COVER SHEET

1	4	7	8	2

SEC Registration Number

LIBERTY FLOUR MILLS, INC.
AND SUBSIDIARY

(Company's Full Name)

Liberty Building, A. Arnaiz
Avenue, Makati City

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

Liezle L. Lasan
(Contact Person)

813-4412
(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

AACFS
(Form Type)

0	5		2	6

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

482
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Liberty Flour Mills, Inc.
Liberty Building
A. Arnaiz Avenue
Makati City

We have audited the accompanying consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Liberty Flour Mills, Inc. and its subsidiary as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez
Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225184, January 2, 2014, Makati City

March 26, 2013

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱296,703,517**	₱414,499,892	₱259,058,447
Receivables (Notes 5 and 22)	**1,000,920,074**	909,070,621	1,058,512,864
Financial assets at fair value through profit or loss (Note 6)	**63,507,430**	48,780,019	39,252,005
Inventories (Note 7)	**251,130,736**	480,265,620	418,689,242
Accrued rent - current portion (Note 23)	**593,942**	249,140	788,229
Prepaid expenses and other current assets (Note 8)	**27,316,471**	47,156,410	45,823,455
Total Current Assets	**1,640,172,170**	1,900,021,702	1,822,124,242
Noncurrent Assets			
Available-for-sale investments (Note 9)	**1,119,355,471**	449,901,245	245,814,346
Deposit for future stock subscription (Note 9)	**–**	254,175,015	–
Investment properties (Notes 10 and 12)	**216,504,732**	229,490,722	249,824,872
Property, plant and equipment (Note 11)	**104,197,443**	97,470,234	103,361,242
Accrued rent - net of current portion (Note 23)	**4,044,674**	2,597,279	832,159
Deferred income tax asset - net (Note 20)	**180,502**	714,179	1,304,797
Net retirement plan asset (Note 19)	**–**	–	67,123
Other noncurrent assets (Notes 10 and 11)	**472,644,804**	3,807,922	3,137,219
Total Noncurrent Assets	**1,916,927,626**	1,038,156,596	604,341,758
TOTAL ASSETS	**₱3,557,099,796**	₱2,938,178,298	₱2,426,466,000
LIABILITIES AND EQUITY			
Current Liabilities			
Liabilities under trust receipts (Note 7)	**₱183,538,972**	₱172,405,480	₱85,144,050
Notes payable (Notes 12)	**80,000,000**	–	75,000,000
Current portion of long-term loan (Notes 10 and 12)	**44,444,444**	44,444,444	–
Accounts payable and accrued expenses (Note 13)	**107,267,138**	99,190,270	106,232,629
Income tax payable	**25,027,697**	21,612,105	9,454,342
Current portion of deposits on long-term leases (Note 23)	**12,460,759**	12,040,176	11,558,746
Current portion of unearned rental income (Note 23)	**3,706,809**	3,472,113	3,805,020
Total Current Liabilities	**456,445,819**	353,164,588	291,194,787
Noncurrent Liabilities			
Long-term loan - net of current portion (Notes 10 and 12)	**111,111,112**	155,555,556	–
Net retirement plan liability (Note 19)	**122,375,984**	120,726,912	107,994,439
Deposits on long-term leases - net of current portion (Note 23)	**1,952,518**	1,654,715	1,676,907
Unearned rental income - net of current portion (Note 23)	**158,512**	174,792	111,576
Deferred income tax liabilities - net (Note 20)	**–**	807,019	807,019
Total Noncurrent Liabilities	**235,598,126**	278,918,994	110,589,941
Total Liabilities	**692,043,945**	632,083,582	401,784,728

(Forward)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Equity (Note 14)			
Capital stock - ₱10 par value:			
Authorized - 50 million common shares			
Issued - 50 million shares in 2013 and 2012, and 40 million shares in 2011	**₱500,000,000**	₱500,000,000	₱400,000,000
Stock dividends distributable - 10 million shares	**–**	–	100,000,000
Other components of equity:			
Fair value changes on available-for-sale investments (Note 9)	**335,418,316**	39,257,783	30,460,168
Accumulated remeasurement losses on retirement benefits, net of deferred income tax (Note 21)	**(18,066,229)**	(19,635,270)	(16,464,083)
Retained earnings (Note 14):			
Appropriated	**1,900,000,000**	1,350,000,000	1,350,000,000
Unappropriated	**147,706,444**	436,474,883	160,687,867
	2,865,058,531	2,306,097,396	2,024,683,952
Treasury stock - at cost (268 shares)	**(2,680)**	(2,680)	(2,680)
Total Equity	**2,865,055,851**	2,306,094,716	2,024,681,272
TOTAL LIABILITIES AND EQUITY	**₱3,557,099,796**	₱2,938,178,298	₱2,426,466,000

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2
REVENUE			
Net sales (Note 22)	**₱1,959,045,156**	₱1,969,035,756	₱2,083,038,273
Rental income (Notes 10 and 22)	**103,477,748**	98,919,996	93,544,425
	2,062,522,904	2,067,955,752	2,176,582,698
COST OF SALES AND SERVICES			
Cost of sales (Note 15)	**1,394,051,139**	1,451,534,574	1,699,431,939
Cost of services (Notes 10 and 15)	**39,655,915**	45,779,331	45,948,031
	1,433,707,054	1,497,313,905	1,745,379,970
GROSS PROFIT	**628,815,850**	570,641,847	431,202,728
EXPENSES (Note 16)			
Administrative	**(138,702,387)**	(135,557,034)	(111,402,387)
Selling	**(38,763,781)**	(30,553,770)	(32,415,940)
OTHER INCOME (CHARGES)			
Interest income (Notes 4, 5 and 9)	**22,925,668**	24,361,683	20,180,476
Interest expense (Notes 7, 12 and 23)	**(18,105,073)**	(10,860,339)	(6,985,749)
Dividend income (Note 9)	**11,580,667**	4,444,344	4,371,209
Other income (charges) - net (Note 18)	**(19,552,229)**	6,586,467	3,923,911
INCOME BEFORE INCOME TAX	**448,198,715**	429,063,198	308,874,248
PROVISION FOR INCOME TAX (Note 20)	**111,967,916**	103,276,690	111,832,863
NET INCOME	**336,230,799**	325,786,508	197,041,385
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Fair value changes on available-for-sale investments (Note 9)	**305,344,919**	8,797,615	11,905,279
Fair value gain on available-for-sale financial assets realized through sale (Notes 9)	**(9,184,386)**	–	–
	296,160,533	8,797,615	11,905,279
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement benefits, net of deferred income tax (Note 19)	**1,569,041**	(3,171,187)	(3,969,083)
TOTAL OTHER COMPREHENSIVE INCOME	**297,729,574**	5,626,428	7,936,196
TOTAL COMPREHENSIVE INCOME	**₱633,960,373**	₱331,412,936	₱204,977,581
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	**₱6.72**	₱6.52	₱3.94

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

	Capital Stock		Other Components of Equity		Retained Earnings (Note 14)			
	Issued	Stock Dividends Distributable (Note 14)	Fair Value changes on Available-for Sale Investments (Note 10)	Accumulated Remeasurement Gains (Losses) on Retirement Benefits (Note 19)	Appropriated	Unappropriated	Treasury Stock	Total
BALANCES AT DECEMBER 31, 2010, AS PREVIOUSLY REPORTED	**₱400,000,000**	**₱–**	**₱18,554,889**	**₱–**	**₱1,350,000,000**	**₱110,993,453**	**(₱2,680)**	**₱1,879,545,662**
Change in accounting policy (Note 2)	–	–	–	(12,495,000)	–	(2,347,359)	–	(14,842,359)
BALANCES AT DECEMBER 31, 2010, AS RESTATED	**400,000,000**	–	**18,554,889**	**(12,495,000)**	**1,350,000,000**	**108,646,094**	**(2,680)**	**1,864,703,303**
Total comprehensive income for the year	–	–	11,905,279	(3,969,083)	–	197,041,385	–	204,977,581
Stock dividends declared during the year	–	100,000,000	–	–	–	(100,000,000)	–	–
Dividends declared during the year	–	–	–	–	–	(44,999,612)	–	(44,999,612)
BALANCES AT DECEMBER 31, 2011	**₱400,000,000**	**₱100,000,000**	**₱30,460,168**	**(₱16,464,083)**	**₱1,350,000,000**	**₱160,687,867**	**(₱2,680)**	**₱2,024,681,272**
BALANCES AT DECEMBER 31, 2011, AS PREVIOUSLY REPORTED	**₱400,000,000**	**₱100,000,000**	**₱30,460,168**	**₱–**	**₱1,350,000,000**	**₱161,739,407**	**(₱2,680)**	**₱2,042,196,895**
Change in accounting policy (Note 2)	–	–	–	(16,464,083)	–	(1,051,540)	–	(17,515,623)
BALANCES AT DECEMBER 31, 2011, AS RESTATED	**400,000,000**	**100,000,000**	**30,460,168**	**(16,464,083)**	**1,350,000,000**	**160,687,867**	**(2,680)**	**2,024,681,272**
Total comprehensive income (loss) for the year	–	–	8,797,615	(3,171,187)	–	325,786,508	–	331,412,936

(Forward)

	Capital Stock		Other Components of Equity		Retained Earnings (Note 14)			
	Issued	Stock Dividends Distributable (Note 14)	Fair Value changes on Available-for Sale Investments (Note 10)	Accumulated Remeasurement Gains (Losses) on Retirement Benefits (Note 19)	Appropriated	Unappropriated	Treasury Stock	Total
Stock dividends issued during the year	₱100,000,000	(₱100,000,000)	₱–	₱–	₱–	₱–	₱–	₱–
Dividends declared during the year	–	–	–	–	–	(49,999,492)	–	(49,999,492)
BALANCES AT DECEMBER 31, 2012	**₱500,000,000**	**₱–**	**₱39,257,783**	**(₱19,635,270)**	**₱1,350,000,000**	**₱436,474,883**	**(₱2,680)**	**₱2,306,094,716**
BALANCES AT DECEMBER 31, AS PREVIOUSLY REPORTED	**₱500,000,000**	**₱–**	**₱39,257,783**	**₱–**	**₱1,350,000,000**	**₱436,256,883**	**(₱2,680)**	**₱2,325,511,986**
Change in accounting policy (Note 2)	–	–	–	(19,635,270)	–	218,000	–	(19,417,270)
BALANCES AT DECEMBER 31, AS RESTATED	**₱500,000,000**	**₱–**	**₱39,257,783**	**(₱19,635,270)**	**₱1,350,000,000**	**₱436,474,883**	**(₱2,680)**	**₱2,306,094,716**
Total comprehensive income for the year	–	–	296,160,533	1,569,041	–	336,230,799	–	633,960,373
Appropriations for plant expansion (Note 14)	–	–	–	–	550,000,000	(550,000,000)	–	–
Dividends declared during the year	–	–	–	–	–	(74,999,238)	–	(74,999,238)
BALANCES AT DECEMBER 31, 2013	**₱500,000,000**	**₱–**	**₱335,418,316**	**(₱18,066,229)**	**₱1,900,000,000**	**₱147,706,444**	**(₱2,680)**	**₱2,865,055,851**

