28 June 2016

DISCLOSURE DEPARTMENT
The Philippine Stock Exchange, Inc.
Tower One Philippine Exchange Plaza,
6767 Ayala Triangle, Ayala Avenue,
Makati City 1226

Attention : **MR. JOSE VALERIANO B. ZUÑO III**
OIC & Head, Disclosure Department

Re : **SEC 20-IS (Definitive)**
2016 Annual Stockholders' Meeting

Dear **Mr. Zuño**,

In compliance with Section 20 of the Securities Regulation Code, please find the attached Definitive Information Statement (SEC Form 20-IS) of RFM Corporation for its 2016 Annual Stockholders' Meeting.

Thank you.

Very truly yours,

ATTY. JUFIL E. SIQUIAN
Corporate Secretary

COVER SHEET

1	2	9	9	8					

SEC Registration Number

R F M C O R P O R A T I O N

(Company's Full Name)

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

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

ATTY. JUFIL E. SIQUIAN

(Contact Person)

631-8101

(Company Telephone Number)

1	2

Month

3	1

Day

(Calendar Year)

SEC – 17C Notice & Agenda

(Form Type)

0	7

Month

2	9

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

NA

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document ID	Cashier

STAMPS

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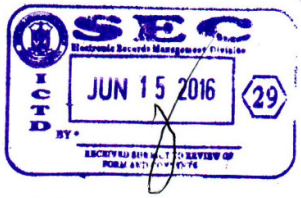
RFM CORPORATION



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 corner Sheridan Streets, Mandaluyong City 1550 on **Friday, 29 July 2016 at 11:00 o' clock 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 16 July 2015

IV. President's Report for 2015 and Audited Financial Statements ending December 31, 2015

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

VI. Election of Directors for 2016

VII. Appointment of External Auditor

VIII. Other matters

IX. Adjournment

Stockholders of record as of **29 June 2016** 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.

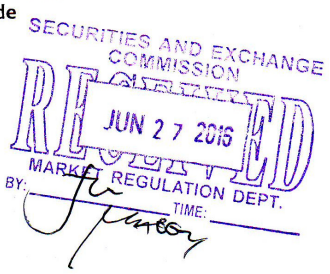
15 June 2016, Mandaluyong City, Metro Manila, Philippines.

ATTY. NOEL E. SIQUIAN
Corporate Secretary

RFM CORPORATION
RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City 1550, Metro Manila, Philippines
Telephone: (63-2) 631-8101 Facsimile: (63-2) 631-5094 Website: www.rfmfoods.com

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:

29 July 2016
11:00 A.M.
RFM Corporate Center
Corner Pioneer and Sheridan Streets

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

29 June 2016

9. 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	**3,497,090,266** common shares

10. 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:	29 July 2016
	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:	29 June 2016

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 29 June 2016 shall be entitled to vote during the meeting. The outstanding capital stock of the Corporation as of 31 May 2016 is 3,498,890,266 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 2016 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	803,908,937	22.976112
Common	Horizons Realty, Inc. 11 Kawayan Road N. Forbes Park, Makati City Stockholder	Horizons Realty, Inc.	Filipino	646,078,738	18.465247
Common	Triple Eight Holdings Inc. 507 Buendia AveNue, North Forbes Park, Makati City Stockholder	Triple Eight Holdings, Inc.	Filipino	639,266,218	18.270542
Common	BJS Dev. Corp. 1869 P. Domingo St. Makati City Stockholder	BJS Dev. Corp.	Filipino	311,210,184	8.894540
Common	PCD Nominee Corp. G/F MKSE Building Ayala Avenue, Makati Stockholder	PCD Participants	Filipino	193,222,757	5.522401

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

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

II. Triple Eight Holdings Inc.

1. Jose Ma. A. Concepcion III
2. Marissa O. Concepcion
3. Ma. Victoria Ana A. Concepcion
4. Margarita O. Villareal
5. 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. Ernest Fritz Server
2. Joseph B. Server
3. Hans Joseph Banzhaf
4. Christine Michelle Server
5. Estelita L. Server
6. Claudia Veronica B. Lanza
7. Caroline Terese Server
8. Catherine R. Server
9. Sylvia Alexandra Banzhaf

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 2016

(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	2,037,920	0.0583249

Common	Jose Ma. A. Concepcion III Buendia St., N. Forbes Park Makati City	"r"	Filipino	11,671,886	0.3340472
Common	John Marie A. Concepcion 9 Urdaneta Ave., Urdaneta Village, Makati City	"r"	Filipino	369,974	0.0105886
Common	Ernest Fritz Server 319 Chico Drive, Ayala Alabang Village, Muntinlupa City	"r"	Filipino	564,834	0.0161654
Common	Francisco A. Segovia 521 Acacia Ave., Ayala Alabang, Muntinlupa City	"r"	Filipino	10	0.0000003
Common	Felicisimo M. Nacino, Jr. 11-G, Tower I, St. Francis Shangrila, Mandaluyong City	"r"	Filipino	2,056	0.0000588
Common	Joseph D. Server, Jr. 312 Cadena de Amor cor. Ilang-Ilang St., Ayala Alabang Village, Muntinlupa City	"r"	Filipino	135,376	0.0038744
Common	Ma. Victoria Herminia C. Young Kawayan Road, N. Forbes Park, Makati City	"r"	Filipino	10	0.0000003
Common	Raissa H. Posadas 11 Nakpil St., San Lorenzo Village, Makati City	"r"	Filipino	2,000	0.0000572
Common	Romeo L. Bernardo 16/F Belvedere Tower San Miguel Ave., Ortigas Center, Pasig City	"r"	Filipino	247	0.0000071
Common	Lilia R. Bautista 33 A Rita St., San Juan, Metro Manila	"r"	Filipino	2,000	0.0000572
Common	Norman P. Uy (6 Molave St. Forbes Park, Makati City)	"r"	Filipino	920,208	0.0263362
Common	Ramon M. Lopez 3306 Pioneer Highlands, East Tower, Pioneer cor. Madison Sts., Mandaluyong City	"r"	Filipino	1,168,282	0.0334360
Common	Enrique Oliver I. Rey-Matias Cathedral Heights Townhouses, 32-E Sta. Ignaciana St., New Manila, Quezon City	"r"	Filipino	150,000	0.0088106
Common	Philip V. Prieto 15 Melon St., Valle Verde 1, Pasig City	"r"	Filipino	122	0.0000035

The total number of common shares owned by the Directors and Executive Officers of the Corporation is 17,024,925 shares.

The indirect shareholdings of directors/officers and principal stockholders as of 31 May 2016 are as follows:

	% to total Outstanding Shares	Number of Shares	Total Direct Shares	Total Indirect Shares
Directors:				
Jose Concepcion, Jr.				
Direct	0.0583249%	2,037,920	2,037,920	
Indirect (Ma. Victoria A. Concepcion)	0.0742686%			2,595,006
Ernest Fritz Server				
Direct	0.0161654%	564,834	564,834	
Indirect (thru Ernest Firtz Server, Jr.)	0.0058689%			205,064
Jose Ma. Concepcion III				
Direct	0.3340472%	11,671,886	11,671,886	
Indirect (thru Triple Eight Holdings, Inc.)	19.1936425%			670,641,850
Indirect as NG of Catherine Concepcion	0.0017172%			60,000
Indirect as NG of J.M. Christian Concepcion	0.0017172%			60,000
Indirect as NG of Margarita Concepcion	0.0017172%			60,000
Indirect as NG of Monica Concepcion	0.0017172%			60,000
Ma. Victoria Herminia C. Young				
Direct	0.0000003%	10	10	
Indirect (thru Young Concept, Inc.)	0.5752042%			20,098,114
Indirect (thru Arthur John S. Young, Jr.)	0.0055332%			193,334
Indirect (ITF Christina Young)	0.0017172%			60,000
Indirect (ITF P. Anthony Young)	0.0017172%			60,000
Indirect (ITF Timothy Young)	0.0017172%			60,000
Felicisimo Nacino, Jr.				
Direct	0.0000588%	2,056	2,056	

John Marie A. Concepcion				
Direct	0.0105886%	369,974	369,974	
Indirect (thru Select Two Corp.)	1.4166695%			49,499,612
Indirect (thru Concepcion Industries Inc)	0.0000000%			1
Indirect as NG of N. Marie Concepcion	0.0017172%			60,000
Indirect as NG of J. Michael Concepcion	0.0017172%			60,000
Lilia R. Bautista				
Direct	0.0000572%	2,000	2,000	
Joseph Server, Jr.				
Direct	0.0038744%	135,376	135,376	
Indirect (thru Joseph Server or Estelita Server)	0.1558396%			5,445,166
Francisco A. Segovia				
Direct	0.0000003%	10	10	
Indirect (thru Chilco Holdings, Inc.)	2.0820611%			72,748,950
Indirect (thru Segovia & Co., Inc.)	0..0641084%			2,240,000
Raissa H. Posadas				
Direct	0.0000572%	2,000	2,000	
Romeo L. Bernardo				
Direct	0.0000071%	247	247	
Officers:				
Norman P. Uy				
Direct	0.0263362	920,208	920,208	
Enrique Oliver I. Rey-Matias				
Direct	0.0088106%	150,000	150,000	
Philip V. Prieto				
Direct	0.0000035%	122	122	
Ramon M. Lopez				
Direct	0.0334360%	1,168,282	1,168,282	

(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. Meanwhile, 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 RFM Insurance Brokerage, Inc. and 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 John Marie Concepcion Norman P. Uy Ma. Victoria Herminia C. Young Enrique Oliver I. Rey-Matias	President & CEO Managing Director – Ice Cream SVP & GM SVP & GM VP & CFO	2016	P44.1	P32.5	P11.6
All officers and directors as a group unnamed		2016	P17.0	P15.3	P1.7

(In Million Pesos)

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Jose Ma. A. Concepcion III John Marie Concepcion Norman P. Uy Ma.Victoria Herminia C. Young Eduardo M. Policarpio	President & CEO Managing Director – Ice Cream SVP & GM SVP & GM VP & Head of Sales	2015	P42.5	P30.9	P11.6
All officers and directors as a group unnamed		2015	P16.3	P14.6	P1.7

(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	P 12.1
All officers and directors as a group unnamed		2014	P 18.7	P 16.6	P 2.1

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.

(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 per year of service. The value increases by 5% per additional year of service up to a maximum of 125%.

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

Warrants and Options Outstanding: Repricing

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

Item 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 2015, 2014 and 2013, the Company engaged the professional services of SGV. The Group incurred an aggregate audit fee of P2.3 million for 2015, 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 2015 and Minutes of the previous Annual Stockholders' Meetings.

A. **Summary of the Annual Stockholders' Meeting held on 16 July 2015**

1. Approval of Previous Minutes

The minutes of the Annual Stockholders' Meeting held on 02 July 2014 was approved and ordered filed.

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

The 2014 Annual Report was noted and appended to the minutes while the 2014 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 2014 Annual Stockholders' Meeting until the 2015 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 23 June 2016.

RFM CORPORATION

By:

ATTY. JUFIL E. SIQUIAN
Corporate Secretary

MANAGEMENT REPORT OF RFM CORPORATION

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The 2015 Audited Consolidated Financial Statements and the latest Interim Unaudited Financial Statement (Quarterly Report) for 2016 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 2015

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, 2015. 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 2016 vs. First Quarter 2015

Food and Beverage Company RFM Corporation posted a net income of P216 Million for the first quarter of 2016, higher by 20% over the same period last year. This was even a faster income growth momentum over the performance in 2015. This was achieved on the back of P2.6 Billion in sales revenues, up by 2% over the revenues posted for the same period last year.

Sales continued to pose double digit growth of 16% for its consumer group which includes ice cream and pasta units. Its ice cream joint venture with Unilever, Selecta ice cream, accelerated to a faster

double digit growth with new product innovations, excellent value propositions, and effective marketing campaigns. Likewise, its market expanded with its wider distribution reach and increased consumption frequency.

Moreover, the continued growth in the pasta group further improved its economies of scale, as warehousing and logistics operations get rationalized. These factors coupled with better input costs significantly improved the group's profitability.

With stronger consumption spending seen this year with more robust purchasing power and being an election year, and the outlook on more favorable commodity input costs, this year promises to be a better year.

The key financial performance indicators for the Company for the three-month period ended March 31, 2016 as compared to the same period in 2015, are as follows:

Key Financial Performance Indicators (Amounts in Millions)*	**For the Quarter Ended**	
	March 31, 2016	March 31, 2015
Net Revenues	**P2,635**	P2,571
Net Operating Margin	**304**	266
Net Income (Loss)	**216**	179
EBITDA	**347**	315
Current Ratio	**1.60**	1.40

***** *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, 2016, the Group's Total Assets decreased slightly from P13.9 Billion of December 31, 2015 to P13.5 Billion due to payment of loans and dividends.

The Group's current ratio improved from 1.55 of December 2015 to 1.60 as of March 31, 2016.

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, 2015 vs. 2014

Management Report on Operations

Food and Beverage Company RFM Corporation finished the year 2015 with P905 Million net income, or a 9% income growth over the previous year's P834 Million net income.

RFM managed to still post profitability despite operational bottlenecks by focusing its efforts on the 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 greater value to the RFM business portfolio.

Financial Position

Analysis of Financial Condition and Balance Sheet Accounts

As of December 31, 2015, the Group's total assets decreased from P13.96 billion last year to P13.92 billion.

The total liabilities decreased by P695.77 million due to settlement of long term debts.

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, 2013, 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.

Key Performance Indicators

For the full fiscal years 2015, 2014 & 2013 the Company's and majority-owned subsidiaries' top five (5) key performance indicators are as follows:

In Millions	**December 2015**	December 2014	December 2013
Revenues	**11,982**	11,010	10,240
Operating Margin	**1,199**	997	1,009
Net Income (Loss)	**905**	834	786
EBITDA	**1,192**	1,019	1,016
Current Ratio	**1.55**	1.38	1.82

(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, 2015 vs. 2014, year ended December 31, 2014 vs. 2013 and year ended December 31, 2013 vs. 2012.

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 tighter 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 Hamburger buns, English muffins	Republic Special, Cinderella, Hi-Pro Majestic,Pioneer, Senorita, Altar Bread, Milenyo	36.5%
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	63.10%
	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 rin 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	
	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 2015, 2014 and 2013 in Million Pesos are as follows:

	2015	%	2014	%	2013	%
Sales						
Domestic	11,793	98	10,790	98	9,981	98
Foreign (Export)	189	2	220	2	251	2
	11,982		11,010		10,240	
	2015		**2014**		**2013**	
Operating income (loss)						
Domestic	1,151		962		965	
Foreign (Export)	48		35		44	
	1,199		997		1,009	
Total Assets (All Domestic)	13,923		13,959		13,482	

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

This year RFM continues to build and strengthen its two strong Pasta brands, FIESTA and ROYAL. RFM has become the dominant market leader in total Pasta after it acquired ROYAL, two years ago. Total volume share for RFM is at 34% and value share is at 35%. For spaghetti, FIESTA maintains market leadership, finishing the year at 26% volume share and 24% value share. On the other hand, ROYAL sustains its market leadership over branded macaroni players, ending 2015 with volume share of 18% and value share of 23%. Looking into the Spaghetti Sauce segment, FIESTA strengthens its 3r^{d} spot in the market following the dominant players Del Monte and UFC. FIESTA ends the year at 15% volume share and 13% value share, and grew faster than the category at +21 % growth in volume sales.

