.49	July 11, 2012	September 7, 2012
February 29, 2012	75.57	Cash	0.023910	March 14, 2012	April 12, 2012

On June 27, 2012, the BOD approved the declaration of property dividends consisting of the Company's 41,431,346 common shares in Philtown Properties, Inc. On August 13, 2012, the SEC approved the distribution of 4 1,042,080 shares and were issued to the stockholders on September 7, 2012 at P=3.49 per share or a total of =P143.39 million.

The Group's retained earnings as of December 31, 2014 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 P12.44 million. These will only be available for declaration as dividends when these are actually received.

20. **Cost of Sales and Services**

	2014	2013	2012
Manufacturing:			
Raw materials used and changes in inventories (Note 7)	**P5,504,986**	P5,262,574	P5,733,456
Outside services	**281,250**	193,211	295,105
Utilities	**266,202**	240,358	359,048
Personnel costs (Notes 23 and 25)	**180,213**	120,037	177,961
Depreciation and amortization (Note 23)	**150,798**	247,505	218,633
Repairs and maintenance	**98,014**	80,921	124,297
Direct labor	**91,441**	37,013	40,223
Provision for inventory obsolescence	**23,469**	30,726	36,084
Rental	**5,967**	20,996	44,402
Other expenses	**114,467**	225,827	193,132
	6,716,807	6,459,168	7,222,341
Services and others:			
Other expenses	**P124,735**	P16,548	P 19,167
Depreciation and amortization (Note 23)	**114,106**	59,104	4,542
Outside services	**49,053**	35,381	24,199
	287,894	111,033	47,908
	P7,004,701	P6,570,201	P7,270,249

Other manufacturing expenses include repairs and maintenance, fuel and oil, office supplies and other miscellaneous expenses.

21. **Selling and Marketing Expenses**

	2014	2013	2012
Advertisements	**P=1,059,466**	P=955,746	P=999,684
Freight and handling	**320,351**	407,621	413,108
Outside services	**220,816**	163,298	141,428
Rental	**115,183**	10,508	11,214
Personnel costs (Notes 23 and 25)	**92,542**	101,220	98,255
Provision for doubtful accounts	**40,205**	27,803	11,071
Depreciation and amortization (Note 23)	**8,516**	15,307	22,079
Transportation and travel	**7,372**	7,877	9,238
Other expenses	**86,582**	80,174	77,164
	P1,951,033	P1,769,554	P1,783,241

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

The 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 Company agreed to pay a fixed amount of royalty every year, as stipulated in the agreements. Unpaid royalty, included under "Accrued expenses" account, amounted to P=2.65 million and =P1.94 million as of December 31, 2014 and 2013, respectively (see Note 15).

22. **General and Administrative Expenses**

	2014	2013	2012
Personnel costs (Notes 23 and 25)	**P318,977**	P324,705	P347,366
Outside services	**318,265**	248,006	252,233
Royalty and service fees	**87,410**	32,693	104,928
Depreciation and amortization (Note 23)	**90,575**	24,381	70,341
Taxes and licenses	**53,636**	51,680	47,195
Utilities	**30,110**	25,026	27,749
Director's fees	**18,368**	16,878	19,423
Rental	**17,733**	17,013	–
Transportation and travel	**13,934**	16,657	22,319
Repairs and maintenance	**13,646**	20,335	17,081
Donations	**12,507**	10,564	40
Professional fees	**9,272**	10,558	10,487
Office supplies	**8,878**	7,195	436
Representation and entertainment	**6,332**	6,265	1,482
Insurance	**3,949**	4,757	1,684
Provision for doubtful accounts	**5,848**	–	66,158
Other expenses	**47,868**	74,148	76,485
	P1,057,611	P890,861	P1,065,407

Other expenses include utilities, rental, repairs and maintenance, royalty and service fees, office supplies, provision for restructuring costs and other miscellaneous expenses.

23. **Additional Information on Income and Expense Accounts**

Personnel Costs

	2014	2013	2012
Salaries and wages	**P466,051**	P499,788	P552,751
Pension benefits costs (Note 25)	**23,988**	29,071	29,051
Other employee benefits (Note 32)	**101,692**	17,103	82,003
	P591,731	P545,962	P663,805

The distribution of the above amounts follows:

	2014	2013	2012
Cost of sales and services (Note 20)	**P80,213**	P120,037	P218,184
Selling and marketing expenses (Note 21)	**92,542**	101,220	98,255
General and administrative expenses (Note 22)	**318,977**	324,705	347,366
	P591,732	P545,962	P663,805

Depreciation and Amortization of Property, Plant and Equipment, Investment Properties and Intangibles

Cost of sales and services (Note 20)	**P264,904**	P306,609	P223,175
Selling and marketing expenses (Note 21)	**8,516**	15,307	22,079
General and administrative expenses (Note 22)	**90,575**	24,381	70,341
	P363,995	P346,297	P315,595

Interest income on cash and cash equivalents (Note 5)	**P8,368**	P10,571	P15,414
Interest income on loans receivables	–	7,218	6,662
	P8,368	P17,789	P22,076

	2014	2013	2012
	2014	2013	2012

Interest and Financing Income

	2014	2013	2012

Interest Expense

Interest expense on long-term debts (Note 17)	**P28,380**	P34,055	P82,290

Interest expense on bank loans (Note 16)	**22,935**	23,458	31,339
Interest expense on finance lease obligations	–	887	1,278
Others	**460**	4,315	2,461
	P51,775	P62,715	P117,368

24. **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.

The transactions from related parties are made under normal commercial terms and conditions. Outstanding balances as at December 31, 2014 and 2013 are unsecured and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any

related party receivables or payables. Advances to/from related parties are non-interest-bearing and collectible/payable on demand.

Significant related party transactions with nonconsolidated entities are as follows:

a. The following are the outstanding trade receivables from related parties:

		2014		2013			
Outstanding Outstanding **receivable** receivable							
Related Parties	Transaction	**Amount**	**(payable) (Note 6)**	Amount	(payable) (Note 6)	Terms	Conditions
Entities under common major shareholder group							
Swift Foods, Inc.	Lease income	**P=–**	**P6,592**	P=–	P6,592	Non-interest bearing	Unsecured, partially impaired
Food Cart Concepts, Inc. / Kettle Foods Corporation	Sale of flour	–	**42**	–	–	Interest-bearing, collectible in 60 days	Unsecured, partially impaired
Bevco Philippines, Inc.	Sale of goods Lease income	–	**60**	–	166	Non-interest-bearing, collectible in 60 days	Unsecured, unimpaired
Joey Pepperoni Pizzeria		706	**4,358**	–	3,652	Non-interest bearing	Unsecured, unimpaired
RFM Foundation, Inc.	- do -	(332)	**(272)**	–	60	Non-interest bearing Non-interest bearing, collectible in 60 days	Unsecured, partially impaired
Philippine Center for Entrepreneurship	- do -	14	**153**	–	139	Non-interest bearing, collectible in 60 days	Unsecured, unimpaired
Others	- do -	–	**86**	–	3,956		Unsecured, unimpaired
Subtotal		388	**11,019**	–	14,399		
Less: Allowance for doubtful accounts			**2,128**				

Total		**P**388	**P8,891**	P=–	P14,399	

The following are the outstanding advances to related parties:

		2014		2013			
Related Parties	Transaction	**Amount**	**Outstanding receivable**	Amount	Outstanding receivable	Terms	Conditions
Joint Venturer							
Unilever Philippines, Inc. (Parent)	Advances to URICI	**P=–**	**P=–**	P=–	P1,383	Non-interest-bearing, Unsecured, to be settled in cash unguaranteed	
Unilever Group	- do -	–	**3,628**	–	4,947	Non-interest-bearing, Unsecured, collectible in 60 days unimpaired	
Unilever NV (Netherlands)	- do -	–	–	–	11,893	Non-interest-bearing, Unsecured and collectible in 60 days impaired	
Entities under common major shareholder group							
Philtown Properties, Inc	Advances	–	**122,785**	–	128,973	Non-interest bearing	Secured, partially impaired
Others	Advances	**393**	**457**	64	64	Non-interest bearing	Unsecured, partially impaired
Subtotal		393	**126,870**		152,070		
Less: Allowance for doubtful accounts			**16,122**		12,055		
Total		**P393**	**P110,748**	P–	P140,015		

b. The following are the advances from related parties as follows:

		2014		2013			
Related Parties	Transaction	**Amount**	**Outstanding payable**	Amount	Outstanding payable	Terms	Conditions
Joint Venturer							
Unilever Group	Purchases of goods	**P21,287**	**P44,868**	P23,310	P23,581	Non-interest-bearing, collectible in 60 days	Unsecured
Unilever Philippines, Inc. (Parent)	Service agreement	–	**6,470**	1,174	12,541	- do	- do
Unilever NV (Netherlands)	Advances	1,914	**2,519**	–	605	- do	- do
Entities under common major shareholder group							
Philtown Properties, Inc.	Advances	–	**65**	–	23,993	–	Unsecured
Swift Foods, Inc.	- do -	1,039	**1,039**	–	–	- do -	- do -
PT Aqua	- do -	–	**16,411**	–	17,514	- do -	- do -
Others	- do -	–	**–**	–	10,248	- do -	- do -
Total		**P24,240**	**P71,372**	P24,484	P88,482		

c. The following are the outstanding trade payables to related parties:

		2014		2013			
Related Parties	Transaction	**Amount**	**Outstanding payable (Note 15)**	Amount	Outstanding payable (Note 15)	Terms	Conditions
Entities under common major shareholder group							
Republic Consolidated Corporation	Purchase of services	**P25,701**	**P25,727**	P=–	P26	Interest-bearing, collectible in 60 days	Unsecured

BevCo	- do -	**53**	**53**	–	–	- do -	- do -
Philtown Properties, Inc.	- do -	**21,469**	**21,469**	–	–	- do -	- do -
Joey Pepperoni	- do -	**35**	**35**	–	–	- do -	- do -
Conglomerate Securities and Financing Corporation	- do -	**3,905**	**3,905**	–	–	- do -	- do -
Others	- do -	**2,650**	**2,650**	–	–	- do -	- do -
		P53,813	**P53,839**				

d. The Group has long outstanding receivables from the shareholders of Invest Asia amounting to P21.47 million as of December 31, 2014 and 2013 which are fully provided.

