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SEC Registration Number

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(Company's Full Name)

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

<b>Mr. Gerry N. Florencio</b> (Contact Person)
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<b>671-2935; 635-0751; 671-3954</b> (Company Telephone Number)
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<i>Month</i>	<i>Day</i>	<i>Month</i>	<i>Day</i>
(Fiscal Year)			

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(Annual Meeting)			

(Secondary License Type, If Applicable)

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<b>II</b>
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

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To be accomplished by SEC Personnel concerned

File Number

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Document ID

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **September 30, 2012**
2. SEC Identification Number **9170**
3. BIR Tax Identification No. **000-400-016-000**
4. Exact name of issuer as specified in its charter **Universal Robina Corporation**
5. **Quezon City, Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **110 E. Rodriguez Ave., Bagumbayan, Quezon City** **1110**  
Address of principal office Postal Code
8. **671-2935; 635-0751; 671-3954**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt
<b>Common Shares, P1.00 Par value</b>	<b>2,181,501,933 shares</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes [ / ]                      No [ ]

12. Check whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that the registrant was required to file such reports);

Yes [ / ]                      No [ ]

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

Yes [ / ]                      No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

The aggregate market value of the voting stock held by non-affiliates is ₱57,670,459,389.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

**Not Applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- a) Any annual report to security holders;                      **None**
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);                      **None**
- c) Any prospectus filed pursuant to SRC Rule 8.1-1                      **None**

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Universal Robina Corporation (URC) is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine multinational", and has a growing presence in other Asian markets. It was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and day-old chicks, manufacture of animal and fish feeds, glucose and veterinary compounds, flour milling, and sugar milling and refining. The Company is a dominant player with leading market shares in Savory Snacks, Candies and Chocolates, and is a significant player in Biscuits, with leading positions in Cookies and Pretzels. URC is also the largest player in the RTD Tea market, and is a respectable 2nd player in the Noodles and 3rd in Coffee businesses.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years except those mentioned in the succeeding paragraphs. The Company's financial condition has remained solid in the said period.

The Company operates its food business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into three core business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including our packaging division, is the Company's largest segment contributing about 79.0% of revenues for the fiscal year ended September 30, 2012. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta and tomato-based products. The manufacture, distribution, sales and marketing activities for the Company's consumer food products are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage and grocery groups, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies (i.e. Nissin-URC and Hunt-URC). The Company established URC Packaging Division to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies. The BOPP plant, located in Batangas, began commercial operation in June 1998 and holds the distinction of being the only Integrated Management System ISO-certified BOPP plant in the country today, with its Quality ISO 9001:2008 and Environmental ISO 14001:2004 Standards. URC also formed Food Service and Industrial Division that supply BCF products in bulk to certain institutions like hotels, restaurants, and schools.

In 2004, the Company introduced and manufactured ready-to-drink tea in PET bottles, C2. The Company expanded the beverage product line to include functional beverages such as fitness and energy drinks. In 2006, the Company supplied certain flexible packaging materials to BCF through its wholly-owned subsidiary, CFC Clubhouse Property, Inc. In 2008, the Company acquired General Milling Corporation's (GMC) Granny Goose brand and snacks line which further expanded its snacks product lines. In December 2009, the Company likewise acquired the coffee plant facilities of GMC to add capacities to its existing coffee business. In 2012, the Company has finalized the acquisition of sugar mill located in Negros Oriental (formerly known as Tolong sugar mill) from Herminio Teves & Co., Inc. (HTCI) to further expand its sugar milling business.

Majority of the Company's branded consumer foods business is conducted in the Philippines. In 2000, the Company began to expand its BCF business more aggressively into other Asian markets, primarily through its subsidiary, URC International and its subsidiaries in China: Shanghai Peggy Foods Co. Ltd., Guangzhou Peggy Foods Co. Ltd., and URC Hongkong Co. Ltd.; in Malaysia: URC Snack Foods (Malaysia) Sdn. Bhd. and Ricellent Sdn. Bhd.; in Thailand: URC (Thailand) Co. Ltd.; in Singapore: URC Foods (Singapore) Pte. Ltd.; Acesfood Network Pte, Ltd. in 2007 and Advanson International Pte, Ltd. in 2008; in Indonesia: PT URC Indonesia. In 2006, the Company started operations in Vietnam through its subsidiary URC Vietnam Company Ltd. and URC Hanoi Company, Ltd. in 2009. In August 2012, the Company acquired the remaining 23% non-controlling interest of URC International making it a wholly owned subsidiary. The Asian operations contributed about 28.3% of the Company's revenues for the fiscal year ended September 30, 2012.

The Company has a strong brand portfolio created and supported through continuous product innovation, extensive marketing and experienced management. Its brands are household names in the Philippines and a growing number of consumers across Asia are purchasing the Company's branded consumer food products.

The Company's agro-industrial products segment operates three divisions, which engage in hog and poultry farming (Robina Farms or "RF"), the manufacture and distribution of animal feeds, glucose and soya products (Universal Corn Products or "UCP"), and the production and distribution of animal health products (Robichem). This segment contributed approximately 10.4% of sale of goods and services in fiscal 2012.

The Company's commodity food products segment engages in sugar milling and refining through its Sugar divisions: URSUMCO, CARSUMCO, SONEDCO and PASSI and flour milling and pasta manufacturing through URC Flour division. In fiscal 2012, the segment contributed approximately 10.6% of aggregate sale of goods and services.

The Company is a core subsidiary of JG Summit Holdings, Inc. (JGSHI), one of the largest conglomerates listed in the Philippine Stock Exchange based on total net sales. JGSHI has substantial business interests in property development, hotel management, banking and financial services, petrochemicals, air transportation and in other sectors, including power generation, printing, and insurance. On December 4, 2012, JGSHI was named by Forbes Asia as one of the 50 best publicly-traded companies in Asia for 2012, the only Philippine firm chosen from a pool of 1,295 companies.

The percentage contribution to the Company's revenues for each of the three years in the period ended September 30, 2010, 2011 and 2012 by each of the Company's principal business segments is as follows:

	For the fiscal years ended September 30		
	2010	2011	2012
Branded Consumer Foods	74.9%	75.3%	79.0%
Agro-Industrial Products	12.4	10.5	10.4%
Commodity Food Products	12.7	14.2	10.6%
	100.0%	100.0%	100.0%

The geographic percentage distribution of the Company's revenues for each of the three years in the period ended September 30, 2010, 2011 and 2012 is as follows:

	For the fiscal years ended September 30		
	2010	2011	2012
Philippines	74.7%	71.4%	71.7%
ASEAN	23.6	26.6	26.4%
China	1.7	2.0	1.9%
	100.0%	100.0%	100.0%

### **Customers**

None of the Company's businesses is dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. The Company has no single customer that, based upon existing orders, will account for 20.0% or more of the Company's total sale of goods and services.

### *Distribution, Sales and Marketing*

The Company has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. The Company sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. The Company's branded consumer food products are distributed to approximately 120,000 outlets in the Philippines and sold through its direct sales force and regional distributors. URC intends to enlarge its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

The branded consumer food products are generally sold by the Company from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30 day credit terms are extended to wholesalers, supermarkets and regional distributors.

The Company believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched "Jack 'n Jill" as a master umbrella brand for all its snack food products in order to enhance customer recognition. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets, including funding for advertising campaigns such as television commercials and radio and print advertisements, as well as promotions for new product launches by spending on average 5% of its branded consumer food division's net sales this year.

### *Competition*

The BCF business is highly competitive and competition varies by country and product category. The Company believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed. Generally, the Company faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Manufacturing Corp., Columbia

Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Company Inc. and Kraft Foods Inc. Internationally, major competitors include Procter & Gamble, Effem Foods/Mars Inc., Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, Calbee Group, Apollo Food, Frito-Lay, Nestlé S.A., Cadbury Schweppes plc, Groupe Danone S.A. and Kraft Foods International.

The day-old chicks market is cyclical, very competitive and principally domestic. The Company believes that the principal competitive factors are chick quality, supply dependability, price and breeder performance for broiler chicks. For layer chicks, competitive factors are egg productivity and disease resistance. The Company's principal competitors are Danway Processing Corp, RFM Corp. and Math Agro for broiler chicks and Bounty Farms, Inc., Brookdale Farms, and Heritage Vet Corp. for layer chicks.

The live hog market is highly fragmented, competitive and principally domestic. The Company believes that the principal competitive factors are quality, reliability of supply, price and proximity to market. The Company's principal competitors are San Miguel Corp. (Monterey) and Foremost Farms, Inc. The main competition is from backyard raisers who supply 62-65% of the total pork requirement in the country. In 2012, the hog population decreased by 9% because of disease outbreaks and farm closure(s) due to high cost of inputs (Feeds) and lower live weight prices (due to lower consumer spending). It is expected that live weight prices will relatively be higher in 2013 that will encourage raisers, both backyard and commercial farms to start and expand their operations with the anticipated improvement in profitability.

