



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Swift Foods, Inc.
RFM Corporate Center
Pioneer corner Sheridan Streets
Mandaluyong City

Report on the Financial Statements

We have audited the accompanying financial statements of Swift Foods, Inc., which comprise the balance sheets as at December 31, 2014 and 2013, and the statements of income, 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Swift Foods, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

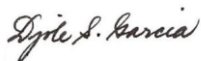
Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has reported significant deficit which amounted to P=3 billion as of December 31, 2014 and 2013, resulting from accumulated losses in prior years. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. To address this, the Company will continue operating its Palawan branch. We have performed audit procedures to evaluate management's plans for future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Swift Foods, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Djole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1285-A (Group A),

February 25, 2013, valid until February 24, 2016

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2013,

January 28, 2013, valid until January 27, 2016

PTR No. 4751285, January 5, 2015, Makati City

April 8, 2015

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SWIFT FOODS, INC.**BALANCE SHEETS**

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P=38,437	P=29,674
Receivables (Notes 5 and 18)	2,440	14,567
Inventories (Note 6)	1,227	1,606
Biological assets (Note 7)	2,094	3,624
Other current assets (Note 8)	256	264
Total Current Assets	44,454	49,735
Noncurrent Assets		
Investment properties (Note 9)	417	417
Property, plant and equipment (Note 10)	107,841	107,841
Other noncurrent assets (Note 11)	255	255
Total Noncurrent Assets	108,513	108,513
TOTAL ASSETS	P=152,967	=158,248P
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 12 and 18)	P=68,692	P=68,062
Noncurrent Liabilities		
Deferred income tax liabilities (Note 20)	32,157	32,157
Retirement benefits liability (Note 19)	3,070	2,763
Other employee benefits (Note 19)	917	890
Total Noncurrent Liabilities	36,144	35,810
Total Liabilities	104,836	103,872
Equity (Note 13)		
Capital stock	1,874,557	1,874,551
Capital in excess of par value	1,285,026	1,285,032
Deficit	(3,000,470)	(2,994,225)
Cost of preferred treasury shares	(110,982)	(110,982)
Total Equity	48,131	54,376
TOTAL LIABILITIES AND EQUITY	P=152,967	=158,248P

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.**STATEMENTS OF INCOME**

(Amounts in Thousands, Except Basic and Diluted Earnings/Loss Per Share)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Gross sales	P=64,665	=81,437P	P=82,967
Less sales returns and discounts	(2,392)	(2,663)	(3,421)
Net sales	62,273	78,774	79,546
Fair value change of agricultural produce (Note 7)	(1,666)	799	5,126
	60,607	79,573	84,672
COST OF GOODS SOLD (Notes 14 and 18)	60,060	74,157	74,909
GROSS INCOME	547	5,416	9,763
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	(7,434)	(59,098)	(66,391)
SELLING AND MARKETING EXPENSES (Note 16)	(653)	(1,374)	(1,370)
INTEREST AND PENALTIES	—	—	(10,600)
OTHER INCOME - Net (Note 17)	1,321	134	159,512
INCOME (LOSS) BEFORE INCOME TAX	(6,219)	(54,922)	90,914
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	26	128	4,567
Deferred	—	—	(18,321)
	26	128	(13,754)
NET INCOME (LOSS)	(P=6,245)	(P=55,050)	=104,668P
Basic/Diluted Earnings (Loss) Per Share (Note 21)	(P=0.003)	(P=0.030)	P=0.064

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.**STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME (LOSS)	(P=6,245)	(P=55,050)	=104,668P
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit plan			
(Notes 13 and 19)	—	2,463	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(P=6,245)	(P=52,587)	P=104,668

See accompanying Notes to Financial Statements.

SWIFT FOODS, INC.**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012****(Amounts in Thousands)**

	Capital Stock (Note 13)		Capital in Excess of Par Value (Note 13)		Deficit	Treasury Shares - Preferred	Total
	Preferred	Common	Preferred	Common	(Note 13)	(Note 13)	
BALANCES AT DECEMBER 31, 2011	P=96,530	P=1,450,452	P=745,706	P=866,895	(P=3,046,306)	(P=110,982)	P=2,295
Conversion of preferred shares to common shares (Note 13)	(35,714)	357,143	(321,429)	—	—	—	—
Total comprehensive income for the year	—	—	—	—	104,668	—	104,668
BALANCES AT DECEMBER 31, 2012	60,816	1,807,595	424,277	866,895	(2,941,638)	(110,982)	106,963
Conversion of preferred shares to common shares (Note 13)	(682)	6,822	(6,140)	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(52,587)	—	(52,587)
BALANCES AT DECEMBER 31, 2013	60,134	1,814,417	418,137	866,895	(2,994,225)	(110,982)	54,376
Conversion of preferred shares to common shares (Note 13)	(1)	7	(6)	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(6,245)	—	(6,245)
BALANCES AT DECEMBER 31, 2014	P=60,133	P=1,814,424	P=418,131	P=866,895	(P=3,000,470)	(P=110,982)	P=48,131

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.**STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P=6,219)	(54,922)	=90,914P
Adjustments for:			
Retirement benefits expense (Note 19)	307	312	805
Interest income (Notes 4 and 17)	(94)	(304)	(636)
Movement in other employee benefits	27	(7,458)	908
Depreciation and amortization			
(Notes 10, 11, 14, 15 and 16)	—	284	682
Gain on disposal of property and equipment			
(Notes 10 and 17)	—	—	(129,223)
Loss on disposal of investment properties			
(Notes 9 and 17)	—	—	38,563
Interest and penalties	—	—	10,600
Operating income (loss) before working capital changes	(5,979)	(62,088)	12,613
Decrease (increase) in:			
Receivables	(384)	2,329	(25,460)
Inventories	379	(39)	1,315
Biological assets	1,530	1,312	(1,171)
Other current assets	8	108	1,452
Increase (decrease) in accounts payable and accrued liabilities	630	(116,261)	(227,962)
Cash generated used in operations	(3,816)	(174,639)	(239,213)
Interest received	94	304	636
Income taxes paid, including creditable withholding taxes	(26)	(128)	(4,567)
Retirement benefits payment (Note 19)	—	(20,394)	(162)
Net cash used in operating activities	(3,748)	(194,857)	(243,306)
CASH FLOWS FROM INVESTING ACTIVITY			
Proceeds from sale of investment properties	12,511	140,457	637,140
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	—	—	(132,375)
Payment of trust receipts and acceptances payable	—	—	(98,865)
Payment of bank loans	—	—	(98,090)
Payment of advances from a stockholder	—	—	(20,000)
Net cash used in financing activities	—	—	(349,330)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,763	(54,400)	44,504
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,674	84,074	39,570
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P=38,437	P=29,674	=84,074P

See accompanying Notes to Financial Statements.