Significant transactions with subsidiaries and joint venture which have been eliminated in the consolidation:

a. Sales and purchases of products and services to/from the Parent Company and its subsidiaries:

	Sales and Services		Purchases	
	2014	2013	**2014**	2013
Parent Company	**₱–**	P102,781	**₱–**	P237,425

ICC **188,858** 143,475 – 260,999 RLC **39,153** 35,608 – –

b. The Parent Company entered into a management agreement with ICC under which the Parent Company shall receive from ICC a monthly fee of P1.00 million. On January 1, 2011, the monthly fee was increased to P2.50 million. Total service income amounted to nil, P15 million and P30.00 million in 2014, 2013 and 2012, respectively.

In addition, ICC leases its production facility and warehouse from the Parent Company for its manufacturing operations and warehousing of its raw materials and finished goods. Rental income amounted to nil, P11.40 million and P28.41 million in 2014, 2013 and 2012, respectively. Net payable to ICC amounted to P29.72 million as of December 31, 2012. Net receivable from ICC amounted to P26.04 million as of December 31, 2011.

c. The Parent Company utilizes RLC for its lighterage requirements. Service fee to RLC amounted to P39.15 million in 2014, P35.61 million in 2013 and P40.14 million in 2012. Deposits on purchases amounted to P25.67 million and P11.95 million as of December 31, 2013 and 2012, respectively. Accounts payable amounted to P10.62 million as of December 31, 2014.

d. The Parent Company has availments/extensions of both interest-bearing and non-interestbearing cash advances mainly for working capital purposes and investment activities from/to subsidiaries and other related parties with no fixed repayment terms. Total interest earned by the Parent Company amounted to P.16 million in 2014, P8.95 million in 2013 and P25.75 million in 2012.

e. 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 P19.96 million, P20.82 million and P25.87 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Compensation of key management personnel of the Group by benefit type follows:

	2014	2013
Salaries and other short-term benefits	**P92,356**	P85,814
Proportionate share in share-based compensation of	**542**	7,736

URICI

Pension benefits costs	**19,120**	15,027
	P112,018	P108,577

Movement in allowance for doubtful accounts on advances to related parties for the years ended December 31 follow:

	2014	2013
Beginning balance	**P12,055**	P12,055
Provision	**4,067**	–
Ending balance	**P16,122**	P12,055

25. **Pension Benefits**

The Parent Company, joint venture and certain subsidiaries have funded, noncontributory defined benefits pension plans (the Plans) covering substantially all their permanent employees. a. Pension Benefits Costs

The components of pension benefits costs recognized in the consolidated statements of income for the years ended December 31 follow:

	2014	2013	2012
Current service cost	**P22,296**	P29,002	P24,098
Net interest cost	**1,692**	69	4,953
Pension benefits costs	**P23,988**	P29,071	P29,051

b. Net Pension Obligation

The details of the net pension obligation and the amounts recognized in the consolidated balance sheets as of December 31, 2014 and 2013 follow:

	2014	2013
Defined benefits obligation	**P370,294**	P412,670
Fair value of plan assets	**(259,626)**	(366,675)
Net pension obligation	**P110,668**	P45,995

Changes in the present value of the defined benefit obligations follow:

	2014	2013
January 1	**P412,670**	P406,609
Interest cost	**17,940**	20,144
Current service cost	**22,296**	29,002
Remeasurement loss (gain)	**(32,359)**	39,584
Benefits paid	**(48,296)**	(82,669)
Transfers	**(1,959)**	–
December 31	**P370,292**	P412,670

Changes in the fair value of plan assets follow:

	2014	2013
January 1	**P366,675**	P397,187

Contributions	**7,781**	15,557
Asset return included in net interest cost	**16,248**	20,075
Benefits paid	**(33,767)**	(55,941)
Remeasurement loss	**(97,312)**	(10,203)
December 31	**P259,626**	P366,675

Breakdown of the plan assets follow:

	2014	2013
Investments in:		
Unit investment trust fund	**P109,496**	P95,305
Corporate bonds	**57,429**	81,645
Equity securities	**19,870**	45,313
Real estate	**8,210**	10,661
Government bonds	**–**	41,166
Cash and cash equivalents	**64,562**	69,537
Receivables	**875**	–
Others	**–**	24,000
	260,442	367,627
Less: Payables	**(816)**	(952)
	P259,626	P366,675

The plan assets of Company are being held by a trustee bank. The investing decisions of these plan assets are made by the authorized officers of the Company.

Investments in the shares of stock of the Company held by the Company's retirement fund have fair values amounting to P7.09 million and P33.80 million as of December 31, 2014 and 2013, respectively. Gain on sale of the shares of stock of the Company amounted to P2.49 million and P23.17 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the principal assumptions used in determining the defined benefit obligations of the Group follow:

December 31

	2014	2013
Discount rate per annum	**4.42% to 5%**	4.9% to 5.5%
Future annual increase in salary rate	**5% to 5.9%**	5% to 8%

The following are expected payments to be made out of the defined benefit plan obligation in the future years:

	2014	2013
One year and less	**P10,011**	P11,102
Between 1 and 5 years	**76,256**	154,748
Between 5 and 10 years	**302,856**	263,546
Between 10 and 15 years	**220,736**	241,589
Between 15 and 20 years	**108,616**	150,626
Beyond 20 years	**412,620**	371,420
Total expected payments	**P1,131,095**	P1,193,031

The average duration of the defined benefit plan obligations as of December 31, 2014 ranges from 16-22 years.

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, 2014, assuming if all other assumptions were held constant:

	Discount rate		Future salary increases	
Sensitivity level	1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
Impact on the defined benefit obligation	252,921	(147,619)	(139,964)	234,719

26. **Income Taxes**

a. The details of the Group's net deferred income taxes per company follows:

	December 31, 2014		December 31, 2013	
	Net deferred income tax assets	**Net deferred income tax liabilities**	Net deferred income tax assets	Net deferred income tax liabilities
Parent Company	**P–**	**(P436,815)**	P–	(P474,996)
CLIC	**–**	**(29,552)**	–	(29,552)
URICI	**80,107**	**–**	76,159	–
RIBI	**–**	**–**	3,613	–
ICC	**2,456**	**–**	2,845	–
Others	**23**	**(92)**	105	(169)
	P82,586	**(P466,459)**	P82,722	(P504,717)

b. The components of the Group's net deferred income tax liabilities follow:

	2014	2013
Deferred income tax assets on:		
Accrual of advertising and promotions	**P**	P53,959
Doubtful accounts and probable losses	**96,768**	24,575
Net pension obligation	**19,216**	10,366
Cumulative actuarial loss on defined benefit plan	**15,210**	2,766
Accrued profit bonus	**14,799**	–
Unamortized past service cost	**8,782**	–
Accrual of employee benefits	**5,285**	18,968
Inventory losses and obsolescence	**5,030**	6,472
NOLCO	**1,344**	–
Unrealized foreign exchange loss	**1,203**	–
Excess MCIT	**151**	–
Others	**13**	12,687
Total deferred income tax assets	**167,801**	129,793
Deferred income tax liabilities on:		
Revaluation increment on land	**(551,291)**	(551,291)
Capitalized interest expense	**(290)**	(314)
Accrued rental	**(55)**	(132)
Unrealized foreign exchange gains	–	(14)
Others	**(38)**	(36)
Total deferred income tax liabilities	**(551,674)**	(551,787)
Net deferred income tax liabilities	**(P383,873)**	(P421,994)

c. A reconciliation of income tax computed at the statutory income tax rate to the provision for income tax follows:

	2014	2013	2012
Provision for income tax at the statutory income tax rate	**P302,201**	P427,869	P283,039
Additions to (reductions in) income tax resulting from:			
Dividend income exempted from income tax Movement in unrecognized deferred income tax	**(7,849)**	(124,161)	–
	(100,083)	(62,396)	(221,864)
Interest income subjected to final tax	**(2,630)**	(3,913)	(4,624)
Nontaxable financing income	**(1,555)**	(2,373)	–
Nondeductible portion of interest expense	**1,108**	1,956	1,393
Share-based expense PY charged to reserves	**(404)**	67	–
Nondeductible expenses	**263**	2,848	–
NOLCO	**(171)**	(249)	–
MCIT	**117**	67	–
Input VAT written-off	**4**	67	–
Equity in net earnings of an associate Nondeductible impairment of AFS financial assets	–	–	(3,352)
	–	921	163,758

(Forward)

	2014	2013	2012
Nontaxable gain on sale of investments	₱–	(₱24)	₱–
Gain on redemption on AFS financial assets	–	(1,794)	–
Others	(5,512)	(8,297)	42,841
Provision for income tax	₱185,489	₱230,454	₱261,191

b. NOLCO:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2011	₱13,656	(₱13,656)	₱–	2014
2012	15,052	–	15,052	2015
2013	32,884	–	32,884	2016
2014	24,886	–	24,886	2017
	₱86,478	(₱13,656)	₱72,822	

Excess MCIT:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2011	₱127	(₱127)	₱–	2014
2012	111	–	111	2015
2013	72	–	72	2016
2014	217		217	2017
	₱527	(₱127)	₱400	

27. Earnings Per Share

	2014	2013	2012
Net income attributable to equity holders of the Parent Company (a)	**₱838,327**	₱787,889	₱676,105
Weighted average number of common shares outstanding (b)	**3,415,403,865**	3,160,403,866	3,160,403,866
Basic/diluted earnings per share (a/b)	**₱0.25**	₱0.25	₱0.21

The Group does not have potentially dilutive common shares in 2014 and 2013. Therefore, the basic/dilutive earnings per share are the same.