The commercial animal feed market is highly fragmented and its products compete primarily with domestic feed producers. As of September 30, 2012, there were 150 registered feed mills in the Philippines, 25% of which sell commercial feeds. URC believes the principal competitive factors are quality, brand equity, credit term and price. The Company's principal competitors are B-Meg and UNAHCO (Sarimanok & Thunderbird). A number of multinationals including Cargil Purina Phils. Inc, CJ and Sun Jun of Korea, and New Hope of China are also key players in the market.

The animal health products market is highly competitive. The market is dominated by multinationals and the Company is one of only few Philippine companies in this market. The Company's principal competitors are Pfizer, Inc., UNAHCO (Univet), and Merial Limited, a company jointly owned by Merk and Co., Inc. and Aventis. S.A. The principal competitive factors are brand equity, price, product effectiveness, and credit terms.

#### *Enhancement and Development of New Products*

The Company intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage and grocery (instant noodles and tomato-based) products. This fiscal year alone, the Company's Philippines Branded Consumer Foods has introduced 55 new products, which contributed to 2% of sales.

The Company has selectively entered and expanded its presence in segments of the Philippine beverage market through the addition of branded beverage products designed to capture market share in niches that complement its existing branded snack food product lines. In 2004, the Company introduced and manufactured ready-to-drink tea in PET bottles, C2. The Company continues to expand the beverage product line to include functional beverages such as fitness and energy drinks. Over a couple of years, the Company has also acquired water manufacturing facilities from Nestle Water Philippines, Inc. and entered into licensing agreements to manufacture and sell

bottled water carrying the “Nestle Pure Life” and “Hidden Spring” trademark in the Philippines. In December 2010, the licensing contract to carry the “Nestle Pure Life” trademark was rescinded. In December 2009, the Company likewise, acquired the coffee plant facilities of GMC to add capacities to its existing coffee business.

#### *Raw Materials*

A wide variety of raw materials are required in the manufacture of the Company’s food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some of which the Company imports. The Company also obtains a major portion of its raw materials from its agro-industrial and commodity food products segments, such as flour and sugar, and pet bottles and flexible packaging materials from wholly owned subsidiary, CFC Clubhouse Property, Inc. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while Tetrapak packaging is purchased from Singapore.

For its day-old chicks business, the Company requires a number of raw materials, including parent stock for its layer chicks, grandparent stock for its broiler chicks and medicines and other nutritional products. The Company purchases the parent stock for its layer chicks from Hendrix Genetics of France. The Company purchases the grandparent stock for its broiler chicks from Cobb in the USA. The Company obtains a significant amount of the vitamins, minerals, antibiotics and other medications and nutritional products used for its day-old chicks business from its Robichem division. The Company purchases vaccines from various suppliers, including Merial, Intervet Philippines, Inc. (through authorized local distributor Castle Marketing and Vetaide Inc.) and Boehringer Ingelheim GmbH and Ceva.

For its live hog business, the Company requires a variety of raw materials, primarily imported breeding stocks or semen. The Company obtains all of the feeds it requires from its Universal Corn Products division and substantially all of the minerals and antibiotics for its hogs from its Robichem division. The Company purchases vaccines, medications and nutritional products from a variety of suppliers based on the strengths of their products. Ample water supply is also available in its locations. The Company maintains approximately one month of inventory of its key raw materials.

For its animal health products, the Company requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. For its commercial animal feed products, the Company requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, rice bran, copra meal and fish meal. Tapioca starch and soya bean seeds, on the other hand, are required for its liquid glucose and soya bean products, respectively. The Company purchases corn locally from corn traders and imports feed-wheat from suppliers in China, North America, and Europe. Likewise, soya seeds are imported by the Company from the USA. For tapioca starch, the Company imports from a number of suppliers, primarily in Vietnam and Thailand. The Company purchases solvents locally from Shell Chemicals Philippines through authorized local distributor Chemisol Inc. for use in the extraction of soya oil and other soya-products from soya beans. The Company maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

The Company obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

The Company generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

The Company's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. The Company believes that alternative sources of supply of the raw materials that it uses are readily available. The Company's policy is to maintain approximately 30 to 90 days of inventory.

#### *Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract*

Intellectual property licenses are subject to the provisions of the Philippine Intellectual Property Code. The Company owns a substantial number of trademarks registered with the Bureau of Trademarks of the Philippine Intellectual Property Office. In addition, certain of its trademarks have been registered in other Asian countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of the Company's product lines. In the Philippines, the Company's licensing agreements are registered with the Philippine Intellectual Property Office. The former Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer Office issued the relevant certificates of registration for licensing agreements entered into by URC prior to January 1998. These certificates are valid for a 10-year period from the time of issuance which period may be terminated earlier or renewed for 10-year periods thereafter. After the Intellectual Property Code of the Philippines (R.A. No. 8293) became effective in January 1998, technology transfer agreements, as a general rule, are no longer required to be registered with the Documentation, Information and Technology Transfer Bureau of the Intellectual Property Office, but the licensee may apply to the Intellectual Property Office for a certificate of compliance with the Intellectual Property Code to confirm that the licensing agreement is consistent with the provisions of the Intellectual Property Code. In the event that the licensing agreement is found by the Intellectual Property Office to be not in compliance with the Intellectual Property Code, the licensor may obtain from the Intellectual Property Office a certificate of exemption from compliance with the cited provision.

The Company also uses brand names under licences from third parties. These licensing arrangements are generally renewable based on mutual agreement. The Company's licensed brands include:

Nissin's Cup Noodles, Nissin's Yakisoba instant noodles and Nissin's Pasta Express for sale in the Philippines; and Hunt's tomato and pork and bean products for sale in the Philippines

URC has obtained from the Intellectual Property Office certificates of registration for its licensing agreements with Nissin-URC and Hunt-URC. The Company was also able to renew its licenses with Nissin-URC and Hunt-URC for another term.

#### *Regulatory Overview*

As manufacturer of consumer food and commodity food products, the Company is required to guarantee that the products are pure and safe for human consumption, and that the Company conforms to standards and quality measures prescribed by the Bureau of Food and Drugs.

The Company's sugar mills are licensed to operate by the Sugar Regulatory Administration. The Company renews its sugar milling licenses at the start of every crop year.

All of the Company's livestock and feed products have been registered with and approved by the Bureau of Animal Industry, an agency of the Department of Agriculture which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of the Company's projects, such as the sugar mill and refinery, poultry and hog farm operations, certain snacks products, BOPP packaging, flexible packaging and PET bottle manufacturing, are registered with the Board of Investments (BOI) which allows the Company certain fiscal and non-fiscal incentives.

#### *Effects of Existing or Probable Governmental Regulations on the Business*

The Company operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

#### *Research and Development*

The Company develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of the Company's food products. In Philippine operations alone, about ₱43 million was spent for research and development activities for fiscal 2012 and approximately ₱28 million and ₱40 million for fiscals 2011 and 2010, respectively.

The Company has research and development staff for its branded consumer foods and packaging divisions of approximately 81 people located in its research and development facility in Metro Manila. The Company also has research and development staff in each of its manufacturing facilities. In addition, the Company hires experts from all over the world to assist its research and development staff. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customising products to meet the local needs and tastes in the international markets. The Company's commodity foods division also utilises this research and development facility to improve their production and quality control. The Company also strives to capitalize on its existing joint ventures to effect technology transfers.

The Company has dedicated research and development staff for its agro-industrial business of approximately 41 persons. Its researchers are continually exploring advancements in breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products.

The Company also has a diagnostic laboratory that enables it to perform its own serology tests and offers its laboratory services directly to other commercial farms and some of its customers as a service at a minimal cost.

#### *Transactions with Related Parties*

The largest shareholder, JG Summit Holdings, Inc., is one of the largest conglomerates listed on the Philippine Stock Exchange based on total net sales. JG Summit provides the Company with certain corporate center services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications. JG Summit also provides the Company with

valuable market expertise in the Philippines as well as intra-group synergies. See Note 35 to Consolidated Financial Statements for Related Party Transactions.

*Costs and Effects of Compliance with Environmental Laws*

The operations of the Company are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of September 30, 2012, the Company has invested about ₱185 million in wastewater treatment in its facilities in the Philippines.