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SWIFT FOODS, INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands Except Number of Shares or When Otherwise Stated)

1. General

Corporate Information

Swift Foods, Inc. (SFI or the Company) was incorporated in the Philippines on June 6, 1994 to assume RFM Corporation's business of manufacturing, marketing, and distributing processed and canned meat products, poultry products and commercial feeds. In 2002, the production, marketing, and distribution activities of the meat division were transferred back to RFM Corporation. Starting 2006, the Company's only business is the poultry business.

In 2012, the trade license agreement between the Company and RFM Corporation was finalized giving ownership of the "Swift" brand to RFM Corporation. In October 2012, RFM Corporation sold the trademark to a third party. As of December 31, 2014 and 2013, the Company continues to operate under the brand name "Sariwanok".

The Company's registered office address is RFM Corporate Center, corner Pioneer Sheridan Streets, Mandaluyong City.

Status of Operations and Management Plans

The Company has reported significant deficit which amounted to P=3 billion as of December 31, 2014 and 2013, resulting from accumulated losses in prior years. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company may be unable to realize its assets and settle its liabilities in the normal course of business.

The Company rested its production and operations nationwide towards the end of 2011 except for Palawan branch which remains as the only company-operated facility which continues to grow day-old chicks from local suppliers and contract growers into broiler, and markets them as dressed chicken.

Towards the last quarter of 2012, the Company consummated the sale of its investment properties. The Pioneer properties were sold to DMCI Project Developers, Inc. and the Manggahan property to LBL Industries, Inc. (see Note 9). Proceeds from these transactions were used to fully settle the Company's bank obligations and partially settle majority of the Company's payables.

The financial statements have been prepared assuming that the Company will continue as a going concern. To enable the Company to continue as a going concern, the Company will continue the operation of the Palawan branch and will focus on the marketing of Sariwanok brand of chicken and this will support its current operations for the next twelve months from balance sheet date. The Company continues to wait for better business opportunities and carefully evaluate various business plans.

The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Authorization for the Issuance of the Financial Statements

The financial statements as of and for the year ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on April 8, 2015.

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2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements were prepared on a historical cost basis, except for agricultural produce and investment properties, which are carried at fair value. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are rounded off to the nearest thousand (P=000), except for the number of shares and earnings/loss per share or when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which the Company has adopted starting January 1, 2014. The adoption of these changes and improvements arising from the following standards and interpretations did not have any significant impact on the Company's financial statements.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
- Annual improvements to PFRSs 2010 - 2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011 - 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the Company's financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Fair Value Measurement

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

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As of December 31, 2014 and 2013, the Company's investment property is carried at fair value and with recurring fair value measurements.

Financial Assets and Financial Liabilities

Date of recognition

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

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets

includes transaction costs. Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) investments. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. The Company also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, reevaluates such designation at each balance sheet date.

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

As of December 31, 2014 and 2013, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities. The Company does not have contracts identified as having embedded derivatives characteristics.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category primarily includes the Company's cash and cash equivalents, trade receivables, amounts due from related parties, employees, and other receivables and rental deposits.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL at inception. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction cost. The Company's other financial liabilities include accounts payable and accrued liabilities.

Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Loans and receivables

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss

on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss shall be recognized in the statement of income. 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 and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

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 is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statement of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

In relation to trade receivables, a provision for doubtful accounts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are written off when assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the right to receive cash flows from the financial asset has expired; or
- the Company 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 Company 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 asset, but have transferred control of the financial asset.

Where the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through agreement and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement. 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 Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

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

Inventories

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

- | | |
|--|--|
| Raw materials, packaging materials
and spare parts and supplies | - purchase cost using the moving average
method. |
| Finished goods | - the initial cost of finished goods is the fair
value less costs to sell of agricultural
produce at point of harvest (see related
policy on Agricultural Produce). |

NRV, except for spare parts and supplies, is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale. For spare parts and supplies, NRV is the value of the inventories when sold at their condition at the balance sheet date.

Agricultural Produce

Agricultural produce, which consists of live broilers harvested from the Company's biological assets, are carried at fair value less estimated point-of-sale costs at the point of harvest. The fair value is determined based on the most recent market price at the point of harvest based on relevant market prices published by the Philippine Bureau of Agricultural Statistics (BAS). The Company, generally, does not maintain any inventory of agricultural produce at any given time as these are either sold as live chicken or are immediately transferred as live broilers to the Company's dressing plants for processing as dressed chicken.

Biological Assets

The Company's biological assets include breeding stocks, growing livestock (broilers before reaching harvestable weight) and goods in process (i.e., hatching eggs and day-old chicks), which are grouped mainly according to their transformation capacity (growing or laying) as well as their particular stage in the production process. These biological assets are categorized according to their inherent characteristics in the production cycle.

The Company's growing breeding stocks are raised until they reach the laying stage where they produce day-old chicks. These day-old chicks will be grown as livestock, which will either be sold as live chicken or transferred to the dressing plant for processing as dressed chicken.

Growing livestock and hatching eggs are classified as current assets while growing and laying breeding stocks are classified as noncurrent.

Growing livestock and goods in process are carried at accumulated cost while breeding stocks are carried at accumulated cost less accumulated amortization and any accumulated impairment losses. This measurement is adopted by the Company since fair value cannot be determined due to the absence of a relevant active market and other reliable market basis to measure at fair value. Moreover, estimates necessary to compute for the current value of expected net cash flows involve various data which may not result in a reliable basis for the fair value.

Amortization of laying breeding stocks is calculated using the unit-of-production method whereby all costs and expenses incurred by the Company during the approximately 25-week growing stage of its breeding stock are accumulated and amortized starting on about the 26th week over the expected total egg production of such breeders until the 65th week on the average (65 weeks useful life). Amortization is included under the cost of goods sold account in the statement of income.

Biological assets are assessed for any indication of impairment at each balance sheet date.

Creditable Withholding Tax

Creditable withholding tax, which is included under "Other current assets" account in the balance sheet, represents the amount withheld by customers from income payments to the Company and may be applied against the Company's income tax payable. Estimates of amounts that are potentially unrecoverable are provided with allowance for probable losses through charges to statement of income.

Investment Properties

Investment properties, which pertain to land and buildings held for capital appreciation or for rentals, are measured at fair value. These are measured initially at cost, including transaction costs. Fair value changes of investment property are included in the profit or loss in the period in which they arise.

The fair value of the land is determined based on appraisal reports conducted by independent appraisers or on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The independent appraisers hold a recognized and relevant professional qualification and have a recent experience in the location and category of the investment properties being valued.

An investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss in the derecognition on an investment property is recognized in the statement of income in the year of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of the Company's occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use. The difference between the fair value of the property, plant and equipment transferred to investment property and its carrying value is credited to the revaluation increment account.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes 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 costs, are normally charged to current operation. 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 property, plant and equipment.

