COVER SHEET

1	4	7	8	2

SEC Registration Number

L I B E R T Y   F L O U R   M I L L S ,   I N C .

(Company's Full Name)

L I B E R T Y   B L D G .   8 3 5   A .   A R N A I Z   S T .

M A K A T I   C I T Y

(Business Address: No. Street City/Town/Province0029

MA. ELISA G. LEDESMA
(Contact Person)

(02)889-8677
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

	1	7	Q	

(Form Type)

0	9		3	0

Month *Day*
(Annual Meeting)

N/A
(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

	–	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2014**

2. Commission identification number: **14782**

3. BIR Tax Identification No: **000-128-846-V**

4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**

6. Industry Classification Code: [ ] (SEC Use Only)

7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1200**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code: **(632) 892-5011**

9. Former name, former address and former fiscal year, if changed since last report: **-N/A-**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**50,000,000**

11. Are any or all of the securities listed on a stock exchange?

    Yes [Ě] No [ ]

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

Stock Exchange	Class of Securities
Philippine Stock Exchange, Inc.	**Common Shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [Ě] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [Ě] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statements of the Liberty Flour Mills, Inc. (the “Company) and its subsidiary for the nine (9) months ended September 30, 2014 which is attached hereto as Annex “A” and which is hereby incorporated by reference to form an integral part of this Report. Likewise, attached as Annex “B” is the Company’s Statement of Changes in Stockholder’s Equity for the nine (9) months ended September 30, 2014 and as compared to same period for the year 2013, the Company’s Statement on Income and Expenses for the nine (9) months ended September 30, 2014 with comparative figures for the nine (9) months ended September 30, 2013 and the Company’s basis for the computation of Basic Earnings per share.

The interim financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS) in accordance with the Securities Regulations Code.

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

As of the nine-month period ended September 30, 2014, the Company had earned a gross profit of ₱366,365,583 which is 9% lower as compared to the previous year’s same period of operation which made gross profit of ₱403,850,652. The increase is due to significant decrease on the demand of the product.

Other operating income represents rental, interest and dividend income which had an aggregate amount of ₱72,390,136 for the third quarter of 2014. Other income was 25% lower than of last year’s same period amounting to ₱ 96,292,249.

Operating expenses for the third quarter period of 2014 had decreased by 15% which amounted to ₱165,087,973.

For the nine-month period of 2014, the Company generated an operating income of ₱273,667,746 a decrease by 11% from the previous year amounting to ₱305,930,859. The increase is likewise due to the above stated reasons.

There was a slight increase in the other income and charges for the nine-month period ended September 30, 2014 of 12%. The account consists of, miscellaneous income, dividend income and interest expense.

The Company had a net income of ₱205,598,335 for the third quarter period ended September 30, 2014 which is 11% lower than last year’s same period operation amounted to ₱230,919,013. This is due to factors already discussed above. (Please refer to the financial statement data as found in Annex “A” hereof).

Total assets of the Company as of September 30, 2014 amounted to ₱3.8 billion, which is 7% higher than the total assets as of December 31, 2013, which amounted to ₱3.6 billion. The increase will be explained and discussed separately under each account in the succeeding discussion in this section, which increased or decreased by 5.0%.

Total liabilities of ₱908 million as of September 30, 2014 had increased by 31% over the total liabilities as of December 31, 2013. The increase is mainly due to the availment of loans, trust receipts for wheat importations which, will be explained and discussed separately under each account, which had either increased or decreased by 5.0%.

Since the Company is dependant on imported materials such as wheat grains, it is very much affected by global prices of these products and the fluctuation in the exchange rate of the U.S. Dollar (US$) against the Philippine peso. The appreciation or depreciation of the Philippine peso against the U.S. Dollar (US$) will have a material impact in the company's future or long-term liquidity.

There are no known trends, events or uncertainties in the past that have a material or impact on the future operations of the company, whether it is favorable or unfavorable.

There are no seasonal aspects that have had a material effect on the financial condition or results of operations of the Company.

Further discussion of material changes of accounts, which had increased or decreased by 5.0% or more:

- *Cash and cash equivalent*

The balance of cash and cash equivalents as of September 30, 2014 had increased by 33% from the balance as of December 31, 2013. Please refer to the cash flow statement attached to this report for further analysis of the causes of increase in cash.

- *Inventories*

The balance of inventories decreased by 10% due to decline in importation of wheat grains, the main raw materials of the company. The decline in the purchase of raw materials is because of the decline in the demand of the product which resulted to the decline in sales for the three quarters.

- *Prepaid expenses and other current assets*

The significant increase in the balance is due to the prepaid import charges on the purchased imported wheat.