28. Financial Instruments

The following summarizes the carrying values of the Group's financial instruments as of December 31:

	2014	2013
Financial Assets		
Cash in banks and cash equivalents	**₱646,209**	₱2,739,042
Loans and receivables:		
Trade receivables	**2,257,468**	2,343,088
Nontrade receivables	**181,122**	–

(Forward)

	2014	2013
Advances to related parties	**P110,748**	P140,015
Advances to officers and employees	**23,008**	35,732
Other current receivables	**46,047**	57,921
Short term deposit	**86,314**	–
AFS financial assets:		
Unquoted:		
Redeemable preferred shares	**307,447**	307,447
Common shares	**5,002**	8,396
Quoted common and golf shares	**150**	150
	P3,552,767	P5,491,776
Financial Liabilities		
Other financial liabilities:		
Bank loans	**P927,100**	P725,000
Accounts payable and accrued liabilities	**2,527,807**	2,787,022
Advances from related parties	**71,372**	169,953
Long-term debts	**651,802**	917,647
	P4,178,081	P4,599,622

Due to the short-term maturities and demand feature, the carrying amounts of cash and cash equivalents, accounts receivable, advances to related parties, other current assets and receivables, bank loans, accounts payable and accrued liabilities, advances from related parties approximate their fair values.

The carrying value of the long-term debts approximates fair value due to quarterly interest repricing.

---

29. **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, accounts receivable, bank loans, accounts payable and accrued liabilities, long-term debts and obligations 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.

The credit quality of financial assets is managed by the Group using internal credit ratings. The credit quality by class, of neither past due nor impaired financial assets as of December 31, 2014 and 2013, based on the Group's credit rating system follows:

As of December 31, 2014:

	Neither past due nor impaired		Past due but not Impaired	Past due and Individually Impaired	Total
	Excellent	**Good**			
Loans and receivables:					
Cash in banks and cash equivalents	**P646,209**	**P=–**	**P=–**	**P=–**	**P646,209**
Trade receivables:	**334,443**	**641,314**	**1,287,528**	**175,881**	**2,439,166**
Nontrade receivables	**–**	**181,122**	**–**	**24,393**	**205,515**
Advances to related parties	**–**	**110,748**	**–**	**16,122**	**126,870**
Advances to officers and employees	**–**	**23,188**	**–**	**2,243**	**25,431**
Other current receivables	**–**	**13,591**	**32,456**	**1,400**	**47,447**
Short term deposit	**86,314**	**–**	**–**	**–**	**86,314**
	P1,066,966	**P969,963**	**P1,319,984**	**P220,039**	**P3,576,952**

As of December 31, 2013:

	Neither past due nor impaired		Past due but not	Past due and Individually	
	Excellent	Good	Impaired	Impaired	Total
Loans and receivables:					
Cash in banks and cash equivalents	P2,739	P=–	P=–	P=–	P2,739
Trade receivables	697,594	211,779	1,257,381	190,733	2,357,487
Nontrade receivables	–	–	–	144,121	144,121
Advances to related parties	–	140,015	–	12,055	152,070
Advances to officers and employees	35,732		–	2,423	38,155
Other current receivables	23,445	34,476	–	1,400	59,321
	P736,065	P386,270	P1,257,381	P350,732	P2,753,893

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.

The aging analysis of past due but not impaired financial assets as of December 31, 2014 and 2013 follows:

As of December 31, 2014:

	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**
Loans and receivables:						
Trade receivables	**P213,188**	**P203,556**	**P300,979**	**P182,128**	**P387,677**	**P1,287,528**
Other current receivables	**–**	**–**	**–**	**–**	**32,456**	**32,456**
	P213,188	**P203,556**	**P300,979**	**P546,384**	**P420,133**	**P1,319,984**

As of December 31, 2013:

	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

Loans and receivables:						
Trade receivables	P194,485	P268,226	P163,069	P49,447	P582,154	P1,257,381

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. Presently, the Group has existing long-term debts that fund capital expenditures. 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, 2014 and 2013.

As of December 31, 2014:

	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	**P79,000**	**P–**	**P=**	**P–**	**P=**	**P=–**	**P79,000**
Cash in banks and cash equivalents	**646,209**	–	–	–	–	–	**646,209**
Trade receivables	**2,257,468**	–	–	–	–	–	**2,257,468**
Short term deposit			**86,314**				
			P3,068,991	**P–**	**P–**	**P–**	**P–** **P3,0**
Financial Liabilities							
Bank loans	**P927,100**	**=P–**	**=P–**	**=P–**	**P=–**	**P=–**	**P703,500**
Accounts payable and accrued liabilities*	**2,527,537**	–	–	–	–	–	**2,527,537**
Advances from related parties	**71,372**	–	–	–	–	–	**103,062**
Customers' deposits	**159,123**	–	–	–	–	–	**159,123**
Long-term debts and obligations,		**P185,000**	**P23,125**	**=P–**	**P=–**	**P=–**	

**Excluding payable to government agencies of =48,270P **Inclusive of interest expense until maturity.*

.

As of December 31, 2013:

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	=P–	=P–	=P–	=P–	=P–	P146,176
Cash in banks and cash equivalents	–	–	–	–	–	2,739,042
Trade receivables	1,637,941	–	–	–	–	2,357,487
Short term deposit	–	–	–	–	–	94,976
P3,699,740	P1,637,941	=P–	=P–	=P–	=P–	P5,337,681
	651,802					**300,625**
including current maturities**	**P4,336,934**	**185,000**	**23,125**	–	–	– **P3,793,847**

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 Liabilities							
Bank loans	P725,000	=P–	=P–	=P–	=P–	=P–	P725,000
Accounts payable and accrued liabilities*	2,659,967	–	–	–	–	–	2,659,967
Advances from related parties	88,482	–	–	–	–	–	88,482
Customers' deposits	96,846	–	–	–	–	–	96,846
Long-term debts and obligations, including current maturities**	266,336	275,714	274,770	84,236	14,181	–	915,237
	P3,836,631	P275,714	P274,770	P84,236	P14,181	=P–	P4,485,532

**Excluding payable to government agencies of =45,758P.*

***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. 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.

The sensitivity to a reasonably possible change in interest rates on the Group's short-term and long-term debts and obligations, with all other variables held constant of the Group's income before income tax for the years ended December 31, 2014 and 2013 follows:

December 31, 2014:

Change in interest rates (in basis points*)				
	107bp rise	**143bp rise**	**107bp fall**	**143bp fall**
Effect on income before income tax	**P24,662**	**P30,346**	**(P24,662)**	**(P30,346)**

**1 basis point is equivalent to 0.01%.*

December 31, 2013:

Change in interest rates (in basis points*)				
	107bp rise	143bp rise	107bp fall	143bp fall
Effect on income before income tax	P9,841	P13,152	(P9,841)	(P13,152)

**1 basis point is equivalent to 0.01%.*

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 2013 and 2012.

A reasonably possible change of –/+1% in 2014 and –/+ 4% in 2013 in United States dollar (US$) exchange rate at December 31, 2014 and 2013 would lead to the following income before income tax movements in the Group's consolidated statements of income:

December 31, 2014:

		Increase (decrease) in income before income tax	
	Peso equivalent of US dollar denominated assets/liabilities	**US dollar weakened by 4% against Philippine peso**	**US dollar strengthened by 4% against Philippine peso**
Cash and cash equivalents	**P25,030**	**(P1,001)**	**P1,001**
Trade receivables	**16,124**	**(645)**	**645**
Advances to related parties	**6,257**	**(250)**	**250**
Bank loans	**223,600**	**8,944**	**(8,944)**
Trade payables	**126,834**	**5,073**	**(5,073)**
Advances from related parties	**46,876**	**1,875**	**(1,875)**
	P444,721	**P13,996**	**(P13,996)**

December 31, 2013:

		Increase (decrease) in income before income tax	
	Peso equivalent of US dollar denominated assets/liabilities	US dollar weakened by 0.52% against Philippine peso	US dollar strengthened by 0.52% against Philippine peso
Cash and cash equivalents	P442	(P23)	P23
Trade receivables	58	(3)	3
Advances to related parties	1,760	(92)	92
Accounts payable	(1,337)	70	(70)
Advances from related parties	(2,279)	119	(119)
	(P1,356)	P71	(P71)

The exchange rate of the Peso to the US Dollar is P44.72 and P44.40 as of December 31, 2014 and 2013, respectively.

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

30. **Fair Value Measurement**

The following table provides the fair value measurement hierarchy of the Group's assets as of December 31:

2014

		Fair Value Measurement Using		
Quoted Prices Significant Significant in Active Observable Unobservable				
	Total	**Markets (Level 1)**	**Inputs (Level 2)**	**Inputs (Level 3)**
Assets measured at fair value				
Property, plant and equipment at appraised value	**P2,155,094**	**P=–**	**P=–**	**P2,564,222**
Asset for which fair value is disclosed				
Investment properties	**394,308**	**–**	**–**	**394,308**

2013

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value				
Property, plant and equipment at appraised value	2,564,222	P=–	P=–	P2,564,222
Asset for which fair value is disclosed				
Investment properties	92,120	–	–	92,120

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2014 and 2013.