*Employees and Labor*

As of September 30, 2012, the number of permanent full time employees engaged in the Company's respective businesses is 10,603 and are deployed as follows:

<b><u>Business</u></b>	<b><u>Company or Division</u></b>	<b><u>Number</u></b>
Branded consumer foods	BCF, Nissin-URC, Hunt-URC, Packaging Division, CCPI, URCI and URCCCL	8,189
Agro-industrial products		
Agribusiness	Robina Farms	736
Livestock feeds, corn products & vegetable oil	UCP	334
Veterinary compounds	Robichem	24
Commodity food products		
Sugar	URSUMCO, SONEDCO, CARSUMCO, PASSI	1,031
Flour	Flour Division and CMC	289
		10,603

Out of the total employees, 2,120 are managerial and administrative staff. As at the same date, approximately 12,000 contractual and agency employees are engaged in the Company's businesses. The Company does not anticipate any substantial increase in the number of its employees in fiscal 2013.

For most of the companies and operating divisions, collective bargaining agreements between the relevant representatives of the employees' union and the subsidiary or divisions are in effect. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic provisions of the agreement after three years, and contain provisions for annual salary increases, health and insurance benefits, and closed-shop arrangements. The collective bargaining agreements are with 25 different unions. For fiscal 2012, 4 collective bargaining agreements were signed and concluded with the labor unions which are as follows: Kilusang Unyon sa Robina Farms - Alliance of Nationalist and Genuine Labor Organization (KURF-ANGLO), URC Cebu Independent Employees Union, CARSUMCO Employees' Union (Philippine Agricultural, Commercial and Industrial Workers' Union - TUCP) and CARSUMCO Supervisors' Union (National Congress of Unions in the Sugar Industry Philippines - TUCP).

The Company believes that good labor relations generally exist throughout the Company's subsidiaries and operating divisions.

The Company has established non-contributory retirement plan covering all of the regular employees of URC. The plan provides retirement, separation, disability and death benefits to its members. The Company, however, reserves the right to change the rate and amounts of its contribution at anytime on account of business necessity or adverse economic conditions. The funds of the plan are administered and managed by the trustees. Retirement cost charged to operations, including amortization of past service cost, amounted to ₱126 million, ₱94 million and ₱63 million in fiscals 2012, 2011 and 2010, respectively.

### *Risks*

The major business risks facing the Company and its subsidiaries are as follows:

#### *1) Competition*

The Company and its subsidiaries face competition in all segments of its businesses both in the Philippine market and in international markets where it operates. The Philippine food industry in general is highly competitive. Although the degree of competition and principal competitive factors vary among the different food industry segments in which the Company participates, the Company believes that the principal competitive factors include price, product quality, brand awareness and loyalty, distribution network, proximity of distribution outlets to customers, product variations and new product introductions. (See page 3, *Competition*, for more details)

The Company's ability to compete effectively includes continuous efforts in sales and marketing of its existing products, development of new products and cost rationalization.

#### *2) Financial Market*

The Company has foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the U.S. dollar and other foreign currencies. Majority of the Company's revenues is denominated in Pesos, while certain of its expenses, including debt services and raw material costs, are denominated in U.S. dollars or based on prices determined in U.S. dollars. In addition, the majority of the Company's debt is denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

#### *3) Raw Materials*

The Company's production operations depend upon obtaining adequate supplies of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Company's raw material requirements is imported including packaging materials. To mitigate these risks, alternative sources of raw materials are used in the Company's operations. (See page 5, *Raw Materials*, for more details)

#### *4) Food Safety Concerns*

The Company's business could be adversely affected by the actual or alleged contamination or deterioration of certain of its flagship products, or of similar products produced by third parties. A risk of contamination or deterioration of its food products exists at each stage of the production cycle, including the purchase and delivery of food raw materials, the processing and packaging of

food products, the stocking and delivery of the finished products to its customers, and the storage and display of finished products at the points of final sale. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets for its food business. For its agro-industrial business, its researchers are continually exploring advancements in breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. Moreover, the Company ensures that the products are safe for human consumption, and that the Company conforms to standards and quality measures prescribed by regulatory bodies such as Bureau of Food and Drugs, Sugar Regulatory Administration, Bureau of Animal Industry, and Department of Agriculture.

5) *Mortalities*

The Company's agro-industrial business is subject to risks of outbreaks of various diseases. The Company faces the risk of outbreaks of foot and mouth disease, which is highly contagious and destructive to susceptible livestock such as hogs, and avian influenza or bird flu for its chicken farming business. These diseases and many other types could result to mortality losses. Disease control measures are adopted by the Company to minimize and manage this risk.

6) *Intellectual Property Rights*

Approximately 79.0% of the Company's sale of goods and services in fiscal year 2012 were from its branded consumer foods segment. The Company has put considerable efforts to protect the portfolio of intellectual property rights, including trademark registrations. Security measures are continuously taken to protect its patents, licenses and proprietary formulae against infringement and misappropriation.

7) *Weather and Catastrophe*

Severe weather condition may have an impact on some aspects of the Company's business, such as its sugar cane milling operations due to reduced availability of sugar cane. Weather condition may also affect the Company's ability to obtain raw materials and the cost of those raw materials. Moreover, the Philippines have experienced a number of major natural catastrophes over the years including typhoons, droughts, volcanic eruptions, and earthquakes. The Company and its subsidiaries continually maintain sufficient inventory level to neutralize any shortfall of raw materials from major suppliers whether local or imported.

8) *Environmental Laws and Other Regulations*

The Company is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. The nature of the Company's operations will continue to subject it to increasingly stringent environmental laws and regulations that may increase the costs of operating its facilities above currently projected levels and may require future capital expenditures. The Company is continually complying with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources, to lessen the effect of these risks.

The Company shall continue to adopt what it considers conservative financial and operational policies and controls to manage the various business risks it faces.

## Item 2. Properties

The Company operates the manufacturing/farm facilities located in the following:

Location (Number of facilities)	Type of Facility	Owned/Rented	Condition
Pasig City (5)	Branded consumer food plants, feedmills and flourmill	Owned	Good
Libis, Quezon City (1)	Branded consumer food plant	Owned	Good
Canlubang, Laguna (1)	Branded consumer food plant	Owned	Good
Luisita, Tarlac (1)	Branded consumer food plant	Owned	Good
San Fernando, Pampanga (1)	Branded consumer food plants	Owned	Good
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned	Good
Cagayan de Oro (1)	Branded consumer food plant	Owned	Good
San Pedro, Laguna (1)	Branded consumer food plant	Owned	Good
Calamba, Laguna (1)	Branded consumer food plant	Rented	Good
San Pablo, Laguna (1)	Branded consumer food plant	Owned	Good
Binan, Laguna (1)	Branded consumer food plant	Owned	Good
Antipolo, Rizal (4)	Poultry and piggery farm	Rented/Owned	Good
Teresa, Rizal (2)	Piggery farms	Rented	Good
Angono, Rizal (1)	Poultry farm	Owned	Good
Taytay, Rizal (1)	Poultry farm	Rented	Good
Naic, Cavite (1)	Poultry farm	Owned	Good
San Miguel, Bulacan (3)	Poultry and piggery farms	Owned	Good
Bustos, Bulacan (1)	Piggery farm	Rented	Good
Pandi, Bulacan (1)	Piggery farm	Rented	Good
Novaliches, Quezon City (1)	Piggery farm	Owned	Good
Rosario, Batangas	Piggery farm	Owned	Good
Davao City, Davao (2)	Branded consumer food plant, and flourmill	Owned	Good
Mandaue City, Cebu (2)	Branded consumer food plant, poultry farm and feedmill	Owned	Good
Manjuyod, Negros Oriental (1)	Sugar mill	Owned	Good
Piat, Cagayan (1)	Sugar mill	Owned	Good
Kabankalan, Negros Occidental (1)	Sugar mill	Owned	Good
San Enrique, Iloilo City (1)	Sugar mill	Owned	Good
Simlong, Batangas (2)	BOPP plant/Flexible packaging	Owned	Good
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (2)	Branded consumer food plant	Owned	Good
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned	Good
Jiangsu, China (1)	Branded consumer food plant	Owned	Good
Guandong, China (1)	Branded consumer food plant	Owned	Good
Shanghai, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Bekasi, Indonesia (1)	Branded consumer food plant	Owned	Good
VSIP, Bin Duong Province, Vietnam (2)	Branded consumer food plant	Owned	Good
Thach That District, Ha Noi, Vietnam (1)	Branded consumer food plant	Owned	Good

The Company intends to expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors.

Annual lease payment for Calamba plant for fiscal year 2012 amounted to ₱53 million. Lease contract is renewable annually. Land in Taytay, Teresa and Antipolo, Rizal, where farm's facilities are located, are owned by an affiliate and are rent-free.