Just like last year, Kris Aquino continues to endorse FIESTA Spaghetti as the value brand. On the other hand. ROYAL continues to awaken the brand, after several years of being silent, by continuously being present in the market via above-the-line and below-the-line marketing activities and utilizing its endorser —Dawn Zulueta. Dawn perfectly represents the image of ROYAL being a Premium Pasta. Also, Royal expanded its pasta line with 3 new pasta shapes; Linguine, Penne Rigate, and Tortiglioni. These new shapes, created with the same premium quality that the brand is known for solidifies ROYAL's image of Pasta Perfection.

RFM didn't only excel in the Pasta segment but also in its Flour and Flour Mixes business. WHITE KING continues its support for its Bowl Mixes line, re-airing its WHITE KING Champ-O-Rado TVC and continuing to showcase its taste via sampling. Another highlight for WHITE KING this year is the incremental sales that its new baking mixes; WHITE KING Belgian Chocolate Chip Cookie Mix and WHITE KING Moist Chocolate Cake added to the total sales of its baking mixes category. Total baking mixes line grew by 49% in volume by the end of the year. More so, WHITE KING All-Purpose Flour continues to grow year on year, and ended with 12% growth in volume 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.

In 2015, the Selecta White Business delivered impressive value growth at +25% (Source: AC Nielsen audit YTD Nov.). It was the fastest growing brand and it was a key driver in the RTD White Milk Category 11% growth. Its key growth drivers are good product taste, highly competitive pricing (up to 20% lower vs. the leading brand) and promotions that encouraged volume purchase of the IL SKUs. Selecta White Milk growth could have been higher given logistics issue in January and high out-of-stock levels especially in July, August and December.

Management team sees great potential in the Selecta white milk business and will increase investment and support this 2016. Growth will also be coming from market development as RTD white milk category has been growing by double-digit annually for the past three years. Kantar research also show that there is an increase in number of buyers of RTD milk for in-home consumption and an increase in consumption frequency.

For the Selecta RTD flavored milk business, it has been challenged with aggressive competitive initiatives in TV and consumer promotions. Chuckle launched a new TV advertising campaign in August and launched a Chuckle in Doy format in October 2015. Zest-o Choc-O also launched two new flavors in Doy format last October 2015. On the other hand, Selecta Moo had to cut back on marketing investment support and delisted two flavor variants to improve its profitability and efficiency. It just continued its cable advertising during the back-to-school season and consumer saving promotions pack which was supported by in-store advertising and mass displays.

The Beverage business total volume was impacted by the delisting of the PET business. However, the Sunkist Tetra Juice business delivered impressive performance with a 15% volume growth and 31% value growth (Source: Internal Sales Report). The main volume growth driver was the Sunkist Juice Drinks with the Minions character license which grew by 22% in volume. Its growth was driven by the new Sunkist Juice Drink packaging featuring the characters in the second Sunkist Minions movie

shown last July 2015, which drove consumer excitement and purchase. It was also supported by cable TV advertising, samplig in schools and launch of promotion packs.
On the other hand, the 31% Sunkist Tetra value growth was supported by the launch of new product Sunkist Premium. It was launched in two variants, Apple and Orange in two pack sizes, 200m1 and 1L. Sunkist Premium is made from 100% fruit juices and has no added sugar and no added preservatives. Launch was supported by sampling in key supermarket accounts.

Overall, business outlook for the beverage category is positive with growth coming from value-added juice innovations and the premium juice segment.

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 3inl (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 such as Nestle (13% market share) and Magnolia (9% market share), while small, continues 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.
- Distribution, sale and merchandising of RFM Group products.

Trademark, Royalty and Patents

A Trademark License Agreement was entered into with Unilever-RFM Ice Cream, Inc. for the exclusive right to use the "Selecta" trademarks in its ice cream products and to manufacture, market, and sell Selecta trademarked products. The agreement shall be co-terminus with the Joint Venture Agreement between RFM Corporation and Unilever-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 P297,968 and P403,874 during the years 2015 and 2014, respectively, for payment of annual permits and fees.

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

Research and Development Activities

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

The Innovation Team, composed of R&D, Marketing and Operations group constantly meet to check project status and monitor deliverables and timelines to ensure flawless execution of new product launches.

The Team regularly conducts trade checks to meet the changing needs of our consumers.

The Company spent about P12.1 million and P15.2 million in 2015 and 2014 respectively, for research and development.

Employees

As of December 31, 2015, the Company and its subsidiaries had approximately 437 employees, .of which 11 are executives, 44 managers and 111 supervisory staff and 271 were non-supervisory staff. The Company does not anticipate any significant increase in the number of its employees in year 2016.

About 15% of the total employees of the Company and its subsidiaries are members of various labor unions. The Company and its subsidiaries have collective bargaining agreements with these unions.
The Company believes that its relationship with its employees is generally good. The Company has not recently experienced any material interruption of operations due to labor disagreements. Labor-Management Councils (LCMs) regularly meet to discuss and resolve work-place issues and production matters.

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

Working Capital

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

Major Business Risks

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, AFS financial assets, 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 2015 and 2014.

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. However, during the first quarter of 2014, the PET discontinued its operations as part of the rationalization of RFM products on the basis of its profitability contributions to the total

business. The area where the PET line is located is planned for expanding lines of other RFM products with higher profitability contributions or to other new products that can be developed with high potential sales in the market and higher profitability.

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, 2015, only one (1) case is pending before the Supreme Court. The pending case is currently being handled by an external counsel specializing on labor matters on behalf of the Company.

On January 29, 2015, all members of the MJ Union signed with the Management to implement a Retrenchment Program. As a consequence of the retrenchment, no union exists in the MJ Division.

On December 14, 2015, a Certification Election was held in Flour Division which resulted in the election of Independent Labor Union-RFM.

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, 2015, 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 from Manggahan, Pasig City)	Cabuyao Laguna (transferred In good condition	
Pioneer Business Park Building	Fairlane, Pasig City	Two (2) storey Building

D. 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 the result of its 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 2016

Name of Director/ Executive Officer	*Position*	*Age*	*Term as Director*
Jose S. Concepcion Jr.	Chairman of the Board, Chairman, Nomination Com.	84	32
Ernest Fritz Server	Vice Chairman, Chairman, Investment Com., Member, Compensation Com.	72	26
Jose Ma. A. Concepcion III	Director/President & CEO	57	28
Joseph D. Server	Director, Member, Audit Com. & Investment Com.	75	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	56	8
Francisco A. Segovia	Director, Member, Investment Com.	61	28
Raissa Hechanova Posadas	Director, Member, Compensation Com. & Nomination Com.	55	17
Romeo L. Bernardo	Independent Director, Chairman, Compensation Com., Member, Investment Com., Nomination Com. & Audit Com.	61	12
Lilia R. Bautista	Independent Director, Chairman, Audit Com., Member, Investment Com.	80	8
Norman P. Uy	SVP & GM, Institutional Group	57	NA
Ramon M. Lopez	VP & Exec. Assistant to the President & CEO and Concurrent Head, Corporate Planning	55	NA
Minerva C. Laforteza[+]	Treasurer, VP & Head, Finance & Controllership	50	NA
Enrique Oliver I. Rey-Matias	VP-Finance & Chief Finance Officer and Treasurer	44	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	58	NA

[+]Served as such Treasurer/VP & Head of Finance and Controlllership until her demise on August 2015. She was replaced by Enrique Oliver I. Rey-Matias who was appointed as VP-Finance & Chief Finance Officer and Treasurer on November 2015.

	Based Group		
Faye Christine B. Matriano	AVP, Marketing Manager, WK	40	NA
Jufil E. Siquian	AVP & Head of Corporate Legal and Labor Relations	38	NA
Maria Patrocinio V. Valdez	Head of Human Resources	63	NA

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

The Company's Board of Directors has committees for Audit, Compensation, Nomination, and Investment. There are two (2) independent directors, one of whom is the Chairman of the Audit Committee and the other heads the Compensation Committee.

The following sets forth certain information as to the directors and executive officers of the Company as of May 31, 2016:

Directors

Jose S. Concepcion, Jr.
84 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
72 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 is also the Chairman of the Investment Committee and a member of the Compensation Committee of RFM Corporation.

Jose Ma. A. Concepcion III
57 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 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.
75 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 and Investment Committees of RFM Corporation.

Felicisimo M. Nacino, Jr.
64 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, Unilever RFM Ice Cream Inc., and other companies in the RFM Group. He first became a director of RFM Corporation on 30 March 1995. He is also a member of the Audit 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 a Managing Director, 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
56 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 General Manager of Interbake Commissary Corporation and Senior Vice President 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 Insurance Brokers, Inc., RFM Equities, Inc., and Philtown Properties, Inc. (formerly Philippine Townships, Inc.). He first became a director of the RFM Corporation on 30 October 1986. He is also a member of the Investment Committee of the Corporation.

Raissa Hechanova Posadas
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
61 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, Investment and Nomination Committees of RFM Corporation.

Lilia R. Bautista
80 years old
Filipino

Born on 16 August 1935, Filipino 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 Investment 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
57 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 & General Manager, Institutional Group. He joined RFM in 1989 as General Services Division Manager.

Ramon M. Lopez
55 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.

Enrique Oliver I. Rey-Matias
44 years old
Filipino

Born on 26 December 1971, has a Bachelor of Science degree major in Business Economics from the U.P. School of Economics and a Master of Arts degree in Business Management from the Asian Institute of Management. Prior to joining RFM, he worked at the Philippine as well as Southeast and South Asian operations of Liwayway Marketing Corporation (Oishi) as Vice-President – Finance. He was appointed as Chief Finance Officer and Treasurer of the Corporation effective November 2015.

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 is currently the General Manager of Invest Asia Corporation and concurrently the Assistant Treasurer of RFM Corporation. He joined the corporation in 1995 as the Purchasing Manager of Cosmos Bottling Corporation when this was still owned by RFM Corporation.

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
54 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.

Roderick P. Perdigon
53 years old
Filipino

Born on 16 July 1962, has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and earned a certificate course at the Harvard Business School. He had held various positions in the manufacturing and supply chain in the FMCG companies namely Colgate-Palmolive Philippines, The Coca-Cola Exports Corporation, L'Oreal Philippines and more recently, in a local garment retailer, Golden ABC, Inc. He was president of the Distribution Management Association of the Philippines (now SCMAP) in 1997. He started doing consultancy work for RFM Corporation in January 2015, prior to formally joining the company as Vice-President, Head of Supply Chain in March 2015.

Faye Christine B. Matriano
41 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.

Maria Patrocinio V. Valdez
63 years old
Filipino

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

Jufil E. Siquian
38 years old
Filipino

Born on 15 August 1977, has a Bachelor of Arts degree major in Political Science for which he graduated *Cum Laude*, and a Bachelor of Laws degree, both from the University of the Philippines (Diliman). He was admitted to the Philippine Bar in 2003. Prior to joining the Corporation, he was engaged in litigation practice in various law firms based in Makati City. He previously served as chairperson in the election and legal aid committees of the Integrated Bar of the Philippines-Makati City Chapter. He is also the Corporate Secretary of Interbake Commissary Corporation, Southstar Bottled Water Company, Inc., Engrain-RFM Pacific, Inc., RFM Equities, Inc., Rizal Lighterage Corporation, Cabuyao Logistics and Industrial Center, Inc., and Invest Asia Corporation. He joined RFM Corporation in September 2007 and currently its Corporate Secretary and serves as Assistant Vice-President and Head of Corporate Legal and Labor Relations.

VI. SECURITIES OF THE CORPORATION

(1) Market Information

RFM shares are traded at the Philippine Stock Exchange (PSE). As of May 31, 2016, the total number of issued and outstanding shares of the Company is 3,498,890,266 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 2016:

2016	High	Low
First Quarter	4.23	4.14

2015	High	Low
First Quarter	5.32	5.26
Second Quarter	4.18	4.14

Third Quarter	4.06	3.90
Fourth Quarter	4.01	3.95

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

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

The price of RFM shares as of last trading date – May 31, 2016 was P4.24.

(2) Holders

As of May 31, 2016, there are a total of 3,219 shareholders of RFM common stock. Filipinos owned 2,694,757,015 common shares or 77.02% while the foreigners owned 804,133,251 common shares or 22.98%.

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)	803,908,937	22.976112
2. Horizons Realty, Inc.	646,078,738	18.465247
3. Triple Eight Holdings, Inc.	639,266,218	18.270542
4. BJS Development Corporation	311,210,184	8.894540
5. PCD Nominee Corporation (Filipino)	193,222,757	5.522401
6. Feati University	112,011,350	3.201339
7. Triple Eight Holdings, Inc.	105,890,978	3.026416
8. RPMC Resources, Inc.	105,037,214	3.002015
9. Renaissance Property Management Corp.	96,945,752	2.770757
10. Chilco Holdings Inc.	72,748,950	2.079201
11. Concepcion Industries, Inc.	71,384,424	2.040202
12. Select Two Incorporated	49,499,612	1.414723
13. S&A Industrial Corporation	41,308,360	1.180613
14. Republic Commodities Corporation	33,115,616	0.946461
15. Macric Incorporated	23,302,412	0.665994
16. Lace Express Inc.	23,278,716	0.665317

17. Monaco Express Corporation	23,278,552	0.665312
18. Sole Luna Inc.	22,305,308	0.637497
19. Foresight Realty & Dev't Corp	19,215,194	0.549180
20. Hyland Realty Corporation	11,919,518	0.340666

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

(3) **Dividends**

(a) Dividend per Share

On April 30, 2013, the BOD approved the declaration of ₱0.032369 cash dividend per share, or a total of ₱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 ₱0.027256 cash dividend per share, or a total of ₱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 ₱0.034515 cash dividend per share or a total of ₱120.82 million to its stockholders. The dividends were paid on May 6, 2014.

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. The dividends were paid on November 11, 2014.

On March 13, 2015, the BOD approved the declaration of ₱0.037000 cash dividend per share or a total of ₱129.51 million to its stockholders. The dividends were paid on April 13, 2015.

On October 15, 2015, the BOD approved the declaration of ₱0.030876 cash dividend per share or a total of ₱108.08 million to its stockholders. The dividends were paid on November 10, 2015.

(b) Dividends Restriction

The Parent Company's retained earnings as of December 31, 2015 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.

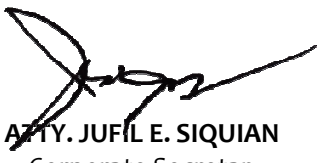
VIII. REGISTRANT'S MANAGEMENT REPORT

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. ENRIQUE OLIVER I. REY-MATIAS
Vice-President & Chief Finance Officer
8/F RFM Corporate Center
Pioneer Corner Sheridan Streets
1550 Mandaluyong City

RFM CORPORATION

By:



ATTY. JUFIL E. SIQUIAN
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 PLM	Dean Law School Professor	2012 – Present 2016
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	Trustee	2016

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 ____ day of _____ 2016 at Mandaluyong City.

