

COVER SHEET

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S. E. C. Registration Number

T O P F R O N T I E R

I N V E S T M E N T H O L D I N G S

I N C .

(Company's Full Name)

5 t h F l o o r E N Z O B l d g .

3 9 9 S e n . G i l P u y a t

A v e . , M a k a t i C i t y

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

Virgilio S. Jacinto

Contact Person

(02) 632-3000

Company Telephone Number

1 2

Month

3 1

Day

Amended SEC Form 17- Q
(1st Quarter 2014)

FORM TYPE

0 7

Month

0 9

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-Q

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



1. For the quarterly period ended **MARCH 31, 2014**
2. SEC Identification Number **CS200803939** 3. BIR Tax Identification No. **006-990-128**
4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**
Exact name of issuer as specified in its charter
5. **Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **5th Floor, ENZO Building, No. 399 Sen. Gil J. Puyat Ave., Makati City** **1200**
Address of issuer's principal office Postal Code
8. **(02) 632-3481**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding (as of March 31, 2014)
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Common Shares	332,886,167*
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**Net of the 157,310,033 common shares held in Treasury*

Total Liabilities	P876,764 million
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and

141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2014 (with comparative figures as of December 31, 2013 and for the period ended March 31, 2013) and Selected Notes to the Financial Statements is hereto attached as Annex "A", as amended. The amendment relates to the Basic/Diluted Income (Loss) Per Common Share Attributable to Equity Holders of the Parent Company, as set out in the Statements of Income and page 9 of the Selected Notes to the Financial Statements.

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

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

PART II -- OTHER INFORMATION

There are no other information to be disclosed under this Part II which has not been previously reported by Top Frontier in a report under SEC Form 17-C.

SIGNATURES

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

Issuer **TOP FRONTIER INVESTMENT HOLDINGS, INC.**



Signature and Title **VIRGILIO S. JACINTO**
Corporate Secretary and Compliance Officer

Date May 22, 2014



Signature and Title **BELLA O. NAVARRA**
Chief Finance Officer

Date May 22, 2014

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2014 and December 31, 2013
(In Millions)

ASSETS

	2014 Unaudited	2013 Audited
Current Assets		
Cash and cash equivalents (Notes 7 and 8)	P 225,862	P 191,813
Trade and other receivables - net (Notes 3, 7 and 8)	131,020	165,585
Inventories	88,947	79,391
Current portion of biological assets - net	3,443	3,427
Prepaid expenses and other current assets (Notes 7 and 8)	40,292	37,738
	489,564	477,954
Assets held for sale	8,798	8,798
Total Current Assets	498,362	486,752
Noncurrent Assets		
Investments and advances - net	64,706	60,874
Available-for-sale financial assets (Notes 7 and 8)	6,165	6,168
Property, plant and equipment - net (Note 4)	432,084	425,972
Investment property - net	5,504	4,176
Biological assets - net of current portion	2,002	1,911
Goodwill - net	91,129	91,129
Other intangible assets - net	51,797	49,679
Deferred tax assets	17,053	15,793
Other noncurrent assets - net (Notes 3, 7 and 8)	44,657	50,100
Total Noncurrent Assets	715,097	705,802
	P 1,213,459	P 1,192,554

LIABILITIES AND EQUITY

	2014 Unaudited	2013 Audited
Current Liabilities		
Loans payable (Notes 3, 7 and 8)	P 150,078	P 143,740
Accounts payable and accrued expenses (Notes 3, 7 and 8)	134,235	128,071
Finance lease liabilities - current portion	15,861	15,654
Income and other taxes payable	13,562	13,131
Dividends payable	4,110	2,761
Current maturities of long-term debt - net of debt issue costs (Notes 3, 7 and 8)	47,579	71,522
Total Current Liabilities	365,425	374,879
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 3, 7 and 8)	296,173	264,690
Deferred tax liabilities	11,897	11,591
Finance lease liabilities - net of current portion (Notes 7 and 8)	177,868	179,394
Other noncurrent liabilities (Notes 3, 7 and 8)	25,401	25,506
Total Noncurrent Liabilities	511,339	481,181
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	490	490
Capital stock - preferred	260	260
Additional paid-in capital	120,501	120,501
Revaluation increment	(228)	(228)
Reserve for retirement plan	911	913
Cumulative translation adjustments	272	241
Retained earnings:		
Appropriated	649	276
Unappropriated	45,318	45,392
Treasury stock	(76,780)	(76,780)
	91,393	91,065
Total Equity	245,302	245,429
Non-controlling Interests	336,695	336,494
	P 1,213,459	P 1,192,554

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

CERTIFIED CORRECT:

BELLA C. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME*
For the Periods Ended March 31, 2014 and 2013
(In Millions, Except Per Share Data)

	2014 Consolidated Unaudited	2013 Individual Unaudited
SALES (Note 2)	P 194,833	P -
COST OF SALES	<u>166,481</u>	<u>-</u>
GROSS PROFIT	28,352	-
SELLING AND ADMINISTRATIVE EXPENSES	(13,010)	-
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(8,317)	(555)
INTEREST INCOME	993	2
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES	(323)	-
GAIN ON SALE OF PROPERTY AND EQUIPMENT	132	-
OTHER INCOME (CHARGES) - Net	<u>(1,070)</u>	<u>226</u>
INCOME (LOSS) BEFORE INCOME TAX	6,757	(327)
INCOME TAX EXPENSE	<u>1,844</u>	<u>-</u>
NET INCOME (LOSS)	<u>P 4,913</u>	<u>P (327)</u>
Net Income (Loss) Attributable to :		
Equity Holders of the Parent Company	P 299	P (327)
Non-controlling Interests	<u>4,614</u>	<u>-</u>
	<u>P 4,913</u>	<u>P (327)</u>
Basic/ Diluted Income (Loss) Per Common Share Attributable to Equity Holders of the Parent Company (Note 5)	<u>P 0.91</u>	<u>P (1.21)</u>

*The statement of income for the period ended March 31, 2014 refers to the consolidated accounts of the Group while the statement of income for the period ended March 31, 2013 refers to the accounts of Top Frontier Investment Holdings, Inc.