- *Accounts Payable*

The balance of accounts payable as of September 30, 2014 had increased by 37% due to the unpaid suppliers account balances. There were no significant transactions and events that affect the accounts payable of the Company during the period.

- *Income Tax Payable*

The decrease in the balance of income tax payable is mainly because of the income realized during the quarter which will be paid in the subsequent month.

- *Other Current Liabilities*

Trust receipts payments on wheat importations with creditor banks had significantly increased the balance of this account as of September 30, 2014.

- *Other non-current liabilities*

This account consists of deposit on unearned rental and deferred income tax liability. The decrease in the balance is due to the realized rental income.

- *Retained earnings*

Changes in the account is merely due to the income or loss realized during the period and dividend declaration.

As shown in the balance sheet of the Company, the following accounts are indications of positive liquidity condition of the Company:

1. Cash balance is ₱394,847,519.

2. Accounts Receivable is ₱916,517,749, which is expected to be collected within stated terms.

3. Inventory balance is ₱226,520,031 and the Company expects a turnover within 45 to 90 days.

4. Current ratio is 3.54:1

The Company does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Company expects to pay all indebtedness in accordance with the agreed stated terms. No material deficiency will be identified.

Sources of liquidity will come from internally generated sources as follows:

1 Substantial cash balance of ₱394,847,519;
2 Collection of receivables of P916,517,749;
3 Turnover of inventories of ₱226,520,031 and all subsequent inventories to arrive and to be produced;
4 Rental income to be generated from real estate properties from:

   a. Liberty Building along A. Arnaiz Avenue in Makati City;
   b. Liberty Building along Boni Ave., Mandaluyong City;
   c. Liberty Center along Alfaro St., Makati City; and
   d. Liberty Plaza along Valero St., Makati City

Performance Indicators

The Company and its subsidiaries determine their performance based on the following five (5) key performance indicators:

1. Selling Price, Volume and Revenue Growth

The improvement in the selling price, revenue and volume indicate external performance of the Company in relation to the movements of consumer demand and the competitors' action to the market behavior. These factors also express market acceptability and room for development and innovation. The improvement in the price, volume and revenue are being monitored and compared as a basis for further study and development.

During the nine-month period ended September 30, 2014, there was a decrease in revenue of 14% as compared to last year's same period performance. This was due to decrease in the demand. Moreover, there were no changes in selling price of Company's products.

2. Cost Contribution

This measures the amount of supply and cost-efficiency of the applicable products of the Company. It shows the trend of supplies' costs particularly in imported raw materials where there are foreign exchange exposures. Costs are analyzed regularly pursuant to cost reduction and efficiency measures.

During the nine-month period ended September 30, 2014 and 2013, the percentage of cost of sales is 70% and 72%, respectively.. The decrease in cost is attributed to lower cost of the main raw material, wheat grains.

3. Gross Profit Contribution

Review of sales less cost is done on a regular basis to check if targets are being met. This measures the profitability within the bounds of cost and demand. Like other indicators, this is reviewed on a regular basis for proper action and consideration.

Due to reasons as discussed above in no. 1 and no. 2, gross profit of 30% was realized in the third quarter as compared to last year's same period gross profit of 28%.

4. Operating Margin

This shows the result after operating expenses have been deducted. Operating expenses are examined, checked and traced for major expenses. These are being analyzed and compared to budget, and previous years, to ensure prudence and discipline in spending behind marketing and selling activities.

There is a decrease in operating expenses of 15% during the third quarter of 2014 due to the cost cutting measures implemented by the Company to compensate the decline in revenue. The operating income is lower by 11% as compared to the previous year.

5. Plant Capacity Utilization

This determines total usage of plant capacity. Full utilization produces better yield thus better margins. Standard rates for the plants were set and monthly utilization is determined to properly equate and carefully assess the difference.

During the nine (9) months period ended September 30, 2014, the plant capacity remained constant, and it has neither increased nor decreased as compared to previous year's same period of operation. However improvement of capacity utilization is continuously being taken into consideration.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are also no material off-balance sheet transactions, arrangements, obligations (including contingent obligation) and other relationship of the company with unconsolidated entities or other persons created during the reported period.

PART II – FINANCIAL DISCLOSURES

Financial Instruments and Financial Risk Disclosure

The Group's financial instruments consist of cash and cash equivalents, financial assets at FVPL and AFS financial assets .The main purpose of these financial instrument is to fund the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and accrued expenses and other liabilities. The main risk arising from the use of these financial instruments is credit risk, equity price risk, foreign currency risk and liquidity risk.