Lilia R. Bautista
LILIA R. BAUTISTA
affiant

12 JUN 2016

SUBSCRIBED AND SWORN to before me this ____day of ___ 2016, 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.
OSCA ID NO. 33618 issued on Sept. 15, 2004 at OSCA Makati City

City of Mandaluyong

Doc. No. 04K ;
Page No. 10 ;
Book No. XVIII ;
Series of 2016

ATTY. ADELEEN O'S REA-ALBERTO
APPOINTMENT NO. 0250-15
NOTARY PUBLIC
MANDALUYONG CITY
UNTIL DECEMBER 31, 2016
5th Fl., RFM Corporation Centre
Pioneer corner Shaw Blvd., Mandaluyong City
ROLL NO. 51345
PTR NO. 2616795 / 01.04.2016 / MAND. CITY
IBP NO. 1024281 / 01.11.2016 / RSM

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROMEO L. BERNARDO**, Filipino, of legal age, with office address at Unit 16A Belvedere Tower, San Miguel Avenue, Ortigas Center, Pasig 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 Organization:

Company/Organization	Position/Relationship	Period of Service
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
Ayala Plans, Inc.	Independent Director	April 26, 2006
Bank of the Philippine Islands	Independent Director	August 21, 2002
BPI Capital Corporation	Independent Director	October 23, 2012
BPI/MS Insurance Corporation	Independent Director	December 4, 2009
BPI-Philam Life Assurance Corporation	Independent Director	April 2006
Foundation for Economic Freedom	Vice Chairman	1997
GlobalSource Partners	Advisor	July 2007
Globe Telecom, Inc.	Independent Director	September 2001
Institute for Development & Econometric Analysis, Inc. (IDEA)	Board of Trustee	
Lazaro Bernardo Tiu & Associates, Inc.	President & Managing Director	October 1996
National Reinsurance Investment Corporation of the Philippines	Independent Director	June 2006
Philippine Investment Management, Inc. (PHINMA)	Independent Director	August 2005

Philippine Stock Index Fund, Inc.	Chairman	2007
RFM Corporation	Independent Director	October 2002

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of, **RFM Corporation.**

4. as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation.

5. I shall inform the corporate secretary of **RFM Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done this ___ day of June 2016, at _____.

ROMEO L. BERNARDO
Independent Director
RFM Corporation.

SUBSCRIBED AND SWORN TO before me this 21 JUN 2016 day of June at City of Mandaluyong, affiant personally appeared before me and exhibited to me his passport ID EC5403253 issued at DFA MANILA on 20 September 2015.

Doc. No. 44;
Page No. 9;
Book No. XVIII;
Series of 2015.

ATTY. ADELEEN O'S BEA-ALBERTO
APPOINTMENT NO. 0250-15
NOTARY PUBLIC
MANDALUYONG CITY
UNTIL DECEMBER 31, 2016
5th Floor RFM Corporation Centre
Shaw Blvd. corner Sheridan Sts., Mandaluyong City
ROLL NO. 51345
PTR NO. 2616795 / 01.04.2016 / MAND. CITY
IBP NO. 1024281 / 01.11.2016 / RSM

RFM CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED COMPANY 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 parent company financial statements as of December 31, 2015 and 2014 and for the years then ended, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of parent company 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, 2015, and 2014, have examined the parent company 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 11st day of April 2016

Jose S. Concepcion, Jr.
Chairman of the Board

Jose Maria Concepcion III
President & CEO

Enrique Oliver I. Rey-Matias
Vice President/ CFO

SUBSCRIBED AND SWORN to before me this _____ day of _____2016 affiant(s) exhibiting to me his 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
Enrique Oliver I. Rey-Matias	EB7655559	15 Mar 2013/ 14 Mar 2018	DFA, Manila

Doc No. 36
Page No. 9
Book No. 2
Series of 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 TSIS
RECEIVED
LORENA F. VINUYA

JUDE E. SIGUIAN
Notary Public for and in Mandaluyong City
Notarial Commission No. 0288-15
Commission Expires on 31, December 2016
2nd Floor, RFM Corporate Center
Pioneer corner Sheridan Sts. Mandaluyong City
PTR No. 2453835, 1.12.16, Mandaluyong City
IBP No. 1023687, 1.8.16, Makati
Roll of Attorneys No. 48372

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	0	0	6	8	6	8	

Company Name

RFM CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

RFM CORPORATE CENTER, PIONEER CORNER SHERIDAN STREETS, MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		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
3,247	7/12	December 31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

RFM Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014
and Years Ended December 31, 2015, 2014
and 2013

and

Independent Auditors' Report



A member firm of Ernst & Young Global Limited

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015, 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
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March 24, 2015, valid until March 23, 2018
PTR No. 5321614, January 4, 2016, Makati City

April 11, 2016

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,775,652**	₱725,209
Receivables (Notes 6 and 24)	**2,483,904**	2,624,210
Inventories (Note 7)	**1,161,803**	1,893,689
Other current assets (Note 8)	**293,185**	365,402
Total Current Assets	**5,714,544**	5,608,510
Noncurrent Assets		
AFS financial assets (Note 9)	**5,032**	312,599
Investments in joint venture and associate (Note 10)	**153,643**	153,756
Property, plant and equipment (Note 12):		
At appraised value	**2,479,531**	2,115,094
At cost	**3,110,966**	2,986,312
Investment properties (Note 13)	**–**	337,757
Intangible assets (Note 14)	**2,272,995**	2,275,700
Deferred income tax assets - net (Note 26)	**99,100**	82,586
Other noncurrent assets (Note 6)	**87,357**	86,352
Total Noncurrent Assets	**8,208,624**	8,350,156
TOTAL ASSETS	**₱13,923,168**	₱13,958,666
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 16)	**₱353,500**	₱927,100
Accounts payable and accrued liabilities (Notes 15 and 24)	**3,207,377**	2,647,179
Current portion of long-term debts (Note 17)	**–**	288,971
Customers' deposits	**68,262**	159,123
Income tax payable (Note 26)	**54,536**	21,440
Provisions (Note 18)	**6,000**	6,000
Total Current Liabilities	**3,689,675**	4,049,813
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 17)	**–**	362,831
Net pension obligation (Note 25)	**152,502**	110,668
Security deposits	**1,903**	1,907
Deferred income tax liabilities - net (Note 26)	**451,825**	466,459
Total Noncurrent Liabilities	**606,230**	941,865
Total Liabilities	**4,295,905**	4,991,678

(Forward)

	December 31	
	2015	2014
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 19)	**₱3,500,404**	₱3,500,404
Capital in excess of par value (Note 19)	**2,048,588**	2,048,588
Equity reserve	**(7,075)**	(7,075)
Revaluation increment on land (Note 12)	**1,343,016**	1,286,346
Retained earnings (Note 19)	**2,766,592**	2,159,341
	9,651,525	8,987,604
Non-controlling Interests	**(24,262)**	(20,616)
Total Equity	**9,627,263**	8,966,988
TOTAL LIABILITIES AND EQUITY	**₱13,923,168**	₱13,958,666

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		
	2015	2014	2013
REVENUE			
Manufacturing	**₱11,945,227**	₱10,960,194	₱10,178,891
Services and others	**36,669**	50,227	61,067
	11,981,896	11,010,421	10,239,958
COST OF SALES AND SERVICES (Note 20)			
Manufacturing	**(7,224,596)**	(6,716,807)	(6,459,168)
Services and others	**(267,594)**	(287,894)	(111,033)
	(7,492,190)	(7,004,701)	(6,570,201)
GROSS PROFIT	**4,489,706**	4,005,720	3,669,757
OPERATING EXPENSES			
Selling and marketing (Note 21)	**(2,297,506)**	(1,951,033)	(1,769,554)
General and administrative (Note 22)	**(993,357)**	(1,057,308)	(890,861)
OTHER INCOME (CHARGES)			
Interest expense (Note 23)	**(28,260)**	(51,775)	(62,715)
Impairment loss on:			
Property, plant and equipment	**(21,976)**	–	–
Other noncurrent asset	**–**	–	(3,072)
Interest and financing income (Note 23)	**11,377**	8,368	17,789
Dividend income (Note 9)	**–**	26,163	–
Gain on sale of investments in shares of stock (Notes 2 and 9)	**–**	3,182	80
Reversal of allowance for inventory obsolescence (Note 7)	**–**	–	12,505
Other income - net (Note 10)	**31,903**	35,916	42,450
INCOME BEFORE INCOME TAX	**1,191,887**	1,019,233	1,016,379
PROVISION FOR INCOME TAX (Note 26)			
Current	**298,249**	133,315	209,028
Deferred	**(11,290)**	52,174	21,426
	286,959	185,489	230,454
NET INCOME	**₱904,928**	₱833,744	₱785,925
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱906,496**	₱838,327	₱787,889
Non-controlling interests	**(1,568)**	(4,583)	(1,964)
	₱904,928	₱833,744	₱785,925
Basic/Diluted Earnings Per Share (Note 28)	**₱0.26**	₱0.25	₱0.25

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱904,928**	₱833,744	₱785,925
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)
Net changes in fair value of AFS financial assets (Note 9)	–	–	(656)
	–	–	(2,561)
Items that will not be reclassified to profit and loss:			
Remeasurement loss on net defined benefit pension plan (Note 25)	**(108,356)**	(64,953)	(49,785)
Income tax effect	**32,506**	19,486	14,936
Revaluation increment on property, plant and equipment (Note 12)	**101,241**	–	1,024,863
Income tax effect	**(30,373)**	–	(307,459)
	(4,982)	(45,467)	682,555
	(4,982)	(45,467)	679,994
TOTAL COMPREHENSIVE INCOME	**₱899,946**	₱788,277	₱1,465,919
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱901,514**	₱792,860	₱1,467,883
Non-controlling interests	**(1,568)**	(4,583)	(1,964)
	₱899,946	₱788,277	₱1,465,919

See accompanying Notes to Consolidated Financial Statements.

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 19)	Capital in Excess of Par Value (Note 19)	Deposit for Stock Subscriptions (Note 19)	Equity Reserve	Net Changes In Fair Value Of AFS Financial Assets (Note 9)	Revaluation Increment on Land (Note 12)	Share-based Compensation	Retained Earnings (Note 19)	Subtotal	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2012	**₱3,160,404**	**₱788,643**	**₱–**	**(₱7,075)**	**₱1,906**	**₱568,942**	**₱360**	**₱1,037,658**	**₱5,550,838**	**(₱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	–	–	–	–	–	–	–	(34,849)	(34,849)	–	(34,849)
Revaluation of land	–	–	–	–	–	717,404	–	–	717,404	–	717,404
Valuation gains realized through profit or loss	–	–	–	–	(1,905)	–	–	–	(1,905)	–	(1,905)
Net changes in fair value of AFS financial assets	–	–	–	–	(656)	–	–	–	(656)	–	(656)
Total comprehensive income (loss)	–	–	–	–	(2,561)	717,404	–	753,040	1,467,883	(1,964)	1,465,919
Cash dividends	–	–	–	–	–	–	–	(188,440)	(188,440)	(2,109)	(190,549)
Deposit for stock subscriptions	–	–	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**	**8,430,539**	**(6,618)**	**8,423,921**
Net income	–	–	–	–	–	–	–	838,327	838,327	(4,583)	833,744
Other comprehensive income (loss):											
Remeasurement loss on defined benefit plans	–	–	–	–	–	–	–	(45,467)	(45,467)	–	(45,467)
Total comprehensive income	–	–	–	–	–	–	–	792,860	792,860	(4,583)	788,277
Disposal of subsidiaries	–	–	–	–	655	–	–	–	655	(9,415)	(8,760)
Cash dividends	–	–	–	–	–	–	–	(235,777)	(235,777)	–	(235,777)
Issuance of capital stock	340,000	1,259,945	(1,599,945)	–	–	–	–	–	–	–	–
Share-based compensation plan	–	–	–	–	–	–	(673)	–	(673)	–	(673)
BALANCES AT DECEMBER 31, 2014	**₱3,500,404**	**₱2,048,588**	**₱–**	**(₱7,075)**	**₱–**	**₱1,286,346**	**₱–**	**₱2,159,341**	**₱8,987,604**	**(₱20,616)**	**₱8,966,988**

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 19)	Capital in Excess of Par Value (Note 19)	Deposit for Stock Subscriptions (Note 19)	Equity Reserve	Net Changes In Fair Value Of AFS Financial Assets (Note 9)	Revaluation Increment on Land (Note 12)	Share-based Compensation	Retained Earnings (Note 19)	Subtotal	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2014	**₱3,500,404**	**₱2,048,588**	**₱–**	**(₱7,075)**	**₱–**	**₱1,286,346**	**₱–**	**₱2,159,341**	**₱8,987,604**	**(₱20,616)**	**₱8,966,988**
Net income	–	–	–	–	–	–	–	906,496	906,496	(1,568)	904,928
Other comprehensive loss:											
Remeasurement loss on defined benefit plans	–	–	–	–	–	–	–	(75,850)	(75,850)	–	(75,850)
Revaluation increment on property, plant and equipment	–	–	–	–	–	70,868	–	–	70,868	–	70,868
Total comprehensive income	**–**	**–**	**–**	**–**	–	**70,868**	**–**	**830,646**	**901,514**	**(1,568)**	**899,946**
Transfer of portion of revaluation increment on property, plant and equipment realized through disposal	**–**	**–**	**–**	**–**	**–**	**(14,198)**	**–**	**14,198**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(237,593)**	**(237,593)**	**(2,078)**	**(239,671)**
BALANCES AT DECEMBER 31, 2015	**₱3,500,404**	**₱2,048,588**	**₱–**	**(₱7,075)**	**₱–**	**₱1,343,016**	**₱–**	**₱2,766,592**	**₱9,651,525**	**(₱24,262)**	**₱9,627,263**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,191,887**	₱1,019,233	₱1,016,379
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14 and 23)	**372,229**	363,995	349,088
Movement in net pension obligation (Note 25)	**(64,186)**	(280)	33,558
Interest expense (Notes 16, 17 and 23)	**28,260**	51,775	62,715
Impairment loss of property and equipment	**21,976**	–	–
Equity in net earnings of an associate (Note 10)	**(12,331)**	(12,444)	(11,935)
Interest and financing income (Note 23)	**(11,377)**	(8,368)	(17,789)
Share-based compensation	**(520)**	(673)	313
Unrealized foreign exchange loss – net	**474**	4,092	919
Loss (gain) on sale of property and equipment (Note 12)	**(79)**	2,111	10,113
Dividend income (Note 9)	**–**	(26,163)	–
Gain on sale of investments in shares of stock (Notes 2 and 9)	**–**	(3,182)	(80)
Movement in provisions	**–**	–	(61,982)
Loss on sale of investment property (Note 13)	**–**	–	1,608
Operating income before working capital changes	**1,526,333**	1,390,096	1,382,907
Decrease (increase) in:			
Receivables	**327,256**	(293,358)	379,921
Inventories	**731,886**	(346,154)	241,511
Other current assets	**15,737**	(161,245)	(4,431)
Increase (decrease) in:			
Accounts payable and other current liabilities	**555,438**	(130,677)	(74,927)
Customers' deposits	**(90,861)**	62,279	17,638
Security deposits	**(4)**	(162)	–
Cash generated from operations	**3,065,785**	520,779	1,942,619
Income taxes paid, including creditable withholding taxes	**(197,383)**	(183,025)	(206,773)
Interest paid	**(32,422)**	(46,504)	(70,192)
Interest received	**11,377**	8,368	17,604
Net cash from operating activities	**2,847,357**	299,618	1,683,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	**1,045**	223,764	41,738
Investments in shares of stock	**–**	34,663	44,686
Investment property	**–**	–	27,298
Dividends received (Note 9)	**–**	26,708	–
Acquisition of:			
Property and equipment and investment properties (Notes 12 and 13)	**(472,466)**	(348,316)	(718,073)
Trademark	**–**	(2,080,932)	–
AFS financial assets (Note 9)	**–**	–	(33,405)
Investment in joint venture (Note 10)	**–**	–	(3,123)
Decrease (increase) in:			
Other noncurrent assets	**45,112**	(13,725)	(16,603)
Net cash used in investing activities	**(426,309)**	(2,157,838)	(657,482)

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of bank loans (Note 16)	**₱25,257,070**	₱24,309,100	₱22,597,000
Availment of long-term debts (Note 17)	**–**	–	395,000
Deposit for stock subscriptions	**–**	–	1,599,945
Payments of:			
Bank loans (Note 16)	**(25,831,313)**	(24,107,000)	(22,760,500)
Long-term debts and obligations (Notes 17 and 19)	**(651,802)**	(265,845)	(1,298,015)
Dividends paid (Note 19)	**(242,911)**	(234,007)	(115,724)
Advances from (payments to) related parties (Note 24)	**99,143**	–	(32,058)
Net cash from (used in) financing activities	**(1,369,813)**	(297,752)	385,648
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(792)**	(4,037)	(919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,050,443**	(2,160,009)	1,410,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**725,209**	2,885,218	1,474,713
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,775,652**	₱725,209	₱2,885,218

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

RFM Corporation (the Parent Company) was incorporated on August 16, 1957 and registered with the Philippine Securities and Exchange Commission (SEC). On July 9, 2007, the SEC approved the extension of the Company's corporate life from August 22, 2007 to October 13, 2056. The Parent Company is public company under Section 17.2 of the Securities Regulation Code (SRC) 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 11, 2016, as delegated by the Board of Directors (BOD) on its meeting dated April 11, 2016.