Land is measured initially at fair value as of January 1, 2004 as permitted by PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards*. This fair value is the "deemed cost" of the land, which is subjected to impairment testing. The fair value of the land has been determined based on the appraisal reports conducted by independent appraisers and taking into account the economic conditions prevailing at the time the valuations were made. The difference between the fair value of the land and the carrying value was credited to deficit.

Depreciation and amortization of property, plant and equipment begins when it becomes available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). It ceases at the earlier of the date that it is classified as held-for-sale or derecognized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Silos, buildings and improvements	20
Machinery and equipment	10
Transportation and delivery equipment	5
Office furniture, fixtures and equipment	5

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (computed as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment losses are removed from the accounts. Any resulting gain or loss is recognized in the statement of income.

Borrowing Costs

Borrowing costs are capitalized to the extent that is 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 cost consists of interest and other costs that an entity incurs in connection with the borrowing of fund.

Other borrowing costs are recognized as an expense when incurred.

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment and biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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 the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is

carried at revalued amount in which the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Revenue Recognition

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

Sale of goods

Revenue from sale of goods is recognized when delivery has taken place and the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery or acceptance by the customer.

Fair valuation of agricultural produce

Gain from fair value change of agricultural produce is recognized at the point of harvest. Fair value is based on the most recent relevant market price (see related policy on Agricultural Produce) at transaction date.

Rental income

Rental income on leased properties under operating lease arrangements is recognized on a straight-line basis over the lease contracts.

Interest income

Interest income is recognized as the interest accrues using the effective interest yield on the asset. *Other income*

All other income are recognized when earned or when the right to receive payment is established.

Costs and Expenses

Costs and expenses are recognized as incurred 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 goods sold

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

General, administrative, selling and marketing expenses

General and administrative expenses constitute costs of administering the business. Selling and marketing expenses are costs incurred to sell or distribute the merchandise. These expenses are expensed when incurred.

Interest expense

Interest expense is recognized in profit or loss as the interest accrues taking into account the effective yield on the related liability. The Company's interest expense pertains mainly to its bank loans and trust receipts and acceptances payable.

Other Comprehensive Income (Loss)

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

Leases

The determination of whether an arrangement is, or contains a lease as provided in Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The determination whether a lease agreement is a finance or an operating lease is dependent on the retention or transfer of substantially all the risks and rewards incidental to ownership to the leased asset.

Company as lessee

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

Retirement Benefits Cost

The Company accrues retirement benefits cost for all regular full-time employees based on the requirements of Republic Act (RA) No. 7641. Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation.

Retirement benefit costs comprise the following:

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

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

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

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

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

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at reporting date.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Peso at the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the functional currency exchange rate at the reporting date. Exchange gains or losses arising from foreign currency transactions and balances are credited to or charged against current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transaction.

Income Taxes

Current income tax

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

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is

probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused MCIT and NOLCO can be utilized.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred income tax assets and deferred income tax 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 that have been enacted or substantively enacted at each balance sheet date.

Capital Stock

Capital stock is measured at par value for all shares issued. Common and preferred shares are classified as equity. The proceeds from the issuance of common shares and preferred shares are presented in equity as capital stock to the extent of the par value of issued shares. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Capital in excess of par value" account.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of total comprehensive income (losses) and effects of changes in accounting policy. A deficit is not an asset but a deduction from equity.

Shares Held in Treasury

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

Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings (loss) per share is calculated through dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. Where the basic earnings (loss) per share effect of the assumed conversion of preferred shares on net income (loss) would be anti-dilutive, no diluted earnings per share is presented.

Provisions and Contingencies

Provisions are recognized when the Company 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.

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to financial statements unless the possibility of an outflow

of resources embodying

economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Segment Reporting

The Company's operating business is organized and managed according to the nature of the products and services provided to represent a strategic business unit that offers different products and serves different markets. The Company's asset producing revenues are located in the Philippines.

Events after the Reporting Period

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

Future Changes in Accounting Policies

The Company will adopt, where applicable, the following standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of

services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

Annual Improvements to PFRSs Effective in 2015

These improvements are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. These improvements include:

2010 - 2012 Cycle

- Improvement to PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition;
 - A performance target must be met while the counterparty is rendering service;
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
 - A performance condition may be a market or non-market condition; and
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- Amendment to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Company shall consider this amendment for future business combinations.
- Amendments to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been

aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- Amendment to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2011 - 2013 Cycle

- Amendment to PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- Amendment to PFRS 13, *Fair Value Measurement - Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- Amendment to PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its property and equipment.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.
- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities

that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012 - 2014 Cycle) Effective in 2016

These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. These improvements include:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- Amendment to PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

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

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

- In July 2014, the final version of PFRS 9, *Financial Instruments* (2014 or final version), was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have any significant impact on the Company's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2014 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

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

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments and make accounting estimates that affect the amounts reported in the financial statements and related notes to the financial statements. The judgments, estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates and assumptions used. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

Determination of the Company's functional currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of biological assets

The Company classifies its biological assets as current or noncurrent in accordance with the provision of PAS 1, *Presentation of Financial Statements*, which provides the base criteria for classifying assets and liabilities as current or noncurrent based on existing conditions at each balance sheet date.

Consequently, the Company classifies as current the biological assets, such as growing stocks and goods in process (hatching eggs) which are expected to be realized or utilized within a very short period of time (less than one year). Laying breeding stocks, which are expected to be productive for an average of 65 weeks (more than one year) and growing breeders, which will become laying breeders after 25 weeks, are classified as noncurrent biological assets.

As of December 31, 2014 and 2013, the carrying value of biological assets amounted to =2P.09 million and =3P.62 million, respectively. There are no outstanding breeding stocks as of December 31, 2014 and 2013 (see Note 7).

Valuation of biological assets

Growing livestock and goods in process are carried at accumulated cost while breeding stocks are carried at cost less accumulated amortization and any accumulated impairment losses. This measurement is adopted by the Company since fair value cannot be determined due to the absence of a relevant active market and other reliable market basis to measure at fair value. Moreover, estimates necessary to compute for the current value of expected net cash flows involve various data which may not result in a reliable basis for the fair value.

As of December 31, 2014 and 2013, the carrying value of biological assets amounted to =2P.09 million and =3P.62 million, respectively (see Note 7).

Operating lease commitments

The Company entered into various lease agreements on its office space and warehouse, where they have determined that the significant risks and rewards of ownership of the properties are retained with the lessors. As such, the lease agreements were accounted for as operating leases. Rent

expense amounted to P=1.80 million, =2P.13 million and =1P.44 million in 2014, 2013 and 2012, respectively (see Notes 14, 15, 16 and 18).