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

CERTIFIED CORRECT:


BELLANAVARRA
Chief Finance Officer


TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME *
For the Periods Ended March 31, 2014 and 2013
(In Millions)

	2014 Consolidated Unaudited	2013 Individual Unaudited
NET INCOME (LOSS)	P 4,913	P (327)
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
EQUITY RESERVE FOR RETIREMENT PLAN	(3)	-
INCOME TAX BENEFIT	1	-
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES - Net	193	-
	<u>191</u>	<u>-</u>
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
GAIN ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	490	-
NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(116)	15,888
INCOME TAX BENEFIT	1	-
	<u>375</u>	<u>15,888</u>
OTHER COMPREHENSIVE INCOME - Net of tax	<u>566</u>	<u>15,888</u>
TOTAL COMPREHENSIVE INCOME - Net of tax	<u>P 5,479</u>	<u>P 15,561</u>
Attributable to:		
Equity Holders of the Parent Company	P 448	P 15,561
Non-controlling Interests	<u>5,031</u>	<u>-</u>
	<u>P 5,479</u>	<u>P 15,561</u>

*The statement of comprehensive income for the period ended March 31, 2014 refers to the consolidated accounts of the Group while the statement of comprehensive income for the period ended March 31, 2013 refers to the accounts of Top Frontier Investment Holdings, Inc.

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

CERTIFIED CORRECT:


BELLA D. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY*
For the Periods Ended March 31, 2014 and 2013
(In Millions)

Equity Attributable to Equity Holders of the Parent Company																Non-controlling Interests	Total Equity								
Capital Stock		Additional Paid-in Capital	Revaluation Increment	Reserve for Retirement Plan	Cumulative Translation Adjustments		Retained Earnings		Treasury Stock	Total															
Common	Preferred				Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated																	
P	490	P	260	P	120,501	P	(228)	P	913	P	(1,121)	P	1,362	P	276	P	45,392	P	(76,780)	P	91,065	P	245,429	P	336,494
	-		-		-		-		-		81		-		-		-		-		81		409		490
	-		-		-		-		-		-		128		-		-		-		128		65		193
	-		-		-		-		-		-		(58)		-		-		-		(58)		(57)		(115)
	-		-		-		-		(2)		-		-		-		-		-		(2)		-		(2)
	-		-		-		-		(2)		81		70		-		-		-		149		417		566
	-		-		-		-		-		-		-		-		299		-		299		4,614		4,913
	-		-		-		-		(2)		81		70		-		299		-		448		5,031		5,479
	-		-		-		-		-		271		(391)		-		-		-		(120)		335		215
	-		-		-		-		-		-		-		-		-		-		-		(5,193)		(5,193)
	-		-		-		-		-		-		-		-		-		-		-		(300)		(300)
	-		-		-		-		-		-		-		373		(373)		-		-		-		-
P	490	P	260	P	120,501	P	(228)	P	911	P	(769)	P	1,041	P	649	P	45,318	P	(76,780)	P	91,393	P	245,302	P	336,695
P	490	P	260	P	92,500	P	-	P	-	P	-	P	13,727	P	-	P	35,497	P	(12,899)	P	129,575	P	-	P	129,575
	-		-		-		-		-		-		15,888		-		-		-		15,888		-		15,888
	-		-		-		-		-		-		-		-		(327)		-		(327)		-		(327)
	-		-		-		-		-		-		15,888		-		(327)		-		15,561		-		15,561
	-		-		-		-		-		-		-		-		(266)		-		(266)		-		(266)
P	490	P	260	P	92,500	P	-	P	-	P	-	P	29,615	P	-	P	34,904	P	(12,899)	P	144,870	P	-	P	144,870

*The statement of changes in equity for the period ended March 31, 2014 refers to the consolidated accounts of the Group while the statement of changes in equity for the period ended March 31, 2013 refers to the accounts of Top Frontier Investment Holdings, Inc.

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

CERTIFIED CORRECT:

BELLA G. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS*
For the Periods Ended March 31, 2014 and 2013
(In Millions)

	2014 Consolidated Unaudited	2013 Individual Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	P 6,757	P (327)
Adjustments for:		
Depreciation, amortization, foreign exchange losses (gains) and others - net	8,083	(226)
Interest expense and other financing charges	8,317	555
Interest income	(993)	(2)
Equity in net losses of associates and joint ventures	323	-
Gain on sale of property and equipment	(132)	-
Operating income before working capital changes	22,355	-
Changes in noncash current assets, certain current liabilities and others	(5,319)	(19)
Cash generated from (absorbed by) operations	17,036	(19)
Interest and other financing charges paid	(4,465)	(439)
Income taxes paid	(1,251)	-
Net cash flows provided by (used in) operating activities	11,320	(458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments and advances	(3,912)	-
Additions to property, plant and equipment	(7,596)	-
Increase in other noncurrent assets and others	(702)	-
Proceeds from sale of investments and property and equipment	31,616	-
Interest received	932	2
Dividends received from available-for-sale financial assets	-	551
Net cash flows provided by investing activities	20,338	553
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	206,432	-
Long-term borrowings	35,654	-
Payments of:		
Short-term borrowings	(200,486)	-
Long-term borrowings	(30,327)	-
Payment of finance lease liabilities	(5,043)	-
Cash dividends paid	-	(240)
Dividends paid to non-controlling shareholders	(4,144)	-
Increase in non-controlling interests	1	-
Net cash flows provided by (used in) financing activities	2,087	(240)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	304	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,049	(145)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	191,813	203
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 225,862	P 58

*The statement of cash flows for the period ended March 31, 2014 refers to the consolidated accounts of the Group while the statement of cash flows for the period ended March 31, 2013 refers to the accounts of Top Frontier Investment Holdings, Inc.