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 (₱000), except for the number of shares or when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2015. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs* (2010 to 2012 cycle)
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16*, Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs* (2011 to 2013 cycle)
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property*

Standards Issued but not yet Effective

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

Effective beginning January 1, 2016

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRSs* (2012-2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*
  - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective beginning January 1, 2017

- Amendments to PAS 7, *Disclosure Initiative*
- Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*



Effective beginning January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Earlier application of final version of PFRS 9 is permitted. Retrospective application is required, but comparative information is not compulsory.

Effective beginning January 1, 2019

- PFRS 16, *Leases*
  The new standard introduces major changes in lease accounting. Under PFRS 16, lessees will no longer classify their leases as either operating or financing leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the leased assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  PFRS 16 will replace PAS 17 and supersede the related interpretations. Earlier application is not permitted until the Financial Standards Reporting Council (FRSC) has adopted the new revenue recognition standard.

  The Group is currently studying the impact of future adoption of PFRS 16.

Deferred Effectivity

- Amendments to PFRS 10 and PAS 28 - *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 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. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- 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.

Issued by the IASB but not yet adopted by the FRSC

- International Financial Reporting Standard (IFRS 15), *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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 are as follows:

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

**Dormant*

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from 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 consolidated statement of income and consolidated 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 consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling interests
Non-controlling interests represent the portion of equity 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.

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 consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

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

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

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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

Short-term Cash Investments

Short-term cash investments are deposits that mature in less than a year but do not meet the criteria of cash equivalents.

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 transaction 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, 2015 and 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. 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, 2015 and 2014, the Group's loans and receivables include short-term investment, trade receivables, nontrade receivables, 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, 2015 and 2014, 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 12 months after the balance sheet date. These are classified as noncurrent liabilities.

As of December 31, 2015 and 2014, the Group's other financial liabilities include bank loans, accounts payable and accrued liabilities, long-term debts, customer's deposit, security deposit, 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.

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

Finished goods and goods in process	-	determined using the moving 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 moving average method

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

For 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.

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 the consolidated statement of income.

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.

Fully depreciated assets are in the accounts until they are no longer in use and no further depreciation is recognized in the consolidated statement of income.

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 Group, 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 consolidated statement of income 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 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.

Customers' Deposits

Customers' deposits represent advance payments from customers which will be applied against the related receivables upon delivery of goods.

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.

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 distribution, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent 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 discounts, value-added tax (VAT), and returns. 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. 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.

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 non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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 the consolidated statement of income in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. 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 the consolidated statement of income is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Events after the balance sheet date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

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, 2015 and 2014, there are no impairment indicators. AFS financial assets in equity securities amounted to ₱5.03 million and ₱312.60 million as of December 31, 2015 and 2014, 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, 2015 and 2014, the carrying value of receivables amounted to ₱2,530.02 million and ₱2,624.21 million, respectively (see Note 6).

Determination of NRV of inventories

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



The carrying values of the Group's inventories amounted to ₱ 1,161.80 million and ₱1,893.69 million as of December 31, 2015 and 2014, 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 2015 and 2014. 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 carrying values of parcels of land carried at revalued amounts are disclosed in Note 12.

Impairment of property, plant and equipment, investment properties and investments in associate 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 associate and joint venture are disclosed in Notes 10, 12 and 13.

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. For purposes of impairment testing of trademark, the most appropriate valuation approach used is based on the circumstances relevant to the Group and based on the extent of available information. The Group determined that the recoverable amount of the trademark with infinite useful life is fair value less cost of disposal and value in-use. The fair value of the trademark was calculated using relief from royalty method that considers royalty savings accruing arising from the ownership of the trademark. Management assessed that the costs of disposal, which mainly pertain to the cost

of transferring the certificate of registration with the intellectual Property Office and documentary stamp tax, to be insignificant. Value-in-use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used and the expected future cash in-flows and the growth rates. The key assumptions used to determine the recoverable amount are further discussed in Note 14.

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, 2015, 2014 and 2013.

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.

Gross deferred income tax assets recognized amounted to ₱99.10 million and ₱167.80 million as of December 31, 2015 and 2014, 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 ₱152.50 million and ₱110.67 million as of December 31, 2015 and 2014, 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 ₱6.00 million as of December 31, 2015 and 2014 (see Note 18).

4. Segment Information

The Group's management reports its operating business segments into the following: (a) consumer business, (b) institutional business, and (c) other operations. The consumer business segment manufactures milk and juices, and sells the latter together with pasta and rice-based mixes.

The institutional business segment primarily manufactures flour and bread products, pasta and rice-based mixes but only sells flour and bread products. Other segments consist of lighterage, office space leasing and other services shown in aggregate as "Other operations". These are the operating segments reported to the chief operating decision maker.

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

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:

	2015						
	Consumer Business	Institutional Business	Other Operations	Unallocated Corporate Balances	Total	Eliminations	Consolidated
Net Sales							
External sales	₱8,167,172	₱3,778,055	₱36,669	₱–	₱11,981,896	₱–	₱11,981,896
Intersegment sales	2,110		232,411	–	234,521	(234,521)	–
	₱8,169,282	₱3,778,055	₱269,080	₱–	₱12,216,417	(₱234,521)	₱11,981,896
Results							
Interest and other financial charges - net	(₱10,302)	₱311	(₱3,923)	(₱2,969)	(₱16,883)	–	(₱16,883)
Equity in net earnings of an associate	₱–	₱–	₱12,331	₱–	₱12,331	₱–	₱12,331
Income (loss) before provision for income tax and non-controlling interest	₱637,971	₱1,083,012	(₱236,016)	(₱293,080)	₱1,191,887	₱–	₱1,191,887
Provision for income tax	(192,279)	6,085	(2,512)	(98,253)	(286,959)	–	(286,959)
Net income (loss)	₱445,692	₱1,089,097	(₱238,528)	(₱391,333)	₱904,928	₱–	₱904,928
Other information							
Segment assets	₱4,657,240	₱4,026,577	₱1,277,479	₱4,096,306	₱14,057,602	(₱288,077)	₱13,769,525
Investments	314,964	–	61,697	999,175	1,375,836	(1,222,193)	153,643
Consolidated Total Assets	₱4,972,204	₱4,026,577	₱1,339,176	₱5,095,481	₱15,433,438	(₱1,510,270)	₱13,923,168
Consolidated Total Liabilities	₱2,650,187	₱1,050,557	₱989,653	₱288,844	₱4,979,241	(₱683,336)	₱4,295,905
Capital expenditures							
Depreciation and amortization	178,845	81,907	102,562	8,068	371,382	847	372,229
Noncash expenses other than depreciation and amortization							

	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	₱3,726,517	₱14,141,073	(₱418,749)	₱13,722,324
Investments	314,964	–	61,787	999,130	1,375,881	(1,222,125)	153,756
Deferred income tax assets	80,108	2,456	22	–	82,586	–	82,586
Consolidated Total Assets	₱5,846,734	₱4,504,665	₱522,494	₱4,725,647	₱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	(₱863,334)	₱4,295,905
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	₱5,223	₱10,239,958	₱–	₱10,239,958
Intersegment sales	1,767	331,363	48,908	–	382,039	(382,039)	–
	₱6,202,810	₱4,312,886	₱101,077	₱5,223	₱10,621,997	(₱382,039)	₱10,239,958
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

5. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱322,024**	₱322,912
Cash equivalents	**1,453,628**	402,297
	₱1,775,652	₱725,209

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 ₱7.88 million, ₱5.16 million and ₱10.57 million in 2015, 2014 and 2013 respectively (see Note 23).

6. Receivables

	2015	2014
Trade receivables:		
Third parties	**₱2,098,233**	₱2,428,147
Related parties (Note 24)	**67,174**	11,019
Nontrade receivables	**296,777**	221,637
Advances to officers and employees	**21,226**	25,431
Advances to related parties (Note 24)	**145,112**	110,748
Other receivables	**48,303**	47,447
	2,676,825	2,844,429
Less allowance for doubtful accounts	**192,921**	220,219
	₱2,483,904	₱2,624,210

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

In 2015, the BOD of Philtown Properties, Inc. (Philtown) approved the redemption of the preferred shares at ₱3.5 per share and issued a promissory note for the redemption price of ₱762.85 million with interest rate of 0.5% per annum (see Note 9). The note receivable was recognized at fair value amounting to ₱ 307.45 million. The note will mature on November 25, 2017, payable in two installments. The noncurrent portion of the note receivable amounting to ₱46.12 million is recorded as part of "Other noncurrent assets" in the 2015 consolidated balance sheet while the current portion is included as part of nontrade receivables.

As of December 31, 2014, nontrade receivables include the receivable from stockholders and receivable from the sale of land in Manggahan in 2014.

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

	2015					
	Trade receivables	**Nontrade receivables**	**Advances to officers and employees**	**Advances to related parties**	**Other receivables**	**Total**
January 1, 2015	**₱195,967**	**₱4,307**	**₱2,423**	**₱16,122**	**₱1,400**	**₱220,219**
Provision (Notes 21 and 22)	**92,540**	**–**	**–**	**100,000**	**–**	**192,540**
Reversals	**(3,552)**	**–**	**–**	**–**	**–**	**(3,552)**
Write-offs	**(216,286)**	**–**	**–**	**–**	**–**	**(216,286)**
December 31, 2015	**₱68,669**	**₱4,307**	**₱2,423**	**₱116,122**	**₱1,400**	**₱192,921**

	2014					
	Trade receivables	Nontrade receivables	Advances to officers and employees	Advances to related parties	Other receivables	Total
January 1, 2014	₱190,733	₱144,121	₱2,423	₱12,055	₱1,400	₱350,732
Provision	46,053	–	–	4,067	–	50,120
Reversal	12,169	(21,168)	–	–	–	(8,999)
Write-offs	(52,988)	(118,646)	–	–	–	(171,634)
December 31, 2014	₱195,967	₱4,307	₱2,423	₱16,122	₱1,400	₱220,219

As of December 31, 2015 and 2014, allowance for doubtful accounts amounting to ₱192.92 million and ₱124.90 million, respectively, were determined using specific impairment.

7. Inventories

	2015	2014
At Cost and at NRV:		
Finished goods	**₱465,745**	₱812,016
Raw materials	**615,370**	525,525
Spare parts and supplies	**55,235**	87,695
	1,136,350	1,425,236
At Cost:		
Goods in process	**1,593**	7,803
Raw materials in transit	**23,860**	460,650
	25,453	468,453
	₱1,161,803	₱1,893,689

8. Other Current Assets

	2015	2014
Short-term investment	**₱85,971**	₱86,314
Prepaid expenses	**100,807**	69,627
Deposits on purchases	**65,173**	67,483
Creditable withholding taxes	**21,539**	78,019
Input VAT	**17,885**	63,315
Others	**1,810**	644
	₱293,185	₱365,402

Interest income earned on short-term investment amounted to ₱3.50 million, ₱3.20 million and nil in 2015, 2014 and 2013, respectively (see Note 23).

9. AFS Financial Assets

Movement of the AFS financial assets for the years ended December 31, 2015 and 2014 follow:

	2015	2014
Unquoted AFS financial assets:		
Common shares	**₱5,002**	₱5,002
Redeemable Philtown preferred shares	**–**	307,447
Quoted AFS financial assets:		
Golf club and other common shares	**30**	150
End of year	**₱5,032**	₱312,599

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.

In 2015, the BOD of Philtown approved the redemption of the preferred shares at ₱3.5 per share and issued a promissory note for the redemption price of ₱762.85 million with interest rate of 0.5% per annum (see Note 6).

In 2014, rollforward of net changes in fair value of AFS financial assets follows:

Beginning of year	(₱655)
Derecognition due to sale of a subsidiary (Note 2)	655
End of year	₱–

Dividend income earned from AFS financial assets amounted to ₱26.16 million for 2014 (nil in 2015 and 2013).

10. Investment in Joint Venture and Associate

	2015	2014
Cost	**₱141,313**	₱141,313
Accumulated Equity in Net Earnings		
Beginning of year	**12,443**	544
Equity in net earnings for the year	**12,331**	12,444
Dividends declared	**(12,444)**	(545)
End of year	**12,330**	12,443
	₱153,643	₱153,756

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

	2015	2014
Current assets (includes cash amounting to ₱45.95 million and ₱24.49 million as of December 31, 2015 and 2014, respectively)	**₱46,375**	₱29,515
Noncurrent assets	**227,664**	224,416
Current liabilities (includes income tax payable amounting to ₱0.99 million and ₱1.17 million as of December 31, 2015 and 2014, respectively)	**21,811**	1,517
Revenue	**26,930**	26,930
Interest income	**109**	58
Expenses	**1,779**	1,511
Provision for income tax	**4,708**	4,738
Net income	**20,552**	20,739

The carrying amount of the investment is computed as follows:

	2015	2014
Equity	**₱246,651**	₱246,838
Beneficial interest of the Group	**60%**	60%
Share of the Group	**147,991**	148,103
Premium paid	**2,528**	2,528
Carrying amount of the investment	**₱150,519**	₱150,631

Dividends received from SWLC amounted to ₱7.26 million, ₱3.80 million and ₱7.76 million for the years ended December 31, 2015, 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 11, 2016. Cost of investment in Engrain-RFM Pacific, Inc. amounted to ₱3.13 million as of December 31, 2015 and 2014.