Provisions and contingencies

The Company is a party to certain claims. The Company makes provisions on the basis of management's and its legal counsel's opinion and assessment on the outcome of the claims (see Notes 12 and 26).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at each balance sheet date that have significant risks of covering a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follow:

Estimating allowance for doubtful accounts

Provisions are made for specific and groups of accounts identified to be doubtful of collection. Recoverability of specific receivables and other noncurrent asset items are evaluated based on the best available facts and circumstances, the length of the Company's relationship with the customer, the customer's payment behavior, known market factors and historical loss experiences. The Company makes an individual assessment of financial assets that are specifically identified as impaired and are individually significant. Then a collective assessment is done by grouping the financial assets according to its market segments. This market segment as defined by the Company is the group of debtors with similar line of business. Accordingly, these groupings would reflect their own credit risk characteristics. Moreover, the historical loss experience per segment was determined for purposes of assessing the impairment for each segment.

The allowance for doubtful accounts amounted to P=77.31 million and P=79.28 million as of December 31, 2014 and 2013, respectively. The carrying value of accounts receivable amounted to =2P.44 million and =14P.57 million as of December 31, 2014 and 2013, respectively (see Note 5).

Estimating allowance for probable losses on creditable withholding taxes

Allowance for probable loss on creditable withholding tax is based on the ability of the Company to recover the carrying value of the assets. Amounts estimated to be potentially unrecoverable are provided with allowance for probable losses. The Company estimates the level of provision for probable losses based on the factors that affect realizability such as future income tax due. As of December 31, 2014 and 2013, the Company has creditable withholding taxes, net of allowance for probable losses, amounting to P=0.10 million and P=0.07 million, respectively. Allowance for probable losses amounted to =17P.00 million as of December 31, 2014 and 2013 (see Note 8).

Fair value of agricultural produce

The Company determines the fair value of its agricultural produce based on the most recent market transaction price at the date which approximates the point of harvest, provided that there has been no significant change in economic circumstances between the date of transactions and the balance sheet date. Point-of-sale cost is estimated based on most recent transaction and is deducted from the fair value in order to measure agricultural produce at point of harvest.

Market price is obtained from the monthly commercial farmgate prices of chicken issued by the BAS for provinces which the Company considered as its relevant markets. Management believes that the monthly market prices from BAS are the only available reliable basis of fair value of agricultural produce at the point of harvest.

Fair value adjustment of inventories that were harvested and sold during the year amounted to a gain (loss) of (P=1.67 million), P=0.80 million and =5P.13 million for each of the three years in the period ended December 31, 2014.

Estimating NRV of inventories

The Company determines the NRV of inventories by reference to the current selling price of the product and the estimated cost to sell, which is based on the Company's budget for the succeeding year.

The carrying amount of inventories amounted to P=1.23 million and =1P.61 million as of December 31, 2014 and 2013, respectively (see Note 6).

Estimating the fair value of investment properties

The Company determines the fair value of the investment properties based on the report prepared by independent appraisers or actual offers from prospective buyers, if any. The appraisers are industry specialists in valuing these types of investment properties. 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 carrying value of investment properties amounted to =0P.42 million as of December 31, 2014 and 2013 (see Note 9).

Estimating impairment of nonfinancial assets

An asset impairment test is performed when events or changes in circumstances indicate that the carrying value of the biological assets may be impaired. This requires an estimation of the recoverable amount of the asset which is the higher of its fair value less cost to sell or its value-in-use. The Company determines the value-in-use of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and fair value less cost to sell to make estimates and assumptions that can materially affect the financial statements. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance.

In 2014, 2013 and 2012, an impairment test on the Company's biological assets (breeding stocks), was made due to certain impairment indicators primarily the declining financial performance of the Company. Fair value less cost to sell assessment was made by management in 2014, 2013 and 2012, respectively, to determine whether the carrying values of these assets are below its recoverable amounts. Based on management's evaluation and testing, there is no impairment loss on biological assets in 2014, 2013 and 2012 (see Notes 7, 9, 10 and 11).

Recognizing deferred income tax assets

Deferred income tax assets are recognized for all temporary deductible differences, NOLCO and MCIT to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company considered the deferred income tax assets that will reverse on the same period as the deferred income tax liabilities. As of December 31, 2014 and 2013, no deferred income tax asset was recognized since the Company believes that there are no sufficient taxable profits against which the deductible temporary differences, NOLCO and MCIT can be realized (see Note 20).

Estimating retirement benefits liability and costs

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

As of December 31, 2014 and 2013, the retirement benefits liability amounted to =3P.07 million and =2P.76 million, respectively. Retirement benefits costs amounted to =0P.31 million in 2014 and 2013 and =0P.81 million in 2012 (see Note 19).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	P=31,534	=22,863P
Temporary cash investments	6,903	6,811
	P=38,437	=29,674P

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company. Interest earned amounted to =0P.09 million, =0P.30 million and =0P.64 million in 2014, 2013 and 2012, respectively (see Note 17).

5. Receivables

	2014	2013
Trade - net of allowance for doubtful accounts of =40,836P in 2014 and =42,394P in 2013	P=1,359	P=769
Employees - net of allowance for doubtful accounts of P=105 in 2014 and 2013	1,081	1,038
Related parties - net of allowance for doubtful accounts of =9,832P in 2014 and =10,243P in 2013 (Note 18)	—	—
Nontrade receivables - net of allowance for doubtful accounts of =26,534P in 2014 and =26,538P in 2013 (Note 9)	—	12,760
	P=2,440	P=14,567

Movements in the allowance for doubtful accounts of receivables individually determined to be impaired are as follows:

As of December 31, 2014:

	Trade	Employees	Related Parties	Nontrade	Total
At January 1, 2014	=42,394P	=105P	=10,243P	=26,538P	=79,280P
Reversal (Note 17)	(1,535)	–	(411)	(4)	(1,950)
Write-off	(23)	–	–	–	(23)
At December 31, 2014	=40,836P	=105P	=9,832P	=26,534P	=77,307P

As of December 31, 2013:

	Trade	Employees	Related Parties	Nontrade	Total
At January 1, 2013	=40,800P	P=105	=10,243P	=3,332P	P=54,480
Provisions (Note 15)	1,594	–	–	23,206	24,800
At December 31, 2013	=42,394P	P=105	=10,243P	=26,538P	P=79,280

6. Inventories

	2014	2013
At net realizable value:		
Raw materials - medicine and vaccine	P=524	P=486
At cost:		
Raw materials- feeds and feeds ingredients	571	903
Packaging materials	132	149
Spare parts and others	–	68
	P=1,227	P=1,606

In 2014, the Company provided =0P.04 million for slow-moving medicines.

7. Biological Assets

As of December 31, 2014 and 2013, biological assets amounted to =2P.09 million and =3P.62 million, respectively, which consist of growing stocks.

Changes in the carrying value of biological assets are as follows:

	2014	2013
At January 1	P=3,624	=4,938P
Increase due to purchases	62,842	68,308
Decrease due to harvest	(62,723)	(69,279)
Decrease due to sales	(1,649)	(343)
	P=2,094	=3,624P

As of December 31, 2014 and 2013, there are no outstanding breeding stocks (see Note 1). The estimated physical quantities of the growing stocks are 26,868 and 48,174 units as of December 31, 2014 and 2013, respectively.