Property, plant and equipment at appraised value
The appraised value of the land was determined using the Market Approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (-20% to -10%) and location (-5% to 10%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land.

Investment properties
The fair value of the investment properties was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on terrain, size, location and utility.

	2014	2013

31. **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, 2014 and 2013.

The table below summarizes the total capital considered by the Group:

Capital stock	**P3,500,404**	P3,160,404

Capital in excess of par value	**2,048,588**	788,643
Deposit for stock subscriptions	–	1,599,945
Retained earnings	**2,159,341**	1,602,528
	P7,708,333	P7,151,520

32. **Share-based Compensation Plan**

URICI has the following share-based compensation plans, wherein key management of URICI are participating in the following share options and purchase plans of Unilever N.V. (NV) and Unilever PLC (PLC).

Global Share Incentive Plan (GSIP)
Under the GSIP, annual awards of shares in NV and PLC are granted to executive directors along with other senior employees. The actual number of shares received at vesting after three years depends on the satisfaction of performance conditions linked to improvements in URICI's performance.

The vesting share will be conditional on the achievement of three distinct performance conditions over the performance period. The performance period is a 3-year calendar period. These are: (a) vesting of 40% of the shares in the award is based on a condition measuring URICI's relative total shareholder return; (b) vesting of a further 30% of the shares in the award is conditional on average underlying sales growth performance over the three-year period; and (c) the vesting of the final 30% of the shares in the award is conditional on cumulative ungeared free cash flow performance which is the basic driver of returns URICI is able to generate to its shareholders.

Management Co-Investment Plan (MCIP)
The Management Co-Investment Plan further enhances alignment with shareholder's interest.
Under the MCIP, key executives can elect to invest up to 60% of their annual bonus in Unilever NV and PLC shares (Investment Shares). These are then matched with an equivalent number of shares.

The matching shares will vest in 3 years at 0% to 200% depending on Unilever's achievement of the vesting conditions. The vesting conditions are: (1) Underlying Sales Growth, (2) Average Underlying Operating Margin and (3) Cumulative Operating Cash Flow.

During the vesting period, the match shares can earn dividend equivalents. These dividend shares are re-invested as additional MCIP target shares.

Share-based compensation expense relating to key executives that transferred employment within the Unilever Group entities (including URICI) are recognized in the entity where the services have been rendered. Share-based compensation expense in relation to these key executives are recognized by URICI within personnel costs in the consolidated statement of income.

In 2014 and 2013, NV and PLC charged URICI an amount equal to the fair value at grant date of the share options provided by URICI under GSIP and MCIP share-based plans. As a result, the related amounts of share options under share-based compensation reserve in the consolidated statement of changes in equity were transferred to due to related parties in the consolidated balance sheet.

In 2014 and 2013, NV and PLC charged Unilever Philippines, Inc. the full amount of both the former and the Company's due amount equal to the fair value at grant date of the share options under GPSP, GSIP and SMP share-based plans. As a result, the related amounts of share options under share-based compensation reserve in the statement of changes in equity were transferred to due to related parties in the statement of financial position, as Unilever Philippines, Inc. issues an invoice to charge the URICI for its share in the cost billed by the ultimate parent companies.

For the year ended December 31, 2014 and 2013, total recharge from NV and PLC based on the foregoing discussions amounted to P1.10 million and P2.60 million, respectively. The whole amount is credited to due to related parties in the consolidated balance sheet and included as part of personnel costs in the consolidated statement of income.

As at December 31, 2014 and 2013, share-based compensation plan recognized in equity amounted to nil and P1,345,581, respectively.

As at December 31, 2014 and 2013, the exercise price is generally equal to the market price at the date of grant.

The summary of the status and changes on the GSIP and MCIP as of and for the years ended December 31 is as follows:

GSIP

	2014		2013	
	Unilever NV Shares		Unilever NV Shares	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1	**1,178**	**P28.48**	1,180	P24.05
Grant	**520**	**27.80**	977	28.91
Lapsed	**(189)**	**27.80**	(274)	28.91
Released	**(465)**	**22.91**	(705)	21.49
Outstanding at December 31	**1,044**	**P30.75**	1,178	P28.48
Fair value per share award during the year in Euro/Pound *(a) (b)*	**£28.91**	–	£28.91	–
Fair value per share award during the year in Peso	**P1,776**	–	P1,776	–

(a) Weighted average of share awards granted during the year.

(b) Estimated based on par achievement target.

MCIP

	201 4		2013	
	Unilever NV Shares		Unilever NV Shares	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1	**1,139**	**£25.64**	765	£22.91
Grant	**370**	**27.80**	952	26.24
Vested	**(694)**	**22.91**	(578)	27.40
Outstanding at December 31	**815**	**£28.94**	1,139	£25.64
Fair value per share award during the year in Euro/Pound *(a)*	**27.80**	–	28.91	–
Fair value per share award during the year in Peso	**1,707.38**	–	1,775.56	–

(a) Weighted average of share awards granted during the year.

33. **Events after the Balance Sheet Date**

On February 27, 2015, the BOD approved the declaration of =P0.037 cash dividend per share or a total of =P129.51 million to its stockholders as of March 13, 2015.

RFM CORPORATION AND SUBSIDIARIES Schedule
A. Financial Assets
For the year Ended December 31, 2014
(Amounts in Million Pesos unless otherwise stated)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Philtown Inc. Preferred	218,349,995	307	Not applicable	0
Republic Dynamics Corporation	1,630,935	4	Not applicable	0
PSI Technologies, Inc., (formerly PACSEM)	2,253	1	Not applicable	0
Philtown Inc. Common	389,382	0	Not applicable	
Philippine Long Distance Telephone Company, Inc.	5,670	0	Yes	0
Asia Finance Corporation, Ltd.	100,000	1	Not applicable	0
Club Filipino, Inc.	1	0	Not applicable	0
Philippine Exporters Trading Corporation	1	0	Not applicable	0
Universal Rightfield	500,000	0	Not applicable	0
Wellex Industries	280,000	0	Yes	0
Total		313		0

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, 2014
(Amounts in Million Pesos unless otherwise stated)

Name and Designation of Debtor (Creditor)	Balance at the beginning of period	Balance at the end of period	If collections was other than in cash, explain	If for write off, give reasons
Cabuyao Logistics and Industrial Corporation	422	413		
Interbake Commissary Corporation	(268)	(72)		
RFM Equities, Inc.	(37)	(37)		
Conglomerate Securities & Financing Corp	(6)	-		
RFM Foods Philippines Corporation	85			
RFM Tuna Corporation	142			
Filipinas Water Bottling Company, Inc.	25	11		
RFM Canning & Marketing, Inc.	35	35		
Invest Asia Corporation	(3)	(13)		
Unilever-RFM Ice Cream, Inc.	1	4		
Total	396	341		

RFM CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets
For the year Ended December 31, 2014
(Amounts in Million Pesos unless otherwise stated)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Other Charged to other accounts	changes additions (deductions)	Ending Balance
Goodwill	191					191
Trademark		2,081				2,081
Software	7		(3)			4
TOTAL	**198**	**2,081**	**(3)**		**2,276**	

Schedule E. LONG TERM DEBT
For the year Ended December 31, 2014
(Amounts in Million Pesos unless otherwise stated)

Title of Issue and type of obligation	Amount authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Loan from a local bank, with interest on the loan the higher of (1) the sum of three months PDST-F rate plus a certain spread or (2) the BSP overnight reverse repurchase rate and principal payments payable in sixteen equal quarterly installments of P=23.13 million starting May 29, 2014	300.63	92.52	208.11
Loan from a local bank with interest rate based on 3-month PDST-F plus a certain spread; payable in seventeen equal quarterly installments of P=29.41 million each starting May 12, 2012	176.47	117.64	58.83
Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%; payable in seventeen equal quarterly installments of P=10.88 million each starting October 31, 2013	130.59	43.52	87.07
Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%; payable in seventeen equal quarterly installments of P=8.82 million each starting March 15, 2012	44.12	35.29	8.82
Total	**651.80**	**288.97**	**362.83**

RFM CORPORATION AND SUBSIDIARIES

Schedule H. CAPITAL STOCK
For the year Ended December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued as shown under related Balance Sheet	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
	3,978,265,025	3,500,403,866	-	-	21,622,695	3,478,781,171

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, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cashsettled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓

	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
	Amendments to PFRS 7: Hedge Accounting		✓*	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓*	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
	Amendments to PFRS 9: Hedge Accounting		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities		✓*	
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities		✓*	
PFRS 13	Fair Value Measurement	✓		

Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓*****	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities		✓*****	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓*****	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓*****	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓*****	
	Amendments to PAS 39: Hedge Accounting		✓*****	
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