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

a. *Credit Risk*

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

The Group trade receivables are concentrated with its three distributors which account for 95% of the total trade receivables as of September 30, 2014. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash and cash equivalents, financial assets at FVPL and AFS financial assets, the Group's exposure to credit arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

b. *Market Risk*

Market risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The fair value of equity held as AFS as of September 30, 2014 remains the same as that of December 31, 2013. Any possible change in equity indices will be reflected on December 31, 2014.

c. *Foreign Currency Risk*

This risk describes the impact of changes in foreign exchange rates on the consolidated balance sheet and consolidated statement of income items denominated in foreign currencies.
The Group's foreign currency-denominated financial assets and liabilities which are all in US dollar ($) as of September 30, follows:

	2014	2013
Cash in bank	$5,482	$10,253
Total US dollar-denominated asset	$5,482	$10,253

The exchange rate per $1.00 to Philippine peso is P44.93 and P44.37 respectively.

d. *Liquidity Risk*

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

There are no Company's investments in foreign securities.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

a. Financial assets at FVPL
The fair value of the quoted shares of stock is based on quoted market price.

b. AFS financial assets
The fair value of the quoted debt instruments and equities is based on quoted market price. Unqouted shares of stock are carried and presented at cost less impairment since their values cannot be reliably determined.

c. Deposits on long-term leases
The fair value of deposits on long –term leases is based on the present value of expected future cash flows discounted at the applicable rates for similar types of financial instruments.

d. Other financial assets and financial liabilities
Due to the short-term nature of other financial assets and financial liabilities, the fair value of cash and cash equivalents, receivables, liabilities under trust receipts, accounts payable and accrued expenses and other current liabilities approximate the carrying amount as of balance sheet.

PART 111 – OTHER INFORMATION

All other information which requires disclosure under the Full Disclosure Rules of the Securities and Exchange Commission has been previously filed by the Company under SEC Form 17-C.

SIGNATURE

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

LIBERTY FLOUR MILLS, INC.

By:

WILLIAM CARLOS UY
President

JOSE MA. S. LOPEZ
Senior Vice President- Treasurer

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
BALANCE SHEET
AS OF SEPTEMBER 30, 2014
(With comparative figures for year ended Dec. 31, 2013 and six months ended September 30, 2013)

Assets		**September 30, 2014**		**December 31, 2013 Audited**		**September 30, 2013**
Current Assets						
Cash and cash equivalent		P 394,847,519		P 296,703,517		P 389,254,640
Accounts Receivable		916,517,749		1,000,920,074		915,118,172
Financial assets at fair value through profit or loss		13,465,766		63,507,430		13,767,239
Inventories:						
Finished goods	P 62,716,354		P 33,486,274		P 55,495,825	
Raw materials	163,803,677		217,644,462		340,862,707	
Total Inventories		226,520,031		251,130,736		396,358,532
Prepaid expenses & other current assets		172,161,615		27,910,413		116,374,214
Total current assets		P 1,723,512,680		P 1,640,172,170		P 1,830,872,798
Investments and Marketable Securities		1,283,937,618		1,119,355,471		781,373,022
Plant, Property & Equipment, net		276,194,889		104,197,443		310,010,511
Investment Property		33,508,272		216,504,732		475,078,967
Deferred Charges & Other Assets		476,397,731		476,869,980		6,283,927
Total Assets		P 3,793,551,190		P 3,557,099,796		P 3,403,619,224
Liabilities & Stockholders' Equity						
Current Liabilities						
Accounts Payable		P 399,793,166		P 290,806,110		P 18,758,310
Income Tax Payable		24,862,125		25,027,697		30,647,548
Other Liabilities		62,391,060		3,706,809		496,617,154
Total Current Liabilities		P 487,046,351		P 319,540,616		P 546,023,011
Bank Loans		267,222,222		235,555,556		236,666,667
Deposit on long-term lease		13,812,814		14,413,277		13,567,176
Liability for Retirement Fund		138,835,950		122,375,984		108,257,670
Other Non-current Liabilities		1,397,010		158,512		1,419,569
Total Liabilities		P 908,314,348		P 692,043,945		P 905,934,092
Stockholders' Equity						
Capital Stock, authorized - 50,000,000 shares						
at P10 par value per share P500,000,000.						
Issued and outstanding, 50,000,000 / 40,000,000 shares		P 500,000,000		P 500,000,000		P 500,000,000
Stock dividends distributable						
Fair value on available for sale assets		200,934,181		335,418,316		29,704,387
Remeasurement gain (loss) on defined benefit		(18,066,229)		(18,066,229)		
Retained earnings						
Appropriated	P 1,600,000,000		P 1,900,000,000		1,350,000,000	
Unappropriated	602,371,570		147,706,444		617,983,425	
Total Retained Earnings		2,202,371,570		2,047,706,444		1,967,983,425
Treasury Stock, at cost		(2,680)		(2,680)		(2,680)
Total Stockholders' Equity		P 2,885,236,842		P 2,865,055,851		P 2,497,685,132
Total Liabilities & Stockholders' Equity		P 3,793,551,190		P 3,557,099,796		P 3,403,619,224