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

CERTIFIED CORRECT:


BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
 TRADE AND OTHER RECEIVABLES
 MARCH 31, 2014
 (Amounts in Millions)

	Total	Current	Past Due		
			1 - 30 Days	31 - 60 Days	Over 60 Days
Trade	P 62,565	P 47,623	P 3,943	P 4,524	P 6,475
Non-trade	60,231	31,430	5,580	3,701	19,520
Others	16,352	16,325	8	11	8
Total	139,148	95,378	9,531	8,236	26,003
Less allowance for impairment losses	8,128				
Net	P <u>131,020</u>				

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SELECTED NOTES TO THE FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

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

The financial statements are presented in Philippine peso and all values are rounded to the nearest million (P000,000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the March 31, 2014 interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements.

Adoption of New Standards, Amendments to Standards and Interpretations

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

Amendments to Standard and Interpretations Adopted in 2014

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

- Recoverable Amount Disclosures for Non-financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions*,

Contingent Liabilities and Contingent Assets. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

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

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

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

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

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19, Employee Benefits).* The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted.
- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations.
 - Definition relating to vesting condition (*Amendment to PFRS 2, Share-based Payment*). The amendment provided for the separate definitions of a 'performance condition' and a 'service condition' from the definition of a 'vesting condition' and thus made the description of each condition clearer. Performance

condition and service condition are defined in order to clarify various issues, including the following: (a) a performance condition must contain a service condition; (b) a performance target must be met while the counterparty is rendering service; (c) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (d) a performance condition may be a market or non-market condition and; (e) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.

- Accounting for contingent consideration in a business combination (*Amendment to PFRS 3, Business Combinations*). The amendment clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9, *Financial Instruments*. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.
- Aggregation of operating segments (*Amendment to PFRS 8, Operating Segment*). The amendment clarifies that operating segments may be combined or aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.
- Reconciliation of the total of the reportable segment assets to the entity's total assets (*Amendment to PFRS 8*). The amendment clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.
- Short-term receivables and payables (*Amendment to PFRS 13, Fair Value Measurement*) clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of the discounting is immaterial. The adoption of the amendments is required to be applied for annual periods beginning July 1, 2014.
- Key management personnel (*Amendment to PAS 24, Related Parties*). The amendment clarifies that a management entity—an entity that provides key management personnel services—is a related party subject to the related party disclosures. In addition, an entity that uses management entity is required to disclose the expenses incurred for management services. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.
- Scope exceptions for joint ventures (*Amendment to PFRS 3*). The amendment clarifies that: (a) joint arrangements are outside the scope of PFRS 3, not just joint ventures and; (b) the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Scope paragraph 52 (portfolio exception) (*Amendment to PFRS 13*). The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.
- Clarifying the interrelationship of PFRS 3 and PAS 40, *Investment Property*, when classifying property as investment property of owner-occupied property. The amendment clarifies that the description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property. PFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The adoption of the amendments is required to be retrospectively applied for annual periods beginning July 1, 2014.
- PFRS 9, *Financial Instruments (2009, 2010 and 2013)*. PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called ‘own credit’ issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The International Accounting Standards Board (IASB) is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets but will potentially have no impact on the classification and measurement of financial liabilities.
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, ‘off plan’; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The SEC issued a notice dated August 5, 2011 that defers the adoption of this interpretation indefinitely.

2. Segment Information

Operating Segments

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

markets.

The Group's reportable segments are beverage, food, packaging, energy, fuel and oil, infrastructure, telecommunications and mining.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, feeds production, poultry and livestock farming, processing and selling of poultry and meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of flour products, premixes and flour-based products, dairy-based products, breadfill, desserts, cooking oil, importation and marketing of coffee and coffee-related products.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment is engaged in power generation, distribution and trading and coal mining. The power generation assets supply electricity to a variety of customers, including Manila Electric Company, electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

Inter-segment Transactions

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

Financial information about reportable segments are as follows:

For the Period Ended March 31, 2014										
	Beverage	Food	Packaging	Energy	Fuel and Oil	Infrastructure	Telecommu- nications	Mining and Others	Eliminations	Consolidated
Sales										
External sales	P21,092	P24,224	P4,683	P18,589	P123,726	P1,877	P365	P277	P -	P194,833
Inter-segment sales	64	5	889	1,370	1,448	-	-	1,287	(5,063)	-
Total sales	P21,156	P24,229	P5,572	P19,959	P125,174	P1,877	P365	P1,564	(P5,063)	P194,833
Result										
Segment result	P4,650	P1,335	P439	P6,640	P3,236	(P76)	(P64)	(P1,152)	P334	P15,342

3. Related Party Disclosures

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

The following are the transactions with related parties and the outstanding balances as of March 31, 2014 and December 31, 2013:

	Reporting Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent Company	March 31, 2014	P -	P -	P -	P9,303	On demand;	Unsecured;
	December 31, 2013	-	-	-	9,156	Interest bearing	No impairment
	March 31, 2014	-	-	-	221	On demand;	Unsecured;
	December 31, 2013	-	-	-	221	Non-interest bearing	No impairment
Retirement plans	March 31, 2014	6	-	18,442	-	On demand;	Unsecured;
	December 31, 2013	7	-	22,604	-	Interest bearing	No impairment
Associates	March 31, 2014	3,995	4	10,688	1	On demand;	Unsecured;
	December 31, 2013	3,086	332	10,173	1	Non-interest bearing	No impairment
	March 31, 2014	-	-	-	13,817	Less than 1 to 10 years;	Unsecured and secured
	December 31, 2013	-	-	-	11,751	Interest bearing	
Joint Ventures	March 31, 2014	-	54	672	13	On demand;	Unsecured;
	December 31, 2013	-	65	325	28	Non-interest bearing	No impairment
Shareholders in subsidiaries	March 31, 2014	-	4	155	251	On demand;	Unsecured;
	December 31, 2013	-	5	131	240	Non-interest bearing	No impairment
Others	March 31, 2014	-	-	2	1,099	On demand;	Unsecured;
	December 31, 2013	1	-	2	1,077	Non-interest bearing	No impairment
Total	March 31, 2014	P4,001	P62	P29,959	P24,705		
Total	December 31, 2013	P3,094	P402	P33,235	P22,474		