IFRIC 21	Levies		✓*	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

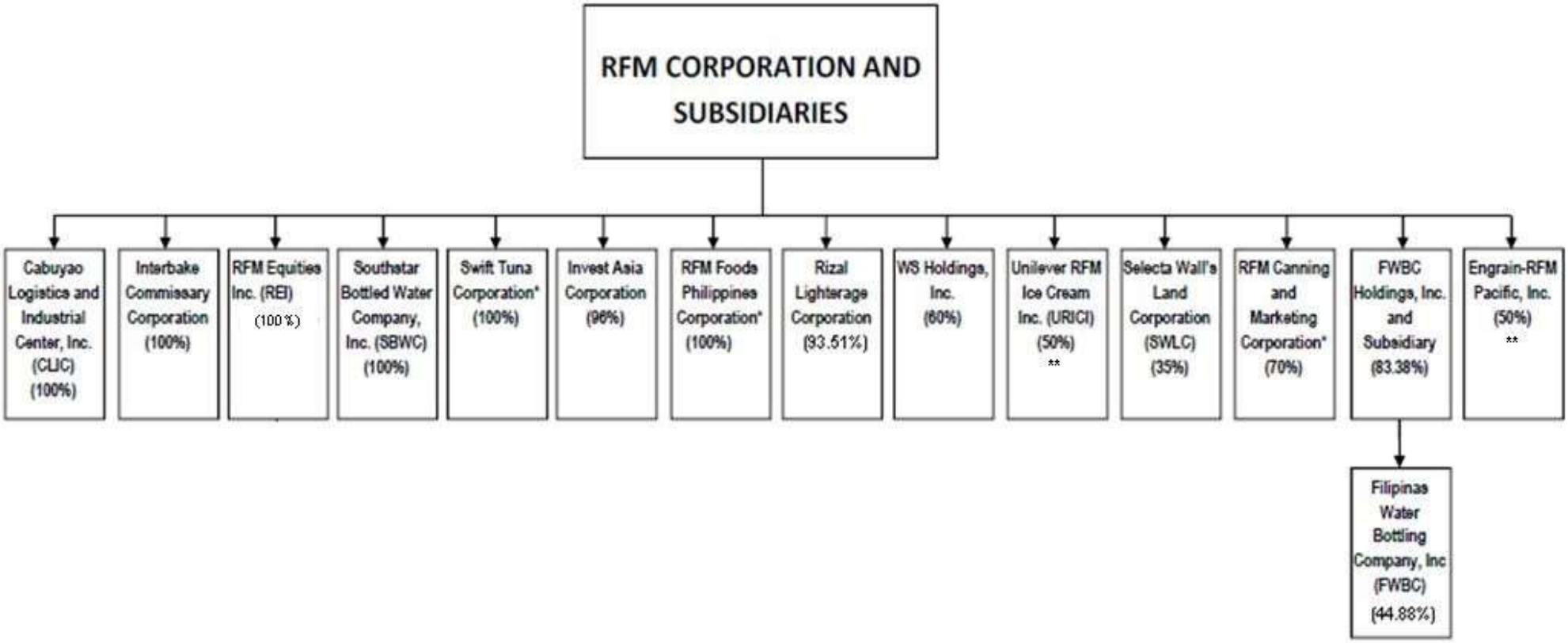
**Not early adopted*

RFM CORPORATION
Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration
For the year Ended December 31, 2014
(Amounts in Thousand Pesos unless otherwise stated)

Unappropriated Retained Earnings, beginning	**1,851,445**
Add (Deduct) Reconciling Items:	
Deferred income tax asset	**(43,977)**
Unappropriated Retained Earnings as Adjusted, beginning	**1,807,468**
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	**945,439**
Less: Non-actual/unrealized income net of tax	
Movement of deferred income tax assets that increased net income	**(25,738)**
Net income actually earned during the period	**919,701**
Add (Less):	
Dividend declarations during the year	**(235,777)**

TOTAL RETAINED EARNINGS AS OF 31 DECEMBER 2014 AVAILABLE FOR DIVIDEND	**2,491,392**

RFM CORPORATION AND SUBSIDIARIES
Schedule K. Conglomerate Mapping
As of December 31, 2014



*Dormant

** Joint Venture

RFM CORPORATION AND SUBSIDIARIES
Schedule L. Financial Soundness Indicators

	Years ended December 31	**2014**	2013
1	Current Ratio	**1.38**	1.82
2	Debt-to-Equity Ratio	**0.56**	0.60
3	Asset to Equity Ratio	**1.56**	1.60
4	Interest Rate Coverage Ratio	**20.69**	17.21
5	Gross Profit Rate	**36.38%**	35.84%
6	Net income Rate	**7.57%**	7.68%

COVER SHEET

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
17-02	SEC	NA

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3,267	07/02	12/31

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
Minerva C. Laforteza	mclaforteza@rfm.com.ph	(02) 631-8101	N/A

Contact Person's Address

RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **MARCH 31, 2015**

2. Commission 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**
Province, country or other jurisdiction of incorporation or organization

6. _____ (SEC Use Only)
Industry Classification Code

7. **RFM Corporate Center, Pioneer corner and Sheridan Streets, Mandaluyong City** **1550**
Address of Registrant's principal office Postal Code

8. **0632-631-81-01**
Registrant'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 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Issued and Outstanding
Common Stock, ₱1.00 par value	**3,500,403,866**

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

Yes [✓] No [ ]

12. Indicate by check mark whether the Registrant:

a. has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines (CCP) during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports): [Note: Sec. 26 of the CCP deals with reporting of election of directors or officers to the SEC; Sec. 141 with the submission of financial statements to the SEC.]

Yes [✓] No [ ]

b. has been subject to such filing requirements for the past 90 days.

Yes [✓] No [ ]

SIGNATURES

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

RFM CORPORATION
Registrant

MA. HERMINIA C. YOUNG
SVP-GM Consumer Group

MINERVA C. LAFORTEZA
VP – Finance and Controllership

Dated: **May 12, 2015**

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Millions)

	For the period ended	
	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	**₱1,198**	₱725
Accounts receivable (Note 5)	**2,166**	2,624
Inventories (Note 6)	**1,976**	1,894
Other current assets (Note 7)	**466**	366
Total Current Assets	**5,806**	5,608
Noncurrent Assets		
Property, equipment and investment property (Note 8)	**5,390**	5,439
Intangible Asset	**2,276**	2,276
Investment (Note 9)	**466**	466
Other noncurrent Asset (Note 11)	**135**	169
Total Noncurrent Assets	**8,267**	8,350
TOTAL ASSETS	**₱14,073**	₱13,959
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱999**	₱ 927
Accounts payable and accrued liabilities (Note 12)	**2,895**	2,828
Current portion of Long-term debts	**236**	289
Provisions	**6**	6
Total Current Liabilities	**4,136**	4,050
Noncurrent Liabilities		
Long-term debts - net of current portion	**363**	363
Other noncurrent liabilities (Note 13)	**557**	579
Total Noncurrent Liabilities	**920**	942
Total Liabilities	**5,056**	4,992
Equity attributable to equity holders of the Parent Company (Note 13)		
Capital stock (Note 14)	**3,500**	3,500
Capital in excess of par value	**2,049**	2,049
Equity reserve	**(7)**	(7)
Net changes in fair value of AFS financial assets (Note 16)	**–**	–
Revaluation increment on land - net of deferred income tax effect	**1,286**	1,286
Share based compensation	**(1)**	–
Retained earnings	**2,209**	2,159
Non-controlling interests	**(20)**	(20)
Total Equity	**9,016**	8,967
TOTAL LIABILITIES AND EQUITY	**₱14,073**	₱13,959

See accompanying Notes to Unaudited Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except for Earnings Per Share Data)

	For the Quarter Ended March 31	
	2015	2014
NET REVENUES	**₱2,571**	₱2,238
DIRECT COSTS AND EXPENSES	**(1,626)**	(1,427)
GROSS PROFIT	**945**	811
SELLING AND MARKETING EXPENSES	**(399)**	(445)
GENERAL AND ADMINISTRATIVE EXPENSES	**(280)**	(148)
NET OPERATING INCOME	**266**	218
OTHER INCOME (CHARGES) – Net (Note 18)	**(10)**	(12)
INCOME BEFORE PROVISION FOR INCOME TAX	**256**	206
PROVISION FOR INCOME TAX	**(77)**	(39)
NET INCOME	**179**	₱167
Attributable to:		
Equity holders of the Parent Company	**178**	₱166
Minority interests (Note 2)	**1**	1
	179	₱167
Basic/Diluted Earnings Per Share (Note 19)	**₱0.05**	₱0.05

See accompanying Notes to Unaudited Consolidated Financial Statements

RFM CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions)

	For the Quarter Ended March 31	
	2015	2014
NET INCOME	**₱179**	₱167
OTHER COMPREHENSIVE INCOME	–	–
Total comprehensive income for the period	**₱179**	₱167
Attributable to:		
Equity holders of the Parent Company	**178**	₱166
Minority interests (Note 2)	1	1
	179	₱167

See accompanying Notes to Unaudited Consolidated Financial Statements

RFM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Millions)

	Attributable to Equity Holders of the Parent										
	Capital Stock	Capital In Excess of Par Value	Deposit for Stock Subscription	Equity Reserve	Net Changes in Fair Value of AFS Financial Assets	Revaluation Increment	Share-based Compensation	Retained Earnings	Total	Minority Interests	Total Equity
BALANCES AT JANUARY 1, 2013	**₱3,160**	**₱789**	**₱1,600**	**₱(7)**	**₱(1)**	**₱1,286**	**₱1**	**₱1,602**	**₱8,431**	**₱(7)**	**₱8,424**
Net income for the period	–	–	–	–	–	–	–	166	166	1	167
Cash dividends	–	–	–	–	–	–	–	(120)	(120)	–	(120)
Issuance of capital stock	340	1,260	(1,600)	–	–	–	–	–	–	–	–
Effect of adoption of Revised PAS 19	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT MARCH 31, 2014	**₱3,500**	**₱2,049**	**₱–**	**₱(7)**	**₱(1)**	**₱1,286**	**₱1**	**₱1,648**	**₱8,477**	**₱(6)**	**₱8,471**
Net income for the period	–	–	–	–	–	–	–	672	672	(5)	667
Remeasurement gain on defined benefit plan	–	–	–	–	–	–	–	(45)	(45)	–	(45)
Revaluation of land	–	–	–	–	–	–	–	–	–	–	–
Valuation gains realized through profit and loss	–	–	–	–	–	–	–	–	–	–	–
Net changes in fair value of AFS financial assets	–	–	–	–	1	–	–	–	1	(10)	9
Cash dividends	–	–	–	–	–	–	–	(116)	(116)	–	(116)
Share-based compensation plan	–	–	–	–	–	–	(1)	–	(1)	–	(1)
BALANCES AT DECEMBER 31, 2014	**₱3,500**	**₱2,049**	**₱–**	**₱(7)**	**₱–**	**₱1,286**	**₱–**	**₱2,159**	**₱8,988**	**₱(21)**	**₱8,967**
Net income for the period	–	–	–	–	–	–	–	179	179	(1)	178
Cash dividends	–	–	–	–	–	–	–	(130)	(130)	1	(129)
Issuance of capital stock	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT MARCH 31, 2015	**₱3,500**	**₱2,049**	**₱–**	**₱(7)**	**₱–**	**₱1,286**	**₱1**	**₱2,208**	**₱9,036**	**(₱20)**	**₱9,016**