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱448,198,715**	₱429,063,198	₱308,874,248
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	**29,943,263**	36,071,281	37,023,815
Interest income (Notes 4 and 9)	**(22,925,668)**	(24,361,683)	(20,180,476)
Interest expense (Notes 7 and 23)	**18,105,073**	10,860,339	6,985,749
Impairment loss on available-for-sale investments (Notes 9 and 18)	**17,406,926**	–	–
Retirement benefits costs (Note 19)	**13,570,335**	12,406,991	12,200,454
Dividend income (Note 9)	**(11,580,667)**	(4,444,344)	(4,371,209)
Gain on sale/exchange of available-for-sale investments (Notes 9 and 18)	**(9,184,386)**	–	(4,483,442)
Fair value loss (gain) on financial assets at fair value through profit or loss (Notes 6 and 18)	**8,768,573**	(6,175,928)	(3,873,466)
Gain on disposal of property and equipment	**(180,000)**	–	–
Recoveries from insurance (Note 18)	–	(3,370,717)	–
Operating income before working capital changes	**492,122,164**	450,049,137	332,175,673
Decrease (increase) in:			
Receivables	**(94,598,062)**	149,100,918	(168,702,846)
Inventories	**229,134,884**	(61,576,378)	(24,608,825)
Accrued rent	**(344,802)**		
Prepaid expenses and other current assets	**19,839,939**	(1,332,953)	(4,641,212)
Increase (decrease) in:			
Liabilities under trust receipts	**11,133,492**	87,261,430	(56,125,149)
Notes payable	–	(75,000,000)	75,000,000
Accounts payable and accrued expenses	**3,781,429**	12,094,082	(60,067,243)
Deposits on long-term leases	**718,386**	459,238	1,041,877
Unearned rental income	**218,416**	(269,691)	(438,101)
Cash generated from operations	**662,005,846**	560,785,783	93,634,174
Income taxes paid, including creditable withholding taxes	**(108,843,317)**	(90,276,905)	(98,868,469)
Interest received	**24,409,031**	23,059,422	20,180,476
Interest paid	**(18,087,222)**	(9,625,819)	(6,241,090)
Contributions to the retirement fund (Note 19)	**(10,334,570)**	(3,029,987)	(8,053,322)
Net cash from operating activities	**549,149,768**	480,912,494	651,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at fair value through profit or loss	**(110,262,205)**	(73,899,897)	(64,750,598)
Available-for-sale investments (Note 9)	**(127,341,218)**	(191,103,876)	–
Investment properties (Note 10)	**(3,188,007)**	(2,921,743)	(1,923,206)
Property and equipment (Note 11)	**(20,386,681)**	(7,739,071)	(9,603,918)
Proceeds from sale of financial assets at fair value through profit or loss	**86,766,223**	70,547,811	61,120,199
Proceeds from disposal of property and equipment	**180,000**	–	–
Deposit for future stock subscription (Note 9)	–	(254,175,015)	–
Dividend received	**11,580,667**	4,444,344	4,371,209
Decrease (increase) in other noncurrent assets	**(468,946,676)**	(670,705)	352,359
Net cash used in investing activities	**(631,597,897)**	(455,518,152)	(10,433,955)

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of bank loans (Note 13)	**₱80,000,000**	₱270,000,000	₱–
Loan payments (Note 13)	**(44,444,444)**	(70,000,000)	–
Dividends paid	**(70,903,802)**	(69,952,897)	(20,766,111)
Net cash from (used in) financing activities	**(35,348,246)**	130,047,103	(20,766,111)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(117,796,375)**	155,441,445	(30,548,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**414,499,892**	259,058,447	289,606,744
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱296,703,517**	₱414,499,892	₱259,058,447

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The Parent Company's subsidiary, LFM Properties Corporation (LPC), was incorporated and registered with the SEC on December 18, 1995 and is primarily engaged in the business of leasing out real estate properties such as office spaces and condominium units. The Parent Company and LPC are collectively referred to in the consolidated financial statements as the Group.

The registered office of the Group is at Liberty Building, A. Arnaiz Avenue, Makati City.

The consolidated financial statements were authorized for issuance by the Board of Directors (BOD) on March 26, 2014.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that are measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements consist of the financial statements of the Parent Company and LPC, a wholly owned subsidiary.

Control is achieved when the Parent Company or its subsidiary is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company or its subsidiary controls an investee if and only if the following criteria are met:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company or its subsidiary voting rights and potential voting rights

The Parent Company or its subsidiary reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiary obtains control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date control is lost.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

The financial statements of LPC are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control of a subsidiary, it:

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new standards, amendments to existing standards and Philippine Interpretation based on International Financial Interpretations Committee (IFRIC) interpretations which became effective to the Group beginning January 1, 2013.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with Philippine Accounting Standards (PAS) 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period.

(a) The gross amounts of those recognized financial assets and recognized financial liabilities;
(b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated balance sheet;
(c) The net amounts presented in the consolidated balance sheet;
(d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
(e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Parent Company has reassessed and concluded that it still has control over its existing subsidiary using the control criteria under PFRS 10.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group does not have any joint arrangements so the adoption of this new standard has no impact on the financial statements of the Group.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

- PFRS 13, *Fair Value Measurement*
  PFRS 13 established a single source of guidance under PFRSs for all fair value measurements. PFRS 13 did not change when an entity is required to use fair value, but rather provided guidance on how to measure fair value under PFRS. PFRS 13 defined fair value as an exit price and also required additional disclosures.

As a result of the guidance in PFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities and fair value of unquoted AFS investments. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- Amendments to PAS 1, *Presentation of Financial Statements - Presentation of Items of OCI*
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affected presentation of items of OCI only and have no impact on the Group's financial position or performance.

- Revised PAS 19, *Employee Benefits*
  For defined benefit plans, the revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the revised PAS 19, the Group recognized actuarial gains and losses as income or expense over the estimated working lives of employees when the net cumulative unrecognized gains and losses for each individual plan at the beginning of the year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets, each at the beginning of the year, and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset presented in the consolidated balance sheet by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions or benefits payment.

  The revised PAS 19 also amended the definition of short-term employee benefits and required employee benefits to be classified as short-term based on the expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the revised PAS 19 modified the timing of recognition for termination benefits requiring termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  The changes to the definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the adoption on the financial statements are as follows:

	As at December 31, 2013	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
Increase (decrease) in consolidated balance sheets:				
Net retirement plan liability	**₱19,594,903**	₱19,981,953	₱18,241,684	₱14,842,359
Deferred income tax assets	**383,168**	564,683	726,061	–
Retained earnings	**(1,145,506)**	218,000	(1,051,540)	(2,347,359)
Accumulated remeasurement losses on retirement benefits, net of deferred income tax	**18,066,229**	19,635,270	16,464,083	12,495,000

	2013	2012	2011
Increase (decrease) in consolidated statements of comprehensive income:			
Retirement benefits cost	**₱1,947,866**	(₱1,682,323)	(₱1,639,765)
Income tax expense	**(584,360)**	412,783	338,946
Net income	**(1,363,506)**	1,269,540	1,295,819
Remeasurement losses on retirement benefits, net of deferred income tax	**(1,569,041)**	3,171,187	3,969,083

The transition did not have a significant impact on the consolidated statements of cash flows and earnings per share for the years ended December 31, 2012 and 2011. Net interest cost is still presented as part of "Administrative expenses - Employee benefits" in profit or loss.

The Revised PAS 19 also requires more extensive disclosures which are presented in Note 19 to the consolidated financial statements.

Standards Issued but not yet Effective

The following standards, amendments and interpretations, will become effective subsequent to December 31, 2013 and have not been early adopted by the Group. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended standards to have a significant impact on its financial position or performance. The relevant disclosures will be included in the notes to financial statements when these become effective.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since the Parent Company's subsidiary does not qualify as investment entities under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  This interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that this interpretation will have material financial impact in future financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have impact in future financial statements.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and have no impact on the Group's financial position or performance.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant since the Group's employees do not contribute to the defined benefit plan.

- *Annual Improvements to PFRS* (2010-2012 cycle)
  The *Annual Improvements to PFRS* (2010-2012 cycle) contains non-urgent but necessary amendments to the following standards:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9, *Financial Instruments* (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect presentation only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective immediately.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will have no significant impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance.

- *Annual Improvements to PFRS* (2011-2013 cycle)
  The *Annual Improvements to PFRS* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRS'*
    The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment is expected not to have significant impact on the Group's financial position or performance.

Effective in 2015

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Group's financial position or performance.

No mandatory effective date

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. 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.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

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

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

Fair Value Measurement
The Group measures financial instruments, such as financial assets at FVPL and AFS investments, at fair value at the end of reporting period.

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

Financial Instruments
The Group recognizes a financial asset or a financial liability in the consolidated company balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period generally established by regulation or convention in the market place.

Classification of Financial Instruments
Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains, and losses relating to a financial instrument classified as a debt, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or AFS investments, or as derivatives designated as hedging instruments in an effective hedge as appropriate. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

All financial assets and financial liabilities are recognized initially at fair value. In the case of financial assets and financial liabilities not classified as at fair value through profit or loss, fair value at initial recognition includes any directly attributable transaction costs. The Company determines the classification of its financial instruments upon initial recognition and, where allowed and appropriate, reevaluates this designation at every reporting date.

Financial Assets
The Group's financial assets consist of: (a) financial assets at FVPL; (b) loans and receivables; and (c) AFS investments. The Group does not have financial assets classified as HTM.

a. Financial Assets at FVPL

   Financial assets at FVPL include financial instruments that are purchased and held principally with the intention of selling or repurchasing them in the near term or are designated as financial assets at FVPL at initial recognition.

   Financial assets are designated as at FVPL by management on initial recognition when any of the following criteria are met:

   - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or recognizing gains or losses on them on a different basis;

   - The financial assets are part of a group of financial assets which are managed and their performance 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 recorded.

   These financial assets are subsequently measured at fair market value, based primarily on quoted market prices. Realized and unrealized gains and losses arising from changes in fair market value of financial assets at FVPL are recognized in profit or loss. Interest earned on debt securities recorded under "Interest income" account is recognized as the interest accrues taking into account the effective interest rate. Dividend income on equity securities is recognized when the right of payment has been established.