- Interest-bearing payables, related financing charges and professional fees are the composition of amounts owed to a shareholder of the Parent Company. Payables are used for working capital purposes and for the acquisition of investments in shares of stock. These payables, which bear interest ranging from 3.00% to 5.81%, have no definite payment terms and are considered payable upon demand. Interest expense and financing charges amounted to P61 and P114 for the periods ended March 31, 2014 and 2013, respectively.
- Amounts owed by related parties consist of current and noncurrent receivables and deposits and share in expenses.
- Amounts owed to related parties consist of trade payables and professional fees.
- The amounts owed to associates include interest bearing loans to BOC included as part of "Loans payable" and "Long-term debt" accounts in the consolidated statement of financial position.

4. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2014

	January 1, 2014	Additions and Transfers	Acquisition of Subsidiaries, Disposals and Reclassifications	Currency Translation Adjustments	March 31, 2014
Cost:					
Land and land improvements	P25,572	P24	P2,121	P182	P27,899
Buildings and improvements	47,504	166	(19)	238	47,889
Power plants	221,760	-	-	-	221,760
Refinery and plant equipment	49,675	17	3	207	49,902
Service stations and other equipment	15,669	306	(104)	132	16,003
Machinery and equipment	94,752	555	(316)	239	95,230
Telecommunications equipment	6,995	18	-	-	7,013
Transportation equipment	12,782	38	27	17	12,864
Tools and small equipment	2,806	176	1	35	3,018
Office equipment, furniture and fixtures	5,373	88	(49)	21	5,433
Molds	829	185	(75)	4	943
Leasehold improvements	2,181	24	3	-	2,208
Construction in progress	108,494	5,999	998	40	115,531
	594,392	7,596	2,590	1,115	605,693
Accumulated depreciation and amortization:					
Land improvements	2,812	43	421	15	3,291
Buildings and improvements	18,637	443	(16)	120	19,184
Power plants	21,125	1,424	-	-	22,549
Refinery and plant equipment	30,290	467	1	292	31,050
Service stations and other equipment	9,673	314	(86)	73	9,974
Machinery and equipment	56,466	1,049	(85)	162	57,592
Telecommunications equipment	5,444	82	-	-	5,526
Transportation equipment	4,427	249	2	8	4,686
Tools and small equipment	2,099	58	(1)	17	2,173
Office equipment, furniture and fixtures	4,389	233	(8)	(125)	4,489
Molds	459	26	(47)	-	438
Leasehold improvements	1,152	34	-	1	1,187
	156,973	4,422	181	563	162,139
Accumulated impairment losses:					
Land improvements	266	-	-	-	266
Buildings and improvements	2,663	-	-	1	2,664
Machinery and equipment	8,445	-	-	23	8,468
Transportation equipment	12	-	(2)	-	10
Tools and small equipment	18	-	-	1	19
Office equipment, furniture and fixtures	42	-	-	-	42
Leasehold improvements	1	-	-	-	1
	11,447	-	(2)	25	11,470
Net book value	P425,972	P3,174	P2,411	P527	P432,084

Depreciation and amortization charged to operations amounted to P4,422 in March 2014.

The Parent Company has no property, plant and equipment as of March 31, 2013.

5. Basic and Diluted Earnings Per Share (EPS)

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

Diluted EPS is computed in the same manner, adjusted for the effects of dilutive potential

common shares.

If basic and diluted EPS are equal, these are presented as one line item in the statements of income labeled as “Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company”.

Basic and Diluted EPS is computed as follows:

	March 31	
	2014	2013
Income (loss) attributable to equity holders of the Parent Company	P299	(P327)
Dividends on preferred shares for the period	-	(266)
Net income (loss) attributable to common shareholders of the Parent Company (a)	P299	(P593)
Weighted average number of common shares outstanding (in millions)	330	5
Stock split approved in 2013 including retroactive adjustments (in millions)	-	485
Weighted average number of common shares outstanding (in millions) (b)	330	490
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	P0.91	(P1.21)

As of March 31, 2014 and 2013, the Group has no dilutive debt or equity instruments.

6. Cash Dividends

On February 13, 2013, the Board of Directors (BOD) of the Parent Company declared cash dividend at P139.50 per share, payable on March 22, 2013 to all preferred shareholders as of February 13, 2013.

The Parent Company has no dividend declaration in March 2014.

7. Financial Risk Management Objectives and Policies

Objectives and Policies

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

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

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

The Group's principal non-trade related financial instruments include cash and cash equivalents, option deposit, AFS financial assets, financial assets at fair value through profit or loss (FVPL), restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group's outstanding derivative instruments such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the Group's operating and financing activities.

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

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

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

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

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

Interest Rate Risk

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

expose the Group to cash flow interest rate risk.

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

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

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,957 and P1,868 for the period ending March 31, 2014 and for the year ended December 31, 2013, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

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

March 31, 2014	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P28,411	P2,501	P7,450	P24,438	P2,080	P28,863	P93,743
Interest rate	6.3131% - 12%	5.4885% - 9.33%	6.145% - 9.33%	6.05% - 7.1827%	6.3131% - 7.1827%	5.93% - 10.50%	
Foreign currency-denominated (expressed in Philippine peso)	9,626	13,445	-	-	-	35,852	58,923
Interest rate	2.00%	7.00%				4.875%	
Floating Rate							
Philippine peso-denominated	1,464	12,869	2,653	2,972	3,221	8,923	32,102
Interest rate	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	8,707	37,004	13,043	6,897	97,936	-	163,587
Interest rate	LIBOR + margin	LIBOR + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin		
	P48,208	P65,819	P23,146	P34,307	P103,237	P73,638	P348,355