**Item 3. Legal Proceedings**

The Company is subject to lawsuits and legal actions in the ordinary course of its business. The Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or results of operations.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

#### *Market Information*

The principal market for URC's common equity is the Philippine Stock Exchange. Sales prices of the common stock follow:

	High	Low
Fiscal Year 2012		
Oct. to Dec. 2011	₱53.00	₱40.00
Jan. to Mar. 2012	65.50	48.00
Apr. to Jun. 2012	69.20	57.90
Jul. to Sep. 2012	69.60	57.30
Fiscal Year 2011		
Oct. to Dec. 2010	₱46.90	₱34.30
Jan. to Mar. 2011	37.65	32.20
Apr. to Jun. 2011	44.00	33.60
Jul. to Sep. 2011	49.60	37.00

As of January 10, 2013, the latest trading date prior to the completion of this annual report, sales prices of the common stock is at ₱85.85.

The number of shareholders of record as of September 30, 2012 was approximately 1,110. Common shares outstanding as of September 30, 2012 were 2,181,501,933.

**List of Top 20 Stockholders of Record**  
*September 30, 2012*

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1 JG Summit Holdings, Inc.	1,320,223,061	60.52%
2 PCD Nominee Corporation (Non-Filipino)	498,136,847	22.83%
3 PCD Nominee Corporation (Filipino)	349,769,683	16.03%
4 Elizabeth Y. Gokongwei and/or John Gokongwei, Jr.	2,479,400	0.11%
5 Litton Mills, Inc.	2,237,434	0.10%
6 Lisa Yu Gokongwei and/or Elizabeth Gokongwei	575,000	0.03%
6 Robina Gokongwei Pe and/or Elizabeth Gokongwei	575,000	0.03%
6 Faith Gokongwei Ong and/or Elizabeth Gokongwei	575,000	0.03%
6 Marcia Gokongwei Sy and/or Elizabeth Gokongwei	575,000	0.03%
6 Hope Gokongwei Tang and/or Elizabeth Gokongwei	575,000	0.03%
7 Elizabeth Yu Gokongwei	450,000	0.02%
8 Quality Investments & Securities Corp.	400,143	0.02%
9 Flora Ng Siu Kheng	379,500	0.02%
10 Consolidated Robina Capital Corporation	253,000	0.01%
11 Gilbert U. Du and/or Fe Socorro R. Du	188,485	0.01%
12 JG Summit Capital Services Corporation	127,765	0.01%
13 Pedro Sen	75,900	0.00%
14 Phimco Industries Provident Fund	72,864	0.00%
15 Joseph Estrada	72,105	0.00%
16 Gilbert Du	63,250	0.00%
17 Lisa Yu Gokongwei	60,000	0.00%
18 Homer U. Go	57,500	0.00%
18 Geraldine C. Go	57,500	0.00%
19 Abacus Securities Corporation	51,100	0.00%
20 Patrick Y. Tong	46,299	0.00%
OTHERS	3,425,097	0.16%
<b>TOTAL</b>	<b>2,181,501,933</b>	<b>100.00%</b>

*Recent Sales of Unregistered Securities*

Not applicable. All shares of the Company are listed on the Philippine Stock Exchange.

*Dividends*

The Company paid dividends as follows:

For fiscal year 2012, a regular cash dividend of ₱1.50 per share and a special dividend of ₱0.40 per share were declared to all stockholders of record as of May 8, 2012 and paid on June 1, 2012.

For fiscal year 2011, a regular cash dividend of ₱1.50 per share and a special dividend of ₱0.40 per share were declared to all stockholders of record as of May 31, 2011 and paid on June 27, 2011.

For fiscal year 2010, cash dividend of ₱0.94 per share was declared to all stockholders of record as of May 5, 2010 and paid on May 20, 2010.

## **Item 6. Management's Discussion and Analysis or Plan of Operation**

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

### ***Results of Operations***

#### *Fiscal Year 2012 Compare to Fiscal Year 2011*

URC generated a consolidated sale of goods and services of ₱71.202 billion for the fiscal year ended September 30, 2012, 6.0% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱5.720 billion, or 11.7%, to ₱54.508 billion in fiscal 2012 from ₱48.788 billion registered in fiscal 2011. BCFG domestic operations posted a 16.2% increase in net sales from ₱29.570 billion in fiscal 2011 to ₱34.351 billion in fiscal 2012 due to strong performance of its beverage division which grew 56.0% on the back of the stellar performance of the coffee business particularly the new coffee mix products. In addition, RTD beverages have recovered on the account of growth in its tea, water and juice offerings. Sales for snack foods division grew at a slower pace due to competitive pressures as consumers go for lower priced and lower value-added products.

BCFG international sales increased by 4.9% to ₱20.157 billion in fiscal 2012 against ₱19.218 billion in fiscal 2011. In US dollar (US\$) term, sales registered an increase of 6.3% from US\$443 million in fiscal 2011 to US\$471 million in fiscal 2012 due to increase in sales volume by 39.1%. This was supported by higher revenues from all the countries except Thailand as the effects of flood continued to affect the sales of its main categories, biscuits and wafers, which are not consumer staples and are discretionary. Vietnam, the biggest contributor, has contributed 42.8% of total international sales in dollar terms. Vietnam continues to solidify its leadership in RTD tea business as C2 brand has already taken over the number one market position in that category. Indonesia also grew sales with its newly launched extruded snacks.

Sale of goods and services of BCFG, excluding packaging division, accounted for 76.6% of total URC consolidated sale of goods and services for fiscal 2012.

Sale of goods and services in URC's packaging division slightly went down by 1.2% to ₱1.749 billion in fiscal 2012 from ₱1.770 million recorded in fiscal 2011 due to decline in prices, pulling down the impact of increased sales volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱7.370 billion in fiscal 2012, a 4.1% increase from ₱7.080 billion recorded in fiscal 2011. Feed business slightly grew by 2.4% to ₱3.600 billion on the back of higher prices while farm business increased by 5.7% due to higher sales volume of hogs and poultry products.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱7.575 billion in fiscal 2012 or down by 20.5% from ₱9.530 billion reported in fiscal 2011. Sugar business sales declined by 39.9% due to lower selling prices and volume as a result of lower production yields caused by the excessive rains during the growing seasons. Flour business grew by 8.4% due to growth in sales volume and better prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱2.085 billion, or 4.1%, to ₱52.730 billion in fiscal 2012 from ₱50.645 billion recorded in fiscal 2011 due to increase in sales volume.

URC's gross profit for fiscal 2012 amounted to ₱18.471 billion, up by ₱1.949 billion or 11.8% from ₱16.522 billion reported in fiscal 2011. Gross profit margin increased by 130 basis points from 24.6% in fiscal 2011 to 25.9% in fiscal 2012.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.037 billion or 10.8% to ₱10.671 billion in fiscal 2012 from ₱9.634 billion registered in fiscal 2011. This increase resulted primarily from the following factors:

- 13.9% or ₱488 million increase in advertising and promotion costs to ₱4.001 billion in fiscal 2012 from ₱3.513 billion in fiscal 2011 to support the new SKUs launched and boost up sales of existing products in light of increasing market competition.
- 13.5% or ₱336 million increase in freight and delivery charges to ₱2.825 billion in fiscal 2012 from ₱2.489 billion in fiscal 2011 due to increase in trucking and shipping costs associated with increased volume.
- 8.8% or ₱195 million increase in compensation and benefits to ₱2.400 billion in fiscal 2012 from ₱2.205 billion in fiscal 2011 due to annual salary adjustments and accrual of pension expenses.

As a result of the above factors, operating income increased by ₱912 million, or 13.2% to ₱7.801 billion in fiscal 2012 from ₱6.889 billion reported in fiscal 2011. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, increased by ₱1.102 billion or 24.3% to ₱5.636 billion in fiscal 2012 from ₱4.534 billion in fiscal 2011. URC's domestic operations went up by 26.1% to ₱3.916 billion in fiscal 2012 from ₱3.105 billion in fiscal 2011 due to solid sales figures and relatively lower input costs of major raw materials. International operations posted a ₱1.721 billion operating income, 20.5% higher than ₱1.428 billion posted last year due to better margins brought about by additional scale and reduced input prices. In US dollar amount, international operations posted an operating income of US\$40 million, a 21.2% increase from US\$33 million last year. The significant increase was attributed to the surging profits from Vietnam.

URC's packaging division reported an operating loss of ₱103 million in fiscal 2012 from operating income of ₱11 million reported in fiscal 2011 due to lower sales and increase in operating costs.

- Operating income in URC's agro-industrial segment increased by ₱39 million to ₱359 million in fiscal 2012 from ₱320 million in fiscal 2011 due to improved margins of the farm business.