As of December 31, 2013 and 2012, the Group's financial assets at FVPL consist of equity securities that are held-for-trading.

b. Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired or amortized. Loans and receivables are classified as current assets when it is expected to be realized within 12 months after the balance sheet date or within the normal operating cycle, whichever is longer.

As of December 31, 2013 and 2012, the Group's loans and receivables consist of cash in banks and cash equivalents and receivables.

c. AFS Investments

AFS investments are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments are subsequently measured at fair market value. Unrealized gains and losses arising from changes in fair market value of AFS investments are reported as other comprehensive income under "Fair value changes on AFS investments" account until the financial asset is derecognized or as the financial asset is determined to be impaired.

As of December 31, 2013 and 2012, the Group's AFS investments consist of quoted and unquoted equity securities and debt securities.

Financial Liabilities
The Group's financial liabilities consist only of other financial liabilities. It does not have financial liabilities at FVPL.

Other financial liabilities pertain to financial liabilities that are neither held-for-trading nor designated at FVPL upon the inception of the financial liability. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized, impaired or amortized. Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the balance sheet date or the Group does not have an unconditional right to defer settlement for at least 12 months from the balance sheet date.

As of December 31, 2013 and 2012, the Group's other financial liabilities consist of liabilities under trust receipts, notes payable, long-term loan, accounts payable and accrued expenses and deposits on long-term leases.

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

An embedded derivative is separated from the host financial or nonfinancial asset contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives that are bifurcated from the host contracts are accounted for as investments at FVPL. Changes in fair values are included in profit or loss.

The Group has no freestanding or embedded derivatives as of December 31, 2013 and 2012.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics, such as customer type, payment history, past-due status and term, and that group of financial assets is collectively assessed for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Financial Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, 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 discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. The amount of the loss shall be recognized in profit or loss.

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

AFS Investments
For AFS investments, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

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

- the right to receive cash flows from the financial asset has expired; or

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risk and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or cancelled or has expired.

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, and the difference in the respective carrying amounts is recognized in profit or loss.

Inventories
Cost of finished goods such as flour and mill feeds and work in process represents the costs of direct materials, direct labor and a proportion of production overhead. Cost of wheat represents the cost of purchase and other costs directly attributable to its acquisition. Inventories are valued at the lower of cost (computed using the first-in, first-out method for raw materials and using moving-average for finished goods) and net realizable value (NRV). NRV is the selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises insurance premiums, creditable withholding taxes and other prepaid items. The insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in net income when incurred. Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Prepayments that are expected to be realized within 12 months from the balance sheet date are classified as current assets, otherwise these are classified as other noncurrent assets.

Value-added Tax
Revenue, expenses, assets and liabilities are recognized net of the amount of value-added tax (VAT), except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the Group's consolidated balance sheet.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the Group's consolidated balance sheet.

Investment Properties

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

Depreciation is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 years.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property, plant and equipment.

Depreciation commences once the assets are available for use. Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

	Number of Years
Mill machinery and equipment	10
Building and building equipment	10 - 20
Transportation equipment	3-5
Land improvements	20
Other equipment	2-5

Amortization of leasehold improvements is computed using the straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter.

An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Construction-in-progress represents fabrication and installation of supplies and equipment related to mill machinery and other manufacturing equipment and is stated at cost. Construction-in-progress is not depreciated until such time as the relevant assets are completed and are ready for use.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (investment properties, property, plant and equipment and other nonfinancial assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The estimated recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value-in-use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction less costs of disposal while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company purchases its own capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Shares Held in Treasury

Own equity instruments reacquired are carried at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

Other Comprehensive Income (Loss)

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income (loss) of the Group includes gains and losses on changes in fair value of AFS investments and remeasurement gains or losses on retirement benefits.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders.

Appropriated retained earnings represent the portion which has been restricted and therefore is not available for any dividend declaration.

Dividend Distribution
Dividends on common shares are recognized as a liability and deducted from equity when approved by the shareholders of the Parent Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Basic/Diluted Earnings per Share
Basic/diluted earnings per share are computed by dividing net income for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The Parent Company has no dilutive shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, returns and output VAT. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and concluded that it is acting as a principal in all arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods
Revenue from the sale of goods shown as "Net Sales" in the consolidated statement of comprehensive income is recognized upon invoicing and delivery, when the significant risks and rewards of ownership of the goods have passed to the customer.

Rental Income
Rental income from operating leases is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset under the account "Accrued rent". Rentals collected but not yet earned are recognized as liability under the account "Unearned rental income".

Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is recorded as component of "Unearned rental income" account and is recognized as rental income on a straight-line basis over the lease term.

The accretion of the fair value of deposits on long-term leases to its nominal amount is recorded under "Interest expense" account using the effective interest rate method.

Interest Income
Interest income is recognized using the effective interest method.

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established.

Costs and Expenses
Cost and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than equity transactions with equity holders, has arisen that can be measured reliably.

Cost of Sales
Cost of sales is recognized as expense when the related goods are sold.

Cost of Services
Cost of services includes expenses incurred for the generation of revenue from rental income. Cost of services is expensed as incurred.

Administrative and Selling Expenses
Administrative expenses constitute costs of administering the business. Selling expenses are costs incurred to sell or distribute the merchandise. Administrative and selling expenses are expensed as incurred.

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

Retirement Benefits Cost
Accrued retirement benefits cost is the present value of the defined benefit obligation at the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The retirement benefits cost comprises service costs, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by at the beginning of the year, taking account of any changes in the net deferred benefit liability or asset during the period as a result of contribution of benefit payment. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate prevailing at the date of the transaction. Outstanding foreign currency-denominated monetary assets and liabilities at year end are remeasured using the closing rate at balance sheet date. Exchange gains or losses resulting from exchange rate fluctuation upon actual settlement and from restatement at year end are credited to or charged in profit or loss.

Income Taxes

Current Income Tax

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

Current income tax for the current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated balance sheet.

If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Prepaid expenses and other current assets" account in the consolidated balance sheet.

Deferred Income Tax

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws in effect at the balance sheet date.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value money and, where appropriate, the risks specific to the liability where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is recognized in profit or loss, net of reimbursement.

Contingencies

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

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segment is presented in Note 26 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e. geographical location). Therefore, geographical segment information is no longer presented.

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

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and amounts reported in the consolidated financial statements.

In the opinion of management, the consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly when the effects become determinable.

Judgments
Classification of Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Classification of Building
An insignificant portion of the Group's building classified as investment property is occupied by the Group for administrative purposes. Based on the Group's judgment, such owner-occupied portion is insignificant to the whole property and therefore classified the building as investment property.

Classification of Leases - Group as Lessor
The Group has entered into property leases where it has determined that the risk and rewards related to those properties are retained by the Group. As such, these lease agreements are accounted for as operating leases (Note 23).

Estimates
Estimation of Allowance for Doubtful Accounts
Provisions are made for specific and groups of accounts where objective evidence of impairment exists. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts, such as but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior, known market factors and historical loss experiences.

related defined benefit obligation. Further details about defined benefit obligation are presented in Note 19.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligation. The carrying value of Parent Company's net retirement plan liability amounted to ₱120.71 million and ₱119.55 million as of December 31, 2013 and 2012, respectively, while the carrying value of LPC's net retirement plan liability amounted to ₱1.67 million and ₱1.18 million as of December 31, 2013 and 2012, respectively (see Note 19).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱137,020,205**	₱44,957,664
Cash equivalents	**159,683,312**	369,542,228
	₱296,703,517	₱414,499,892

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱10.82 million, ₱12.10 million and ₱10.26 million in 2013, 2012 and 2011, respectively.

5. Receivables

	2013	2012
Trade receivable from related parties (Note 22)	**₱972,082,878**	₱863,491,337
Rent receivable:		
Third parties	**5,043,413**	4,414,481
Related parties (Note 22)	**645,747**	490,142
Advances to officers and employees	**2,017,656**	2,120,592
Advances to a broker	**4,268,019**	23,585,883
Others (Note 22)	**18,462,361**	16,568,186
	1,002,520,074	910,670,621
Less allowance for doubtful accounts	**1,600,000**	1,600,000
	₱1,000,920,074	₱909,070,621

Trade receivables arise from sale of flour and mill feeds. These are noninterest-bearing with average credit terms of 60 to 180 days.

Rent receivables arise from leasing of the Group's investment properties. These are noninterest-bearing with average credit terms of 30 days.

Advances to a broker represent the Group's deposit to its agent of marketable securities, which are liquidated through acquisition of additional investments for the Group.

Allowance for doubtful accounts on other receivables amounting to ₱1.6 million as of December 31, 2013 and 2012 was determined from collective assessment.

6. Financial Assets at Fair Value through Profit or Loss

This account consists of quoted equity securities with total fair value of ₱63.51 million and ₱48.78 million as of December 31, 2013 and 2012, respectively.

Fair value changes on financial assets at FVPL amounted to ₱8.77 million loss in 2013, ₱6.18 million gain in 2012 and
₱3.87 million gain in 2011, which are included under "Other income (charges) - net" in the consolidated statements of comprehensive income (see Note 18).

7. Inventories - At cost

	2013	2012
Wheat grains	**₱196,950,171**	₱210,169,926
Flour and mill feeds	**33,486,274**	60,346,540
Supplies	**20,694,291**	17,459,108
	251,130,736	287,975,574
Inventories in-transit	**–**	192,290,046
	₱251,130,736	₱480,265,620

Under the terms of agreements covering trust receipts, certain inventories have been released to the Parent Company in trust for the banks. Outstanding liabilities under such trust receipts, which bear annual interest rates ranging from 2.75% to 3.0% in 2013 and 3.0% to 3.5% in 2012, amounted to ₱183.54 million and ₱172.41 million as of December 31, 2013 and 2012, respectively. Interest expense recognized on liabilities under trust receipts amounted to ₱5.45 million, ₱3.14 million and ₱6.24 million in 2013, 2012 and 2011, respectively.

Inventories in-transit as of December 31, 2012 include wheat grains and supplies owned but not yet received by the Parent Company as of balance sheet date.

8. Prepaid Expenses and Other Current Assets

	2013	2012
Store supplies	**₱23,988,260**	₱26,201,309
Advances to suppliers	**616,682**	1,591,573
Prepaid VAT on importation	**–**	16,370,589
Others	**2,711,529**	2,992,939
	₱27,316,471	₱47,156,410

"Others" includes, among others, prepayments for insurance, importation costs and taxes.

9. Available-for-sale Investments

	2013	2012
Debt securities	**₱342,036,730**	₱326,213,713
Equity securities:		
Quoted	**724,903,033**	94,464,898
Unquoted	**52,415,708**	29,222,634
	777,318,741	123,687,532
	₱1,119,355,471	₱449,901,245

In 2012, LPC made deposits to a bank amounting to ₱254.18 million for future subscription to 8,965,609 voting shares (par value of ₱25 per share) of the said bank. Such deposits were recognized as "Deposits for future stock subscription" in the consolidated balance sheet as of December 31, 2012. In April 2013, the shares of stock were issued to LPC and were classified as AFS investments.