The Company harvested approximately 0.68 million kilograms in 2014, 0.81 million kilograms in 2013 and 0.92 million kilograms in 2012. The fair value less estimated point-of-sale costs at the date of harvest amounted to P=63.20 million and P=66.81 million in 2014 and 2013, respectively.

8. Other Current Assets

	2014	2013
Creditable withholding tax	P=17,098	P=17,072
Rental deposits	126	170
Others	32	22
	17,256	17,264
Less allowance for probable losses	17,000	17,000
	P=256	P=264

9. Investment Properties

Investment properties which amounted to P=0.42 million as of December 31, 2014 and 2013 are stated at fair value which is based on the offer price from prospective buyers or appraisal determined by independent appraisers. These appraisers are industry specialists in valuing these types of investment properties. The fair value of investment properties is estimated using the market data approach.

Fair value hierarchy disclosures for investment property are provided in Note 24.

Related real property taxes paid by the Company amounted to P=0.43 million in 2014 and =0P.44 million in 2013 and 2012.

In 2012, the Company disposed of significant investment properties as follows:

a. Manggahan Properties

Parcels of land located at Manggahan Light Industrial Park Compound, Pasig City, were sold to LBL Industries, Inc. for =266P.93 million. Loss on disposal of these investment properties amounted to =38P.56 million (see Note 17).

b. Pioneer Properties

The parcels of land located at Pioneer Street, Mandaluyong City were sold to DMCI Project Developers, Inc. for P=500.23 million. Outstanding receivable from this transaction amounted to =12P.76 million as of December 31, 2013 (see Note 5). There were no gain or loss recognized on the sale as the selling price equals the offer price prior to the sale. The proceeds were used to settle the Company's loan and its obligations to other creditors.

10. Property, Plant and Equipment

As of December 31, 2014:

	Land	Silos, Buildings and Improvements	Machinery and Equipment	Transportation and Delivery Equipment	Office Furniture, Fixtures and Equipment	Total
Cost						
At January 1 and December 31	P=107,841	P=28,733	P=43,529	P=2,288	P=84	P=182,475
Accumulated Depreciation and Impairment						
At January 1 and December 31	—	28,733	43,529	2,288	84	74,634
Net Book Values at December 31	P=107,841	P=—	P=—	P=—	P=—	P=107,841

As of December 31, 2013:

	Land	Silos, Buildings and Improvements	Machinery and Equipment	Transportation and Delivery Equipment	Office Furniture, Fixtures and Equipment	Total
Cost						
At January 1 and December 31	P=107,841	P=28,733	P=43,529	P=2,288	=84P	P=182,475
Accumulated Depreciation and Impairment						
At January 1	—	28,733	43,529	2,004	84	74,350
Depreciation (Note 15)	—	—	—	284	—	284
At December 31	—	28,733	43,529	2,288	84	74,634
Net Book Values at December 31	P=107,841	=P—	=P—	P=—	P=—	P=107,841

The cost of fully depreciated property, plant and equipment that are still used in operations amounted to =74P.63 million and =9P.65 million as of December 31, 2014 and 2013, respectively.

Land with total carrying value of =171P.75 million as of December 31, 2011 were included in the collateral pool to secure the Company's bank loan and trust receipts and acceptances payable. The collateral was released in 2012 upon payment by the Company of its obligations from which the properties were attached to.

In 2012, the Company disposed through *dacion en pago* various land and properties with a total net carrying value of =64P.17 million to settle outstanding liabilities amounting to P=193.39 million. Gain on disposal of the said assets amounted to =129P.22 million in 2012 (see Note 17).

11. Other Noncurrent Assets

	2014	2013
Software		
Cost		
At January 1 and December 31	P=32,603	P=32,603
Accumulated Depreciation		
At January 1 and December 31	32,603	32,603
Net book value at December 31	—	—
Input VAT, net of allowance for probable loss of =1,773P in 2014 and =854P in 2013 (Note 17)	—	—
Others	255	255
	P=255	=255P

12. Accounts Payable and Accrued Liabilities

	2014	2013
Trade payables:	P=25,376	P=26,201
Provisions (Note 26)	28,206	28,206
Nontrade payables	13,946	12,271
Accrued liabilities	969	731
Accrued personnel costs	22	460
Others	173	193
	P=68,692	P=68,062

Provision represents management's best estimate of probable cost of claims arising from the normal course of business that has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

Movement in the provisions follows:

	2014	2013
At January 1	P=28,206	=53,860P
Payments during the year	—	(25,654)
	P=28,206	=28,206P

13. Equity

Capital Stock

Issued and outstanding preferred stock are held by 3,421 and 3,437 stockholders as of December 31, 2014 and 2013, respectively. Issued and outstanding common stock are held by 7,421 and 7,479 stockholders as of December 31, 2014 and 2013, respectively.

In 2011, a preferred stockholder declared its preferred shares in the Company as property dividend to its stockholders, resulting in the increase in the number of the Company's preferred stockholders.

Information on capital stock in 2014 and 2013 follows:

Number of shares	2014	2013
Preferred stock - P=1 par value:		
Authorized shares	200,000,000	200,000,000
Issued shares	60,133,282	60,133,941
Outstanding shares	49,035,012	49,035,671
Common stock - P=1 par value:		
Authorized shares	2,500,000,000	2,500,000,000
Issued and outstanding shares	1,814,423,473	1,814,416,883

In 2014 and 2013, some holders of preferred shares exercised their right to convert their 659 and 682,174 preferred shares, respectively, into 6,590 and 6,821,740 common shares, respectively, based on the ratio of ten common shares for every one preferred share.

Movement in the number of outstanding shares follows:

	Preferred Shares	Common Shares
Balance at December 31, 2011	85,432,171	1,450,451,883
Conversion of preferred shares to common shares	(35,714,326)	357,143,260
Balance at December 31, 2012	49,717,845	1,807,595,143
Conversion of preferred shares to common shares	(682,174)	6,821,740
Balance at December 31, 2013	49,035,671	1,814,416,883
Conversion of preferred shares to common shares	(659)	6,590
Balance at December 31, 2014	49,035,012	1,814,423,473

Preferred Shares

The terms of the Company's convertible preferred shares as amended during the stockholders' meeting on October 11, 2006 and as approved by the SEC on December 6, 2007 follow:

- i. The convertible preferred shares have no voting rights, except as may be provided by law.
- ii. Holders of the convertible preferred shares shall not be entitled to receive dividend.
- iii. The holders of convertible preferred shares shall have the right to convert such shares into common shares anytime at the ratio of ten (10) common shares for every one (1) convertible preferred shares held.
- iv. The Company shall have the option to redeem the convertible preferred shares on any date at the offer price.

As of December 31, 2014 and 2013, the Company has a total of 60,133,282 and 60,133,941 issued shares, respectively, which includes the 11,098,270 preferred shares in treasury acquired by the Company at =10P per share or a total of =110P.98 million.