11. Interest in a Joint Venture Proportionately Consolidated

URICI, a 50% joint venture of the Parent Company and 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 ₱3,920.01 million and ₱2,685.94 million as of December 31, 2015 and 2014, 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 Parent Company and WS Holdings, Inc. (WSHI), respectively, and 40% owned by UPI, 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	**2015**	2014
Consolidated Balance Sheets		
Cash and cash equivalents	**(₱96,580)**	(₱75,549)
Accounts receivable	**(298,720)**	(337,975)
Advances to related parties	**(7,310)**	(3,628)
Inventories	**(168,897)**	(241,195)
Other current assets	**(130,107)**	(91,293)
Total Current Assets	**(701,614)**	(749,640)
Property, plant and equipment	**(914,841)**	(950,738)
Investment in associate and joint venture	**349,268**	343,593
Deferred income tax assets – net	**(97,831)**	(80,108)
Other noncurrent assets	**(218,534)**	(261,506)
Total Noncurrent Assets	**(881,938)**	(948,759)
Total Assets	**(₱1,583,552)**	(₱1,698,399)
Bank loans	**(₱353,500)**	(₱703,500)
Accounts payable and accrued liabilities	**(835,475)**	(692,413)
Income tax payable	**(54,536)**	(21,389)
Advances from related parties	**(73,250)**	(53,857)
Provisions	**(218,443)**	(184,770)
Total Current Liabilities	**(1,535,204)**	(1,655,929)
Net pension obligation	**(48,348)**	(42,471)
Total Liabilities	**(₱1,583,552)**	(₱1,698,400)

Increase (decrease) in	**2015**	2014	2013
Consolidated Statements of Income			
Revenue	**(₱3,790,423)**	(₱3,354,295)	(₱3,072,691)
Cost of goods sold	**(1,769,094)**	(1,617,097)	(1,437,006)
Gross profit	**(2,021,329)**	(1,737,198)	(1,635,685)
Selling and marketing expenses	**(805,968)**	(513,910)	(651,056)
General and administrative expenses	**(539,820)**	(676,960)	(449,042)
Other income	**483,262**	386,650	383,669
Income before income tax	**(192,279)**	(159,678)	(151,918)
Provision for income tax	**(192,279)**	(159,678)	(151,918)
Net income	**₱–**	₱–	₱–

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

	2015	2014
Current assets (includes cash amounting to ₱96.58 million and ₱75.55 million as of December 31, 2015 and 2014, respectively)	**₱701,615**	₱749,641
Noncurrent assets	**1,040,642**	1,101,789
Current liabilities (includes income tax payable amounting to ₱53.96 million and ₱21.39 million and provisions amounting to nil as of December 31, 2015 and 2014, respectively)	**1,536,795**	1,655,929
Noncurrent liabilities - net pension obligation	**48,348**	42,471

Consolidated Statements of Income	**2015**	2014	2013
Revenue	**₱3,790,423**	₱3,354,295	₱3,072,691
Depreciation and amortization expense	**(1,769,094)**	50,791	132,961
Interest income	**(2,021,329)**	211	126
Interest expense	**(805,968)**	12,753	23,458
Provision for income tax	**(539,820)**	159,678	151,918
Net income	**483,262**	373,333	351,946
Other comprehensive income - remeasurement (loss) on net pension obligation	**(192,279)**	(8,411)	156
Total comprehensive income	**(192,279)**	364,922	352,102

Dividends received from URICI amounted to ₱440.18 million and ₱378.84 million in 2015 and 2014, respectively.

12. Property, Plant and Equipment

As of December 31, 2015:

	At Cost							
	Land at Appraised Value	Land Improvements	Silos, Buildings and Improvements	Machinery And Equipment	Transportation and Delivery Equipment	Office Furniture and Fixtures	Construction in Progress	Total
At Cost								
Cost:								
At January 1	**₱2,115,094**	**₱17,324**	**₱1,026,270**	**₱4,207,886**	**₱162,666**	**₱128,320**	**₱236,759**	**₱5,779,225**
Additions	**20,293**	**–**	**13,930**	**44,006**	**29,651**	**4,889**	**361,316**	**453,792**
Disposal	**(20,293)**	**–**	**–**	**(1,192)**	**(614)**	**–**	**–**	**(1,806)**
Transfer (Note 13)	**263,196**	**–**	**129,115**	**(18,802)**	**51,686**	**(237)**	**(4,725)**	**157,037**
Reclassification	**–**	**–**	**–**	**492,340**	**(19,151)**	**–**	**(473,189)**	**–**
Appraisal increase	**101,241**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At December 31	**2,479,531**	**17,324**	**1,169,315**	**4,724,238**	**224,238**	**132,972**	**120,161**	**6,388,248**
Accumulated depreciation and amortization:								
At January 1	**–**	**11,665**	**416,640**	**2,102,612**	**120,220**	**121,420**	**–**	**2,772,557**
Depreciation and amortization (Note 23)	**–**	**601**	**50,836**	**287,221**	**27,174**	**3,692**	**–**	**369,524**
Disposal	**–**	**–**	**–**	**(1,131)**	**(603)**	**–**	**–**	**(1,734)**
Transfer (Note 13)	**–**	**–**	**54,554**	**(24,021)**	**59,367**	**3,764**	**–**	**93,664**
Reclassification	**–**	**–**	**–**	**19,440**	**(19,440)**	**–**	**–**	**–**
At December 31	**–**	**12,266**	**522,030**	**2,384,121**	**186,718**	**128,876**	**–**	**3,234,011**
Accumulated impairment loss:								
At January 1	**–**	**–**	**–**	**20,356**	**–**	**–**	**–**	**20,356**
Impairment loss	**–**	**–**	**–**	**22,915**	**–**	**–**	**–**	**22,915**
December 31	**–**	**–**	**–**	**43,271**	**–**	**–**	**–**	**43,271**
Net Book Values at December 31	**₱2,479,531**	**₱5,058**	**₱647,285**	**₱2,296,846**	**₱37,520**	**₱4,096**	**₱120,161**	**₱3,110,966**

As of December 31, 2014:

		At Cost						
	Land at Appraised Value	Land Improvements	Silos, Buildings and Improvements	Machinery And Equipment	Transportation and Delivery Equipment	Office Furniture and Fixtures	Construction in Progress	Total
At Cost								
Cost:								
At January 1	₱2,564,222	₱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
Disposal	(200,020)	(61)	(2,176)	(16,429)	(71,035)	(5,876)	–	(95,577)
Transfer	(263,196)	–	(87,562)	–	–	–	–	(87,562)
Reclassification	14,088	(14,088)	10,231	33,994	(2,849)	(3,544)	(37,832)	(14,088)
At December 31	2,115,094	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
Disposal	–	–	(2,176)	(12,000)	(51,956)	(3,590)	–	(69,722)
Transfer	–	–	(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 loss	–	–	–	(940)	–	–	–	(940)
December 31	–	–	–	20,356	–	–	–	20,356
Net Book Values at December 31	₱2,115,094	₱5,659	₱609,630	₱2,084,918	₱42,446	₱6,900	₱236,759	₱2,986,312

The Group's parcels of land were stated at their revalued amounts based on an appraisal made by accredited independent appraisers as of December 31, 2013. The parcels of land, located in Mandaluyong City and Pasig City, have aggregate fair values of ₱2,479.53 million and ₱2,115.09 million as of December 31, 2015 and 2014, respectively.

The appraised value of the land was determined using the market approach which is a valuation technique that use prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (-10% to -20%) and location (-10% to 10%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the accredited independent appraisers would increase (decrease) the fair value of the parcels of land (Level 3- Significant unobservable inputs).

Management believes that there is no significant change in the fair value of the parcels of land as of December 31, 2015 because there were no significant improvements made to the said parcels of land since the last valuation date and no impairment indicators existed as of December 31, 2015.

In 2015, the Parent Company entered into an agreement with a real estate developer to acquire 345.65 square meter land in Pasig City with a fair value of ₱20.9 million in exchange for 404.26 square meter land in Mandaluyong City.

The cost of these parcels of land amounted to ₱333.92 million and ₱143.04 million as of December 31, 2015 and 2014.

Construction in progress as of December 31, 2014 includes the installation of the machineries and construction of warehouse of the Pasta Line 3 that will be used in the production of pasta long goods.

13. Investment Properties

As of December 31, 2015:

	Land	Buildings and Improvements	Total
Cost			
At January 1	**₱263,196**	**₱129,115**	**₱392,311**
Transfer (Note 12)	**(263,196)**	**(129,115)**	**(392,311)**
At December 31	–	–	–
Accumulated Depreciation and Amortization			
At January 1	–	**54,554**	**54,554**
Transfer (Note 12)	–	**(54,554)**	**(54,554)**
At December 31	–	–	–
Net Book Values	**₱–**	**₱–**	**₱–**

As of December 31, 2014:

	Land	Buildings and Improvements	Total
Cost			
At January 1	₱–	₱41,174	₱41,174
Additions	–	379	379
Transfer/Reclass (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 (Note 23)	–	8,218	8,218
Transfer (Note 12)	–	40,707	40,707
At December 31	–	54,554	54,554
Net Book Values	₱263,196	₱74,561	₱337,757

The Group obtained appraisal of its investment properties as of January 2, 2014 from SEC-accredited and independent appraisers. Fair values of the land and building and improvements amounted to ₱302.20 million and ₱92.12 million, respectively, as of December 31, 2013.

The fair 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 in economic characteristics of the properties (Level 3 - Significant unobservable inputs).

The fair value of the building and improvements was determined using the cost approach, a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). Significant unobservable inputs used in the fair value measurement of such investment properties would include current replacement cost and useful life of the investment properties (Level 3 - Significant unobservable inputs).

Rental income from the investment property amounted to ₱22.25 million, ₱15.26 million and ₱13.16 million in 2015, 2014 and 2013, respectively, while the related direct cost which consists of depreciation expense, real property taxes and other direct costs amounted to ₱24.42 million, ₱25.15 million and ₱28.19 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

14. Intangible Assets

	2015			
	Trademark	**Goodwill**	**Computer Software**	**Total**
Cost	**₱2,080,932**	**₱190,563**	**₱9,097**	**₱2,280,592**
Accumulated Amortization				
At January 1	–	–	**4,892**	**4,892**
Amortization (Note 23)	–	–	**2,705**	**2,705**
At December 31	–	–	**7,597**	**7,597**
Net Book Values	**₱2,080,932**	**₱190,563**	**₱1,500**	**₱2,272,995**

	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 (Note 23)	–	–	2,705	2,705
At December 31	–	–	4,892	4,892
Net Book Values	₱2,080,932	₱190,563	₱4,205	₱2,275,700

Trademark

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

Key assumptions used to determine the fair value are as follow:

14.2% discount rate	Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management used discount rate based on weighted average cost of capital (WACC).
8% to 30% growth rates	Growth rates in revenues are based on the Company's expectations of market developments and past historical performance.
10% royalty savings rate	Royalty savings rate is based on the prevailing comparable past trademark royalty rate obtained from survey by independent third party.
Budgeted brand support	Cash flow forecast for brand support is based on past experience and is approved by the Company's senior management. Brand support is projected at 3% of revenues.

As of December 31, 2015 and 2014, the recoverable amount of the trademark is higher than its carrying value.

Goodwill

Goodwill amounting to ₱190.56 million as of December 31, 2015 and 2014, respectively, pertains to the Parent Company's investment in URICI (see Note 2). Goodwill is subject to impairment testing at least annually or when impairment indicators are identified. Management has determined that the recoverable amount of the goodwill is value-in-use, which is based on a discounted cashflow model. The cashflow projections are based on financial projections approved by senior management covering a 5-year explicit forecast period, including a terminal value.

Key assumptions used to determined value-in-use as of December 31, 2015 are as follows:

7.0% discount rate	Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management used discount rate based on WACC.
8% to 13% growth rates	Growth rates in revenues are based on URICI's expectations of market developments and past historical performance.
Operating expenses and maintenance capital expenditures	Are based on approved financial budgets by the senior management.

As of December 31, 2015, the recoverable amount of URICI is higher than its carrying value.

15. Accounts Payable and Accrued Liabilities

	2015	2014
Trade payables:		
Third parties	**₱1,533,590**	₱1,144,595
Related parties (Note 24)	**45,042**	53,839
Accruals for:		
Advertisements and promotions	**481,310**	554,138
Importation	**248,922**	22,765
Manpower services	**71,815**	61,512
Payroll	**64,619**	53,993
Freight and handling	**51,994**	74,240
Profit bonus	**47,413**	51,245
Commission	**8,809**	3,836
Interest (Notes 16 and 17)	**1,109**	5,271
Merchandising charges	**–**	8,070
Repairs and maintenance	**–**	2,837
Others	**359,944**	319,672
Advances from related parties (Note 24)	**88,757**	71,372
Withholding taxes and other government payables	**48,491**	48,270
Cash bond - distributors	**26,677**	38,389
Dividends payable	**10,414**	13,654
Subscriptions payable	**5,383**	5,383
Other payables	**113,088**	114,098
	₱3,207,377	₱2,647,179

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

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

Other accruals consist of accruals made for utilities, rentals and other costs and expenses.

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 1.95% to 3.00% in 2015 and 2.30% to 4.25% in 2014. Bank loans amounted to ₱353.50 million and ₱703.50 million as of December 31, 2015 and 2014, respectively.

In 2014, the Parent Company obtained US$-denominated promissory notes. Notes payable are short-term US dollar denominated loans availed by the Company from a local bank to finance partially the purchases of Royal pasta trademark in 2014 and for general corporate requirements. These loans bear annual interest of 1.875% and mature in 30 days. Outstanding principal of these short-term loans amounted to ₱223.60 million (US$ 5 million) as of December 31, 2014. This loan was fully paid in 2015.

Interest expense amounted to ₱15.25 million in 2015, ₱22.94 million in 2014 and ₱23.46 million in 2013 (see Note 23).

17. Long-term Debts

As of December 31, 2014, long-term debts consist of peso-denominated promissory notes obtained from local banks with the following terms and conditions:

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	₱300,625
b. Loan from a local bank with interest rate based on 3-month PDST-F plus a certain spread	176,471
ICC:	
c. Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%	130,590
d. Loan from a local bank with interest rate based on 3-month PDST-F plus spread of 1.75%	44,116
Total	651,802
Less current portion	288,971
Noncurrent portion	₱362,831

The Parent Company was in compliance with the terms and conditions of the loan agreements with the banks as of December 31, 2014. During the second quarter of 2015, the Parent Company prepaid all its long-term loans.

In 2014, creditor banks of ICC permanently waived any event of default arising from ICCs noncompliance of required financial ratios. During 2015, ICC prepaid all its long-term debts.

No interest expense was capitalized in 2015 and 2014. Interest expense charged to operating profit or loss amounted to ₱13.01 million, ₱28.38 million and ₱34.06 million in 2015, 2014 and 2013, respectively (see Note 23).

18. Provisions

Provisions were recognized for expected claims against the Group arising from the ordinary course of business. Balance as of December 31, 2015 and 2014 amounted to ₱6.0 million.

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 Parent Company, unless otherwise prescribed by the BOD.