Interest income earned on debt securities amounted to ₱12.10 million in 2013, ₱12.26 million in 2012 and ₱9.92 in 2011. Dividend income earned on equity securities amounted to ₱11.58 million in 2013, ₱4.44 million in 2012 and ₱4.37 million in 2011.

In 2013, the Group recognized impairment loss on equity investments amounting to ₱17.41 million, included under "Other income (charges) - net" in the 2013 consolidated statement of comprehensive income (see Note 18).

The movements in fair value changes on AFS investments follow:

	2013	2012
Beginning balance	**₱39,257,783**	₱30,460,168
Fair value gains taken to other comprehensive income	**305,344,919**	8,797,615
Fair value gain realized through sale (Note 18)	**(9,184,386)**	–
Ending balance	**₱335,418,316**	₱39,257,783

10. Investment Properties

	December 31, 2013				
	Land (Note 12)	**Building and Building Equipment** (Note 12)	**Condominium Unit**	**Construction in Progress**	**Total**
Costs:					
Beginning balances	**₱24,824,783**	**₱409,013,697**	**₱10,399,120**	**₱–**	**₱444,237,600**
Additions	**–**	**–**	**–**	**3,188,007**	**3,188,007**
	24,824,783	**409,013,697**	**10,399,120**	**3,188,007**	**447,425,607**
Accumulated depreciation:					
Beginning balances	**–**	**204,930,114**	**9,816,764**	**–**	**214,746,878**
Depreciation	**–**	**15,591,641**	**582,356**	**–**	**16,173,997**
Ending balances	**–**	**220,521,755**	**10,399,120**	**–**	**230,920,875**
Net book values	**₱24,824,783**	**₱188,491,942**	**₱–**	**₱3,188,007**	**₱216,504,732**

	December 31, 2012				
	Land (Note 12)	Building and Building Equipment (Note 12)	Condominium Unit	Construction in Progress	Total
Costs:					
Beginning balances	₱24,824,783	₱406,091,954	₱10,399,120	₱–	₱441,315,857
Additions	–	2,921,743	–	–	2,921,743
Ending balances	24,824,783	409,013,697	10,399,120	–	444,237,600
Accumulated depreciation:				–	
Beginning balances	–	182,373,049	9,117,936	–	191,490,985
Depreciation	–	22,557,065	698,828	–	23,255,893
Ending balances	–	204,930,114	9,816,764	–	214,746,878
Net book values	₱24,824,783	₱204,083,583	₱582,356	₱–	₱229,490,722

The aggregate fair value of investment properties amounted to ₱2.37 billion as of December 31, 2013. These have been determined based on valuation performed by a qualified and independent appraiser. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

The following describes the valuation techniques used and key inputs to valuation on investment properties:

	Current use	Valuation technique	Significant unobservable input
Land	Commercial Parking space Capital appreciation	Sales Comparison Approach	Adjusted sales price of comparable properties
Building, building improvements and equipment	Commercial	Cost Approach	Current market prices of similar materials, labor, contractors' overhead and manufactured equipment
Condominium unit	Residential	Sales Comparison Approach	Adjusted sales price of comparable properties

Significant increases (decreases) in estimated inputs above would result in a significantly higher (lower) fair value of the properties.

The appraisers determined that the current use of land and buildings held for commercial use and condominium unit are their highest and best use. The highest and best use of land held for capital appreciation at measurement date would be for residential utility or development, while the highest and best use of land used as parking space at measurement date would be for multi-storey residential/office condominium development. The highest and best use of the other buildings, including improvements and equipment, used as commercial space at measurement date would be to convert the properties for residential use. For strategic reasons, the properties are not being used in this manner.

Rental income and the related expenses (i.e., real property taxes, depreciation, utilities and insurance) recognized from various operating leases on the office spaces of its building and condominium units are as follows:

	2013	2012	2011
Rental income	₱103,477,748	₱98,919,996	₱93,544,425
Expenses	(39,655,915)	(45,779,331)	(45,948,031)
	₱63,821,833	₱53,140,665	₱47,596,394

Direct expenses incurred for non-income generating properties amounted to ₱0.89 million in 2013 and ₱0.93 million in 2012 (see Note 16).

The land located in Angeles City, Pampanga is subject to a pending court case.

In 2013, the Parent Company made advance payments for the purchase of a parcel of land totaling ₱467.75 million. While there is no deed of sale executed yet on the purchase of land and the title on the land shall be passed on the Parent Company in 2016, the amounts paid were recognized under "Other noncurrent assets" in the consolidated balance sheet as of December 31, 2013. The Parent Company availed of ₱300 million bank loan to partially finance the purchase of land, on which interest of ₱2.25 million was incurred based on annual interest of 3%. The loan was fully paid in September 2013.

11. Property, Plant and Equipment

	December 31, 2013							
	Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost								
Beginning balances	₱25,019,723	₱194,493,169	₱114,382,195	₱33,158,538	₱839,842	₱23,328,229	₱1,425,169	₱392,646,865
Additions	–	5,228,990	–	6,781,143	–	8,376,549	–	20,386,682
Disposal	–	–	–	(1,139,036)	–	–	–	(1,139,036)
Reclassification	–	–	–	–	–	1,425,169	(1,425,169)	–
Ending balances	25,019,723	199,722,159	114,382,195	38,800,645	839,842	33,129,947	–	411,894,511
Accumulated Depreciation and Amortization								
Beginning balances	7,792,993	170,976,065	65,978,556	27,913,427	794,088	21,721,502	–	295,176,631
Depreciation and amortization	1,126,209	5,321,653	4,262,105	1,666,314	40,942	1,242,250	–	13,659,473
Disposal	–	–	–	(1,139,036)	–	–	–	(1,139,036)
Ending balances	8,919,202	176,297,718	70,240,661	28,440,705	835,030	22,963,752	–	307,697,068
Net Book Values	₱16,100,521	₱23,424,441	₱44,141,534	₱10,359,940	₱4,812	₱10,166,195	₱–	₱104,197,443

	December 31, 2012							
	Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost								
Beginning balances	₱25,019,723	₱196,530,282	₱111,986,369	₱31,863,895	₱839,842	₱22,851,377	₱–	₱389,091,488
Additions	–	2,146,581	2,395,826	1,294,643	–	476,852	1,425,169	7,739,071
Disposal	–	(4,183,694)	–	–	–	–	–	(4,183,694)
Ending balances	25,019,723	194,493,169	114,382,195	33,158,538	839,842	23,328,229	1,425,169	392,646,865
Accumulated Depreciation and Amortization								
Beginning balances	6,552,617	169,301,947	61,746,283	26,512,458	726,957	20,889,984	–	285,730,246
Depreciation and amortization	1,240,376	5,043,121	4,232,273	1,400,969	67,131	831,518	–	12,815,388
Disposal	–	(3,369,003)	–	–	–	–	–	(3,369,003)
Ending balances	7,792,993	170,976,065	65,978,556	27,913,427	794,088	21,721,502	–	295,176,631
Net Book Values	₱17,226,730	₱23,517,104	₱48,403,639	₱5,245,111	₱45,754	₱1,606,727	₱1,425,169	₱97,470,234

The aggregate cost of fully depreciated property and equipment that are still being used in operations amounted to ₱18.97 million and ₱9.04 million as of December 31, 2013 and 2012, respectively.

Included under "Other noncurrent assets" are computer software with net book value of ₱0.97 million and ₱0.84 million as of December 31, 2013 and 2012, respectively. Additional cost of ₱0.24 million was incurred in 2013 before these computer software were made available for use. Amortization recognized in 2013 amounted to ₱0.11 million, included under "Administrative Expenses - Depreciation and amortization" in the consolidated statement of comprehensive income (see Note 16).

12. Notes Payable and Long-term Loan

Notes payable

The Parent Company's notes payable as of December 31, 2011 pertains to a 90-day unsecured loan payable to a local bank amounting to ₱75.00 million with 3.75% interest. The notes payable was used by the Parent Company to pay off the maturing liabilities under trust receipts. The notes payable was paid on March 22, 2012.

In 2013, LPC availed of additional notes amounting to ₱80.00 million, which bear interest rates of 3.5% to 5.0%. The amount remained outstanding as of December 31, 2013.

Interest expense on short-term notes charged to profit or loss amounted to ₱1.39 million and ₱6.24 million in 2013 and 2011, respectively.

Long-term loan

On May 30, 2012, LPC obtained a long-term loan from a local bank amounting to ₱200.00 million. The loan bears interests of 6.0526% for the first three months and thereafter adjusted to have a floating rate based on BSP plus a certain spread. The long-term loan will mature on May 30, 2017. Principal amount shall be paid in equal quarterly amortization to commence on the third quarter from drawdown date while interest is paid quarterly.

The outstanding balance of the loan amounted to ₱155.56 million and ₱200.00 million as of December 31, 2013 and 2012 (with current portion of ₱44.44 million for both years).

The loan is secured by a real estate mortgage over the Company's land and building with carrying value of ₱165.68 million and ₱179.23 million as of December 31, 2013 and 2012, respectively (see Note10).

Interest expense on long-term loan charged to profit or loss amounted to ₱8.91 million and ₱7.48 million 2013 and 2012, respectively.

13. Accounts Payable and Accrued Expenses

	2013	2012
Trade payables	**₱24,164,037**	₱31,704,350
Management bonus (Note 16, 17 and 22)	**39,072,460**	39,003,429
Output value-added taxes	**19,455,696**	5,133,119
Dividends payable	**11,655,003**	7,559,567
Customers and tenants deposits	**4,644,884**	4,677,684
Withholding tax, HDMF and SSS payable	**3,393,229**	4,503,226
Freight and customs duties	**649,821**	745,398
Utilities	**49,966**	209,853
Others	**4,182,042**	5,653,644
	₱107,267,138	₱99,190,270

14. Equity

Capital Stock

The Parent Company's incorporation papers were filed with the SEC on December 18, 1958. The corporation was capitalized at ₱4.00 million divided into 240,000 common shares with par value at ₱10.00 each and 160,000 preferred shares also with a par value of ₱10.00 each.