- Operating income in URC's commodity foods segment decreased by ₱51 million to ₱2.800 billion in fiscal 2012 from ₱2.851 billion in fiscal 2011. Flour business registered a 3.7% decline despite better sales volume due to higher wheat prices in the last quarter of fiscal 2012. Operating income of sugar business remained the same due to better margins as a result of significantly lower freight and hauling subsidies notwithstanding lower sales price and volume.

Market valuation gain on financial instruments at fair value through profit or loss of ₱1.548 billion was reported in fiscal 2012 against the ₱1.157 billion market valuation loss in fiscal 2011 due to significant recoveries in the market values of bond and equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱39 million to ₱1.230 billion in fiscal 2012 from ₱1.191 billion in fiscal 2011 due to increased level of financial assets.

URC's finance costs consist mainly of interest expense which decreased by ₱318 million or 31.8%, to ₱683 million in fiscal 2012 from ₱1.001 billion recorded in fiscal 2011 due to decline in level of financial debt resulting from settlement of long-term debt.

Foreign exchange loss - net amounted to ₱634 million in fiscal 2012 from ₱37 million reported in fiscal 2011 due to higher unrealized foreign exchange loss on translation of foreign currency denominated accounts as a result of continuous appreciation of Philippine peso vis-a vis US dollar.

Impairment loss of ₱198 million was reported in fiscal 2012, an increase of 18.3% from ₱167 million in fiscal 2011 due to higher impairment loss recognized on trademark this year against last year.

Equity in net income of a joint venture amounted to ₱31 million in fiscal 2012 as against ₱25 million in fiscal 2011 due to higher net income of Hunt-Universal Robina Corporation this year against last year.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income (expenses) - net of ₱53 million was reported in fiscal 2012 against the ₱122 million other expenses - net in fiscal 2011 due to loss on sale of net assets of the disposal group recognized last year.

The Company recognized provision for income tax of ₱989 million in fiscal 2012, 61.2% increase from ₱614 million in fiscal 2011 due to higher taxable income and recognition of deferred tax liabilities on unrealized foreign exchange gain.

URC's net income for fiscal 2012 amounted to ₱8.158 billion, higher by ₱3.150 billion or 62.9% from ₱5.008 billion in fiscal 2011, due to higher operating income and significant increase in market valuation gain on bond and equity holdings.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2012 amounted to ₱8.431 billion, an increase of 20.7% from ₱6.983 billion recorded for fiscal 2011.

Net income attributable to equity holders of the parent increased by ₱3.100 billion or 66.9% to ₱7.736 billion in fiscal 2012 from ₱4.636 billion in fiscal 2011 as a result of the factors discussed above.

Minority interest represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International, URC's direct subsidiary in which it holds approximately 77.0% economic interest as of July 2012 and Nissin- URC, URC's 65.0%-owned subsidiary. In August 2012, the Company acquired the remaining 23.0% minority interest making it a wholly owned subsidiary. Minority interest in net income of subsidiaries increased from ₱371 million in fiscal 2011 to ₱422 million in fiscal 2012 due to higher net income reported by URC International on the back of surging profits from Vietnam and NURC.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱11.220 billion for fiscal 2012, 10.5% higher than ₱10.155 billion posted in fiscal 2011.

#### *Fiscal Year 2011 Compare to Fiscal Year 2010*

URC generated a consolidated sale of goods and services of ₱67.168 billion for the fiscal year ended September 30, 2011, 16.4% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱6.466 billion, or 15.3%, to ₱48.788 billion in fiscal 2011 from ₱42.322 billion registered in fiscal 2010. BCFG domestic operations posted a 6.8% increase in net sales from ₱27.691 billion in fiscal 2010 to ₱29.570 billion in fiscal 2011 due to solid performance of its snackfoods division which posted a 14.6% growth. Sales for beverage division declined due to weak sales of C2 as consumption for RTD products in the Philippines declined. In addition, our coffee business was affected by strong pressure from competitors as well as consumer shifting to the 3in1 coffee mixes where the Company is not a strong participant.

BCFG international sales significantly increased by 31.4% to ₱19.218 billion in fiscal 2011 against ₱14.631 billion in fiscal 2010. In US dollar (US\$) term, sales registered an increase of 38.9% from US\$319 million in fiscal 2010 to US\$443 million in fiscal 2011 due to considerable increase in sales volume by 36.5%. This was supported by higher revenues from all the countries. Thailand and Vietnam, our two biggest contributors have contributed 75.3% of total international sales. Vietnam's growth is driven by strong RTD tea business and growing presence in biscuits market. Thailand continues to solidify its leadership in biscuits and wafers, which is a significant market in that country.

Sale of goods and services of BCFG, excluding packaging division, accounted for 72.6% of total URC consolidated sale of goods and services for fiscal 2011.

Sale of goods and services in URC's packaging division went up by 90.7% to ₱1.770 billion in fiscal 2011 from ₱928 million recorded in fiscal 2010 due to increases in sales volume and prices.

- Sale of goods and services in URC's agro-industrial segment (AIG) declined to ₱7.080 billion in fiscal 2011 from ₱7.166 billion recorded in fiscal 2010. URC's feed business grew by 18.7% to ₱3.515 billion on the back of increases in sales volume and prices. Farm business declined by 15.2% due to decline in sales volume and farm gate prices, which was caused by an influx of cheap imported meat.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱9.530 billion in fiscal 2011 or up by 30.5% from ₱7.304 billion reported in fiscal 2010 due to higher sales volume and better prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱9.532 billion, or 23.2%, to ₱50.645 billion in fiscal 2011 from ₱41.113 billion recorded in fiscal 2010. Cost of sales went up due to increases in sales volume and costs of major raw materials.

URC's gross profit for fiscal 2011 amounted to ₱16.522 billion, down by ₱85 million from ₱16.607 billion reported in fiscal 2010. URC's gross profit as a percentage of net sales declined by 4 percentage points to 25% in fiscal 2011 from 29% in fiscal 2010 due to higher input costs this year.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱706 million or 7.9% to ₱9.634 billion in fiscal 2011 from ₱8.928 billion registered in fiscal 2010. This increase resulted primarily from the following factors:

- 22.3% or ₱454 million increase in freight and delivery charges to ₱2.489 billion in fiscal 2011 from ₱2.035 billion in fiscal 2010 due to increase in trucking and shipping costs associated with increased volume and higher fuel prices.
- 16.2% or ₱307 million increase in compensation and benefits to ₱2.204 billion in fiscal 2011 from ₱1.897 billion in fiscal 2010 due to annual salary adjustments and accrual of pension expenses.

As a result of the above factors, operating income decreased by ₱789 million, or 10.3% to ₱6.889 billion in fiscal 2011 from ₱7.678 billion reported in fiscal 2010. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱453 million to ₱4.534 billion in fiscal 2011 from ₱4.987 billion in fiscal 2010. URC's domestic operations was down by 14.8% to ₱3.105 billion in fiscal 2011 from ₱3.645 billion in fiscal 2010 due to moderate sales growth and lower margins. URC's international operations posted a ₱1.428 billion income, 6.4% higher than ₱1.342 billion posted last year. In US dollar amount, international operations posted an operating income of US\$33 million, a 13.8% increase from US\$29 million last year. The significant increase was attributed to the surging profits from Vietnam and Thailand.

URC's packaging division turned around from ₱161 million operating loss posted in fiscal 2010 to ₱11 million operating income reported in fiscal 2011 due to increased volume and better pricing.

- Operating income in URC's agro-industrial segment declined by ₱597 million to ₱320 million in fiscal 2011 from ₱917 million in fiscal 2010 due higher input costs for feeds business as well as lower selling prices and market valuation losses of hogs inventory for farm business.
- Operating income in URC's commodity foods segment went up by ₱62 million to ₱2.851 billion in fiscal 2011 from ₱2.789 billion in fiscal 2010. The flour division registered a 14.9% increase due to price increases during the year as well as temporary lifting by the government of tariffs for imported wheat. Operating income of sugar division decreased by 6.5% due to higher trucking and hauling subsidies given to planters to entice them to mill with the Company and the lower extraction yield of the sugar cane in fiscal 2011 compared to previous years.

The Company reported market valuation loss on financial instruments at fair value through profit or loss of ₱1.157 billion in fiscal 2011 from ₱2.007 billion market valuation gain in fiscal 2010 due to significant drop in the market values of bond and equity security investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱31 million to ₱1.191 billion in fiscal 2011 from ₱1.222 billion in fiscal 2010 due to currency translation of interest income on foreign currency denominated financial assets.

URC's finance costs consist mainly of interest expense which decreased by ₱33 million or 3.2%, to ₱1.001 billion in fiscal 2011 from ₱1.034 billion recorded in fiscal 2010 due to currency translation of interest expense on foreign currency denominated financial liabilities.