December 31, 2013	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P29,509	P2,494	P7,450	P24,438	P2,080	P29,214	P95,185
Interest rate	6.3131% - 12%	5.4885% - 9.33%	6.145% - 9.33%	6.05% - 7.1827%	6.3131% - 7.1827%	5.93% - 10.50%	
Foreign currency-denominated (expressed in Philippine peso)	9,536	-	13,319	-	-	35,516	58,371
Interest rate	2.00%		7.00%			4.875%	
Floating Rate							
Philippine peso-denominated	1,019	12,180	2,181	2,341	2,618	7,528	27,867
Interest rate	PDST-F + margin	PDST-F + margin	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	31,933	12,240	12,240	6,152	96,337	-	158,902
Interest rate	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin		
	P71,997	P26,914	P35,190	P32,931	P101,035	P72,258	P340,325

Foreign Currency Risk

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

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

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

	March 31, 2014		December 31, 2013	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$1,528	P68,477	US\$1,355	P60,073
Trade and other receivables	1,084	48,685	1,101	48,859
Prepaid expenses and other current assets	52	2,338	51	2,285
AFS financial assets	7	318	7	314
Noncurrent receivables	181	8,082	191	8,464
	2,852	127,900	2,705	119,995
Liabilities				
Loans payable	445	19,932	478	21,230
Accounts payable and accrued expenses	1,795	80,476	1,717	76,226
Long-term debt (including current maturities)	4,965	222,510	4,894	217,273
Finance lease liabilities (including current portion)	2,319	103,911	2,351	104,392
Other noncurrent liabilities	838	37,547	756	33,558
	10,362	464,376	10,196	452,679
Net foreign currency- denominated monetary liabilities	(US\$7,510)	(P336,476)	(US\$7,491)	(P332,684)

The Group reported net foreign exchange gains (losses) amounting to (P3,317) and P226 for the period ended March 31, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Philippine Peso to US Dollar
December 31, 2012	41.05
March 31, 2013	40.80
December 31, 2013	44.395
March 31, 2014	44.815

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as of March 31, 2014 and December 31, 2013:

March 31, 2014	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,169)	(P1,177)	P1,169	P1,177
Trade and other receivables	(137)	(1,043)	137	1,043
Prepaid expenses and other current assets	(52)	(36)	52	36
AFS financial assets	-	(7)	-	7
Noncurrent receivables	(166)	(128)	166	128
	(1,524)	(2,391)	1,524	2,391
Loans payable	-	446	-	(446)
Accounts payable and accrued expenses	842	1,542	(842)	(1,542)
Long-term debt (including current maturities)	4,919	3,489	(4,919)	(3,489)
Finance lease liabilities (including current portion)	2,319	1,623	(2,319)	(1,623)
Other noncurrent liabilities	783	603	(783)	(603)
	8,863	7,703	(8,863)	(7,703)
	P7,339	P5,312	(P7,339)	(P5,312)

December 31, 2013	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,004)	(P1,054)	P1,004	P1,054
Trade and other receivables	(150)	(1,056)	150	1,056
Prepaid expenses and other current assets	(51)	(36)	51	36
AFS financial assets	-	(7)	-	7
Noncurrent receivables	(174)	(139)	174	139
	(1,379)	(2,292)	1,379	2,292
Loans payable	30	469	(30)	(469)
Accounts payable and accrued expenses	756	1,490	(756)	(1,490)
Long-term debt (including current maturities)	4,894	3,426	(4,894)	(3,426)
Finance lease liabilities (including current portion)	2,351	1,645	(2,351)	(1,645)
Other noncurrent liabilities	681	551	(681)	(551)
	8,712	7,581	(8,712)	(7,581)
	P7,333	P5,289	(P7,333)	(P5,289)

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

Commodity Price Risk

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

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

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

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

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

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

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

March 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P225,862	P225,862	P225,862	P -	P -	P -
Trade and other receivables - net	131,020	131,020	131,020	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,120	1,120	1,120	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	390	390	390	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	124	124	124	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	6,165	6,175	34	6,088	53	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	18,309	18,309	-	18,309	-	-
Restricted cash (included under "Other noncurrent assets" account)	1,783	1,783	1,783	-	-	-
Financial Liabilities						
Loans payable	150,078	150,975	150,975	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	133,524	133,803	133,803	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	480	480	480	-	-	-
Long-term debt (including current maturities)	343,752	415,244	63,414	79,997	185,676	86,157

(forward)

March 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Finance lease liabilities (including current portion)	193,729	263,629	20,705	22,383	70,765	149,776
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and commissioning)	16,790	16,796	-	16,501	14	281

December 31, 2013	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P191,813	P191,813	P191,813	P -	P -	P -
Trade and other receivables - net	165,585	165,585	165,585	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,110	1,110	1,110	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	681	681	681	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	117	117	117	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	6,526	6,551	411	6,015	125	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	22,260	22,260	-	22,260	-	-
Restricted cash (included under "Other noncurrent assets" account)	1,817	1,817	1,817	-	-	-
Financial Liabilities						
Loans payable	143,740	144,304	144,304	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	127,500	127,903	127,903	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	455	455	455	-	-	-
Long-term debt (including current maturities)	336,212	402,289	85,951	38,984	193,287	84,067
Finance lease liabilities (including current portion)	195,048	267,467	20,140	22,036	70,036	155,255
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and commissioning)	16,950	16,983	-	16,713	13	257

Credit Risk

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

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

Trade and Other Receivables

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

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

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

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

Investments

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

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	March 31, 2014	December 31, 2013
Cash and cash equivalents	P225,862	P191,813
Trade and other receivables - net	131,020	165,585
Option deposit	1,120	1,110
Derivative assets	390	681
Financial assets at FVPL	124	117
AFS financial assets	6,165	6,526
Noncurrent receivables and deposits - net	18,309	22,260
Restricted cash	1,783	1,817
	P384,773	P389,909

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

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

Financial and Other Risks Relating to Livestock

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

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing plants and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

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

Other Market Price Risk

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

Capital Management

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

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

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

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

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

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

8. Financial Assets and Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

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

payment has been established.