The BOD has placed in the market the total share of stock provided in the incorporation, and made the following calls:

	Original Stockholders	New Subscription	Amount Due
December 31, 1958	25% common shares		₱600,000
November 30, 1959	4% common shares		100,000
December 31, 1959		17% common shares	400,000
February 29, 1960		25% preferred shares	400,000
April 30, 1960		25% preferred shares	400,000
June 30, 1960		25% preferred shares	400,000
August 31, 1960	4% common shares	25% preferred shares	500,000
October 31, 1960		25% common shares	600,000
December 31, 1960		25% common shares	600,000
			₱4,000,000

In 1962, the Parent Company issued 20% common stock dividend. Consequently, the Parent Company increased the authorized capital with the approval of the SEC to ₱4.40 million of common shares and ₱2.00 million of preferred shares.

On September 24, 1965, the stockholders authorized the increase in the common stock of the corporation from ₱4.40 million divided into 440,000 common shares with par value of ₱10.00 per share to ₱7.6 million divided into 760,000 common shares with par value of ₱10.00 each. In the same meeting, the stockholders resolved to declare and issue a 20% stock dividend to common stockholders of record as of September 1, 1965. This stock dividend declaration involved the issuance of 83,951 shares of common shares, with a total par value of ₱839,510, under the following terms:

a) that the 19,951 shares with a par value of ₱199,510 are to be issued out of the remaining unissued common stock presently authorized; and

b) that 64,000 shares with a par value of ₱640,000 are to be issued out of the increase in the common stock of 320,000 shares

In April 1966, the Parent Company paid out 20% stock dividends and in November 1966, the Parent Company paid out again 10% stock dividends.

On March 17, 1966, the SEC approved the increase in the common stock as authorized by the stockholders last September 24, 1965.

On March 19, 1968, stockholders approved the increase of authorized capital stock from ₱9.6 million to ₱12.00 million to be divided into 1.20 million shares with a par value of ₱10.00 each to wit:

Common stock	1,000,000 shares	₱10,000,000
Preferred stock	200,000 shares	2,000,000

The application for the proposed increase in the company's capitalization was approved by the SEC in November 1968.

In 1970, the Parent Company declared 17.64% stock dividends on common shares amounting to ₱1,499,620 (149,833 shares and ₱1,290 in cash for fractional shares).

In 1971, the Parent Company redeemed the outstanding preferred shares represented by 160,049 preferred shares.

On May 4, 1972, the stockholders approved to eliminate and retire all the 200,000 preferred shares with a par value of ₱10.00 each, thereby, decreasing its capital stock from ₱12.00 million to ₱10.00 million and to create 1,000,000 more common shares at a par value of ₱10.00 each thereby increasing the capital stock of the corporation from ₱10.00 million to ₱20.00 million to be divided into 2.00 million common shares at a par value of ₱10.00 per share. In relation to such an increase, the stockholders declared stock dividend of 20% on the issued and outstanding shares of ₱10.00 million. On October 6, 1972, the SEC approved the application for the retirement of its preferred shares and the increase and the increase of its common shares.

On May 6, 1977, the stockholders approved a resolution to increase the capital stock from ₱20.00 million (2.00 million shares at ₱10.00 par value) to ₱30.00 million (3.00 million shares at ₱10.00 par value) and that subscription to the capital stock increase in the amount of ₱2.00 million shall be paid through stock dividend. In December 1977, the SEC approved the registration of the capital stock increase and stock dividend declaration.

On February 9, 1981, the SEC approved the Parent Company's application for the registration of its increase in authorized capital stock from ₱30.00 million (3.00 million shares at ₱10.00 par value) to ₱50.00 million (5.00 million shares at ₱10.00 par value). Capital base went up from ₱30.00 million to ₱40.25 million due to the ₱10.25 million given as stock dividend.

In 1982, the Parent Company distributed ₱9.75 million stock dividend to complete the outstanding capital stock to the full ₱50.00 million which is also the authorized capitalization.

On November 9, 1983, the stockholders approved the increase in authorized capital stock from ₱50.00 million (5.00 million shares at ₱10.00 par value) to ₱100.00 million (10.00 million shares at ₱10.00 par value) and the declaration of a 25% stock dividend or an equivalent sum of ₱12.50 million on such increase to stockholders of record as of November 9, 1983. The increase in authorized capital stock and stock dividend declaration was approved by the SEC on May 4, 1984.

On June 10, 1985, a 10% stock dividend was declared to stockholders of record as of May 10, 1985. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stock dividends.

On February 21, 1985, the Makati Stock Exchange approved the listing of 10.00 million common shares of the Company's capital stock which are duly registered with the SEC.

On May 9, 1986, a stock dividend of 21.212% was declared to stockholders of record as of May 28, 1986. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stock dividend.

On January 12, 1987, the stockholders approved to increase the authorized capital stock from ₱100.00 million to ₱200.00 million; and the declaration of 25% stock dividend to stockholders of record as of February 11, 1987 to cover subscription to the said capital stock increase. On June 30, 1987, the SEC approved the application for such increase.

In February 1988, the SEC, for registration and licensing purposes with the Philippine Stock Exchange, issued to the Company a Certificate of permit to sell securities which authorizes the sale of the said capital stock increase of 10.00 million common shares worth ₱100.00 million to the public.

On April 12, 1988, a stock dividend of 40% was declared to stockholders of record as of May 26, 1988.

On May 10, 1989, the stockholders declared a stock dividend of 14.2857% to stockholders of record as of May 29, 1989. On the same date, the stockholders subsequently approved to increase the authorized capital stock from ₱200.00 million to ₱500.00 million which was approved by the SEC on September 4, 1989.

On May 10, 1991, a 10% stock dividend was declared to stockholders of record as of July 26, 1991.

On May 14, 1993, a 20% stock dividend was declared to stockholders of record as of June 12, 1993.

On May 9, 1997, the BOD approved the declaration of stock dividends of 3.70 million common shares equivalent to 10.1928% to stockholders of record as of June 6, 1997. Consequently, the number of common shares outstanding was increased from 36.30 million shares to 40.00 million common shares.

As of December 31, 2013 and 2012, the Parent Company has 50.00 million authorized common shares with par value of ₱10.00 per share. The issued and outstanding shares as at December 31, 2013 and 2012 are held by 482 and 492 equity holders, respectively.

Following are the details of the Parent Company's capital stock as of December 31, 2013 and 2012:

	Number of Shares
Authorized capital stock - ₱10 par value	50,000,000
Issued and outstanding:	
Balance at beginning of year	39,999,732
Issuance during the year	10,000,000
	49,999,732

Dividend Declarations

a. On June 5, 2013, the BOD declared cash dividends of 10% or ₱1.00 per share to shareholders of record as of June 21, 2013 totaling ₱50.00 million.

   On October 23, 2013 the BOD declared cash dividends of 5% or ₱0.50 per share to shareholders of record as of Novemebr 14, 2013 totaling ₱25.00 million.

b. On November 26, 2012, the BOD declared cash dividends of 10% or ₱1.00 per share to shareholders of record as of December 11, 2012 totaling ₱50.00 million.

c. On April 27, 2011, the BOD declared cash dividends of 5% or ₱0.50 per share to shareholders of record as of May 13, 2011 totaling ₱20.00 million. These cash dividends were paid on June 2, 2011.

   On December 29, 2011, the BOD declared cash dividends of 5% or ₱0.50 per share (giving effect to stock dividends declared on July 27, 2011) to shareholders of record as of January 20, 2012 totaling ₱25.00 million payable on January 30, 2012.

d. On July 27, 2011, the BOD declared a 25% stock dividend equivalent to 10 million shares amounting to ₱100.00 million with ₱10.00 par value to stockholders of record as of September 15, 2011.

   As of December 31, 2011, the stock dividends were not yet issued. Stock certificates were issued and distributed on February 20, 2012.

Appropriation of Retained Earnings

As of December 31, 2012, the Parent Company has outstanding retained earnings appropriation of ₱1.35 billion, of which ₱1.00 billion will be used to finance a joint venture development with LPC, and ₱350 million for plant expansion. On October 23, 2013 and December 18, 2013, the BOD approved appropriation of additional ₱450.00 million and ₱100.00 million, respectively.

Below are further details of the appropriation:

Appropriation for:	Estimated Year of Completion	Amount
Refreshment and modernization of the manufacturing plant machinery and equipment	2017	₱350,000,000
Joint venture development with LPC for the construction of buildings	2019	1,500,000,000
Other project development	2019	50,000,000
		₱1,900,000,000

The portion of the unappropriated retained earnings account that is not available for dividend declaration as of December 31, 2013 and 2012 follows:

	2013	2012 (As restated, Note 2)
Undistributed earnings of LPC	**₱111,918,639**	₱101,291,679
Parent Company's unrealized gain on financial assets at FVPL	**7,494,126**	8,004,339
Gain on exchange of AFS investments	**–**	4,483,442
Cost of treasury shares	**2,680**	2,680
	₱119,415,445	₱113,782,140

15. Cost of Sales and Services

Cost of Sales

	2013	2012	2011
Materials used	**₱1,253,445,996**	₱1,319,601,495	₱1,569,232,264
Direct labor (Note 17)	**56,808,301**	52,020,698	50,755,136
Overhead:			
Utilities	**48,676,398**	54,038,730	55,098,119
Repairs and maintenance	**11,149,100**	11,494,287	10,965,685
Depreciation and amortization (Note 11)	**8,275,186**	7,706,610	7,768,578
Other factory overhead	**15,696,158**	6,672,754	5,612,157
	₱1,394,051,139	₱1,451,534,574	₱1,699,431,939

Cost of Services (Notes 10 and 11)

	2013	2012	2011
Depreciation and amortization	**₱16,403,154**	₱23,486,311	₱23,753,036
Real estate tax	**7,476,362**	7,476,362	7,476,362
Outside services	**6,669,393**	7,273,525	6,995,781
Communication, light and water	**5,842,385**	4,960,527	4,839,474
Repairs and maintenance	**2,467,130**	1,875,094	2,241,711
Insurance and others	**797,491**	707,512	641,667
	₱39,655,915	₱45,779,331	₱45,948,031

16. Expenses

Administrative

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Salaries and wages (Note 17)	**₱27,364,095**	₱26,984,686	₱25,497,340
Employee benefits (Notes 17 and 19)	**35,163,030**	36,713,810	32,255,547
Directors' and officers' bonus (Notes 17 and 22)	**39,072,460**	39,003,429	21,034,743
Taxes and licenses	**7,451,577**	9,719,992	6,433,562
Depreciation and amortization (Note 11)	**3,591,134**	3,153,854	3,915,250
Outside services	**4,737,194**	4,149,289	3,972,928
Travel and transportation	**2,978,821**	1,618,723	1,596,474
Insurance	**1,645,372**	1,400,034	1,732,367
Office supplies	**1,342,955**	1,441,995	1,057,697
Membership and subscription	**1,143,099**	822,592	907,384
Communication, light and water	**1,181,003**	1,194,802	1,111,743
Donations and contribution	**1,051,283**	1,321,395	1,057,697
Representation	**857,438**	532,296	517,294
Per diem	**725,000**	735,000	687,750
Repairs and maintenance	**679,474**	817,556	629,269
Others	**9,718,452**	5,947,581	8,995,342
	₱138,702,387	₱135,557,034	₱111,402,387