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended September 30, 2014
and for the nine months ended September 30, 2014
(With comparative figures for the quarter ended September 30, 2013 and for the nine months ended September 30, 2013)

		July 1 to September 30, 2014		January 1 to September 30, 2014		July 1 to September 30, 2013		January 1 to September 30, 2013
Net Sales	P	423,473,576	P	1,226,624,527	P	459,031,792	P	1,419,496,041
Cost of Sales		(306,122,812)		(860,258,944)		(318,062,537)		(1,015,645,389)
Gross Profit	P	117,350,764	P	366,365,583	P	140,969,255	P	403,850,652
Other operating income		38,477,509		72,390,136		50,417,873		96,292,249
Operating Expenses		(54,848,672)		(165,087,973)		(79,150,454)		(194,212,041)
Income from operations	P	100,979,601	P	273,667,746	P	112,236,674	P	305,930,859
Other Income/Charges, net		(13,673,607)		8,337,592		(3,834,778)		7,421,325
Income before Income Tax	P	87,305,994	P	282,005,339	P	108,401,896	P	313,352,184
Provision for Income Tax, current		(24,819,318)		(76,407,004)		(28,481,248)		(82,433,171)
Provision for Income Tax, Deferred		-		-		-		807,019
Net Income for the period	**P**	**62,486,677**	**P**	**205,598,335**	**P**	**79,920,648**	**P**	**230,919,013**
Earnings per share	**P**	**1.25**	**P**	**4.11**		**1.60**		**4.62**

LIBERTY FLOUR MILLS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For nine months ended September 30, 2014 and 2013

		2014		2013
CAPITAL STOCK				
Authorized - 50 million shares				
at P10 par value per share P500 million				
Issued and outstanding - 40 million shares	P	500,000,000	P	500,000,000
TREASURY STOCK, at cost - 268 shares		(2,680)		(2,680)
Fair value on available for sale assets		200,934,181		29,704,387
RETAINED EARNINGS				
January `1		2,046,773,037		1,737,064,412
Net income for the period		205,598,335		230,919,013
Remeasurement loss on define benefit		(18,066,299)		-
Cash dividends declared and paid		(49,999,732)		-
		2,184,305,341		1,967,983,425
		2,885,236,842		**2,497,685,132**

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2014		2013
NUMERATOR:				
Net income for the three quarters	P	205,598,335	P	230,919,013
DENOMINATOR:				
Outstanding shares		50,000,000		50,000,000
Treasury Stock		(268)		(268)
TOTAL WEIGHTED AVERAGE SHARES		49,999,732		49,999,732

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended September 30, 2014
and for the nine months ended September 30, 2014
(With comparative figures for the quarter ended September 30, 2013 and for the nine months ended September 30, 2013)