As of December 31, 2015 and 2014, the Parent Company has 3,978,265,025 authorized common shares with ₱1 par value. Issued and outstanding common shares of 3,500,403,866 are held by 3,247 and 3,267 shareholders as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, capital stock consists of the following:

	Number of Shares			
	Authorized		Issued and Outstanding	
	2015	2014	**2015**	2014
Capital Stock - ₱1 par value				
Beginning	**3,978,265,025**	3,978,265,025	**3,500,403,866**	3,160,403,866
Addition	–	–	–	340,000,000
Ending	**3,978,265,025**	3,978,265,025	**3,500,403,866**	3,500,403,866

Issued and outstanding common shares of 3,500,403,866 are held by 3,247 and 3,267 shareholders as of December 31, 2015 and 2014, 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)
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)

(Forward)

Year	Date of Transaction	Common Stock Transactions	
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 par value from ₱10.00 to ₱2.00.
(c) This is the result of the conversion of Parent Company's preferred shares to common shares. Conversion of shares was made at various dates within the year.
(d) Information on the offer price is not available since the shares were not issued in relation to a public offering.
(e) On June 28, 2007, the SEC approved the 2-for-1 stock split for the common stock, effectively reducing the par value from ₱2.00 to ₱1.00.
(f) Cost of retired shares amounted to ₱991.76 million.
(g) On March 24, 2014, the Parent Company issued additional 340.00 million shares.

Deposits for stock subscriptions
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 ₱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: (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 notified 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 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 Parent Company issued the 340.00 million shares. Accordingly, the amount received for the stock subscription, net of transaction costs, in relation to the subscription tranche amounting to ₱1,599.95 million was reclassified from deposits for stock subscriptions to capital stock and capital in excess of par value accounts amounting to ₱340.00 million and ₱1,259.95 million, respectively. Subsequently, the 340.00 million shares are listed with the Philippine Stock Exchange.



Retained earnings
The details of the Parent 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, 2015	₱108.08	Cash	₱0.030876	October 15, 2015	November 10, 2015
February 27, 2015	129.51	Cash	0.37	March 13, 2015	April 13, 2015
October 1, 2014	114.96	Cash	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

The Group's retained earnings as of December 31, 2015 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 ₱12.33 million. These will only be available for declaration as dividends when these are actually received.

20. Cost of Sales and Services

	2015	2014	2013
Manufacturing:			
Raw materials used and changes in inventories (Note 7)	**₱5,864,005**	₱5,504,986	₱5,262,574
Outside services	**485,385**	281,250	193,211
Utilities	**244,424**	266,202	240,358
Personnel costs (Note 23)	**193,395**	180,213	120,037
Depreciation and amortization (Note 23)	**174,241**	150,798	247,505
Repairs and maintenance	**113,094**	98,014	80,921
Rental	**28,113**	5,967	20,996
Direct labor	**17,809**	91,441	37,013
Provision for inventory obsolescence	**–**	23,469	30,726
Other expenses	**104,130**	114,467	225,827
	7,224,596	6,716,807	6,459,168
Services and others:			
Depreciation and amortization (Note 23)	**103,409**	114,106	59,104
Outside services	**53,196**	49,053	35,381
Other expenses	**110,989**	124,735	16,548
	267,594	287,894	111,033
	₱7,492,190	₱7,004,701	₱6,570,201

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

21. Selling and Marketing Expenses

	2015	2014	2013
Advertisements	**₱1,071,113**	₱1,059,466	₱955,746
Freight and handling	**615,693**	320,351	407,621
Outside services	**267,950**	220,816	163,298
Provision for doubtful accounts (Note 6)	**92,540**	40,205	27,803
Personnel costs (Note 23)	**78,837**	92,542	101,220
Rental	**58,568**	115,183	10,508
Depreciation and amortization (Note 23)	**9,135**	8,516	15,307
Transportation and travel	**8,237**	7,372	7,877
Other expenses	**95,433**	86,582	80,174
	₱2,297,506	₱1,951,033	₱1,769,554

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

22. General and Administrative Expenses

	2015	2014	2013
Personnel costs (Note 23)	**₱335,608**	₱318,977	₱324,705
Outside services	**135,275**	318,265	248,006
Royalty and service fees	**102,660**	87,410	32,693
Provision for doubtful accounts (Notes 6 and 24)	**100,000**	5,848	–
Depreciation and amortization (Note 23)	**85,444**	90,575	24,381
Taxes and licenses	**61,835**	53,636	51,680
Repairs and maintenance	**27,519**	13,646	20,335
Utilities	**26,643**	30,110	25,026
Rental	**19,557**	17,733	17,013
Director's fees	**18,186**	18,368	16,878
Transportation and travel	**13,912**	13,934	16,657
Professional fees	**10,861**	9,272	10,558
Donations	**8,166**	12,507	10,564
Representation and entertainment	**7,376**	6,332	6,265
Insurance	**3,690**	3,949	4,757
Office supplies	**2,065**	8,878	7,195
Other expenses	**34,560**	47,868	74,148
	₱993,357	₱1,057,308	₱890,861

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

	2015	2014	2013
Salaries and wages	**₱458,696**	₱466,051	₱499,788
Pension benefits costs (Note 25)	**27,602**	23,988	29,071
Other employee benefits	**121,542**	101,692	17,103
	₱607,840	₱591,731	₱545,962

The distribution of the above amounts follows:

	2015	2014	2013
Cost of sales and services (Note 20)	**₱193,395**	₱180,213	₱120,037
Selling and marketing expenses (Note 21)	**78,837**	92,542	101,220
General and administrative expenses (Note 22)	**335,608**	318,977	324,705
	₱607,840	₱591,732	₱545,962

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

	2015	2014	2013
Property, plant and equipment (Note 12)	**₱369,524**	₱353,072	₱346,927
Investment properties (Note 13)	**–**	8,218	1,575
Computer software (Note 14)	**2,705**	2,705	1,216
	₱372,229	₱363,995	₱349,088

Distribution of the above amounts follows:

	2015	2014	2013
Cost of sales and services (Note 20)	**₱277,650**	₱264,904	₱306,609
Selling and marketing expenses (Note 21)	**9,135**	8,516	15,307
General and administrative expenses (Note 22)	**85,444**	90,575	24,381
	₱372,229	₱363,995	₱346,297

Interest and Financing Income

	2015	2014	2013
Interest income on cash and cash equivalents (Note 5)	**₱7,876**	₱5,164	₱10,571
Interest income on short-term cash investments (Note 8)	**3,501**	3,204	–
Interest income on loans receivables	**–**	–	7,218
	₱11,377	₱8,368	₱17,789

Interest Expense

	2015	2014	2013
Interest expense on long-term debts (Note 17)	**₱13,008**	₱28,380	₱34,055
Interest expense on bank loans (Note 16)	**15,252**	22,935	23,458
Interest expense on finance lease obligations	–	–	887
Others	–	460	4,315
	₱28,260	₱51,775	₱62,715

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

		2015		2014				
Related Parties	Transaction	**Amount**	**Outstanding receivable (payable)**	Amount	Outstanding receivable (payable)	Balance Sheet Account	Terms	Conditions
Joint venture								
ULP	Sale of goods and services	**₱27,073**	**₱7,019**	₱–	₱–	Receivables	Non-interest bearing to be to be settled in cash	-do-
-do-	Service agreement	**50,103**	**291**	–	3,628	-do-	Non-interest-bearing, collectible in 60 days	-do-
-do-	-do-	**50,103**	**(17,633)**	21,287	(44,868)	Accounts Payable and Other Current Liabilities	Non-interest bearing	-do-
-do-	Purchase of goods and services	**60,982**	**(52,172)**	–	–	Accounts Payable and Other Current Liabilities	-do-	-do-
-do-	Rent expenses	**13,465**	**–**	–	–	-do-	-do-	-do-
URICI	Management service income	**21,056**	**1,303**	19,960	4,928	Receivables	Non-interest bearing, collectible on demand but not later than 12 months	Unsecured, no impairment
-do-	Service fees	**–**	**(1,078)**	–	(1,078)	Accounts payables and other current liabilities	-do-	-do-
Unilever NV	Cost reimbursement	**1,073**	**(1,038)**	1,914	(2,519)	Accounts Payable and Other Current Liabilities	Non-interest bearing	Unsecured, no impairment
-do-	Share-based compensation plans	**520**	**(2,407)**	–	(6,470)	-do-	-do-	-do-

(Forward)

Related Parties	Transaction	2015 Amount	2015 Outstanding receivable (payable)	2014 Amount	2014 Outstanding receivable (payable)	Balance Sheet Account	Terms	Conditions
Subsidiaries								
ICC	Advances	**₱110,042**	**₱42,557**	₱5,590	₱5,590	Receivables	-do-	-do-
-do-	Toll processing	**163,013**	–	188,858	(77,046)	Accounts payables and other current liabilities	Non-interest bearing, collectible within 30 days	-do-
IAC	Rent expense	–	**(12,154)**	1,543	(12,698)	-do-	-do-	-do-
do-	Advances	–	**(500)**	500	(500)	-do-	Non-interest bearing	-do-
CLIC	Rent expense	–	–	₱13,563	(₱15,802)	-do-	Renewed annually	Lease payable offset against advances to CLIC
-do-	Current Advances	**1,152**	**399,165**	–	–	Receivables	Non-interest bearing	Secured by property and equipment amounting to ₱300.00 million, no impairment
-do-	Non-current advances	–	**3,445**	1,180	412,410	-do-	-do-	-do-
FWBC	Sale of goods	–	**11,457**	–	11,392	Receivables	Non-interest bearing, collectible within 60 days	-do-
REI	Current Advances	–	**(37,076)**	24	(37,098)	Accounts payables and other current liabilities	-do-	Unsecured, no impairment
RFM Canning	Current Advances	–	**34,182**	34,182	34,182	Receivables	Non-interest bearing	Fully provided with allowance for impairment of ₱34.18 million as of December 31, 2015 and 2014
Entities under common major shareholder group								
Swift Foods, Inc.	Lease income	–	**6,592**	–	6,592	Receivables	Non-interest bearing	Unsecured, partially impaired
RIBI	Rental Income	**345**	**35**	–	–	Receivables	Unsecured and will be settled in cash	Unsecured and will be settled in cash
RFM Foundation, Inc.	Lease income	**226**	**389**	103	163	-do-	Non-interest bearing	Unsecured, partially impaired
CSFC	Rental Income	**102**	**11**	–	–	-do-	Unsecured and will be settled in cash	Unsecured and will be settled in cash
-do-	Purchase of services	–	–	3,905	(3,905)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	Unsecured

(Forward)

		2015		2014				
Related Parties	Transaction	**Amount**	**Outstanding receivable (payable)**	Amount	Outstanding receivable (payable)	Balance Sheet Account	Terms	Conditions
Joey Pepperoni Pizzeria	Lease income	**₱162**	**₱4,519**	₱705	₱4,358	Receivables	Non-interest bearing	-do-
-do-	Purchase of services	–	–	35	(35)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	-do-
-do-	Sales of goods	–	**1,396**	1,396	–	Receivables	Non-interest bearing, collectible in 60 days	-do-
Philtown	Advances	–	**128,810**	–	122,785	-do-	Non-interest-bearing	Provided with allowance for impairment of ₱106.92 million as of December 31, 2015 and 2014
-do-	Loans receivable	–	**33,856**	–	–	-do-	Interest bearing	Secured by a property of Philtown; due and demandable
-do-	Sales of goods	–	**185**	–	–	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment
-do-	Purchase of services	–	**(21,469)**	21,469	(21,469)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	Unsecured, no impairment
-do-	Advances	–	–	–	(65)	-do-	Non-interest bearing	-do-
Kettle Foods Corporation	Sales of goods	–	**7,532**	–	–	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment
-do-	Sale of flour	–	–	–	42	-do-	Interest-bearing, collectible in 60 days	Unsecured, partially impaired
Bevco Philippines, Inc.	-do-	–	–	–	60	-do-	-do-	-do-
-do-	Purchase of services	–	–	53	(53)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	-do-
Philippine Center for Entrepreneurship	-do-	**34**	**186**	14	153	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment

(Forward)

		2015		2014				
Related Parties	Transaction	**Amount**	**Outstanding receivable (payable)**	Amount	Outstanding receivable (payable)	Balance Sheet Account	Terms	Conditions
Republic Consolidated Corporation	Purchase of services	**₱–**	**(₱21,786)**	₱25,701	(₱25,727)	Accounts Payable and Other Current Liabilities	Interest-bearing, collectible in 60 days	-do-
Swift Foods, Inc.	Advances	–	–	1,039	(1,039)	-do-	Non-interest bearing	-do-
Others	Sales of goods	–	**14,600**	–	86	Receivables	Non-interest bearing, collectible in 60 days	Unsecured. Provided with allowance for impairment of ₱9.20 million as of December 31, 2015 and 2014
-do-	Advances	–	**8,992**	393	457	-do-	Non-interest bearing, collectible in 60 days	Unsecured, partially impaired
-do-	Advances	–	**(15,507)**	–	(16,411)	Accounts Payable and Other Current Liabilities	Non-interest bearing	Unsecured, no impairment
-do-	Purchase of services	–	**(1,787)**	2,650	(2,650)	-do-	Non-interest bearing, collectible in 60 days	Unsecured, no impairment

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 and joint venture proportionately consolidated:

Revenue earned by:	Costs incurred by:	Nature	2015	2014	2013
Parent Company	URICI	Service fee and commission	**₱12,639**	₱10,235	₱10,408
ICC	Parent Company	Toll processing	**163,014**	188,858	237,425
RLC	Parent Company	Lighterage	**46,881**	39,153	35,608
CLIC	Parent Company	Rent	**12,803**	12,110	5,714
IAC	Parent Company	Rent and utilities charge back	**9,716**	8,966	35,609

b. 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 for both 2015 and 2014, and ₱11.40 million in 2013, respectively.

c. The Parent Company utilizes RLC for its lighterage requirements. Service fee to RLC amounted to ₱46.88 million in 2015, ₱39.15 million in 2014 and ₱35.61 million in 2013.

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. Service fees amounted to ₱21.06 million, ₱19.96 million and ₱20.82 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

	2015	2014
Salaries and other short-term benefits	**₱96,311**	₱92,356
Proportionate share in share-based compensation of URICI	**520**	542
Pension benefits costs	**14,722**	19,120
	₱111,553	₱112,018

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:

	2015	2014	2013
Current service cost	**₱22,855**	₱22,296	₱29,002
Net interest cost	**4,747**	1,692	69
Pension benefits costs	**₱27,602**	₱23,988	₱29,071

b. Net Pension Obligation

The details of the net pension obligation recognized in the consolidated balance sheets as of December 31, 2015 and 2014 follow:

	2015	2014
Defined benefits obligation	**₱374,812**	₱370,294
Fair value of plan assets	**(222,310)**	(259,626)
Net pension obligation	**₱152,502**	₱110,668

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

	2015	2014
January 1	**₱370,294**	₱412,670
Interest cost	**16,380**	17,940
Current service cost	**22,855**	22,296
Remeasurement loss (gain)	**94,906**	(32,359)
Benefits paid	**(129,623)**	(48,296)
Transfers	**–**	(1,957)
December 31	**₱374,812**	₱370,294

Changes in the fair value of plan assets follow:

	2015	2014
January 1	**₱259,626**	₱366,675
Contributions	**71,244**	7,781
Asset return included in net interest cost	**11,634**	16,248
Benefits paid	**(109,079)**	(33,767)
Remeasurement loss	**(11,114)**	(97,312)
December 31	**₱222,311**	₱259,626

Breakdown of the plan assets follow:

	2015	2014
Investments in:		
Debt securities other than bonds	**₱88,637**	₱–
Equity securities	**40,814**	19,870
Corporate bonds	**27,815**	57,429
Real estate	**8,210**	8,210
Unit investment trust fund	**–**	109,496
Cash and cash equivalents	**57,220**	64,562
Receivables	**391**	875
	47,916	260,442
Payables	**(776)**	(816)
	₱221,311	₱259,626

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

Investments in the shares of stock of the Parent Company held by the Company's retirement fund have fair values amounting to ₱31.01 million and ₱7.09 million as of December 31, 2015 and 2014, respectively. Gain on sale of the shares of stock of the Parent Company amounted to ₱2.49 million in 2014 (nil in 2015).