The Group's derivative assets and financial assets at FVPL are classified under this category.

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

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

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

The Group's cash and cash equivalents, trade and other receivables, option deposit, noncurrent receivables and deposits and restricted cash are included under this category.

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

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

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" account in the statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" account in the statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously

reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in equity and debt securities are classified under this category.

Financial Liabilities

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

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

The Group's derivative liabilities are classified under this category.

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

The Group's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, finance lease liabilities and other noncurrent liabilities are included under this category.

Debt Issue Costs

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

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks

and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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

Impairment of Financial Assets

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

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

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

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

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

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

Offsetting Financial Instruments

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

agreements, and the related assets and liabilities are presented gross in the statements of financial position.

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

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P225,862	P225,862	P191,813	P191,813
Trade and other receivables - net	131,020	131,020	165,585	165,585
Option deposit (included under "Prepaid expenses and other current assets" account)	1,120	1,120	1,110	1,110
Derivative assets (included under "Prepaid expenses and other current assets" account)	390	390	681	681
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	124	124	117	117
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	6,165	6,165	6,526	6,526
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	18,309	18,309	22,260	22,260
Restricted cash (included under "Other noncurrent assets" account)	1,783	1,783	1,817	1,817
Financial Liabilities				
Loans payable	150,078	150,078	143,740	143,740
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	133,524	133,524	127,500	127,500
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	480	480	455	455
Long-term debt (including current maturities)	343,752	364,998	336,212	355,655
Finance lease liabilities (including current portion)	193,729	193,729	195,048	195,048
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and commissioning)	16,790	16,790	16,950	16,950

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

Cash and Cash Equivalents, Trade and Other Receivables, Option Deposit, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents, trade and other receivables and option deposit approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 1.7% to 4.4% and 0.4% to 3.8% as of March 31, 2014 and December 31, 2013. The discount rates used for foreign currency-denominated loans range from 0.1% to 2.6% and 0.2% to 2.9% as of March 31, 2014 and December 31, 2013. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

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

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

Derivative Financial Instruments and Hedging

Freestanding Derivatives

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes

identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

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

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

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

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

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

The Group has no outstanding derivatives accounted for as a cash flow hedge as of March 31, 2014 and December 31, 2013.

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

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

Derivative Instruments Not Designated as Hedges

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

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,688 and US\$1,445 as of March 31, 2014 and December 31, 2013, respectively, and with various maturities in 2014. The net positive fair value of these currency forwards amounted to P82 and P640 as of March 31, 2014 and December 31, 2013, respectively.

Currency Options

The Group entered into short-term currency options with an aggregate notional amount of US\$1,350 and net negative fair value of P157 as of March 31, 2014. The Group has no outstanding currency option agreements as of December 31, 2013.

Commodity Swaps

The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2014. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 1,205 and 960 metric tons as of March 31, 2014 and December 31, 2013, respectively. The net positive (negative) fair value of these swaps amounted to P2 and (P6) as of March 31, 2014 and December 31, 2013, respectively.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2014. Under the agreement, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps is 12.8 and 2.0 million barrels as of March 31, 2014 and December 31, 2013, respectively. The positive fair value of these swaps amounted to P638 and P6 as of March 31, 2014 and December 31, 2013, respectively.

Commodity Options

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities of 108,658 and 174,248 metric tons as of March 31, 2014 and December 31, 2013, respectively. These options can be exercised at various calculation dates in 2014 with specified quantities on each calculation date. The net negative fair value of these options amounted to P31 and P186 as of March 31, 2014 and December 31, 2013, respectively.

The Group has outstanding commodity options covering its crude oil requirements with notional quantity of 0.8 and 1.0 million barrels as of March 31, 2014 and December 31, 2013, respectively. These call and put options can be exercised at various calculation dates in 2014

with specified quantities on each calculation date. The net positive (negative) fair value of these options amounted to P5 and (P41) as of March 31, 2014 and December 31, 2013, respectively.

Embedded Derivatives

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

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

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$106 and US\$183 as of March 31, 2014 and December 31, 2013, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P72 and P163 as of March 31, 2014 and December 31, 2013, respectively.

Embedded Currency Options

The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US\$2 and US\$3 as of March 31, 2014 and December 31, 2013, respectively. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency options amounted to P1 as of March 31, 2014 and December 31, 2013.

For the periods ended March 31, 2014 and December 31, 2013 and 2012, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P1,573, P1,241 and (P14,759), respectively.

Fair Value Hierarchy

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the

liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

	March 31, 2014			December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P390	P390	P -	P681	P681
Financial assets at FVPL	124	-	124	117	-	117
AFS financial assets	896	5,269	6,165	1,256	5,270	6,526
Financial Liabilities						
Derivative liabilities	-	480	480	-	455	455

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

9. Events After the Reporting Date**a) Completion of the P15,000 Fixed Rate Bond Offering by San Miguel Brewery Inc. (SMB)**

In March 2014, SMB launched the P15,000 fixed rate bond offering, intended to partly refinance the Series B fixed rate bonds amounting to P22,400 maturing on April 4, 2014.

On April 2, 2014, SMB issued the following bonds amounting to P15,000:

- a) Series G Bonds with the aggregate principal amount of P12,462 having a term of 7 years beginning on April 2, 2014 and ending on April 2, 2021, with a fixed interest rate of 5.50% per annum; and
- b) Series H Bonds with an aggregate principal amount of P2,538 having a term of 10 years beginning on April 2, 2014 and ending on April 2, 2024, with a fixed interest rate of 6% per annum.

The Series G Bonds and Series H Bonds were listed for trading on the Philippine Dealing & Exchange Corp. on April 2, 2014.

b) Payment of Series B Fixed Rate Bonds amounting to P22,400 maturing on April 4, 2014 by SMB

On April 4, 2014, SMB completed the payment of the aggregate principal amount of the Series B fixed rate bonds (“Series B Bonds”) amounting to P22,400 which matured on April 4, 2014. The Series B Bonds were part of the P38,800 fixed rate bonds issued by SMB in 2009.