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

	For the Period Ended March 31	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income after income tax	**₱179**	₱167
Adjustments for:		
Depreciation and amortization	**49**	92
Operating income (loss) before working capital changes	**228**	259
Decrease (increase) in:		
Accounts receivable	**459**	21
Inventories	**(82)**	(70)
Other current assets	**(100)**	(432)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**67**	(57)
Other current liabilities		181
Net Cash generated from (used in) operations	**572**	(98)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (Acquisition) of investments and property and equipment, net		125
Decrease (Increase) in other noncurrent assets	**34**	(1,999)
Net cash used in investing activities	**34**	(1,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of Long-term debt and obligations / bank loans	-	1,072
Repayments of Long-term debt and obligations / bank loans	**(53)**	(175)
Dividends paid	**(130)**	-
Increase (decrease) in minority interests and other noncurrent liabilities	**(22)**	(16)
Net cash from financing activities	**(133)**	(881)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**473**	(1,091)
CASH AND CASH EQUIVALENTS, JANUARY 1	**725**	2,885
CASH AND CASH EQUIVALENTS, MARCH 31	**₱1,198**	₱1,794

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

RFM Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1957. 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 and its shares are listed in the Philippine Stock Exchange (PSE) starting in 1966. The Parent Company is mainly involved in the manufacturing, processing and selling of wheat, flour and flour products, pasta, meat, milk, juices, margarine, and other food and beverage products. The Parent Company and its subsidiaries are collectively referred to as the Group.

The registered office address of the Parent Company is RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City.

2. Summary of Significant Accounting and Financial Reporting Practices

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 available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine peso (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 Philippine Securities and Exchange Commission (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) in 2014 and 2013 and in compliance with PFRSs in 2011.

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 and amended pronouncements starting January 1, 2013. Adoption of these new and amended pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans* (Amendments)
- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*

  Effective January 1, 2013, PFRS 11 will supersede PAS 31, *Interests in Joint Ventures* and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 will remove the option to account for jointly controlled entities using the proportionate consolidation method. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. Under PFRS 11, the Group's investment in URICI meets the definition of a joint venture. On October 1, 2012, the Parent Company requested for an exemptive relief from the adoption of PFRS 11 to its investment in URICI from the SEC. 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 to its investment in URICI. Engrain-RFM Pacific, Inc., a new joint venture acquired by the Group in 2013, will be

accounted for using the equity method in accordance with PFRS 11.

- PFRS 12, *Disclosure of Interests in Other Entities*
- PFRS 13, *Fair Value Measurement*

The Group has updated its accounting policy on fair value measurement as a result of the adoption of PFRS 13. The adoption of PFRS 13 has no significant impact on the fair value measurements of the Group. Additional disclosure requirements were made in compliance with the requirements in PFRS 13.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (OCI) (Amendments)

As a result of adopting the said amendments to PAS 1, the Group has modified its presentation of items of other comprehensive income in the statements of comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time will be presented separately from items that will never be reclassified.

- PAS 19, *Employee Benefits* (Revised)

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. It also replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, as at the beginning of the annual period.

Prior to the adoption of the Revised PAS 19, the Group's accounting policy is to recognize actuarial gains and losses on defined benefit plans in full in other comprehensive income and transferred to retained earnings in the period they arise. Thus, the adoption of the Revised PAS 19 did not have a significant impact on the Group's financial position. The adoption of the Revised PAS 19 also did not have an impact on the Group's statements of cash flows. Further, there is no significant impact on the Group's earnings per share.

- PAS 27, *Separate Financial Statements (Amendments)*
- PAS 28, *Investments in Associates and Joint Ventures (Amendments)*
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements to PFRSs* (2009-2011 cycle)

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group prepared for the same reporting year as the Parent Company, using consistent accounting policies.

The consolidated subsidiaries, which are all incorporated in the Philippines and the effective percentages of ownership is as follows:

	Percentage of Ownership	
	March 31, 2015	December 31, 2014
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 Insurance Brokers, Inc. (RIBI)	-	-
Conglomerate Securities and Financing Corporation (CSFC)	-	-
RFM Foods Philippines Corporation*	**100.00**	100.00
Southstar Bottled Water Company, Inc. (Southstar)*	**100.00**	100.00
Swift Tuna Corporation*	**100.00**	100.00
Invest Asia Corporation (Invest Asia)	**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)	**44.38**	44.38
RFM Canning and Marketing, Inc. (RFM Canning)*	**70.00**	70.00
WS Holdings, Inc. (WHI)	**60.00**	60.00

**Dormant*

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

In 2014, the Parent Company sold all its shares in RIBI and CSFC, subsidiaries, at a total cash consideration of ₱16.80 million and ₱17.99 million, respectively and accordingly executed corresponding deeds of absolute sale of shares of stock with the new shareholders.

In 2012, the Parent Company acquired additional shares in RLC, a subsidiary, at a total cash consideration of ₱0.08 million and accordingly executed corresponding deeds of absolute sale of shares of stock with the former shareholders.

In 2011, the Parent Company acquired additional 10.53% ownership interest in RLC, a subsidiary, at a total cost of ₱8.66 million, and accordingly executed corresponding deeds of absolute sale of shares of stock with the former shareholders.

Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, 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 involvement with the investee; and,
- The ability to use power over the investee to affect the amount of the investor's 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 statements of income and comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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 other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling Interest
Non-controlling interest represents the portion of equity not attributable to the Group. 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.

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 incurred are expensed 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 either in the consolidated statement of income or as a change to other comprehensive 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) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

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 December 31.

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 up to three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 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 securities at fair value through profit and loss (FVPL), the initial measurement of financial assets includes any transactions costs. The Group's financial assets are further classified into the following categories: financial assets at FVPL (as derivatives designated as hedging instruments in an effective hedge, as appropriate), loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group also classifies its financial liabilities as financial liabilities at FVPL (as derivatives designated as hedging instruments in an effective hedge, as appropriate) 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 instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each balance sheet date.

Financial instruments are classified as 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.

As of March 31, 2015 and December 31, 2014, the Group has no financial assets and financial liabilities at FVPL and HTM investments.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. 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. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As of March 31, 2015 and December 31, 2014, the Group's loans and receivables include cash in banks and cash equivalents, accounts receivable, advances to related parties and other current receivables.

AFS financial assets

Non-derivative financial assets are designated as AFS when they are not classified in any of the three other categories. The Group classifies financial assets as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS

financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Net changes in fair value of AFS financial assets". When the financial asset is disposed of, the cumulative gain or loss previously recorded in the consolidated statement of comprehensive income is recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on financial assets are recognized in the consolidated statement of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investments. The major factor of this decision is whether or not the Group will experience inevitable further losses on investments. These financial assets are classified as noncurrent unless there is intention to dispose of such assets within 12 months of the balance sheet date.

AFS financial assets in unquoted equity securities are carried at historical cost, net of impairment.

As of March 31, 2015 and December 31, 2014 and 2013, the Group's AFS financial assets include investments in unquoted redeemable preferred and common shares, and quoted common and golf club shares.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Financial liabilities are classified as current, except for maturities greater than twelve months after the balance sheet date. These are classified as noncurrent liabilities.

As of March 31, 2015 and December 31, 2014 and 2013, the Group's other financial liabilities include bank loans, accounts payable and accrued liabilities, long-term debts, finance lease obligations and advances from related parties.

Derivatives
Derivative financial instruments (swaps and option contracts to economically hedge exposure to fluctuations in interest rates) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income for the year, unless the transaction is a designated and effective hedging instrument.

Impairment of Financial Assets
The Group assesses at each balance sheet 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. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of impairment loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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. The carrying amount of the receivable is reduced either directly or through the use of an allowance account. Impaired financial assets carried at amortized cost are derecognized when they are assessed as uncollectible either at a direct reduction of the carrying amount or through use of an allowance account when impairment has been previously recognized in the said amount.

AFS financial assets
For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income.

Impairment losses on equity investments are recognized in the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

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

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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 liability
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
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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.

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 by 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.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 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.

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 and goods in process	-	direct materials, direct labor, and a proportion of manufacturing overhead costs, determined using the weighted average method
Raw materials, spare parts and supplies	-	purchase cost using the weighted average method

NRV is the selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

For goods in process, cost includes the applicable allocation of fixed and variable overhead costs.

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 balance sheet date.

An allowance for inventory obsolescence is provided for slow-moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Investment Properties

Investment properties consist of land and building and improvement that are not occupied substantially for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and any impairment losses.