Cumulative Remeasurement on Defined Benefit Plan

The balance of deficit includes cumulative remeasurement on defined benefit plan which pertains to the actuarial differences estimated from the determination of the Company's defined benefit obligation that are directly taken to deficit (see Note 20). The details of the cumulative actuarial differences follow:

	2014	2013
Accumulated actuarial loss at January 1	(P=56,648)	(P=59,111)
Actuarial gain for the year (Note 19)	–	2,463
Accumulated actuarial loss at December 31	(P=56,648)	(P=56,648)

Track Registration Record of Securities

On May 28, 1998, the SEC approved the Offer of Pre-Emptive Rights on 100,327,687 convertible preferred shares with a par value of =1P.0 per share at a price of =10P.00 per share with a Greenshoe Option of up to 50,163,844 additional preferred shares.

On June 24, 1998, the Philippine Stock Exchange approved the listing of the following shares of the Company:

- a. 100,327,687 convertible preferred shares, with a par value of =1P.00 per share, to cover the 1:8 preemptive rights offering to stockholders as of the proposed record date of July 15, 1998, at an offer price of =10P.0 per share;

- b. 50,163,844 convertible preferred shares, with a par value of =1P.00 per share, to cover the Greenshoe option shares granted to stockholders as of the proposed record date of July 15, 1998, at an offer price of P=10.0 per share;
- c. 1,504,915,310 common shares, with a par value of =1P.0 per share, to cover the underlying shares of the convertible preferred shares.

14. Cost of Goods Sold

	2014	2013	2012
Raw materials used (Note 6)	P=43,349	P=55,970	P=57,965
Freight and handling	6,712	7,593	7,942
Outside services	3,109	3,036	2,904
Supplies and facilities	2,940	3,762	3,135
Rental	1,463	1,525	973
Personnel costs (Notes 16 and 19)	1,060	783	637
Communication, light and water	308	221	137
Repairs and maintenance	274	101	124
Taxes and licenses	260	333	271
Insurance	191	254	258
Others	394	579	563
	P=60,060	P=74,157	P=74,909

15. General and Administrative Expenses

	2014	2013	2012
Personnel costs (Notes 16 and 19)	P=3,036	P=6,083	P=15,491
Outside services	1,724	7,617	6,053
Taxes and licenses	835	18,322	37,220
Transportation and travel	415	435	491
Communication, light and water	388	625	1,016
Rental	248	239	207
Repairs and maintenance	193	150	133
Supplies and facilities	122	90	418
Insurance	111	184	323
Advertising and promotions	9	9	9
Bank charges	2	21	774
Provision for doubtful accounts (Note 5)	—	24,800	1,571
Depreciation and amortization (Note 10)	—	284	682
Others	351	239	2,003
	P=7,434	P=59,098	P=66,391

16. Selling and Marketing Expenses

	2014	2013	2012
Outside services	P=190	P=226	=351P
Transportation and travel	158	148	180
Repairs and maintenance	127	285	190
Rental	91	370	255
Supplies and facilities	69	90	142
Communication, light and water	15	249	215
Freight and handling	3	—	—
Taxes and licenses	—	4	—
Personnel costs (Note 19)	—	1	8
Others	—	1	29
	P=653	P=1,374	=1,370P

Personnel costs pertain to:

	2014	2013	2012
Salaries and wages	P=3,789	=6,555P	=15,331P
Retirement benefits costs (Note 19)	307	312	805
	P=4,096	=6,867P	=16,136P

Personnel costs were booked under:

	2014	2013	2012
General and administrative expenses (Note 15)	P=3,036	=6,083P	P=15,491
Cost of goods sold (Note 14)	1,060	783	637
Selling and marketing expenses	—	1	8
	P=4,096	=6,867P	P=16,136

17. Other Income - Net

	2014	2013	2012
Reversal of allowance for doubtful accounts (Note 5)	P=1,950	P=—	P=—
Reversal of provision (provision) for probable losses (Notes 6 and 11)	(964)	(854)	3
Write-off of :			
Receivables	(253)	—	—
Inventories	(39)	—	—
Interest income (Note 4)	94	304	636
Rental income	—	—	5,633
Gain (loss) on disposal of:			
Land (Note 10)	—	—	129,223
Investment property (Note 9)	—	—	(38,563)
Reversal of payables and accruals	—	—	58,836
Others	533	684	3,744
	P=1,321	P=134	=159,512P

In 2012, gain on reversal of payables and accruals include accrued interest and penalties which amounted to =49P.89 million as a result of waived penalties on bank loan and discounts granted by creditors which amounted to =8P.94 million.

18. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

The aggregate compensation and benefits paid to the Company's key management personnel follow:

	2014	2013	2012
Salaries and allowances	P=1,050	=1,937P	=4,800P
Other short-term employee benefits	90	35	323
Retirement benefits costs	—	20,394	506
	P=1,140	=22,366P	=5,629P

19. Employee Benefits

a. Retirement Benefits

The Company's retirement plan (the Plan) is non-contributory and of the defined benefit type which provides a retirement benefit equal to a certain percentage of the monthly salary for every year of credited service. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the plan. There are no significant risks to which the Plan exposes the Company. However, in the event a benefit claim arises under the Plan, the benefit shall immediately be due and payable from the Company.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in profit or loss follow:

	2014	2013	2012
Current service cost	P=155	=162P	=708P
Interest cost	152	150	97
Retirement benefits costs	P=307	=312P	=805P

The amounts of remeasurement gain (loss) on defined benefit plan recognized in other comprehensive income for the years ended December 31 are as follows:

	2014	2013	2012
Remeasurement gain (loss) arising from changes in:			
Experience adjustments	P=--	(P=45)	P=--
Financial assumptions	—	2,508	—
Demographic assumptions	—	—	—
	P=--	=2,463P	P=--

The retirement benefits liability is equal to the present value of defined benefit obligation. Movements in the retirement benefits obligation account and present value of defined benefit obligation are as follows:

	2014	2013	2012
At January 1	P=2,763	=25,308P	P=24,665
Current service cost	155	162	708
Interest cost	152	150	97
Retirement benefits payments	—	(20,394)	(162)
Remeasurement gain recognized in other comprehensive income	—	(2,463)	—
At December 31	P=3,070	=2,763P	P=25,308

The latest actuarial valuation report is as of December 31, 2013. The principal actuarial assumptions used to determine pension benefits cost as of December 31, 2014 and 2013 and January 1, 2013 follow:

	2014	2013	2012
Discount rate	5.52%	5.52%	1.81%
Salary increase	2.00%	2.00%	—

The Company performed sensitivity analysis for the changes in the significant assumptions that would increase the defined benefit obligation. The following sensitivity analysis has been determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at December 31, 2014 and 2013 assuming all other assumptions were held constant.