Impairment loss of ₱167 million was reported in fiscal 2011, a decrease of 62.3% from ₱443 million in fiscal 2010 due provision on impairment loss for other assets last year.

Foreign exchange loss amounted to ₱37 million in fiscal 2011 from ₱335 million reported in fiscal 2010 due to currency translation adjustments.

Equity in net income of a joint venture amounted to ₱25 million, down by 2.8% due to lower net income of Hunt-Universal Robina Corporation this year against last year.

Other expenses - net consists of gain (loss) on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expenses - net decreased from ₱202 million in fiscal 2010 to ₱122 million in fiscal 2011 mainly due to recognition of losses on other assets written off last year.

The Company recognized provision for income tax of ₱614 million in fiscal 2011, 21.4% decrease from ₱781 million in fiscal 2010 due to provision for deferred tax asset on accrual of pension expense and reduction in deferred tax liabilities due to decline in market value of hogs and realized foreign exchange gain.

URC's net income for fiscal 2011 amounted to ₱5.008 billion, lower by ₱3.130 billion from ₱8.138 billion last year, due to lower operating income and significant mark-to-market loss in bond and equity holdings.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2011 amounted to ₱6.983 billion, a decrease of 9.2% from ₱7.690 billion recorded for fiscal 2010.

Net income attributable to equity holders of the parent decreased by ₱3.181 billion or 40.7% to ₱4.636 billion in fiscal 2011 from ₱7.817 billion in fiscal 2010 as a result of the factors discussed above.

Minority interest represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International, URC's direct subsidiary in which it holds approximately 77.0% economic interest and Nissin- URC, URC's 65.0%-owned subsidiary. Minority interest in net income of subsidiaries increased from ₱321 million in fiscal 2010 to ₱371 million in fiscal 2011 due to higher net income reported by URC International on the back of surging profits from Thailand, Vietnam and NURC.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱10.155 billion for fiscal 2011, 7.3% lower than ₱10.959 billion posted in fiscal 2010.

#### *Fiscal Year 2010 Compare to Fiscal Year 2009*

URC posted a consolidated sale of goods and services of ₱57.720 billion for the fiscal year ended September 30, 2010, 14.4% higher than the sales posted last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱4.222 billion, or 11.1%, to ₱42.322 billion in fiscal 2010 from ₱38.100 billion recorded in fiscal 2009. BCFG domestic sales increased by ₱1.123 billion to ₱27.691 billion in fiscal 2010 from ₱26.568 billion in fiscal 2009 due to strong performance of its beverage division which posted a 21.2% growth due to the successful rollout of C2 in 220ml at the beginning of the fiscal year while the growth for snackfoods division was tempered by several supply issues as well as some shift in consumer demand for extruded or palletized snacks and functional candies

BCFG International sales significantly increased by 26.9% to ₱14.631 billion in fiscal 2010 against ₱11.533 billion last year. In US dollar (US\$) term, sales rose by 32.9% from US\$240 million in fiscal 2009 to US\$319 million in fiscal 2010 due to considerable increase in sales volume by 34.8%. This was supported by strong sales growth from Vietnam, Thailand, Malaysia, Singapore and China. Thailand and Vietnam have reached the scale with sales of more than US\$100 million each with Thailand solidifying its leadership in biscuits while the strong demand for C2 product in Vietnam continues.

Sale of goods and services of BCFG, excluding packaging division, accounted for 73.3% of total URC consolidated sale of goods and services for fiscal 2010.

Sales in URC's packaging division went down by 12.5% to ₱928 million in fiscal 2010 from ₱1.061 billion recorded in fiscal 2009 due to decline in sales volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱7.166 billion in fiscal 2010, an increase of 22.6% from ₱5.846 billion recorded in fiscal 2009. The increase is substantially driven by farm business, which significantly grew by 35.2% due to higher sales volume of hogs and broiler coupled by increases in farm gate prices, which was partly driven by strong election spending in the third quarter of fiscal year. Feed sales went up by 8.2% on the back of increase in sales volume.
- Sale of goods and services in URC's commodity foods segment (CFG) increased by ₱1.858 billion or 34.1% to ₱7.304 billion in fiscal 2010 from ₱5.446 billion recorded in fiscal 2009. This was primarily due to upsurge in net sales of sugar business by 97.4% driven by increases in selling prices while our flour business was affected by price rollbacks despite the growth in sales volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.636 billion, or 9.7%, to ₱41.113 billion in fiscal 2010 from ₱37.477 billion recorded in fiscal 2009. Cost of sales went up due to increase in sales volume, partially tempered by lower costs of major raw materials this year against last year.

URC's gross profit increased by ₱3.631 billion, or 28.0%, to ₱16.607 billion in fiscal 2010 from ₱12.976 billion reported in fiscal 2009. URC's gross profit as a percentage of net sales grew by 3 percentage points to 29% in fiscal 2010 from 26% in fiscal 2009 as the Company took advantage of lower input costs this year.

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱603 million or 7.2% to ₱8.928 billion in fiscal 2010 from ₱8.325 billion recorded in fiscal 2009. This increase resulted primarily from the following factors:

- 12.3% or ₱384 million increase in advertising and promotion costs to ₱3.498 billion in fiscal 2010 from ₱3.114 billion in fiscal 2009 to support the new SKUs launched and to boost up sales of existing products in light of increasing market competition.
- 16.0% or ₱280 million increase in freight and delivery charges to ₱2.035 billion in fiscal 2010 from ₱1.755 billion in fiscal 2009 due to increase in trucking and shipping costs associated with increased volume.

As a result of the above factors, operating income increased by ₱3.027 million, or 65.1% to ₱7.678 billion in fiscal 2010 from ₱4.651 billion reported in fiscal 2009. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, increased by ₱1.052 billion to ₱4.987 billion in fiscal 2010 from ₱3.935 billion in fiscal 2009. Operating income from domestic operations went up by 11.5% to ₱3.645 billion in fiscal 2010 from ₱3.268 billion in fiscal 2009 due to price increases and lower commodity prices. URC's international operations recorded a ₱1.342 billion income, 101.2% higher than ₱667 million posted last year. In US dollar amount, international operations recorded an operating income of

US\$29.2 million, a 110.1% increase from US\$13.9 million last year. The significant increase in operating income was attributed to the surging profits from Vietnam and Thailand.

Operating loss in URC's packaging division went up from ₱125 million in fiscal 2009 to ₱161 million in fiscal 2010 due to lower sales volume and commodity prices worldwide.

- Operating income in URC's agro-industrial segment increased by ₱543 million to ₱917 million in fiscal 2010 from ₱374 million in fiscal 2009 due to improved gross margins as a result of lower input costs for feeds business as well as volume recovery and better prices for farm business.
- Operating income in URC's commodity foods segment went up by ₱1.474 billion to ₱2.789 billion in fiscal 2010 from ₱1.315 billion in fiscal 2009. This was the result of higher sugar prices as well as lower wheat and freight costs.

Market valuation gain on financial instruments at fair value through profit or loss increased by ₱1.305 billion or 185.9% to ₱2.007 billion in fiscal 2010 from ₱702 million in fiscal 2009 due to significant recovery in the market values of bonds and equity securities investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱22 million to ₱1.222 billion in fiscal 2010 from ₱1.200 billion in fiscal 2009 due to increased level of financial assets during the period.

URC's finance costs consist mainly of interest expense which decreased by ₱380 million or 26.9%, to ₱1.034 billion in fiscal 2010 from ₱1.414 billion recorded in fiscal 2009 due to decline in level of financial debt.

Foreign exchange loss amounted to ₱335 million in fiscal 2010 from ₱46 million reported in fiscal 2009 due to currency translation losses.

Equity in net income of a joint venture amounted to ₱26 million, up by 3.8% due to higher net income of Hunt-Universal Robina Corporation this year against last year.

Other expenses - net consists of gain (loss) on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expenses - net decreased from ₱274 million in fiscal 2009 to ₱202 million in fiscal 2010 mainly due to recognition of casualty losses suffered from floods last year.

The Company recognized provision for income tax of ₱781 million in fiscal 2010, 141.8% increase from ₱323 million in fiscal 2009 due to higher taxable income and provision for deferred tax liability on unrealized gain on foreign exchange.

URC's net income for fiscal 2010 amounted to ₱8.138 billion, higher by ₱4.030 billion from ₱4.108 billion last year, due to higher operating income, mark-to-market gain in bond and equity holdings as a result of recovery of market prices and net finance revenue position.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2010 amounted to ₱7.690 billion, an increase of 83.6% from ₱4.188 billion recorded for fiscal 2009.

Net income attributable to equity holders of the parent increased by ₱3.930 billion or 101.1% to ₱7.817 billion in fiscal 2010 from ₱3.887 billion in fiscal 2009 as a result of the factors discussed above.