As of December 31, 2015 and 2014, the principal assumptions used in determining the defined benefit obligations of the Group follow:

	December 31	
	2015	2014
Discount rate per annum	**4.75% to 4.75%**	4.42% to 5%
Future annual increase in salary rate	**5% to 5.9%**	5% to 5.9%

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

	2015	2014
One year and less	**₱4,966**	₱10,011
Between 1 and 5 years	**38,378**	76,256
Between 5 and 10 years	**262,607**	302,856
Between 10 and 15 years	**182,659**	220,736
Between 15 and 20 years	**93,727**	108,616
Beyond 20 years	**472,104**	412,620
Total expected payments	**₱1,054,441**	₱1,131,095

The average duration of the defined benefit plan obligations as of December 31, 2015 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, assuming if all other assumptions were held constant:

	Discount rate		Future salary increases	
	+1%	-1%	+1%	-1%
2015	**(₱35,550)**	**₱41,398**	**₱42,577**	**(₱37,002)**
2014	(252,921)	147,619	139,964	(234,719)

26. **Income Taxes**

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

	December 31, 2015		December 31, 2014	
	Net deferred income tax assets	**Net deferred income tax liabilities**	Net deferred income tax assets	Net deferred income tax liabilities
Parent Company	**₱–**	**(₱410,337)**	₱–	(₱436,815)
URICI	**97,831**	**–**	80,107	–
IAC	**–**	**(11,900)**	–	–
CLIC	**–**	**(29,552)**	–	(29,552)
ICC	**1,247**	**–**	2,456	–
Others	**22**	**(36)**	23	(92)
	₱99,100	**(₱451,825)**	₱82,586	(₱466,459)

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

	2015	2014
Deferred income tax assets on:		
NOLCO	**₱376**	₱1,344
Excess MCIT	**308**	151
Doubtful accounts and probable losses	**68,503**	96,768
Inventory losses and obsolescence	**3,690**	5,030
Impairment loss on property, plant and equipment	**6,593**	–
Accrued profit	**5,880**	–
Accrual of employee benefits and other expenses	**68,403**	20,084
Unamortized past service cost	**21,875**	8,782
Net pension obligation	**4,493**	19,216
Cumulative actuarial loss on defined benefit plan	**59,143**	15,210
Unrealized foreign exchange loss	**–**	1,203
Others	**1,487**	13
Total deferred income tax assets	**240,751**	167,801
Deferred income tax liabilities on:		
Revaluation increment on land	**(575,578)**	(551,291)
Net pension obligation	**(17,298)**	–
Capitalized borrowing cost	**(266)**	(290)
Others	**(334)**	(93)
Total deferred income tax liabilities	**(593,476)**	(551,674)
Net deferred income tax liabilities	**(₱352,725)**	(₱383,873)

c. A reconciliation of the provision for income tax computed at the statutory income tax rate of 30% based on income before income tax to the provision for income computed at the Parent Company's effective oncome tax rate for the years ended December 31 follows:

	2015	2014	2013
Provision for income tax at the statutory income tax rate 30%	**₱357,566**	₱305,770	₱304,914
Additions to (reductions in) income tax resulting from:			
Dividend income exempted from income tax	**–**	(7,849)	–
Nontaxable equity in net earnings of an associate	**(3,699)**	(3,733)	(3,581)
Movement in unrecognized deferred income tax	**(75,639)**	(100,083)	(62,396)
Nondeductible expenses	**6,491**	1,371	4,804
Others	**2,240**	(9,987)	(13,153)
Provision for income tax	**₱286,959**	₱185,489	₱230,588

d. NOLCO:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2012	₱15,052	(₱15,052)	₱–	2015
2013	32,884	–	32,884	2016
2014	24,886	–	24,886	2017
2015	24,886	–	24,886	2018
	₱97,708	(₱15,052)	₱82,656	

Excess MCIT:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2012	₱111	(₱111)	₱–	2015
2013	72	–	72	2016
2014	217	–	217	2017
2015	156	–	156	2018
	₱556	(₱111)	₱445	

27. **Contracts**

a. The Parent Company entered into license agreements with Sunkist Growers, Inc., Rovio Entertainment Ltd., and Turner Broadcasting System Asia Pacific, Inc. whereby the licensors granted the Company the non-exclusive license to manufacture, market, distribute and sell the licensed products. The Company agreed to pay a fixed amount of royalty every year, as stipulated in the agreements. Unpaid royalty, included under "Other accrued expenses" account, amounted to ₱5.34 million and ₱2.65 million as of December 31, 2015 and 2014, respectively (see Note 15).

b. The Company entered into distribution agreement with Dole Philippines, Inc. (Dole) whereby Dole appointed the Company as their distributor of their products. The agreement with Dole commenced on May 1, 2014 and expired on April 30, 2015. The Company renewed its distribution agreement with Dole on May 1, 2015 and shall expire on April 30, 2016.

28. **Earnings Per Share**

	2015	2014	2013
Net income attributable to equity holders of the Parent Company (a)	**₱906,496**	₱838,327	₱787,889
Weighted average number of common shares outstanding (b)	**3,500,403,866**	3,415,403,865	3,160,403,866
Basic/diluted earnings per share (a/b)	**₱0.26**	₱0.25	₱0.25

The Group does not have potentially dilutive common shares in 2015, 2014 and 2013. Therefore, the basic/dilutive earnings per share are the same.

29. Financial Instruments

The following table summarizes the carrying values of the Group's financial assets and financial liabilities as of December 31:

	2015	2014
Financial Assets		
Cash on hand	**₱48,765**	₱79,000
Cash in banks and cash equivalents	**1,726,887**	646,209
Loans and receivables:		
Trade receivables	**2,096,738**	2,243,199
Nontrade receivables	**338,587**	217,330
Advances to officers and employees	**18,803**	23,008
Advances to related parties	**28,990**	94,626
Other receivables	**46,903**	46,047
Short-term investment	**85,971**	86,314
	4,391,644	3,435,733
AFS financial assets:		
Unquoted:		
Common shares	**5,002**	4,960
Redeemable preferred shares	**–**	307,447
Quoted common and golf shares	**30**	149
	5,032	312,556
	₱4,396,676	₱3,742,472
Other Financial Liabilities		
Bank loans	**₱353,500**	₱927,100
Accounts payable and accrued liabilities*	**3,070,129**	2,527,807
Advances from related parties	**88,757**	71,372
Long-term debts	**–**	651,802
	₱3,492.39	₱4,178,081

**Exclusive of government payables amounting to ₱48.49 million and ₱45.76 million as of December 31, 2015 and 2014, respectively.*

Cash, cash equivalents, trade receivables, nontrade receivables, advances to officers and employees, other receivables, accounts payable and accrued liabilities, advances from related parties. The carrying amounts of these instruments approximate their fair values due to their short-term maturities and demand features.

Long-term debts. The fair value of long-term debts approximate their carrying amount due to quarterly repricing of interest rates.

30. 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, 2015 and 2014, based on the Group's credit rating system follows:

As of December 31, 2015:

	Neither past due nor impaired		**Past due but not Impaired**	**Past due and Individually Impaired**	**Total**
	Excellent	**Good**			
Cash in banks and cash equivalents	**₱1,726,887**	**₱–**	**₱–**	**₱–**	**₱1,726,887**
Loans and receivables:					
Trade receivables:	**272,314**	**467,457**	**1,356,967**	**68,669**	**2,165,407**
Nontrade receivables	**–**	**292,470**	**–**	**4,307**	**296,777**
Advances to officers and employees	**–**	**18,803**	**–**	**2,423**	**21,226**
Advances to related parties	**–**	**28,990**	**–**	**116,122**	**145,112**
Other current receivables	**–**	**46,903,**	**–**	**1,400**	**48,303**
Short-term cash investment	**85,971**	**–**	**–**	**–**	**85,971**
	₱2,085,172	**₱854,623**	**₱1,356,967**	**₱192,921**	**₱4,489,683**

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	₱646,209	₱–	₱–	₱–	₱646,209
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 cash investment	86,314	–	–	–	86,314
	₱1,066,966	₱969,963	₱1,319,984	₱220,039	₱3,576,952

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, 2015 and 2014 follows:

As of December 31, 2015:

	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**
Trade receivables	**₱642,492**	**₱235,004**	**₱115,566**	**₱158,148**	**₱205,757**	**₱1,356,967**

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	₱213,188	₱203,556	₱300,979	₱182,128	₱387,677	₱1,287,528
Other current receivables	–	–	–	–	32,456	32,456
	₱213,188	₱203,556	₱300,979	₱182,128	₱420,133	₱1,319,984

Liquidity risk

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

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

The following tables show the maturity profile of the Group's undiscounted cash flows from financial assets used for liquidity purposes and other financial liabilities as of December 31, 2015 and 2014.

As of December 31, 2015:

	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	**₱48,765**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱48,765**
Cash in banks and cash equivalents	**1,726,887**	–	–	–	–	–	**1,726,887**
Trade receivables	**2,096,738**	–	–	–	–	–	**2,096,738**
Short-term cash investment	**85,971**	–	–	–	–	–	**85,971**
	₱3,958,361	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,958,361**
Financial Liabilities							
Bank loans	**₱353,500**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱353,500**
Accounts payable and accrued liabilities*	**3,070,129**	–	–	–	–	–	**3,070,129**
Advances from related parties	**88,757**	–	–	–	–	–	**88,757**
	₱3,512,386	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,512,386**

**Excluding payable to government agencies of ₱48.49 million.*

***Inclusive of interest expense until maturity.*

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	₱79,000	₱–	₱–	₱–	₱–	₱–	₱79,000
Cash in banks and cash equivalents	646,209	–	–	–	–	–	646,209
Trade receivables	2,257,468	–	–	–	–	–	2,257,468
Short-term cash investment	86,314	–	–	–	–	–	86,314
	₱3,068,991	₱–	₱–	₱–	₱–	₱–	₱3,068,991

	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	₱927,100	₱–	₱–	₱–	₱–	₱–	₱927,100
Accounts payable and accrued liabilities*	2,527,537	–	–	–	–	–	2,527,537
Advances from related parties	71,372	–	–	–	–	–	71,372
Customers' deposits	159,123	–	–	–	–	–	159,123
Long-term debts and obligations, including current maturities**	651,802	185,000	23,125	–	–	–	859,927
	₱4,336,934	₱185,000	₱23,125	₱–	₱–	₱–	₱4,545,059

**Excluding payable to government agencies of ₱45,758.*
***Inclusive of interest expense until maturity.*

The Company's other financial liabilities may be settled using cash on hand and cash in banks aggregating to ₱202.18 million and ₱233.57 million and accounts receivables amounting to ₱2.771 billion and ₱2.396 billion as of December 31, 2015 and 2014, respectively

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 2015 and 2014.

A reasonably possible change of –/+1% in 2015 and –/+ 1% in 2014 in United States dollar (US$) exchange rate at December 31, 2015 and 2014 would lead to the following income before income tax movements in the Group's consolidated statements of income:

December 31, 2015:

		Increase (decrease) in income before income tax	
	Peso equivalent of US dollar denominated assets/liabilities	**US dollar weakened by 1% against Philippine peso**	**US dollar strengthened by 1% against Philippine peso**
Cash and cash equivalents	**₱17,720**	**(₱177)**	**₱177**
Trade receivables	**11,522**	**(115)**	**115**
Advances to related parties	**6,340**	**(63)**	**63**
Trade payables	**47,268**	**473**	**(473)**
Advances from related parties	**51,843**	**518**	**(518)**
	₱134,693	**₱636**	**(₱636)**

December 31, 2014:

	Peso equivalent of US dollar denominated assets/liabilities	Increase (decrease) in income before income tax: US dollar weakened by 1% against Philippine peso	Increase (decrease) in income before income tax: US dollar strengthened by 1% against Philippine peso
Cash and cash equivalents	₱25,030	(₱1,001)	₱1,001
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)
	₱444,721	₱13,996	(₱13,996)

The exchange rate of the Peso to the US Dollar is ₱47.06 and ₱44.72 as of December 31, 2015 and 2014, respectively.

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

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, 2015 and 2014.

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

	2015	2014
Capital stock	**₱3,500,404**	₱3,500,404
Capital in excess of par value	**2,048,588**	2,048,588
Retained earnings	**2,766,592**	2,159,341
	₱8,315,584	₱7,708,333

32. Events after the Balance Sheet Date

On February 24, 2016, the BOD approved the declaration of cash dividends amounting to ₱272.30 million to its stockholders as of record date of March 10, 2016.

Pursuant to the board resolution dated February 24, 2016, the Parent Company decided to appropriate total budget of ₱300.00 million on a shares buy-back program. As of April 11, 2016, the Parent Company had purchased 31,685,600 shares of capital stock from the date the program commenced.

		1	2	9	9	8		

SEC Registration Number

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	1	2	9	9	8

COMPANY NAME

RFM CORPORATION AND SUBSIDIARIES

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

RFM CORPORATE CENTER, PIONEER CORNER SHERIDAN STREETS, MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
1702	SEC	

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,267	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
Ramon M. Lopez	rmlopez333@gmail.com.	(02) 631-8101	N/A

CONTACT PERSON's ADDRESS

RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*



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, 2016**

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	**3,494,083,266**

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 [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements are filed as part of this form 17-Q, pages 7 to 42 and are incorporated herein by reference to said quarterly report.

Item 2. Management's Discussion and Analyses of Results of Operations and Financial Condition

Analysis of Results of Operations

First Quarter 2016 vs. First Quarter 2015

Food and Beverage Company RFM Corporation posted P216 million net income for the first quarter of the year or 20% higher than same period last year. This was even a faster income growth momentum over the performance in 2015. This was achieved on the back of P2.6 Billion in sales revenues, up by 2% over the revenues posted for the same period last year.

Sales continued to pose double digit growth of 16% for its consumer group which includes ice cream and pasta units. Its ice cream joint venture with Unilever, Selecta ice cream, accelerated to a faster double digit growth with new product innovations, excellent value propositions, and effective marketing campaigns. Likewise, its market expanded with its wider distribution reach and increased consumption frequency.

Moreover, the continued growth in the pasta group further improved its economies of scale, as warehousing and logistics operations get rationalized. These factors coupled with better input costs significantly improved the group's profitability.

With stronger consumption spending seen this year with more robust purchasing power and being an election year, and the outlook on more favorable commodity input costs, this year promises to be a better year.