		Increase (decrease) in present value of defined benefit obligation	
	Movement	2014	2013
Discount rate	+100 basis points	(P=420)	(P=378)
	-100 basis points	37	32
Salary rate	+100 basis points	12	12
	-100 basis points	(405)	(364)

The average duration of the defined benefit obligation as of December 31, 2014 and 2013 is 8.6 years.

b. Other employee benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to =0P.92 million and =0P.89 million as of December 31, 2014 and 2013, respectively.

20. Income Taxes

- a. The provision for current income tax represents the MCIT in 2014, 2013 and 2012.
- b. The components of the Company's net deferred income tax liabilities follow:

	2014	2013
Deferred income tax liabilities on:		
Deemed cost adjustment on land under property and equipment	P=32,112	P=32,112
Unrealized foreign exchange gain – net	45	45
Net deferred income tax liabilities	P=32,157	P=32,157

- c. The Company did not recognize deferred income tax assets on the following deductible temporary differences and carry forward benefits of NOLCO and MCIT since the Company believes that there are no sufficient future taxable profits against which to apply these items:

	2014	2013
NOLCO	P=32,713	P=26,013
Allowance for doubtful accounts (Note 5)	77,307	79,280
Retirement benefits liability	3,376	2,763
Allowance for inventory obsolescence (Note 6)	45	–
MCIT	4,721	5,940

- d. The details of the NOLCO and MCIT outstanding as of December 31, 2014 follow:

Year Incurred	Available Until	NOLCO	MCIT
2012	2015	P=–	P=4,567
2013	2016	26,013	128
2014	2017	6,700	26
		P=32,713	P=4,721

Following are the movements of NOLCO and MCIT:

	NOLCO			MCIT		
	2014	2013	2012	2014	2013	2012
At January 1	P=26,013	P=54,956	P=216,442	P=5,940	P=6,713	P=2,984
Additions	6,700	26,013	–	26	128	4,567
Application	–	–	(57,268)	–	–	–
Expiration	–	(54,956)	(104,218)	(1,245)	(901)	(838)
At December 31	P=32,713	P=26,013	P=54,956	P=4,721	P=5,940	P=6,713

- e. The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of income follows:

	2014	2013	2012
Provision for (benefit from) income tax benefit at statutory income tax rate	(P=1,866)	(P=16,477)	P=27,274
Additions to (reductions in) income tax resulting from:			
Movement in MCIT, NOLCO, and temporary differences for which no deferred income tax assets were recognized	2,128	8,504	(51,907)
Nondeductible interest and other expenses	(208)	8,192	401
Interest income subjected to final tax	(28)	(91)	(191)
Nondeductible loss on sale of investment properties	—	—	11,569
Others	—	—	(900)
Provision for (benefit from) income tax	P=26	P=128	(P=13,754)

21. Basic and Diluted Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share are computed as follows:

	2014	2013	2012
Net income (loss) attributable to common stockholders	(P=6,245)	(P=55,050)	P=104,668
Divided by weighted average number of common stock	1,814,420,178	1,811,006,013	1,629,023,513
Basic/diluted earnings (loss) per share	(P=0.003)	(P=0.030)	=0P.064

The effect of convertible preferred shares is antidilutive for 2014, 2013 and 2012. Accordingly, the basic and dilutive earnings per share presented are the same.

22. Operating Segment Information

The Company only has one reportable segment - poultry business - which is its only activity.

The Company has only one geographical segment as all of its assets are located in the Philippines. The Company operates and derives principally all of its revenue from domestic operations. Thus, geographical business operation is not required.

Operating results of the Company is regularly reviewed by the Company's BOD for the purpose of making decisions about resource allocation and performance assessment. Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the statements of income. The presentation and classification of segment assets and liabilities are consistent with the balance sheets.

Segment information are as follows:

	2014	2013	2012
Segment revenue	P=60,607	=79,573P	P=84,672
Segment net income (loss)	(6,425)	(55,050)	104,668
Total assets	152,967	158,248	357,101
Total liabilities	104,836	103,874	250,138

In 2014, revenue from local agricultural produce amounting to =41P.48 million and representing 66.61% was derived from two customers. In 2013, revenue from local agricultural produce amounting to P=44.33 million and representing 56.28% was derived from two customers. In 2012, the Company does not have a customer for which 10% or more of the revenue were derived from.

23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, trade receivables, due from related parties, due from employees, rental deposits and accounts payable and accrued liabilities. The main purpose of these financial instruments is to ensure adequate funds for the Company's operations.

It is the Company's policy that no trading of financial instruments shall be undertaken.

The Company's management and the BOD review and approve policies for managing these risks. Management closely monitors the funds and financial transactions of the Company.

The Company recognizes the fact that their business operations are always exposed, in one way or the other, to some level of uncertainties or risks which, if not properly addressed and managed, could be detrimental to the profitability of the Company. Listed below are the financial risks the Company is exposed to:

Credit risk

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company manages credit risk by transacting only with a few recognized and creditworthy customers with whom it has already firmly established a good business relationship. It is the Company's policy that all customers who wish to contract on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

The Company controls credit risk through strict monitoring procedures and regular coordination with customers. The Company has no significant concentration of credit risk.

The maximum exposure to credit risk is equal to the carrying value of the financial assets. The following tables below show the credit quality and aging analysis of financial assets:

As of December 31, 2014:

	Neither past due nor impaired	Past due but not impaired					Subtotal	Impaired	Total
		1-30 Days	31-60 Days	61-90 Days	91-365 Days	Over 365 Days			
Cash and cash equivalents	P=38,427	P=--	P=--	P=--	P=--	P=--	P=--	P=--	P=38,427
Receivables:									
Trade	955	188	100	116	—	—	404	40,836	42,195
Due from:									
Employees	—	—	—	—	32	1,049	1,081	105	1,186
Related parties	—	—	—	—	—	—	—	9,832	9,832
Nontrade	—	—	—	—	—	—	—	26,534	26,534
Rental deposits	126	—	—	—	—	—	—	—	126
	P=39,508	P=188	P=100	P=116	P=32	P=1,049	P=1,485	P=77,307	P=118,300

As of December 31, 2013:

	Neither past due nor impaired	Past due but not impaired					Subtotal	Impaired	Total
		1-30 Days	31-60 Days	61-90 Days	91-365 Days	Over 365 Days			
Cash and cash equivalents	P=29,664	=P—	=P—	=P—	=P—	=P—	=P—	=P—	P=29,664
Receivables:									
Trade	—	350	88	106	225	—	769	42,394	43,163
Due from:									
Employees	—	—	—	—	32	1,006	1,038	105	1,143
Related parties	—	—	—	—	—	—	—	10,243	10,243
Nontrade	12,760	—	—	—	—	—	—	26,538	39,298
Rental deposits	170	—	—	—	—	—	—	—	170
	P=42,594	P=350	=88P	P=106	P=257	P=1,006	P=1,807	P=79,280	P=123,681

The following tables summarize the credit quality of the Company's financial assets.