Selling

	2013	2012	2011
Promotional and marketing expenses (Note 22)	**₱35,468,001**	₱26,972,924	₱28,509,913
Freight	**1,458,754**	1,785,341	2,095,870
Depreciation and amortization (Notes 10 and 11)	**1,837,026**	1,724,505	1,586,951
Others	**–**	71,000	223,206
	₱38,763,781	₱30,553,770	₱32,415,940

17. Personnel Costs

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Direct labor (Note 15)	**₱56,808,301**	₱52,020,698	₱50,755,136
Directors' and officers' bonus (Note 16 and 22)	**39,072,460**	39,003,429	21,034,743
Salaries and wages (Note 16)	**27,364,095**	26,984,686	25,497,340
Retirement benefits costs (Notes 16 and 19)	**13,570,335**	12,406,991	12,200,454
Other employee benefits (Note 16)	**21,592,695**	24,306,819	20,055,093
	₱158,407,886	₱154,722,623	₱129,542,766

18. **Other Income (Charges)** - Net

	2013	2012	2011
Impairment loss on AFS investments (Note 9)	**(₱17,406,926)**	₱–	₱–
Gain on sale/exchange of available-for-sale financial investments (Note 9)	**9,184,386**	–	4,483,442
Fair value changes on financial assets at FVPL (Note 6)	**(8,768,573)**	6,175,928	3,873,466
Gain on disposal of property and equipment	**180,000**	–	–
Recoveries from insurance - net	**–**	3,370,717	–
Other charges - net	**(2,741,116)**	(2,960,178)	(4,432,997)
	(₱19,552,229)	₱6,586,467	₱3,923,911

"Other charges - net" includes, among others, security services and income from sale of scrap materials.

19. **Retirement Benefits Cost**

The Parent Company has a formal tax-qualified, non-contributory defined benefit retirement plan covering its regular employees. Under the terms of the Collective Bargaining Agreement, the Parent Company is required to pay its regular employees retirement benefits of 30 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and has completed 20 years of credited service to the Parent Company.

In 2011, LPC also established a non-contributory defined benefit retirement plan which provides a retirement benefit equal to 22.5 days for every year of credited service.

The Retirement Plan Committee is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Committee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Retirement benefits cost recognized in profit or loss under "Administrative expenses - Employee benefits", consists of the following:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Current service cost	**₱8,033,749**	₱6,600,965	₱5,409,481
Net interest cost on the defined benefit liability	**5,536,586**	5,805,779	6,790,973
Interest on the effect of the asset ceiling	**–**	247	–
Retirement benefits costs	**₱13,570,335**	₱12,406,991	₱12,200,454

Movements in accumulated remeasurement losses on retirement benefits - net for the years ended December 31 are as follows:

	2013	2012	2011
Beginning balance	**₱19,635,270**	₱16,464,083	₱12,495,000
Remeasurement losses (gains) in other comprehensive income:			
Actuarial loss (gains) on defined benefit obligation	**(5,580,070)**	6,290,595	10,443,707
Remeasurement loss (gain) on plan assets	**3,993,377**	(2,863,682)	(2,413,731)
Changes in the effect of the asset ceiling	**–**	(4,321)	–
	(1,586,693)	3,422,592	8,029,976
Income tax effect	**17,652**	(251,405)	(4,060,893)
	(1,569,041)	3,171,187	3,969,083
Ending balance	**₱18,066,229**	₱19,635,270	₱16,464,083

Reconciliation of the assets and liabilities recognized in the consolidated balance sheets follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	**₱137,413,597**	₱138,896,425	₱122,556,376
Fair value of plan assets	**15,037,613**	18,169,513	14,633,134
	122,375,984	120,726,912	107,923,242
Amount not recognized due to asset limit	**–**	–	4,074
Net retirement plan liability	**₱122,375,984**	₱120,726,912	₱107,927,316

The breakdown of net retirement plan liability per entity follows:

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Parent Company - net retirement plan liability	**₱120,710,812**	₱119,550,640	₱107,994,439
LPC - net retirement plan liability (asset)	**1,665,172**	1,176,272	(67,123)
	₱122,375,984	₱120,726,912	₱107,927,316

Movements of net retirement plan liability recognized in the consolidated balance sheets:

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Beginning balance	**₱120,726,912**	₱107,927,316	₱95,750,208
Retirement benefits costs recognized in profit or loss	**13,570,335**	12,406,991	12,200,454
Remeasurement loss recognized in other comprehensive income	**(1,586,693)**	3,422,592	8,029,976
Benefits paid directly by the Parent Company	**(10,334,570)**	–	–
Contributions	**–**	(3,029,987)	(8,053,322)
Ending balance	**₱122,375,984**	₱120,726,912	₱107,927,316

Changes in the present value of defined benefit obligation

	2013	2012	2011
Beginning balance	**₱138,896,425**	₱122,556,376	₱103,034,678
Current service cost	**8,033,749**	6,600,965	5,409,481
Interest cost	**6,398,063**	6,625,598	7,013,445
Benefits paid from plan assets	**–**	(3,177,109)	(3,334,935)
Benefits paid directly by the Parent Company	**(10,334,570)**	–	–
Remeasurement loss (gain)	**(5,580,070)**	6,290,595	10,443,707
Ending balance	**₱137,413,597**	₱138,896,425	₱122,556,376

Changes in the fair value of plan assets:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Beginning balance	**₱18,169,513**	₱14,633,134	₱7,278,544
Asset return in net interest cost	**861,477**	819,819	222,472
Remeasurement gain (loss)	**(3,993,377)**	2,863,682	2,413,731
Contributions	**–**	3,029,987	8,053,322
Benefits paid	**–**	(3,177,109)	(3,334,935)
Ending balance	**₱15,037,613**	₱18,169,513	₱14,633,134
Actual return (loss) on plan assets	**(₱3,131,900)**	₱3,683,501	₱2,636,203

The Parent Company is expected to contribute ₱19,661,238 to its defined benefit pension plan in 2014.

The overall expected rate of return used to determine present value of defined benefit obligation and fair value of plan assets is based on the prevailing rate of return on government securities applicable to the period over which the obligation is to be settled.

The composition of the plan assets follows:

	2013	2012
Cash in banks	₱3,596,487	₱3,856,743
Receivables	2,138,388	1,679,891
Investments in equity securities	16,390,319	18,325,984
Liabilities (Note 22)	(7,087,581)	(5,693,105)
	₱15,037,613	₱18,169,513

Investments in equity securities can be transacted through the Philippine Stock Exchange. The plan assets include shares of stock of the Parent Company with fair value of ₱3.97 million and ₱3.57 million as of December 31, 2013 and 2012, respectively. There are no restrictions or limitations on the shares and there was no material gain or loss over the shares for the years ended December 31, 2013 and 2012.

The carrying amount of the Group's plan assets approximates their fair value as of December 31, 2013 and 2012.

The latest actuarial valuation of the Group's plan is as of December 31, 2013. The principal actuarial assumptions used to determine retirement benefits costs as of January 1 are as follows:

	2013	2012
Annual rates:		
Discount rate	4.58%–5.20%	5.38%–6.07%
Future salary increases	4.00%–8.00%	3.50%–8.00%

Discount rates used to determine the present value of defined benefit obligation as of December 31, 2013 were from 4.14% to 4.58%.

The Retirement Plan Committee has no specific matching strategy between the plan assets and the plan liabilities.

Movements in the principal actuarial assumptions may result in an increase or decrease in the year-end defined benefit obligation (DBO). As such, the following sensitivity analysis shows the effects of movement in the discount and salary increase rates as of December 31, 2013:

	Increase (decrease) in rate	Increase (decrease) in DBO
Discount rate	0.5% to 1%	(₱3,287,634)
	(0.5%) to (1%)	3,678,989
Salary increase rate	1%	6,734,578
	(1%)	(5,637,592)

20. Income Taxes

a. The components of the provision for income tax are as follows:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Current	**₱112,258,910**	₱102,434,667	₱79,711,819
Deferred	**(290,994)**	842,023	32,121,044
	₱111,967,916	₱103,276,690	₱111,832,863

In computing the taxable income in 2013, 2012 and 2011, the Parent Company availed of the OSD as provided for under Revenue Regulation 16-2008, Implementing the Provisions of Section 34 (L) of the Tax Code of 1997, as Amended by Section 3 of Republic Act No. 9504, Dealing on the OSD Allowed to Individuals and Corporations in Computing Their Taxable Income. As a result, the Parent Company used the 18% effective tax rate in computing the deferred income tax liability of the Parent Company in as of December 31, 2012.

b. The reconciliation of the provision for income tax computed at the statutory income tax rate with the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Income tax at statutory income tax rate	**₱134,459,614**	₱128,718,959	₱92,662,274
Additions to (reductions in) income tax resulting from:			
Excess of OSD over itemized deductions	**(31,261,171)**	(18,212,479)	(7,603,733)
Nondeductible expenses	**20,053,136**	3,179,515	2,389,713
Interest income subjected to final tax	**(7,206,394)**	(7,510,474)	(6,204,589)
Dividend income exempt from tax	**(3,145,506)**	(1,046,053)	(979,053)
Nontaxable income	**(2,755,316)**	–	–
Fair value changes on financial assets at FVPL	**2,630,572**	(1,852,778)	(1,162,039)
Realization of gain on exchange of available-for-sale debt securities	**(807,019)**	–	–
Derecognition of deferred income tax assets	–	–	33,268,303
Effect of changes in tax rates	–	–	(538,013)
	₱111,967,916	₱103,276,690	₱111,832,863

c. Net deferred income tax assets and liabilities presented in the consolidated balance sheets on a net basis by entity are as follows:

	2013	2012 (As restated, Note 2)
Net deferred tax liability - Parent Company	**₱–**	(₱807,019)
Net deferred tax assets - LPC	**₱180,502**	714,179

The components of the Group's deferred income tax assets and liabilities are as follows:

	2013	2012
Deferred income tax assets on:		
Unearned rental income	**₱1,159,596**	₱1,094,072
Net retirement plan liability	**499,552**	564,683
	1,659,148	1,658,755
Deferred income tax liabilities on:		
Accrued rent	**1,391,585**	853,926
Unamortized discount on long-term deposits	**87,061**	90,650
Gain on exchange of AFS debt securities	**–**	807,019
	1,478,646	1,751,595
Net deferred income tax assets (liabilities)	**₱180,502**	(₱92,840)

As of December 31, 2013 and 2012, the Parent Company did not recognize deferred income tax assets on the following temporary differences since management projects that it will avail of the OSD in the future.