Depreciation of investment properties is computed using the straight-line method over the useful lives of the assets,

Depreciation ceases at the earlier of the date the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the investment property is derecognized.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized from the accounts when they have been either disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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 balance sheet.

Revaluation of land is made so that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet 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 profit or loss.

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 fixed assets 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.

Depreciation or amortization are 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 are amortized 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. These assets are not depreciated until such time that the relevant assets are completed and available for use.

Depreciation or 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 or amortization ceases 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) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, 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 written off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefits expected from its use or disposal.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

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

Investments in an Associate and Joint Ventures

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.

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.

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

The Group's investments in an associate and joint ventures are accounted for using the equity method except for its investment in URICI, a joint venture, which was accounted for using the proportionate consolidation method as permitted by the Philippine SEC. This method involves consolidating a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the 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 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 as part of Other Income 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 profit or loss.

Impairment of Noncurrent Non-financial Assets

The carrying values of property, plant and equipment, investments in joint ventures and investment in an associate are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and 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 cash-generating unit (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.

Previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of an asset, but not, however, to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had there been no impairment loss recognized for the asset in prior years. A reversal of an impairment loss is recognized in the consolidated statement of income.

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 "Capital in excess of par value" 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 Parent Company, 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.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to the "Capital in excess of par value" account.

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-interests method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which control ceases.

Share-based Compensation Plan
URICI, through Unilever Philippines, Inc., operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and including any market performance conditions, excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets, employee of the entity remaining over a specified time period, etc.) and impact of any non-vesting conditions (e.g. the requirement for employees to serve).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to equity.

When the options are exercised, URICI issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

The grant of options over its equity instruments to the employees of URICI is treated as a capital contribution.

Deposit for Stock Subscriptions
Deposit for stock subscriptions represent the amount received which will be applied as payment in exchange for a fixed number of the Parent Company's capital stock. These are classified as equity if there is sufficient unissued authorized capital stock; or if in the case where the unissued capital stock is insufficient to cover the amount of the deposit, the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and the proposed increase has been filed with the Philippine SEC on or before the balance sheet date. Otherwise, the deposits are classified as liability.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, 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 by the BOD of the Company. Stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Revenue Recognition
Revenue from sale of goods and services from manufacturing and service operations is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding value-added tax (VAT), returns and discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements, except for RIBI, an insurance broker, which acts as an agent. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods (Manufacturing)
Revenue is recognized 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.

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 effective interest 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 the stockholders.

Cost and Expense Recognition
Cost of Sales and Services
Cost of sales is recognized when goods are delivered to and accepted by the buyer. Cost of services is recognized when the related services are performed.

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Pension 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
- Remeasurements 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 profit or loss.

Remeasurements 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. Remeasurements are not reclassified to profit or loss 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. 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

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Leases where lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are recognized as expense in the consolidated 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 balance sheet date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet 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 operating 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 balance sheet 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 balance sheet 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 balance sheet date.

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

Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to any stock split or stock dividends declared and stock rights exercised during the year, if any.

Diluted earnings per share is computed by adjusting the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year for the effects of all dilutive potential common shares.

The Parent Company does not have potentially dilutive common shares.

Segment Reporting

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

Foreign Currency-Denominated Transactions and Translations

Transactions 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 balance sheet date. 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.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the parent company statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the profit or loss, any exchange component of that gain or loss shall be recognized in the parent company statement of income.

Provisions 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. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated 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 consolidated financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Balance Sheet Date

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

Pronouncements Issued but Not yet Effective

The Group will adopt the following pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended pronouncements to have significant impact on its financial statements:

Effective in 2014

- PFRS 10, PFRS 12 and PAS 27, *Investment Entities (Amendments)*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*, clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*, relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments are not relevant to the Group because currently, the Group does not apply hedge accounting.

- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

Annual Improvements to PFRSs (2010-2012 cycle)

- PFRS 2, *Share-based Payment - Definition of Vesting* Condition, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. The Group shall consider this amendment for future share-based payment arrangements.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business* Combination, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are applied retrospectively.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the

periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRSs.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint* Arrangements, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio* Exception, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property*, stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied.

No Effective Mandatory Date and Adoption

- PFRS 9, *Financial Instruments: Classification and Measurement*, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an impact on the classification and measurement of the Group's financial assets but potentially have no significant impact on the classification and measurement of the Group's financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The adoption of the third phase of PFRS 9 will not have an impact to the Group because the Group does not apply hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not early adopt PFRS 9 but will continue to evaluate and conduct a study on the possible impact of adopting the limited amendments to the classification and measurement model and second phase of PFRS 9 when they are completed.

Deferred by SEC

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. This interpretation is not relevant to the Group.

Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported and the disclosures made. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates, and such estimates will be adjusted accordingly, when the effects become determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet. Classification of financial instruments is reviewed at each balance sheet date.

Impairment of AFS financial assets

The Group determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for the quoted equity securities. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In light of the changing business model of Philtown Properties, Inc. (Philtown), the Parent Company performed an impairment testing of its AFS financial assets in Philtown using the "Adjusted Net Asset Method". In using this method, the fair values of the assets and liabilities of Philtown were determined as of impairment testing date, December 31, 2014 and 2013. No impairment loss was recognized in 2014.

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.

Determination of the classification of leases
The Group has entered into various lease agreements as a lessee. The Group accounts for lease arrangements as finance lease when the lease term is for the major part of the life of the asset and the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable. Otherwise, the leases are accounted for as operating leases.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of asset and liabilities within the next financial year are discussed below.

Estimation of allowance for doubtful accounts
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 effective interest rate. 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 are payment history, inactive accounts, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made during the year.

Estimation of inventory obsolescence
The Group estimates the allowance for inventory obsolescence related to inventories based on a certain percentage of non-moving inventories. The level of allowance is evaluated by management based on past experiences and other factors affecting the saleability of goods such as present demand in the market and emergence of new products, among others.

Determnination 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.

Estimation of allowance for probable losses
Allowance for probable losses of prepaid expenses is based on the ability of the Group to recover the carrying value of the assets. Accounts estimated to be potentially unrecoverable are provided with adequate allowance through charges to the consolidated statement of income in the form of allowance for probable loss.

Estimation of useful lives of property, plant and equipment and investment properties
The Group estimates the useful lives of depreciable property, plant and equipment and investment properties

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 and investment properties would increase the recorded operating expenses and decrease the carrying value of the assets and vice versa. The estimated useful lives of property, plant and equipment and investment properties are discussed in Note 2 to the consolidated financial statements. There had been no changes in the estimated useful lives of property, plant and equipment and investment properties in 2014 and 2013.

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 depreciation and accumulated impairment losses. The revaluation is performed by professionally qualified appraisers. 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 balance sheet date.

No appraisal on Land was made in 2014. Previous year's appraisal increase on land at amounted to ₱1,286.35 million and is presented as "Revaluation increment on land" account, net of deferred income tax effect of ₱ 551.29 million in the equity section of the consolidated balance sheets.

Impairment of property, plant and equipment, investment properties and investments in associate and joint ventures
The Group assesses whether there are indications of impairment on its property, plant and equipment, investment properties and investments in associates, at least on an annual basis. If there are, impairment testing is performed. This requires an estimation of the value-in-use of the CGUs to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill
The Group reviews for impairment the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of goodwill annually every December 31. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. 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. In 2013 and 2012, the Parent Company performed an impairment test with respect to its goodwill resulting from its acquisition of URICI amounting to ₱190.56 million as of December 31, 2013 and 2012. The Parent Company used a discount rate of 5.27% and the growth rate assumption on sales of URICI through out the projection period. No impairment losses were recognized for the years ended December 31, 2013, 2012 and 2011.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and adjusts the balance of deferred income tax assets 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.

Estimation of pension benefits obligations and costs
The determination of the Group's obligation and costs of pension benefits depends on the selection by management of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others the discount rate, expected rate of return and rate of salary increase. The Group recognizes all actuarial gains and losses in the consolidated statement of comprehensive income, and therefore generally affects the recorded obligation. While management believes that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension obligation.

4. **Segment Information**

The Group's management reports its operating business segments into the following: (a) institutional business, (b) consumer business, and (c) other operations. The institutional business segment primarily manufactures and sells flour and bread products, manufactures pasta, flour and rice-based mixes to institutional customers. The consumer business segment manufactures and sells ice cream, milk and juices, sells pasta products, and flour and rice-based mixes. Other segments consist of insurance, financing, lighterage, moving, cargo handling, office space leasing and other services shown in aggregate as "Other operations".

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.

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, segment expenses and segment results, 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 is as follows (amounts in millions):

	For the Quarter Ended March 31, 2015				
	Institutional Business	Consumer Business	Other Businesses	Eliminations	**Consolidated**
Net sales					
External sales	₱996	₱1,567	₱8	₱–	**₱2,571**
Intersegment sales	–	–	15	(15)	–
	₱996	₱1,567	₱23	₱(15)	**₱2,571**
Results					
Income (loss) from operations	₱200	₱84	(18)	₱-	**₱266**
Other income (charges) - net					**(10)**
Provision for income tax					**(77)**
Net income					**179**
Other information					
Segment assets	₱10,947	₱9,501	₱5,592	₱(12,433)	**₱13,607**
Investments	–	315	1,376	(1,225)	**466**
Consolidated Total Assets	₱10,947	₱9,816	₱6,968	₱(13,658)	**₱14,073**
Consolidated Total Liabilities					**₱5,056**
Depreciation and amortization					**₱49**

For the Quarter Ended March 31, 2014					
	Institutional Business	Consumer Business	Other Businesses	Eliminations	**Consolidated**
Net sales					
External sales	₱921	₱1,309	₱8	₱–	**₱2,238**
Intersegment sales	–	–	9	(9)	–
	₱921	₱1,309	₱17	₱(9)	**₱2,238**
Results					
Income (loss) from operations	₱198	₱73	₱(53)	₱-	**₱218**
Other income (charges) - net					**(12)**
Provision for income tax					**(39)**
Net income					**167**
Other information					
Segment assets	₱10,303	₱7,950	₱8,148	₱(12,204)	**₱14,197**
Investments	–	315	1,370	(1,227)	**458**
Consolidated Total Assets	₱10,303	₱8,265	₱9,518	₱(13,431)	**₱14,655**
Consolidated Total Liabilities					**₱6,065**
Depreciation and amortization					**₱92**

5. Accounts Receivable

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Trade receivables	**₱1,990**	₱2,477
Advances to related parties	**105**	111
Other receivables	**281**	238
	2,376	2,826
Less allowance for doubtful accounts	**210**	202
	₱2,166	₱2,624

6. Inventories

This include finished goods and goods in process, raw materials, and spare parts and supplies.