		July 1 to September 30, 2014		January 1 to September 30, 2014		July 1 to September 30, 2013		January 1 to September 30, 2013
CASHFLOWS FROM OPERATING ACTIVITIES:								
Income before tax	P	87,305,994	P	282,005,339	P	108,401,896	P	313,352,184
Adjustment for:								
Depreciation		5,638,145		17,814,201		7,554,899		21,182,468
Provision for income tax deferred		-		-		(807,019)		(807,019)
Loss (Gain) on the sale of AFS investments		-		(10,925,300)		-		-
Loss on sale of FVPL investments		-		673,142		-		-
Decrease (Increase) in:								
Receivables		14,385,648		84,402,325		8,863,494		(6,047,551)
Inventories		59,223,248		24,610,705		(209,493,545)		83,907,088
Prepayments and other assets		(136,953,447)		(143,778,953)		73,878,453		(67,991,891)
Increase (Decrease) in:								
Trade Payables		(17,425,513)		108,987,056		(527,748,398)		(2,853,795)
Accrued Payables and other liabilities		(11,786,900)		59,922,749		354,213,517		321,177,319
Deposit on long term lease		(600,463)		(600,463)		(62,550)		(127,715)
Liabilities for Retirement Fund		16,459,966		16,459,966		1,365,458		6,806,708
Cash generated (used) from operations		7,729,385		421,966,051		(183,833,793)		668,597,795
Income tax paid		(24,087,541)		(76,572,576)		(26,678,515)		(149,361,855)
Net cash provided by (used in) operating activities		(16,358,156)		345,393,475		(210,512,308)		519,235,940
CASHFLOWS FROM INVESTING ACTIVITIES:								
Acquisition of plant, AFS investments		(75,000,000)		(300,000,000)		(40,224,555)		(51,837,379)
Proceeds from sale of AFS investments		-		60,294,064		-		-
Acquisition of investment property		-		-		-		(471,074,706)
Acquisition of plant, property and equipment		1,256,206		(6,815,187)		(6,681,806)		(8,236,284)
Net cash used in investing activities		(61,261,128)		(217,848,016)		(46,906,361)		(531,148,369)
CASHFLOW FROM FINANCING ACTIVITIES								
Availment of Loans		-		100,000,000		200,000,000		536,666,667
Loan Payments		(11,111,111)		(68,333,334)		(481,111,111)		(500,000,000)
Payments of cash dividends				(49,999,732)		-		(49,999,490)
Net cash used in financing activities		(15,076,483)		(29,401,458)		(281,111,111)		(13,332,823)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(92,695,767)**		**98,144,002**		**(538,529,780)**		**(25,245,252)**
Add: Cash and cash equivalents:								
January 1				296,703,517				414,499,892
July 1		487,543,286				927,784,420		
CASH AND CASH EQUIVALENTS, END	**P**	**394,847,519**	**P**	**394,847,519**	**P**	**389,254,640**	**P**	**389,254,640**

LIBERTY FLOUR MILLS, INC.
Aging of Accounts Receivable
As of September 30, 2014

		Total		Current		1 Month		2-3 Months		Over 3 Mos.
Type of Accounts Receivable										
a) Trade Receivables										
Flour and Millfeed customers	P	890,888,556	P	613,290,857.16	P	143,203,381.33	P	134,394,317.43	P	-
Building Tenants		7,129,870		4,827,553.34		604,205.12		487,973.61		1,210,137.74
b) Non-Trade Receivables:										
Others		18,499,323		7,365,674.09		66,341.64		51,244.20		11,016,063.47
Total	**P**	**916,517,749**	**P**	**625,484,085**	**P**	**143,873,928**	**P**	**134,933,535**	**P**	**12,226,201**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2014

1. Basis of Financial Statement Preparation

The consolidated financial statements were prepared on the historical cost basis, except for the financial assets at fair value through profit and loss (FVPL) and the available-for- sale (AFS) financial assets which were measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency.

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Financial Reporting Standards (PFRS) and Philippine Interpretations which were adopted as of 1 January 2014.

Standards that have been adopted and that are deemed to have an impact on the financial statements of the Group are described below:

PFRS 7, *Financial Instruments: Disclosures* - *Transfers of Financial Assets (Amendments)*
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 12, *Income Taxes* - *Deferred Tax: Recovery of Underlying Assets (Amendments)*
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Group's financial statements since the Group has no investment properties and property and equipment carried at revalued amounts.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Groups's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Effective in 2013

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

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

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

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  A reassessment of control was performed by the Parent Company on its wholly-owned subsidiary in accordance with the provisions of PFRS 10. Following the reassessment, the Parent Company determined that it still controls the subsidiary.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard will have no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result in the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

- PAS 27, *Separate Financial Statements (as revised in 2011)*

As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group presents separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this amendment will not have any impact on the Group's financial position and performance.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this amendment will not have any impact on the Group's financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Group.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9, *Financial Instruments – Classification and Measurement*, as issued, 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*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For 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 Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the financial statements and as of December 31, 2012 and 2011 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance.

The Group shall conduct another impact assessment at the end of the 2013 reporting period using the financial statements as of and for the year ended December 31, 2012. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting. It plans to reassess its current position once the phases of PFRS 9 on impairment and hedge accounting become effective.

The Group's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in the financial statements as of and for the year ending December 31, 2013.

The Group's receivables and trade, liabilities under trust receipts and accounts payable and accrued expenses may be affected by the adoption of this standard.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment* - *Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of September 30, 2014 as compared with the audited financial statements as of December 31, 2013.

2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.

3. There are no unusual items that affected assets, liabilities, equity and cash flows.

4. There are no changes in estimates of amounts reported in prior financial years.

5. There are no issuances, repurchases and repayments of debts and equity securities.
6. Dividend was paid for ordinary and other shares during the interim period ended September 30, 2014.

7. Segment revenue is shown in the Statement of Income and Expenses.

8. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

9. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.

10. There are no contingent liabilities and contingent assets.

11. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.