	2013	2012 (As restated, Note 2)
Accrued retirement benefits costs	**₱120,710,813**	₱119,550,640
Allowance for doubtful accounts	**1,600,000**	1,600,000
	₱122,310,813	₱121,150,640

21. Basic/Diluted Earnings Per Share

The computation of basic/diluted earnings per share is as follows:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Net income	**₱336,230,799**	₱325,786,508	₱197,041,385
Divided by weighted average number of shares	**49,999,732**	49,999,732	49,999,732
Basic/diluted earnings per share	**₱6.72**	₱6.52	₱3.94

The weighted average number of shares in 2011 was adjusted to include the 25% stock dividend equivalent to 10 million shares declared on July 27, 2011 and issued on February 20, 2012 (see Note 14).

The Group does not have potentially dilutive common shares as of December 31, 2013, 2012 and 2011. Therefore, the basic and diluted earnings per share are the same as of those dates.

22. Related Party Transactions

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

a. The transactions with its related parties for each of the years and their account balance as of December 31 follow:

	Amount/Volume Income (Expense)		Outstanding Balance Receivable (Payable)			
	2013	2012	**2013**	2012	Terms	Conditions
Stockholder						
Parity Values, Inc.						
Sale	**₱1,418,790,750**	₱1,429,213,178	**₱772,990,257**	₱626,196,365	120- 180 days	Unsecured, not impaired
Rent Income	**1,213,006**	1,193,671	**31,129**	32,100	120- 180 days	Unsecured, not impaired
Promotional and marketing expenses	**(30,218,001)**	(22,767,857)	–	–	On demand	–
Under Common Control						
Liberty Commodities Corporation						
Sales	**303,047,181**	306,620,094	**109,484,523**	116,340,530	120- 180 days	Unsecured', not impaired
Rent Income	**2,121,706**	2,109,912	**614,618**	458,042	120- 180 days	Unsecured; not impaired
Promotional and marketing expenses	**(5,250,000)**	(4,017,857)	–	–	On demand	–
Trade Demands Corporation						
Sales	**237,207,225**	233,202,484	**89,608,098**	120,954,442	120- 180 days	Unsecured; not impaired

Promotional and marketing expenses are subsidies paid outright in cash to related parties for the Parent Company's support in their advertising and promotional activities.

b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million and ₱5.69 million as of December 31, 2013 and 2012, respectively, which is recorded as other receivables under "Receivables" account. The members of the Retirement Plan Committee are directors or officers of the Company.

c. The Parent Company's transactions with LPC and the related account balances that were eliminated during consolidation are as follows:

	2013	2012
Rental income	**₱421,160**	₱393,390
Rent receivable	**59,749**	58,650
Other payable	**107,544**	68,099
Cash dividends	–	20,000,000

d. The Group's related parties hold 16,126,635 shares of the Parent Company's common stock as of December 31, 2013 and 2012.

e. The key management personnel compensation is as follows:

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
Short-term employee benefits	**₱35,368,494**	₱26,594,955	₱39,914,575
Post-employment benefits	**12,431,923**	11,839,927	7,153,344
	₱47,800,417	₱38,434,882	₱47,067,919

Short-term employee benefits include management bonus given to the Company's directors and officers (see Notes 16 and 17).

23. Operating Leases

The Group leases out office spaces on its investment properties under various operating leases. The leases are for a term of one to ten years, and may be renewed upon mutual agreement of the parties.

Under the lease contracts, the lessees are required to pay security deposits and advance rental. These are shown under "Deposits on long-term leases" account in the consolidated balance sheets, and are recorded at their accreted values which amounted to ₱14.41 million and ₱13.69 million as of December 31, 2013 and 2012, respectively. Accretion of interest, included in interest expense in profit or loss amounted to ₱0.12 million, ₱0.24 million and ₱0.74 million in 2013, 2012 and 2011, respectively.

The difference between the initial fair value and the nominal amount of deposits on long-term leases, shown under "Unearned rental income" account in the consolidated balance sheets, amounted to ₱3.87 million and ₱3.65 million as of December 31, 2013 and 2012, respectively.

The "Accrued rent" account in the consolidated balance sheets, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱4.64 million and ₱2.85 million as of December 31, 2013 and 2012, respectively.

The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	2013	2012
Within one year	**₱82,324,887**	₱73,325,012
After one year but not more than five years	**113,288,148**	145,878,309
More than five years	**15,605,343**	17,475,602
	₱211,218,378	₱236,678,923

24. Financial Instruments and Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, financial assets at FVPL and AFS investments. The main purpose of these financial instruments is to fund the Group's operations. The other financial assets and financial liabilities arising directly from its operations are trade receivables and payables.

The main risks arising from the Group's financial instruments are credit risk, equity price risk, interest rate risk and liquidity risk. The Group's exposure to foreign currency risk is minimal as this only relates to the Group's foreign currency-denominated cash in banks. The BOD reviews and approves policies for managing each of these risks.

Credit Risk

Credit risk represents the loss that the Group would incur if the counterparty failed to perform under its contractual obligations. The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Group is operating under a sound credit-granting process over its distributors. Credit monitoring process involves a weekly check over collections based on a benchmark.

The Group's trade receivables are concentrated with its three distributors as of December 31, 2013 and 2012. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. The Group is in close coordination with the distributors to ensure that their accounts are current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL and AFS investments, the Group's exposure to credit risk arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

The maximum exposure to credit risk as of December 31, 2013 and 2012 is as follows:

	2013	2012
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱136,988,005**	₱42,925,464
Cash equivalents	**159,683,312**	369,542,228
	296,671,317	412,467,692
Receivables:		
Trade receivables from related parties	**₱972,082,878**	₱863,491,337
Rent receivables:		
Third parties	**5,003,693**	4,414,481
Related parties	**645,747**	490,142
Advances to officers and employees	**2,017,656**	2,120,592
Advances to a broker	**4,268,019**	23,585,883
Others	**18,462,361**	16,568,186
	1,002,480,354	910,670,621
	1,299,151,671	1,323,138,313
Financial assets at FVPL	**63,507,430**	48,780,019
AFS debt securities	**342,036,730**	326,213,713
	₱1,704,695,831	₱1,698,132,045

The following table summarizes the credit quality of the Group's financial assets per category as of December 31, 2013 and 2012:

	December 31, 2013					
	Neither past due nor impaired					
	High Grade	Standard Grade	Substandard Grade	Past due but not impaired	Past due and impaired	Total
Loans and receivables:						
Cash in banks and cash equivalents:						
Cash in banks	₱136,988,005	₱–	₱–	₱–	₱–	₱136,988,005
Cash equivalents	159,683,312	–	–	–	–	159,683,312
Receivables:						
Trade receivables from related parties	757,097,341	214,985,537	–	–	–	972,082,878
Rent receivables:						
Third parties	4,986,103	5,000	–	12,590	–	5,003,693
Related parties	645,747	–	–	–	–	645,747
Advances to officers and employees	2,017,656	–	–	–	–	2,017,656
Advances to a broker	4,268,019	–	–	–	–	4,268,019
Other receivables	16,862,361	–	–	–	1,600,000	18,462,361
Financial assets at FVPL	63,507,430	–	–	–	–	63,507,430
AFS investments - debt securities	342,036,730	–	–	–	–	342,036,730
	₱1,488,092,704	₱214,990,537	₱–	₱12,590	₱1,600,000	₱1,704,695,831

	December 31, 2012					
	Neither past due nor impaired					
	High Grade	Standard Grade	Substandard Grade	Past due but not impaired	Past due and impaired	Total
Loans and receivables:						
Cash in banks and cash equivalents:						
Cash in banks	₱42,925,464	₱–	₱–	₱–	₱–	₱42,925,464
Cash equivalents	369,542,228	–	–	–	–	369,542,228
Receivables:						
Trade receivables from related parties	657,798,643	205,692,694	–	–	–	863,491,337
Rent receivables:						
Third parties	4,375,524	–	–	38,957	–	4,414,481
Related parties	488,883	–	–	1,259	–	490,142
Advances to a broker	23,585,883	–	–	–	–	23,585,883
Advances to officers and employees	1,276,053	844,539	–	–	–	2,120,592
Other receivables	3,021,060	11,947,126	–	–	1,600,000	16,568,186
Financial assets at FVPL	35,012,780	13,767,239	–	–	–	48,780,019
AFS investments - debt securities	–	326,213,713	–	–	–	326,213,713
	₱1,138,026,518	₱558,465,311	₱–	₱40,216	₱1,600,000	₱1,698,132,045

The credit quality of the financial assets was determined as follows:

"High Grade"
This includes cash and cash equivalents and financial assets at FVPL with counterparties with good credit or bank standing, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

"Standard Grade"
This includes financial assets at FVPL and AFS investments that are not classified as "High Grade". For receivables, this consists of accounts with counterparties with little history of default on the agreed contract terms.

"Substandard Grade"
This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.

The aging analysis of "past due but not impaired" financial assets follow:

	December 31, 2013					
	<30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Rent receivable – third parties	₱12,590	₱–	₱–	₱–	₱–	₱12,590

	December 31, 2012					
	<30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Rent receivable:						
Third parties	₱7,450	₱16,213	₱3,310	₱–	₱11,984	₱38,957
Related parties	–	–	–	–	1,259	1,259
	₱7,450	₱16,213	₱3,310	₱–	₱13,243	₱40,216

Equity Price Risk
Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of investments in quoted equity securities, which are classified in the consolidated balance sheets as financial assets at FVPL and AFS investments.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The effect on profit or loss as a result of an increase (decrease) in fair value of equity securities at FVPL as of December 31, 2013 and 2012 due to a reasonably possible change in equity indices, with all other variables held constant, is ₱0.93 million and ₱1.25 million as of December 31, 2013 and 2012, respectively.

The effect on equity as a result of an increase (decrease) in fair value of AFS equity securities as of December 31, 2013 and 2012 due to a reasonably possible change in equity indices, with all other variables held constant, is ₱12.57 million and ₱5.26 million as of December 31, 2013 and 2012, respectively.

Interest Rate Risk
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's long-term loan is exposed to such risk.

			Maturity					
Fixed Rate Instruments	Year	Effective Interest Rate	In One Year Or less	More than One Year but not More than Two Years	More than Two Years but not More than Three Years	More than Three Years but not More than Five Years	More than Five Years	Total
Long-term loan:	**2013**	**5.07%**	**₱44,444,444**	**₱44,444,444**	**₱44,444,444**	**₱22,222,224**	**₱–**	**₱155,555,556**
Long-term loan:	2012	5.07%	44,444,444	44,444,444	44,444,444	44,444,444	22,222,224	200,000,000

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's net income. There is no impact on the Group's equity other than those already affecting profit or loss.