Minority interest represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International, URC's direct subsidiary in which it holds approximately 77.0% economic interest and Nissin- URC, URC's 65.0%-owned subsidiary. Minority interest in net income of subsidiaries increased from ₱220 million in fiscal 2009 to ₱321 million in fiscal 2010 due to higher net income reported by URC International on the back of surging profits in Vietnam and Indonesia, and NURC.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱10.959 billion for fiscal 2010, 42.5% higher than ₱7.690 billion posted in fiscal 2009.

The Company will continue to expand its regional operations and domestically firm up its leadership in its core categories and has again set an aggressive target on the ensuing year to maintain its dominance in the Philippine market as well as in the ASEAN regional market.

The Company is not aware of any material off-balance sheet transactions, arrangements and obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Company's operations and/or financial condition.

#### *Financial Condition*

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.98:1 as of September 30, 2012 higher than the 1.71:1 as of September 30, 2011. Financial debt to equity ratio of 0.32:1 as of September 30, 2012 is within comfortable level. The Company is in a net cash position of ₱5.913 billion, higher than the net cash position of ₱2.305 billion last year due to settlement of certain long-term borrowings.

Total assets amounted to ₱69.987 billion as of fiscal 2012, higher than ₱68.374 billion as of fiscal 2011. Book value per share increased to ₱21.35 as of September 30, 2012 from ₱19.77 as of September 30, 2011. Total outstanding common shares increased by 120 million shares, to 2.182 billion shares as of fiscal 2012 from 2.062 billion shares as of fiscal 2011 as a result of sale of a portion of Company's treasury shares.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the fiscal year ended September 30, 2012 amounted to ₱12.989 billion. Net cash used in investing activities amounted to ₱10.608 billion which were substantially used for acquisition of the remaining 23% non-controlling interest in URC International, capital expenditures and acquisition of financial asset at FVPL. Net cash used in financing activities amounted to ₱1.582 billion which were used to settle long-term debt and pay cash dividends, net of proceeds received from sale of Company's treasury shares.

The capital expenditures amounting to ₱5.129 billion include acquisitions of cookie and wafer lines, PET bottle project and snack food facilities for plants located in Laguna; cake line for Rosario, Pasig; wafer, biscuit and beverage facilities in Thailand and Vietnam; and construction of ethanol plant in Negros Oriental.

The Company budgeted about ₱5.000 billion for capital expenditures (including maintenance capex) and investment in fiscal 2013, which substantially consists of the following:

- ₱4.305 billion for installation of new lines to expand capacities in the snack foods and grocery products and modification of existing beverage facilities in the Philippines, new beverage and bakery lines in Vietnam, and expansion of salty snacks, chocolates, biscuits and wafer lines in Thailand, Indonesia and Malaysia.
- ₱445 million for commodity group which are mostly maintenance capital expenditures.
- 250 million for agro-industrial group consisting of farm expansion and handling facilities for feeds division.

The abovementioned budget does not include the capital expenditures for the on-going construction of ethanol plant amounting to ₱1.000 billion and a state-of-the-art 40MW Biomass-Fired Power Cogeneration facility amounting to ₱2.000 billion (spread over three years), which the Company plans to invest in. The power cogeneration facility will be located at URC SONEDCO Sugar Mill in Kabankalan, Negros Occidental and expected to be completed by 2015.

No assurance can be given that the Company's capital expenditures plan will not change or that the amount of capital expenditures for any project or as a whole will not change in future years from current expectations.

As of September 30, 2012, the Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

#### *Financial Ratios*

The following are the major financial ratios that the Group uses. Analyses are employed by comparisons and measurements based on the financial information of the current period against last year.

	<b>September 30, 2012</b>	September 30, 2011
<b>Liquidity:</b>		
Current ratio	<b>1.98:1</b>	1.71:1
<b>Solvency:</b>		
Gearing ratio	<b>0.32:1</b>	0.44:1
Debt to equity ratio	<b>0.50:1</b>	0.63:1
Asset to equity ratio	<b>1.50:1</b>	1.63:1
	<b>FY 2012</b>	FY 2011
<b>Profitability:</b>		
Operating margin	<b>11.0%</b>	10.2%
Earnings per share	<b>3.69</b>	2.25
<b>Leverage:</b>		
Interest rate coverage ratio	<b>16.43</b>	10.14

The Group calculates the ratios as follows:

<b>Financial Ratios</b>	<b>Formula</b>
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gearing ratio	$\frac{\text{Total financial debt (short-term debt, trust receipts and acceptances payable and long-term debt including current portion)}}{\text{Total equity (equity holders + noncontrolling interests)}}$
Debt to equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Total equity (equity holders + noncontrolling interests)}}$
Asset to equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Total equity (equity holders + noncontrolling interests)}}$
Operating margin	$\frac{\text{Operating Income}}{\text{Sale of goods and services}}$
Earnings per share	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Weighted average number of common shares}}$
Interest rate coverage ratio	$\frac{\text{Operating income plus depreciation and amortization}}{\text{Finance costs}}$

**Material Changes in the 2012 Financial Statements  
(Increase/Decrease of 5% or more versus 2011)**

Income statements – Year ended September 30, 2012 versus Year ended September 30, 2011

*6.0% increase in sale of goods and services was due to the following:*

Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱5.720 billion, or 11.7%, to ₱54.508 billion in fiscal 2012 from ₱48.788 billion registered in fiscal 2011. BCFG domestic operations posted a 16.2% increase in net sales from ₱29.570 billion in fiscal 2011 to ₱34.351 billion in fiscal 2012 due to strong performance of its beverage division which grew 56.0% on the back of the stellar performance of the coffee business particularly the new coffee mix products. In addition, RTD beverages have recovered on the account of growth in its tea, water and juice offerings. Sales for snack foods division grew at a slower pace due to competitive pressures as consumers go for lower priced and lower value-added products.

BCFG international sales increased by 4.9% to ₱20.157 billion in fiscal 2012 against ₱19.218 billion in fiscal 2011. In US dollar (US\$) term, sales registered an increase of 6.3% from US\$443 million in fiscal 2011 to US\$471 million in fiscal 2012 due to increase in sales volume by 39.1%. This was supported by higher revenues from all the countries except Thailand as the effects of flood continued to affect the sales of its main categories, biscuits and wafers, which are not

consumer staples and are discretionary. Vietnam, the biggest contributor, has contributed 42.8% of total international sales in dollar terms. Vietnam continues to solidify its leadership in RTD tea business as C2 brand has already taken over the number one market position in that category. Indonesia also grew sales with its newly launched extruded snacks.

Sale of goods and services of BCFG, excluding packaging division, accounted for 76.6% of total URC consolidated sale of goods and services for fiscal 2012.

Sale of goods and services in URC's packaging division slightly went down by 1.2% to ₱1.749 billion in fiscal 2012 from ₱1.770 billion recorded in fiscal 2011 due to decline in prices, pulling down the impact of increased sales volume.

Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱7.370 billion in fiscal 2012, a 4.1% increase from ₱7.080 billion recorded in fiscal 2011. Feed business slightly grew by 2.4% to ₱3.600 billion on the back of higher prices while farm business increased by 5.7% due to higher sales volume of hogs and poultry products.

Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱7.575 billion in fiscal 2012 or down by 20.5% from ₱9.530 billion reported in fiscal 2011. Sugar business sales declined by 39.9% due to lower selling prices and volume as a result of lower production yields caused by the excessive rains during the growing seasons. Flour business grew by 8.4% due to growth in sales volume and better prices.

*13.2% increase in selling and distribution costs*

Due to increase in advertising and promotion costs, freight and delivery charges, and personnel-related costs

*233.8% increase in market valuation gain on financial instruments at fair value through profit or loss*

Due to significant increase in market values of bond and equity securities held

*31.8% decrease in finance costs*

Due to decrease in level of financial debt resulting from settlement of long-term debt

*1,629.1% increase in foreign exchange loss - net*

Due to higher unrealized foreign exchange loss on translation of foreign currency denominated accounts as a result of continuous appreciation of Philippine peso vis-à-vis US dollar.