The net proceeds from the issuance of the P15,000 fixed rate bonds by SMB were used to partially refinance the Series B Bonds maturity. The balance of P7,400 was funded by internally generated funds of SMB.

c) Issuance of the US\$300 Undated Subordinated Capital Securities by SMC Global Power Holdings Corp. (SMC Global)

On May 7, 2014, SMC Global issued a Reg S, Unrated Perpetual Non-Call 5.5 years, US\$300 Undated Subordinated Capital Securities (the “Securities”). SMC Global priced the US\$300 securities at 7.5%. The securities were listed on the Singapore Exchange Securities Trading Limited on May 8, 2014.

10. Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management’s Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.

- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 43 (a) of the 2013 Audited Consolidated Financial Statements, that remain outstanding as of March 31, 2014. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. The effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2014.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2014. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.



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

INTRODUCTION

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

I. 2014 TRANSACTIONS

A. INVESTMENTS

- On March 25, 2014, the Group received from JG Summit the remaining balance of the proceeds from the sale of investment in shares of stock of Manila Electric Company (Meralco) amounting to P31,437 million.

B. FINANCING

- Top Frontier completed the refinancing of the US\$650 million loan and in March 2014, Top Frontier has availed of US\$675 million loan.
- On January 17, 2014, Private Infra Dev Corporation (PIDC) has drawn an additional P3,000 million from the P11,500 million ten-year term loan facility used for financing the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX Project). The loan bears a floating interest rate of PDST-F plus 3%.
- On March 5, 2014, Trans Aire Development Holdings Corp. (TADHC) has drawn an additional of P832 million from the P3,300 million ten-year term loan facility used for financing the Boracay Airport Project. The loan bears a floating interest rate of PDST-F plus 3%.
- On January 10, 2014, Star Infrastructure Development Corporation (SIDC) has drawn P431 million, from the P3,500 million ten-year term loan facility to finance the construction and development of Stage II, Phase II of the Southern Tagalog Arterial Road (STAR Project). The loan bears a floating interest rate of PDST-F plus 2.50% or 6% per annum whichever is higher.

- In March 2014, Petron Malaysia availed of MYR150 million (P2,061 million) loan. The proceeds were used to finance the rebranding of retail stations in Malaysia. The loan bears an interest rate of Capital One Financial (COF) plus 1.5%.

II. FINANCIAL PERFORMANCE

2014 vs. 2013

The financial performance of the Group for the first quarter of 2014 substantially reflects the results of operations of SMC. The financial performance for the first quarter of 2013 represents the results of operations of the Parent Company only since SMC was consolidated starting October 2013.

Consolidated sales revenue amounted to P194,833 million which represents the sales revenue of SMC and its subsidiaries. The corresponding consolidated income from operations amounted to P15,342 million.

The major contributors to revenues and income from operations of the Group follow:

<i>(In Millions)</i>	Revenue	% Contri- bution	Income from Operations	% Contri- bution
Petron	P 125,174	64%	P3,424	22%
Food Group	24,229	12%	1,335	9%
Energy Group	19,959	10%	6,640	43%
San Miguel Brewery Inc.	17,561	9%	4,678	30%

In terms of revenue, Petron accounted to P125,174 million or 64%, SMB came fourth at P17,561 million or 9% and the Food Group ranked second due to its continuing expansion.

In operating income terms, the Energy Group ranked number one at P6,640 million contributing 43% and SMB was second at P4,678 million or 30%.

Other charges amounting to P1,393 million include a) equity in net loss in our minority interests in Philippine Airlines, Inc. and Air Philippines Corporation and Liberty Telecoms Holdings, Inc., net of the equity in net income in our infrastructure business; b) gain on derivatives, mainly on account of Petron's currency forwards and options; and c) foreign exchange losses. The foreign exchange losses were due to the impact of strengthening of the US Dollar versus the Philippine Peso to our foreign currency – denominated debt and the finance lease liabilities due to the Power Sector Assets and Liabilities Management Corporation.

Consolidated net income before non-controlling interests amounted to P4,913 million, while net income attributable to equity holders of the Parent Company is P299 million. The results of operations was partly offset by financing charges of about P7,324 million and foreign exchange losses.

Net income attributable to non-controlling interests consists of the share of non-controlling stockholders in the net income of mainly Petron, SMB, SMC and SMPFC.

2013 vs. 2012

For the three months period ended March 31, 2013, Top Frontier incurred P555 million in financing charges, an increase of 10% from P503 million in the same period in 2012. The increase is primarily due to the interest incurred in 2013 in relation to the US\$650 million loan availed in June 2012.

Interest income represents the income earned from cash in banks.

Other income for the three months ended March 31, 2013 pertains to the foreign exchange gain from the translation of foreign currency-denominated assets and liabilities of Top Frontier amounting to P226 million. Other income for the three months ended March 31, 2012 pertains to the dividend income from the investment in SMC common shares amounting to P507 million and the foreign exchange gain from the translation of foreign currency-denominated assets and liabilities amounting to P495 million.

III. FINANCIAL POSITION

2014 vs. 2013

The Group's consolidated total assets as of March 31, 2014 amounted to P1,213,459 million, P20,905 million higher than 2013, mainly due to the net proceeds from availment of borrowings which were used primarily to finance the capital expenditure projects of Petron, SMC Global Power Holdings Corp. (SMC Global) and the Infra Group (TPLEX, SIDC and TADHC) and additional purchases of inventory.

Cash and cash equivalents (increased by P34,049 million) and trade and other receivables (decreased by P34,565 million) have almost compensating movements, mainly due to the collection of the remaining balance of the proceeds from the sale of Meralco shares from JG Summit.

Inventories increased by P9,556 million mainly due to higher finished product and crude oil importations of Petron and Petron Malaysia and higher inventory of cassava and soybean meal of San Miguel Foods, Inc. Additional purchases of cassava were made to take advantage of better prices during the harvest season. Higher costs and lower usage of soybean meal during the period, resulted to higher inventory.