	Change in Interest Rate	Effect on Net Income
December 31, 2013	**+25 basis points**	**(₱388,889)**
	-25 basis points	**388,889**
December 31, 2012	+25 basis points	(500,000)
	-25 basis points	500,000

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to pay its obligations when they fall due under normal and stress circumstances. The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The tables below summarize the maturity profile of financial assets that can be used by the Group to manage its liquidity risks and the maturity profile of the Group's other financial liabilities as of December 31, 2013 and 2012:

	December 31, 2013				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Assets					
Cash and cash equivalents:					
Cash in banks	₱136,988,005	₱–	₱–	₱–	₱136,988,005
Cash equivalents	159,683,312	–	–	–	159,683,312
Trade receivables from related parties	214,985,537	510,039,727	247,057,614	–	972,082,878
Rent receivables:					
Third parties	324,649	2,168,919	2,549,845	–	5,043,413
Related parties	–	289,806	355,941	–	645,747
Officers and employees	2,017,656	–	–	–	2,017,656
Advances to a broker	4,268,019	–	–	–	4,268,019
Other receivables	16,862,361	–	–	–	16,862,361
Financial assets at FVPL	63,507,430	–	–	–	63,507,430
AFS investments - debt instruments	342,036,730	–	–	–	342,036,730
	₱940,673,699	₱512,498,452	₱249,963,400	₱–	₱1,703,135,551
Financial Liabilities					
Liabilities under trust receipts	₱75,573	₱–	₱183,463,399	₱–	₱183,538,972
Long-term loan, including interest	–	12,555,632	37,020,898	116,743,395	166,319,925
Notes payable, including interest	–	30,226,528	50,132,222	–	80,358,750
Trade payables and accrued expenses:					
Trade payables	24,164,037	–	–	–	24,164,037
Accruals for management bonus	39,072,460	–	–	–	39,072,460
Customers and tenants deposits	–	–	4,644,884	–	4,644,884
Dividends payable	11,655,003	–	–	–	11,655,003
Construction bond	1,108,609	–	–	–	1,108,609

(Forward)

	December 31, 2013				
	On Demand	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Accruals for freight and customs duties	₱649,821	₱–	₱–	₱–	₱649,821
Accruals for utilities expense	49,966	–	–	–	49,966
Other accruals	3,073,433	–	–	–	3,073,433
Deposits on long-term leases	–	–	12,460,759	1,952,518	14,413,277
	₱79,848,902	₱42,782,160	₱287,722,162	₱118,695,913	₱529,049,137

	December 31, 2012				
	On Demand	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Assets					
Cash and cash equivalents:					
Cash in banks	₱42,925,464	₱–	₱–	₱–	₱42,925,464
Cash equivalents	369,542,228	–	–	–	369,542,228
Trade receivables from parties	130,373,521	733,117,816	–	–	863,491,337
Advances to a broker	23,585,883	–	–	–	23,585,883
Rent receivables:					
Third party	2,424,469	1,990,012	–	–	4,414,481
Related parties	1,259	488,883	–	–	490,142
Officers and employees	2,120,592	–	–	–	2,120,592
Other receivables	14,968,186	–	–	–	14,968,186
	₱585,941,602	₱735,596,711	₱–	₱–	₱1,321,538,313
Financial Liabilities					
Liabilities under trust receipts	₱157,894	₱–	₱172,247,586	₱–	₱172,405,480
Long-term loan, including interest	–	13,997,930	41,059,716	172,446,444	227,504,090
Trade payables and accrued expenses:					
Trade payables	31,704,350	–	–	–	31,704,350
Accruals for management bonus	39,003,429	–	–	–	39,003,429
Customers and tenants deposits	–	–	4,677,684	–	4,677,684
Dividends payable	7,559,567	–	–	–	7,559,567
Construction bond	1,180,609	–	–	–	1,180,609
Accruals for freight and customs duties	745,398	–	–	–	745,398
Accruals for utilities expense	209,853	–	–	–	209,853
Other accruals	4,473,035	–	–	–	4,473,035
Deposits on long-term leases	–	–	12,255,627	2,043,594	14,299,221
	₱85,034,135	₱13,997,930	₱230,240,613	₱174,490,038	₱503,762,716

Fair Value

The following are the Group's financial instruments whose carrying amounts are measured at fair value or whose carrying value differs from its carrying amount:

	Carrying Value		Fair Value	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Financial Assets				
Financial assets at FVPL	₱63,507,430	₱48,780,019	₱63,507,430	₱48,780,019
AFS investments	1,119,355,471	449,901,245	1,119,355,471	449,901,245
Financial Liabilities				
Long-term loan	155,555,556	200,000,000	150,448,640	199,434,742

Financial assets at FVPL and quoted AFS investments are carried at their fair values based on quoted market prices. The carrying amount of unquoted AFS investments approximates their fair value because the shares were either recently acquired by and directly issued to the Group or were written down to their recoverable amounts in 2013.

Long-term loans and deposits on long-term leases carry interest rates that approximate the interest rates for comparable instruments in the market.

The carrying values of cash in banks and cash equivalents, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature. The fair value of deposits on long-term leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. As at December 31, 2013 and 2012, the carrying values of deposits on long-term leases were not materially different from their calculated fair values.

Fair Value Hierarchy

Below table presents the fair value measurement hierarchy of the Company's financial assets carried at fair value and financial liability whose fair value is disclosed as of December 31:

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	₱63,507,430	₱63,507,430	₱–	₱–
AFS investments				
Quoted debt securities	342,036,729	342,036,729	–	–
Quoted equity shares	724,903,033	724,903,033	–	–
Unquoted shares	52,415,708	–	–	52,415,708
Nonfinancial assets for which fair value are disclosed				
Investment properties	2,366,733,950	–	–	2,366,733,950
Financial liabilities for which fair values are disclosed				
Long-term loan	150,448,640	–	–	150,448,640

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	₱48,780,019	₱48,780,019	₱–	₱–
Quoted debt securities	326,213,713	326,213,713	–	–
Quoted equity shares	94,464,898	94,464,898	–	–
Unquoted shares	29,222,634	–	–	29,222,634
Financial liabilities for which fair values are disclosed				
Long-term loan	199,434,742	–	–	199,434,742

The disclosures on the fair value measurement hierarchy for investment properties carried at cost are presented in Note 10.

In 2013 and 2012, there were no transfers between the fair value measurement hierarchy levels.

25. Capital Management Policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios, specifically, current ratio, return on sales, return on assets, return on equity, debt ratio, equity ratio and debt-to-equity ratio, in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Group monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Group strives to earn a minimum return on equity twice the annual inflation rate.

The following table summarizes the total capital considered by the Group as of December 31:

	2013	2012 (As restated, Note 2)
Capital stock	**₱500,000,000**	₱500,000,000
Retained earnings	**2,047,706,444**	1,786,256,883
Treasury stock	**(2,680)**	(2,680)
	₱2,547,703,764	₱2,286,254,203

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

26. Segment Information

The Group's operating business are organized and managed separately according to industry. The industry segments where the Group operates are as follows:

a. Bakery flour - manufacturing of flour and distribution/sales of its produce.
b. Mill feed - utilization of its by-products and distribution/sales of its produce; and
c. Real estate and investment - leasing of office and commercial units.

The Group has only one geographical segment.

The following tables regarding business segments present the revenue and profit information for each of the three years in the period ended December 31, 2013 and the segment assets as of December 31, 2013, 2012 and 2011.

	December 31, 2013			
	Bakery Flour	**Mill Feed**	**Real Estate and Investment**	**Consolidated**
Revenue				
Net sales	₱1,768,454,325	₱190,590,831	₱–	₱1,959,045,156
Rental income	–	–	103,477,748	103,477,748
Interest income	–	–	22,925,668	22,925,668
	1,768,454,325	190,590,831	126,403,416	2,085,448,572
Cost of sales/services	1,275,060,197	118,990,942	39,655,915	1,433,707,054
Gross profit on sales/ Income	493,394,128	71,599,889	86,747,501	651,741,518
Selling and administrative expenses	(107,946,867)	(16,129,992)	(14,316,849)	(138,393,708)
Other charges - net	(17,979,584)	(2,686,605)	(5,410,446)	(26,076,635)
Directors' and officers' bonus	–	–	–	(39,072,460)
Provision for income tax	–	–	–	(111,967,916)
Net income	₱367,467,677	₱52,873,292	₱67,020,206	₱336,230,799
Property, plant and equipment	₱91,772,512	₱3,026,846	₱2,670,876	₱104,197,443
Depreciation and amortization	₱12,293,525	₱1,365,947	₱16,173,997	₱29,943,263

	December 31, 2012 (As restated, Note 2)			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Net sales	₱1,771,192,668	₱197,843,088	₱–	₱1,969,035,756
Rental income	–	–	98,919,996	98,919,996
Interest income	–	–	24,361,683	24,361,683
	1,771,192,668	197,843,088	123,281,679	2,092,317,435
Cost of Sales/Services	1,320,525,972	132,670,275	44,117,658	1,497,313,905
Gross Profit on Sales/ Income	450,666,696	65,172,813	79,164,021	595,003,530
Selling and administrative expenses	(106,889,467)	(15,971,989)	(4,245,919)	(127,107,375)
Other income (charges)	(4,141,282)	(132,590)	4,444,344	170,472
Directors' and officers' bonus	–	–	–	(39,003,429)
Provision for income tax	–	–	–	(103,276,690)
Net income	₱339,635,947	₱49,068,234	₱79,362,446	₱325,786,508
Property, plant and equipment	₱91,772,512	₱3,026,846	₱2,670,876	₱97,470,234
Depreciation and amortization	₱12,406,206	₱409,182	₱23,255,892	₱36,071,280

	December 31, 2011 (As restated, Note 2)			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Net sales	₱1,886,451,197	₱196,587,076	₱–	₱2,083,038,273
Rental income	–	–	93,544,425	93,544,425
Interest income	–	–	20,180,476	20,180,476
	1,886,451,197	196,587,076	113,724,901	2,196,763,174
Cost of Sales/Services	1,548,808,585	150,623,354	45,948,031	1,745,379,970
Gross Profit on Sales/ Income	337,642,612	45,963,722	67,776,870	451,383,204
Selling and administrative expenses	(90,778,324)	(13,566,071)	(18,429,189)	(122,783,584)
Other income (charges)	(4,532,291)	(495,658)	6,337,320	1,309,371
Directors' and officers' bonus	–	–	–	(21,034,743)
Provision for income tax	–	–	–	(111,832,863)
Net income	₱242,321,997	₱31,901,993	₱55,685,001	₱197,041,385
Property, plant and equipment	₱95,855,579	₱4,004,261	₱3,501,402	₱103,361,242
Depreciation and amortization	₱12,038,230	₱502,884	₱24,482,701	₱37,023,815