7. Other Current Assets

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Deposits on purchases	**₱85**	₱68
Short-term deposit	**87**	86
Creditable withholding taxes	**127**	78
Input VAT	**65**	63
Prepaid expenses and other current assets – net of allowance for probable losses	**70**	69
Others	**32**	2
	₱466	₱366

8. Property , Equipment and Investment Property

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Property, plant and equipment		
At cost	**₱2,937**	₱2,986
At appraised value	**2,115**	2,115
Investment property	**338**	338
	₱5,390	₱5,439

9. Investment

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
AFS financial assets	**₱312**	₱312
Investments in associates	**154**	154
	₱466	₱466

10. Interest in a Joint Venture Proportionately Consolidated

URICI, a 50% joint venture of the Parent Company and Unilever Philippines, Inc. (ULP), 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 ULP, the estimated value of the Parent Company's 50% ownership interest in URICI amounted to ₱3,704.19 million and ₱2,260.90 million as of December 31, 2013 and 2012, respectively.

On October 1, 2012, the Parent Company requested for an exemptive relief from the adoption of PFRS 11 to its investment in URICI from the SEC. 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 to 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 domestic corporations, the 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.

11. **Other Noncurrent Asset**

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Deferred income tax assets – net	**₱64**	**₱83**
Other noncurrent asset	71	86
	₱135	**₱169**

In January 2014, the Parent Company purchased the Royal brand from the Unilever Group of for P2.10 billion covering mainly the brand and existing inventories.

12. **Accounts Payable and Accrued Liabilities**

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Accounts payable and accrued liabilities	**₱2,682**	₱2,577
Income tax payable	**73**	21
Advances to related parties	**114**	71
Customers' deposits	**26**	159
	₱2,895	₱2,828

13. **Other Noncurrent Liabilities**

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(amounts in millions)	
Deferred income tax liabilities	**466**	466
Net pension obligation	**89**	111
Security deposits	**2**	2
	557	579

14. **Equity**

Capital Stock
As of March 31, 2015 and December 31, 2014, the Parent Company has 3,978,265,025 authorized common stock with ₱1 par value. Issued and outstanding common stocks were 3,500,403,866 shares March 31, 2015 and December 31, 2014.

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		340,000,000	(g)
		3,500,403,866	

(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) Follow-on offering through a placing transaction with several existing shareholders

On August 28, 2013, the Board of Directors approved the amendment of the Article X of the Articles of Incorporation of the Parent Company removing the pre-emptive right of the stockholders on all issuances or dispositions of any class of shares of the Parent Company, unless otherwise prescribed by the Board of Directors.

Deposit for stock subscriptions
On November 28, 2013, the Board of Directors approved the proposed issuance of 340 million shares of capital stock to its existing shareholders, namely, Horizons Realty, Inc., BJS Development Corporation, Triple Eight Holdings, Inc. and RPMC Resources, Inc. at the price of ₱4.77 per share. The said shares will be issued pursuant to the equity fund raising of the Parent Company consisting of a placing and subscription transaction which will be implemented in two concurrent stages comprising of: (a) the offer and sale by the said existing shareholders not exceeding 450 million of their existing shares in the Parent Company ("the placement tranche") and (b) as part of the transaction, the subscription by the selling shareholders and the issuance by the Parent Company to the selling shareholders of unissued common shares at most in the same number and share price as the shares sold in the placement tranche ("the subscription tranche"), with such new common shares being listed as soon as practicable thereafter. In view of the foregoing, the Parent Company wrote to the SEC on December 4, 2013 requesting that the proposed issuance of the 340 million common shares be exempted from the registration requirements under the Securities Regulation Code (SRC).

The placing agreement for the placing transaction was executed by and among the Parent Company, the placing agent and the aforementioned shareholders on October 3, 2013, whereas the subscription agreement for the subscription transaction was executed between Parent Company and the shareholders on December 9, 2013.

On January 2014, the SEC has approved the request for exemption for registration requirements under the SRC. The amount received for the stock subscription, net of transaction costs, in relation to the subscription tranche amounted to ₱1,599.94 million, was presented as deposit for stock subscriptions in the 2014 and 2013 consolidated balance sheet.

Retained Earnings

On February 27, 2015 the BOD approved the declaration of ₱0.037 cash dividend per share or a total of ₱129.51 million to its stockholders as of March 13, 2015.

On October 1, 2014 the BOD approved the declaration of ₱0.032842 cash dividend per share or a total of ₱114.96 million to its stockholders as of October 16, 2014.

On February 26, 2014 the BOD approved the declaration of ₱0.034515 cash dividend per share or a total of ₱120.82 million to its stockholders as of April 7, 2014.

On August 28, 2013 the BOD approved the declaration of ₱0.027256 cash dividend per share or a total of ₱86.14 million to its stockholders as of September 11, 2013.

On April 30, 2013 the BOD approved the declaration of ₱0.032369 cash dividend per share or a total of ₱102.30 million to its stockholders as of May 16, 2013.

The Parent Company's retained earnings as of December 31, 2014 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 ₱53.85 million. These will only be available for declaration as dividends when these are actually received.

15. 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.

The transactions from related parties are made under normal commercial terms and conditions. Outstanding balances as at March 31, 2015 and December 31, 2014 are unsecured and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. Advances to/from related parties are noninterest-bearing and collectible/payable on demand.

Significant transactions with subsidiaries and joint venture which have been eliminated in the consolidation:

a. Sales and purchases of products and services to/from the Parent Company and its subsidiaries:

	Sales and Services		Purchases	
	For the period ended March 31		For the period ended March 31	
	2015	2014	**2015**	2014
Parent Company	–	42,740	–	35,481
ICC	**1,697**	25,524	–	42,740
RLC	**15,495**	9,957	–	–

b. The Parent Company utilizes RLC for its lighterage requirements.

c. The Parent Company has availments/extensions of both interest-bearing and non-interest-bearing cash advances mainly for working capital purposes and investment activities from/to subsidiaries and other related parties with no fixed repayment terms. Advances to a subsidiary are subject to annual interest of 9% on the monthly outstanding balance.

d. 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.

16. **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, accounts receivable, bank loans, accounts payable and accrued liabilities, long-term debts and obligations 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, trust receipts payable 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, foreign exchange risk and equity price 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. With respect to credit risk arising from financial assets other than installment contracts and accounts receivable (such as cash and cash equivalents and AFS financial assets), the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

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. Presently, the Group has existing long-term debts that fund capital expenditures. 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 through interest rate swaps and options, and 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.

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 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 2014 and 2013.

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

Equity price risk
Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stock. Management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of quoted common and golf club shares, which are classified as AFS financial assets.

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

7. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2014:

			Fair Value Measurement Using		
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Property, plant and equipment at appraised value	December 31, 2014	₱2,155,094	₱–	₱–	₱2,564,222
Asset for which fair value is disclosed					
Investment properties	December 31, 2014	₱394,308	₱–	₱–	₱394,308
Property, plant and equipment at appraised value	December 31, 2013	2,564,222	–	–	2,564,222
Asset for which fair value is disclosed					
Investment properties	December 31, 2013	92,120	–	–	92,120

In 2014, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Property, plant and equipment at appraised value
The appraised value of the land was determined using the Market Approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable

assets and adjusted to reflect differences on size (-20% to -10%) and location (-5% to 10%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land.

Investment properties
The fair value of the investment properties was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on terrain, size, location and utility.of these forward foreign exchange contracts is recognized immediately in the consolidated statement of income.

18. Other Income (Charges)

	For the Period Ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
	(amounts in millions)	
Interest expense	**(₱11)**	**(₱18)**
Interest income	**6**	**2**
Other income, net	**(5)**	**4**
	(₱10)	**(₱12)**

19. Earnings per Share (EPS)

		For the Period Ended March 31	
		2015 (Unaudited)	2014 (Unaudited)
a.	Net income attributable to equity holders of the Parent Company (Amounts in Millions)	**₱179**	**₱167**
b.	Common shares outstanding	3,500,403,866	3,500,403,866
c.	Weighted average common shares outstanding	3,500,403,866	3,500,403,866
d.	Basic earnings per share (a/b)	**₱0.05**	**₱0.05**
e.	Diluted earnings per share (a/c)	**₱0.05**	**₱0.05**

RFM CORPORATION AND SUBSIDIARIES
Aging Analysis of Trade Receivables
As of March 31, 2015
(Amounts in Millions)

	Amount	%
Under Six (6) Months	₱1,213	61%
Six (6) Months to One (1) Year	577	29%
Over One (1) Year	200	10%
	₱1,990	**100%**