Prepaid expenses and other current assets increased by P2,554 million mainly due to the increase in the balances of Petron in the following: a) excess of input Value-added Tax as a result of the importations of crude oil and finished products during the quarter, b) prepaid taxes due to advances on specific tax of finished products and prepaid insurance for depot and plants.

Investments and advances increased by P3,823 million in 2014 mainly due to the additional investments made by SMC and SMC Global.

Investment properties increased by P1,328 million mainly due to the acquisition of a property in Malabon by Brewery Properties, Inc. for future expansion of Polo Brewery, reclassification of the cost of certain parcel of land in Marikina from idle assets to investment properties of the Purefoods-Hormel Company, Inc. (Purefoods – Hormel) and additional construction costs of the Makati Diamond Residences Project of San Miguel Properties, Inc.

Biological assets increased by P107 million mainly due to the increase in volume of breeding stock.

Other Intangible assets increased by P2,118 million mainly due to the recognition of additional costs for the construction and development of the TPLEX Project, Stage 2, Phase 2 of the STAR Project and the Boracay Airport Project.

Deferred tax assets increased by P1,260 million mainly due to the recognition of deferred tax on the unrealized foreign exchange losses and net operating loss carry over of SMC.

Other noncurrent assets decreased by P5,443 million mainly due to collection of noncurrent receivables from Petron Corporation Employees Retirement Plan and reclassification of the cost of certain parcel of land in Marikina from idle assets to investment properties of Purefoods - Hormel.

Accounts payable and accrued expenses increased by P6,164 million due to the increase in the liability of Petron for finished products and crude oil importation and increase in accrued interest payable of SMB, Petron and SMC due to higher loan levels.

Dividends payable increased by P1,349 million mainly due to the dividend declared by SMPFC on March 26, 2014 payable on May 12, 2014, net of the payment of the dividends payable by SMC to its common and preferred stockholders.

The increase in long-term debt was mainly due to the availments made by PIDC, Petron, TADHC and SIDC, net additional US\$25 million from the refinancing of the US\$650 million loan by Top Frontier, and translation adjustments, net of payments made by San Miguel Yamamura Asia Corporation (SMYAC) and Ginebra San Miguel, Inc.

The increase in cumulative translation adjustment by P31 million was mainly due to the translation adjustment on the net assets of foreign subsidiaries.

The increase in appropriated retained earnings by P373 million pertains to the additional appropriation of SMYAC and SMITS, Inc. to finance future capital expenditure projects.

2013 vs. 2012

Cash and cash equivalents as of March 31, 2013 amounted to P58 million, P144 million lower than the P203 million in December 31, 2012. This is mainly due to payment of dividends and interest expense and other financing charges, net of cash dividends received from SMC in January 2013.

The balance of dividends receivable as of December 31, 2012 represents the dividends declared by SMC in December 2012 and payable in January 2013. There were no dividends receivable from SMC as of March 31, 2013.

The increase in Top Frontier's available for sale financial assets to P181,693 million as of March 31, 2013 compared to P165,805 million as of December 31, 2012 is due to the change in the fair market value of the investment in SMC common shares. The fair market value of SMC

common shares amounted to P115.50 and P105.40 per share as of March 31, 2013 and December 31, 2012, respectively.

The decrease in long-term debt - net of debt issue costs as of March 31, 2013 amounting to P163 million compared to the balance as of December 31, 2012 is primarily due to the translation adjustment of its foreign currency-denominated liability.

Top Frontier's unrealized gain on available for sale financial assets amounted to P29,615 million as of March 31, 2013 as compared to P13,727 million as of December 31, 2012. The movement represents the change in the fair market value of the investment in SMC common shares. The fair market value of SMC common shares amounted to P115.50 per share and P105.40 per share as of March 31, 2013 and December 31, 2012, respectively.

Equity

The increase (decrease) in equity is due to:

<i>(In millions)</i>	March 31	
	2014	2013
Income (loss) during the period	P4,913	(P327)
Addition to non-controlling interests and others	215	-
Effect of translation adjustments	566	15,888
Cash dividends	(5,493)	(266)
	P201	P15,295

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	March 31	
	2014	2013
Net cash flows provided by (used in) operating activities	P11,320	(P458)
Net cash flows provided by investing activities	20,338	553
Net cash flows provided by (used in) financing activities	2,087	(240)

Net cash flows from operations for the period basically consists of income for the period less changes in noncash current assets, certain current liabilities and others, which include increases in inventory level and trade and other receivables.

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

<i>(In millions)</i>	March 31	
	2014	2013
Proceeds from sale of investments and property and equipment	P31,616	P -
Interest received	932	2
Increase in other noncurrent assets and others	(702)	-
Additions to investments and advances	(3,912)	-
Additions to property, plant and equipment	(7,596)	-
Dividends received from available-for-sale financial assets	-	551

Major components of net cash flows provided by financing activities are as follows:

<i>(In millions)</i>	March 31	
	2014	2013
Proceeds from short-term loans - net	P 5,946	P -
Proceeds from long-term debt - net	5,327	-
Addition to non-controlling interests	1	-
Payment of dividends	(4,144)	(240)
Payment of finance lease liabilities	(5,043)	-

The effect of exchange rate changes on cash and cash equivalents amounted to P304 million on March 31, 2014.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Financial Performance” for the discussion of certain Key Performance Indicators.

	March 2014	December 2013
<u>Liquidity:</u>		
Current Ratio	1.36	1.30
<u>Solvency:</u>		
Debt to Equity Ratio	2.60	2.54
Asset to Equity Ratio	3.60	3.54

	March 2014	December 2013
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	1.31%	9.46%
Interest Rate Coverage Ratio	2.58	3.13
	<u>Period Ended March 31</u>	
	2014	2013
<u>Operating Efficiency:</u>		
Volume Growth	N.A.	N.A.
Revenue Growth	N.A.	N.A.
Operating Margin	7.87%	N.A.

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

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

* Annualized for quarterly reporting