The key financial performance indicators for the Company for the three-month period ended March 31, 2016 as compared to the same period in 2015, are as follows:

Key Financial Performance Indicators (Amounts in Millions)*	For the Quarter Ended	
	March 31, 2016	March 31, 2015
Net Revenues	**₱2,635**	₱2,571
Net Operating Margin	**304**	266
Net Income (Loss)	**216**	179
EBITDA	**347**	315
Current Ratio	**1.60**	1.40

* *Except current ratio*

1. Net Revenues
   This is the barometer of the general demand for the Company's products, reflecting their market acceptability vis-à-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, 2016, the Group's Total Assets decreased slightly from P13.9 billion of December 31, 2015 to P13.5 billion due to payments of loans and dividends.

The Group's current ratio improved from 1.55 of December 2015 to 1.60 as of March 31, 2016.

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, 2015;

(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.

PART II – OTHER INFORMATION

The Company has no other pertinent information to disclose in this quarterly report.

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

RAMON M. LOPEZ
Vice President - Corp Plan

ENRIQUE OLIVER I. REY-MATIAS
Vice President - CFO

Dated: **May 2, 2016**

RFM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Millions)

	For the period ended	
	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**₱1,431**	₱1,776
Accounts receivable (Note 5)	**2,086**	2,484
Inventories (Note 6)	**1,284**	1,162
Other current assets (Note 7)	**596**	293
Total Current Assets	**5,397**	5,715
Noncurrent Assets		
Property, equipment and investment property (Note 8)	**5,595**	5,590
Intangible Asset	**2,272**	2,273
Investment (Note 9)	**159**	159
Other noncurrent Asset (Note 11)	**114**	186
Total Noncurrent Assets	**8,140**	8,208
TOTAL ASSETS	**₱13,537**	₱13,923
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱273**	₱ 354
Accounts payable and accrued liabilities (Note 12)	**3,092**	3,330
Current portion of Long-term debts	**–**	–
Provisions	**6**	6
Total Current Liabilities	**3,371**	3,690
Noncurrent Liabilities		
Long-term debts - net of current portion	**–**	–
Other noncurrent liabilities (Note 13)	**614**	606
Total Noncurrent Liabilities	**614**	606
Total Liabilities	**3,985**	4,296
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
Treasury stock	**(22)**	–
Gain on Sale of Treasury stock	**3**	–
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	**1,343**	1,343
Share based compensation	**–**	–
Retained earnings	**2,710**	2,766
Non-controlling interests	**(24)**	(24)
Total Equity	**9,552**	9,627
TOTAL LIABILITIES AND EQUITY	**₱13,537**	₱13,923

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	
	2016	2015
NET REVENUES	**₱2,635**	₱2,571
DIRECT COSTS AND EXPENSES	**(1,547)**	(1,626)
GROSS PROFIT	**1,088**	945
SELLING AND MARKETING EXPENSES	**(597)**	(399)
GENERAL AND ADMINISTRATIVE EXPENSES	**(187)**	(280)
NET OPERATING INCOME	**304**	266
OTHER INCOME (CHARGES) – Net (Note 18)	**4**	(10)
INCOME BEFORE PROVISION FOR INCOME TAX	**308**	256
PROVISION FOR INCOME TAX	**(92)**	(77)
NET INCOME	**216**	₱179
Attributable to:		
Equity holders of the Parent Company	**217**	₱178
Minority interests (Note 2)	1	1
	216	₱179
Basic/Diluted Earnings Per Share (Note 19)	**₱0.06**	₱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	
	2016	2015
NET INCOME	**₱216**	₱179
OTHER COMPREHENSIVE INCOME	–	–
Total comprehensive income for the period	**₱216**	₱179
Attributable to:		
Equity holders of the Parent Company	**217**	₱178
Minority interests (Note 2)	1	1
	216	₱179

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	Treasury stock	Gain on sale of treasury stock	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, 2014	**₱3,160**	**₱789**	**₱–**	**₱–**	**₱1,600**	**₱(7)**	**₱(1)**	**₱1,286**	**₱1**	**₱1,602**	**₱8,431**	**₱(7)**	**₱8,424**
Net income for the period	–	–	–	–	–	–	–	–	–	1,017	1,017	(4)	1,013
Remeasurement gain on defined benefit plan	–	–	–	–	–	–	–	–	–	(45)	(45)	–	(45)
Cash dividends	–	–	–	–	–	–	–	–	–	(366)	(366)	1	(365)
Net changes in fair value of AFS financial assets	–	–	–	–	–	–	1	–	–	–	1	(10)	(9)
Share-based compensation plan	–	–	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Issuance of capital stock	340	1,260	–	–	(1,600)	–	–	–	–	–	–	–	–
Effect of adoption of Revised PAS 19	–	–	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT MARCH 31, 2015	**₱3,500**	**₱2,049**	**₱–**	**₱–**	**₱-**	**₱(7)**	**₱–**	**₱1,286**	**₱–**	**₱2,208**	**₱9,036**	**₱(20)**	**₱9,016**
Net income for the period	–	–	–	–	–	–	–	–	–	729	729	(2)	726
Remeasurement gain on defined benefit plan	–	–	–	–	–	–	–	–	–	(76)	(76)	–	(76)
Revaluation of increment on land	–	–	–	–	–	–	–	71	–	–	71	–	71
Valuation losses realized thorough disposal	–	–	–	–	–	–	–	(14)	–	14	–	–	–
Valuation gains realized through profit and loss	–	–	–	–	–	–	–	–	–	–	–	–	–
Net changes in fair value of AFS financial assets	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	–	(108)	(108)	(2)	(110)
Share-based compensation plan	–	–	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**₱3,500**	**₱2,049**	**₱–**	**₱–**	**₱–**	**₱(7)**	**₱–**	**₱1,343**	**₱–**	**₱2,767**	**₱9,651**	**₱(24)**	**₱9,627**
Net income for the period	–	–	–	–	–	–	–	–	–	216	216	–	216
Cash dividends	–	–	–	–	–	–	–	–	–	(271)	(272)	–	(272)
Issuance of capital stock	–	–	–	–	–	–	–	–	–	–	–	–	–
Treasury stock	–	–	(22)	–	–	–	–	–	–	–	(22)	–	(22)
Gain on Sale of Treasury stock	–	–	–	3	–	–	–	–	–	–	3	–	3
BALANCES AT MARCH 31, 2016	**₱3,500**	**₱2,049**	**(₱22)**	**₱3**	**₱–**	**₱(7)**	**₱–**	**₱1,343**	**₱–**	**₱2,710**	**₱9,576**	**(₱24)**	**₱9,552**

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

	For the Period Ended March 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income after income tax	**₱216**	₱179
Adjustments for:		
Depreciation and amortization	**43**	49
Operating income (loss) before working capital changes	**259**	228
Decrease (increase) in:		
Accounts receivable	**398**	459
Inventories	**(122)**	(82)
Other current assets	**(303)**	(100)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(238)**	67
Other current liabilities		
Net Cash generated from (used in) operations	**(6)**	572
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (Acquisition) of investments and property and equipment, net	**(68)**	
Decrease (Increase) in other noncurrent assets	**72**	34
Net cash used in investing activities	**4**	34
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of Long-term debt and obligations / bank loans	**-**	-
Repayments of Long-term debt and obligations / bank loans	**(81)**	(53)
Dividends paid	**(270)**	(130)
Increase (decrease) in minority interests and other noncurrent liabilities	**8**	(22)
Net cash from financing activities	**(343)**	(133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(345)**	473
CASH AND CASH EQUIVALENTS, JANUARY 1	**1,776**	725
CASH AND CASH EQUIVALENTS, MARCH 31	**₱1,431**	₱1,198

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, 2016	December 31, 2015
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)	**44.88**	44.88
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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the Group's loans and receivables include cash in banks and cash equivalents, accounts receivable, advances to related parties and short-term cash investments.

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, 2016 and December 31, 2015 and 2014, 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, 2016 and December 31, 2015 and 2014, the Group's other financial liabilities include bank loans, accounts payable and accrued liabilities, 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 beginning January 1, 2016

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRSs* (2012-2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*
  - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective beginning January 1, 2017

- Amendments to PAS 7, *Disclosure Initiative*
- Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*

Effective beginning January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Earlier application of final version of PFRS 9 is permitted. Retrospective application is required, but comparative information is not compulsory.

Effective beginning January 1, 2019

- PFRS 16, *Leases*
  The new standard introduces major changes in lease accounting. Under PFRS 16, lessees will no longer classify their leases as either operating or financing leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the leased assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  PFRS 16 will replace PAS 17 and supersede the related interpretations. Earlier application is not permitted until the Financial Standards Reporting Council (FRSC) has adopted the new revenue recognition standard.

  The Group is currently studying the impact of future adoption of PFRS 16.

Deferred Effectivity

- Amendments to PFRS 10 and PAS 28 - *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 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. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- 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.

Issued by the IASB but not yet adopted by the FRSC

- International Financial Reporting Standard (IFRS 15), *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently

assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. 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, 2015 and 2014. No impairment loss was recognized in 2015.

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.

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, 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 2015 and 2014.

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.

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 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. For purposes of impairment testing of trademark, the most appropriate valuation approach used is based on the circumstances relevant to the Group and based on the extent of available information. The Group determined that the recoverable amount of the trademark with infinite useful life is fair value less cost of disposal and value in-use. The fair value of the trademark was calculated using relief from royalty method that considers royalty savings accruing arising from the ownership of the trademark. Management assessed that the costs of disposal, which mainly pertain to the cost of transferring the certificate of registration with the intellectual Property Office and documentary stamp tax, to be insignificant. Value-in-use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used and the expected future cash in-flows and the growth rates.

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, 2015, 2014 and 2013.

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, 2016				
	Institutional Business	Consumer Business	Other Businesses	Eliminations	**Consolidated**
Net sales					
External sales	₱803	₱1,822	₱10	₱–	**₱2,635**
Intersegment sales	–	–	47	(47)	–
	₱803	₱1,822	₱57	₱(47)	**₱2,635**
Results					
Income (loss) from operations	₱175	₱227	(98)	₱-	**₱304**
Other income (charges) - net					**4**
Provision for income tax					**(92)**
Net income					**216**
Other information					
Segment assets	₱9,364	₱13,908	₱7,472	₱(17,361)	**₱13,383**
Investments	–	315	1,061	(1,221)	**154**
Consolidated Total Assets	₱9,364	₱14,223	₱8,532	₱(18,582)	**₱13,537**
Consolidated Total Liabilities					**₱3,985**
Depreciation and amortization					**₱43**

	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	₱9,507	₱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**

5. Accounts Receivable

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
Trade receivables	**₱1,843**	₱2,165
Advances to related parties	**67**	145
Other receivables	**370**	367
	2,280	2,677
Less allowance for doubtful accounts	**194**	193
	₱2,086	₱2,484

6. Inventories

This include finished goods and goods in process, raw materials, and spare parts and supplies.

7. Other Current Assets

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
Deposits on purchases	**₱111**	₱65
Short-term deposit	**86**	86
Creditable withholding taxes	**31**	21
Input VAT	**153**	18
Prepaid expenses and other current assets – net of allowance for probable losses	**213**	101
Others	**2**	2
	₱596	₱293

8. Property , Equipment and Investment Property

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
Property, plant and equipment		
At cost	**₱3,116**	₱3,111
At appraised value	**2,479**	2,479
Investment property	-	-
	₱5,595	₱5,590

9. Investment

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
AFS financial assets	**₱5**	**₱5**
Investments in associates	**154**	154
	₱159	₱159

10. Interest in a Joint Venture Proportionately Consolidated

URICI, a 50% joint venture of the Parent Company and 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 ₱3,920.01 million and ₱2,685.94 million as of December 31, 2015 and 2014, 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	**₱73**	₱99
Other noncurrent asset	**41**	87
	₱114	**₱186**

12. Accounts Payable and Accrued Liabilities

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
Accounts payable and accrued liabilities	**₱2,723**	₱3,118
Income tax payable	**140**	55
Advances to related parties	**161**	89
Customers' deposits	**68**	68
	₱3,092	₱3,330

13. Other Noncurrent Liabilities

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(amounts in millions)	
Deferred income tax liabilities	**452**	452
Net pension obligation	**160**	152
Security deposits	**2**	2
	614	606

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	March 24, 2014	(340,000,000)	(g)
2016	February 24, 2016	31,320,600	(h)
2016	March 11, 2016	(25,000,000)	(i)
		3,494,083,266	

(a) On July 28, 1994, the SEC approved the Parent Company's declaration of a 50% stock dividend.
(b) On April 7, 1995, the SEC approved a 5-for-1 stock split for the common stock, effectively reducing the par value from ₱10.00 to ₱2.00.
(c) This is the result of the conversion of Parent Company's preferred shares to common shares. Conversion of shares was made at various dates within the year.
(d) Information on the offer price is not available since the shares were not issued in relation to a public offering.
(e) On June 28, 2007, the SEC approved the 2-for-1 stock split for the common stock, effectively reducing the par value from ₱2.00 to ₱1.00.
(f) Cost of retired shares amounted to ₱991.76 million.
(g) On March 24, 2014, the Parent Company issued additional 340.00 million shares.
(h) Buy back of treasury shares.
(i) Portion of Treasury shares sold.

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 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 Parent Company issued the 340.00 million shares. Accordingly, the amount received for the stock subscription, net of transaction costs, in relation to the subscription tranche amounting to ₱1,599.95 million was reclassified from deposits for stock subscriptions to capital stock and capital in excess of par value accounts to ₱340.0 million and ₱1,259.95 million, respectively. Subsequently, the ₱340.0 million shares are listed with the Philippine Stock Exchange.

Retained Earnings

On February 24, 2016, the BOD approved the declaration of cash dividends amounting to ₱272.30 million to its stockholders as of record date of March 10, 2016.

On October 1, 2015 the BOD approved the declaration of ₱0.030876 cash dividend per share or a total of ₱108.08 million to its stockholders as of October 15, 2015.

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, 2015 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 ₱12.33 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	
	2016	2015	**2015**	2015
Parent Company	–	–	–	–
ICC	**1,543**	1,697	–	–
RLC	**13,993**	15,495	–	–

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.

17. 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, 2015	₱3,522,819	₱–	₱–	₱3,522,819
Asset for which fair value is disclosed					
Investment properties	December 31, 2015	₱–	₱–	₱–	₱–
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

In 2015, 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	
	2016 (Unaudited)	2015 (Unaudited)
	(amounts in millions)	
Interest expense	**(₱2)**	**(₱11)**
Interest income	**1**	**6**
Other income, net	**5**	**(5)**
	₱4	**(₱10)**

19. Earnings per Share (EPS)

		For the Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
a.	Net income attributable to equity holders of the Parent Company (Amounts in Millions)	**₱216**	**₱179**
b.	Common shares outstanding	3,494,083,266	3,500,403,866
c.	Weighted average common shares outstanding	3,494,083,266	3,500,403,866
d.	Basic earnings per share (a/b)	**₱0.06**	**₱0.05**
e.	Diluted earnings per share (a/c)	**₱0.06**	**₱0.05**

RFM CORPORATION AND SUBSIDIARIES
Aging Analysis of Trade Receivables
As of March 31, 2015
(Amounts in Millions)

	Amount	%
Under Six (6) Months	₱1,125	61%
Six (6) Months to One (1) Year	534	29%
Over One (1) Year	184	10%
	₱1,843	**100%**