As of December 31, 2014:

	Neither past due nor impaired		Total
	High grade	Standard Grade	
Cash and cash equivalents	=38,427P	=P—	=38,427P
Trade receivables	—	955	955
Rental deposits	—	126	126
	=38,427P	=1,081P	=39,508P

As of December 31, 2013:

	Neither past due nor impaired		Total
	High grade	Standard Grade	
Cash and cash equivalents	=29,664P	=P—	=29,664P
Nontrade receivables	—	12,760	12,760
Rental deposits	—	170	170
	=29,664P	=12,930P	=42,594P

Cash and cash equivalents are classified as *High grade* since these are deposited and invested with reputable banks and can be withdrawn anytime.

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. *Standard grade* includes receivables that are collected on their due dates even without an effort from the Company to follow them up. Past due receivables and advances

include those that are past due but are still collectible. The majority of these past due receivables are not considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations when they fall under normal and stress circumstances. To limit risk, the Company manages its liquid funds through cash planning on a monthly and weekly basis. The Company uses historical figures and experiences and forecasts from its collections and disbursements, as well as projections based on the annual business plan. Likewise, the Company places excess funds in short-term cash investments. The Company also enters into restructuring agreements with creditor banks, as the need arises. In 2012, the Company disposed of its investment properties to settle its obligations.

The table below summarizes the Company's maturity profile of financial assets held for managing liquidity and maturity profile of financial liabilities based on contractual undiscounted obligations.

As of December 31, 2014:

	On Demand	Less than 3 months	3 to 12 months	Total
Loans and receivables:				
Cash and cash equivalents	P=38,437	P=—	P=—	P=38,437
Receivables:				
Trade	—	—	1,359	1,359
Due from employees	—	—	1,081	1,081
Nontrade	—	—	—	—
Total financial assets	38,437	—	2,440	40,877
Other financial liabilities:				
Accounts payable and accrued liabilities*	40,313	—	—	40,313
Liquidity position (gap)	(P=1,876)	P=—	P=2,440	P=564

*Excluding nonfinancial liabilities amounting to =28,379P.

As of December 31, 2013:

	On Demand	Less than 3 months	3 to 12 months	Total
Loans and receivables:				
Cash and cash equivalents	P=29,674	=P—	=P—	P=29,674
Receivables:				
Trade	—	544	225	769
Due from employees	—	32	1,006	1,038
Nontrade	—	—	12,760	12,760
Total financial assets	29,674	576	13,991	44,241
Other financial liabilities:				
Accounts payable and accrued liabilities*	39,691	—	—	39,691
Liquidity position (gap)	(P=10,017)	P=576	P=13,991	P=4,550

*Excluding nonfinancial liabilities amounting to =28,371P.

The Company's only operation relates to agricultural activity and the financial instruments held by the Company only relates to such activity. As such, the financial risk management disclosure on credit risk and liquidity risk are likewise the strategies related to agricultural activity as required by PAS 41.

24. Fair Value Measurement

The following provides the quantitative disclosures of fair value measurement as of December 31, 2014 and 2013:

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value-			
Investment property	=P-	=P-	=417P

There have been no transfers between Level 1 and 2 in 2014 and 2013.

The table below summarizes the valuation techniques used and the significant unobservable input valuation for investment property held by the Company as of December 31, 2014 and 2013:

Valuation Techniques	Interrelationship between Significant key unobservable input and fair value Inputs measurement	
	Significant unobservable Inputs	Interrelationship between key unobservable input and fair value measurement
Asset measured at fair value-		
Investment property Market data approach. A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.	Price per square meter. Range of estimates is about P=200-300	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)

Cash and Cash Equivalents, Trade Receivables, Due from Related Parties, Due from Employees, Other Receivables, Accounts Payable and Accrued Liabilities

Due to the short-term nature of transactions, the carrying amounts of these instruments approximate the fair values at the balance sheet date.

25. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern so that it continues to fulfill the Company's vision and mission and provide adequate return to shareholders. It also aims to provide adequate return to shareholders by maintaining profitability as the main requirement of the business and to ensure that the Company complies with externally imposed capital requirements. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The capital considered is the same as those indicated in the equity section of the balance sheets.

26. Other Matters

The Company, in the normal course of business, is involved in certain claims, the outcome of which are presently not determinable. In the opinion of management and its legal counsel, the Company has strong legal basis on the cases, and the liability on these lawsuits, if any, will not have a material effect on the financial statements. For those cases where management, in consultation with the legal counsel, believes that the Company may eventually be obligated to settle, accruals have been made in the financial statements (see Note 12).

27. Note to Statements of Cash Flows

In 2014, 2013 and 2012, the Company's noncash financing activity pertains to the conversion of preferred shares to common shares which amounted to =0P.01 million, =6P.82 million and =357P.14 million, respectively.

In 2012, the non-cash investing activity pertains to disposal of property and equipment through *dacion en pago* which amounted to P=64.17 million.

28. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with Revenue Regulations No. 15-2010 issued by the Bureau of Internal Revenue on November 25, 2010, mandating all taxpayers to disclose information on taxes, duties and licenses paid and accrued during the taxable year, summarized below are the taxes paid and accrued during the year:

The following information reflects the taxes, duties and license fees paid or accrued by the Company during 2014:

- a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period.

	Net Sales/Receipt	Output VAT
Vatable sales	=P-	=P-
Zero rated sales	69,358	-
	=69,358P	=P-

- b. Input VAT

The following table shows the sources of input VAT claimed as declared in the VAT returns:

Beginning balance	P=854
Purchases of:	
Goods for resale	161
Services lodged under cost of goods sold and general and administrative expenses	1,628
Total	2,643
Less: Input VAT claimed as deduction against output VAT	-
Ending balance	P=2,643

- c. The taxes, duties and license fees paid or accrued in 2014 follow:

Business taxes	P=305
Real property tax	499
Meat inspection fee	257
Community tax certificate	11
Registration fee and others	23
	<u>P=1,095</u>

- d. The withholding taxes paid or accrued in 2014 are categorized into:

Withholding tax on compensation	P=419
Expanded withholding tax	988

- e. Tax cases

As of December 31, 2014, the Company has an outstanding tax assessment before the Court of Tax Appeals involving =11P.95 million deficiency value-added tax for taxable year 2007, which is being contested by the Company.

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



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Swift Foods, Inc.
RFM Corporate Center
Corner Pioneer and Sheridan Streets
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statements of Swift Foods, Inc. as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated April 8, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

A handwritten signature in dark ink, appearing to read 'Djole S. Garcia', is placed above the printed name.

Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-A (Group A),
February 25, 2013, valid until February 24, 2016
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2013,
January 28, 2013, valid until January 27, 2016
PTR No. 4751285, January 5, 2015, Makati City

April 8, 2015

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SWIFT FOODS, INC.

**INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014**

Schedule I:	Schedule of All the Effective Standards and Interpretations (Part 1, 4J)
Schedule II:	Schedule of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)

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