*18.3% increase in impairment loss*

Due to higher impairment loss recognized on trademark this year against last year

*22.4% increase in equity in net earnings*

Due to higher net income of Hunt-Universal Robina Corporation

*143.3% increase in other income (expenses) - net*

Due to recognition of loss on sale of net assets of the disposal group last year

*61.2% increase in provision for income tax*

Due to higher taxable income and provision for deferred tax liability on unrealized foreign exchange gain

*13.7% increase in net income attributable to non-controlling interest*

Due to higher net income of URC International and NURC

*168.7% increase in other comprehensive income*

Due to unrealized gain in value of AFS investments this year from unrealized loss last year

Statements of Financial Position - September 30, 2012 versus September 30, 2011

*17.6% increase in cash and cash equivalents*

Due to increase in cash in banks sourced from operating activities

*12.9% decrease in available-for-sale investments*

Due to maturity of certain bond investments, net of increase in market values and amortization of bond discount

*30.3% decrease in other current assets*

Due to decline in input taxes

*5.7% increase in property, plant and equipment*

Due to increase in capital expenditures as a result of Company's expansion

*13.0% decrease in intangible assets*

Due to recognition of impairment loss on trademark of a foreign subsidiary

*8.4% increase in biological assets*

Due to increase in population of livestock, net of decline in market value of hogs

*6.9% increase investment in a joint venture*

Due to higher net income of Hunt-URC, net of dividends received

*5.4% decrease investment properties*

Due to depreciation recognized on the properties

*20.6% increase in other non-current assets*

Due to increase in miscellaneous deposits, net of decline in deferred input tax

*49.4% increase in short-term debt*

Due to additional loan availments from foreign and local banks

*139.2% increase in trust receipts and acceptances payable*

Due to increased utilization of existing trust receipt facilities

*73.3% decrease in long-term debt*

Due to settlement of matured bonds payable and long-term loans

*51.2% increase in deferred income tax liabilities - net*

Due to decline in deferred tax assets on unrealized market loss on hogs valuation and recognition of deferred tax liability on unrealized foreign exchange gain

*55.1% decrease in net pension liability*

Due to contributions made to the retirement plan, net of accrual of pension expense

*41.6% increase in paid-up capital*

Due to re-issuance of Company shares held in treasury in excess of cost

*13.1% increase in retained earnings*

Due to net income during the year, net of dividends declared

*36.4% increase in other comprehensive income*

Due to increase in market values of bond and equity investments classified as available-for-sale, net of decline in cumulative translation adjustments as a result of appreciation in value of Philippine peso vis-à-vis US dollar

*100% increase in equity reserve*

Due to difference in the consideration paid against the carrying value of the acquired non-controlling interest in URC International

*72.2% decrease in treasury shares*

Due to re-issuance of Company shares

*97.1% decrease in equity attributable to non-controlling interests*

Due to acquisition of the remaining 23% minority share in URC International, net of share in the net income of Nissin-URC

The Company's key performance indicators are employed across all businesses. Comparisons are then made against internal target and previous period's performance. The Company and its significant subsidiaries' top five (5) key performance indicators are as follows: (in million PhPs)

<b>Universal Robina Corporation (Consolidated)</b>			
	<b>FY 2012</b>	<b>FY 2011</b>	<b>Index</b>
Revenues	71,202	67,168	106
EBIT	7,801	6,889	113
EBITDA	11,220	10,155	110
Net Income	8,158	5,008	163
Total Assets	69,987	68,374	102

<b>URC International Co., Ltd.</b>			
	<b>FY 2012</b>	<b>FY 2011</b>	<b>Index</b>
Revenues	20,851	19,082	109
EBIT	1,804	1,550	116
EBITDA	2,773	2,496	111
Net Income	1,545	1,436	108
Total Assets	17,245	16,356	105

<b>Universal Robina (Cayman), Ltd.</b>			
	<b>FY 2012</b>	<b>FY 2011</b>	<b>Index</b>
Revenues	-	-	-
EBIT	-	-	-
EBITDA	-	-	-
Net Income	2,068	2,269	91
Total Assets	14,256	12,188	117

<b>URC Philippines, Limited</b>			
	<b>FY 2012</b>	<b>FY 2011</b>	<b>Index</b>
Revenues	-	-	-
EBIT	-	-	-
EBITDA	-	-	-
Net Income (Loss)	1,978	(477)	514
Total Assets	16,352	16,426	100

<b>Nissin – URC</b>			
	<b>FY 2012</b>	<b>FY 2011</b>	<b>Index</b>
Revenues	1,628	1,475	110
EBIT	222	170	131
EBITDA	256	207	124
Net Income	162	124	131
Total Assets	998	846	118

Majority of the above key performance indicators were within targeted levels.

**Item 7. Financial Statements**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 43) are filed as part of this Form 17-A (pages 44 to 150).

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9. Independent Public Accountants and Audit Related Fees**

*Independent Public Accountants*

The Corporation's independent public accountant is the accounting firm of the Sycip Gorres Velayo & Co. The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of

stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Corporation in fiscal year 2012 and is expected to be rotated every five (5) years.

*Audit-Related Fees*

The following table sets out the aggregate fees billed for each of the last three fiscal years for professional services rendered by Sycip, Gorres Velayo & Co.

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
	(In peso)		
Audit and Audit-Related Fees	₱6,123,000	₱6,368,000	₱6,368,000
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	6,123,000	6,368,000	6,368,000
Professional fees for due diligence review for Bond/shares offering	none	none	none
Tax Fees	none	none	none
Other Fees	none	none	none
Total	₱6,123,000	₱6,368,000	₱6,368,000

**PART III - CONTROL AND COMPENSATION INFORMATION**

**Item 10. Directors and Executive Officers of the Registrant**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
John L. Gokongwei, Jr.....	86	Director, Chairman Emeritus	Filipino
James L. Go.....	73	Director, Chairman	Filipino
Lance Y. Gokongwei.....	45	Director, President and Chief Executive Officer	Filipino
Patrick Henry C. Go.....	42	Director, Vice President and Business Unit General Manager - URC Packaging Division	Filipino
Frederick D. Go.....	43	Director	Filipino
Johnson Robert G. Go, Jr.....	47	Director	Filipino
Robert G. Coyiuto, Jr.....	61	Director	Filipino
Wilfrido E. Sanchez.....	75	Independent Director	Filipino
Pascual S. Guerzon.....	75	Independent Director	Filipino
Cornelio S. Mapa, Jr.	46	Executive Vice President	Filipino
Patrick O. Ng.....	68	Executive Vice President	Singaporean
Constante T. Santos.....	64	Senior Vice President - Corporate Controller	Filipino
Bach Johann M. Sebastian.....	51	Senior Vice President - Corporate Planning	Filipino
Geraldo N. Florencio.....	60	First Vice President - Controller	Filipino
Jeanette U. Yu.....	59	Vice President	Filipino
Ester T. Ang.....	54	Vice President - Treasurer	Filipino
Rosalinda F. Rivera.....	42	Corporate Secretary	Filipino

All of the above directors have served their respective offices since April 18, 2012. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of stockholders for any reason whatsoever.

Messrs. Wilfrido E. Sanchez and Pascual S. Guerzon are the independent directors of the Corporation.

A brief description of the directors and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

**John L. Gokongwei, Jr.** founded URC in 1954 and has been the Chairman Emeritus of URC effective January 1, 2002. He had been Chairman of the Board of Directors until his retirement and resignation from this position effective December 31, 2001. He continues to be a member of URC's Board and is the Chairman Emeritus of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited, and a director of Cebu Air, Inc., JG Summit Capital Markets Corporation and Oriental Petroleum and Minerals Corporation. He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received a Masters

degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

**James L. Go** is the Chairman of the Board of Directors of URC. He had been Chairman and Chief Executive Officer since January 1, 2002. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and as such, he heads the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of Robinsons Land Corporation and JG Summit Petrochemical Corporation. He is the Chairman and Chief Executive Officer of Robinsons, Inc. and Oriental Petroleum and Minerals Corporation. He is also the President and a Trustee of the Gokongwei Brothers Foundation, Inc. He was elected a director of the Philippine Long Distance Telephone Company (PLDT) on November 3, 2011 and was also appointed as a member of PLDT's Technology Strategy Committee. He is also a director of Cebu Air, Inc., United Industrial Corporation Limited, Singapore Land Limited, Marina Center Holdings, Inc., Hotel Marina City Private Limited and JG Summit Capital Markets Corporation. He received a Bachelor of Science degree and a Master of Science degree in Chemical Engineering from the Massachusetts Institute of Technology. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr. and joined URC in 1964.

**Lance Y. Gokongwei** is the President and Chief Executive Officer of URC. He had been President and Chief Operating Officer since January 1, 2002. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is also the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. and JG Summit Petrochemical Corporation. He is the Chairman of Robinsons Bank, Chairman and President of JG Summit Capital Markets Corporation, and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited, and Singapore Land Limited. He is also trustee, secretary and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. and joined URC in 1988.

**Patrick Henry C. Go** has been a director of URC since 2000. He is also a Vice President of URC and is the Executive Vice President and Managing Director of JG Summit Petrochemical Corporation, URC Packaging Division, CFC Flexible Packaging Division and JG Summit Olefins Corporation. He is also a director of JG Summit Holdings, Inc., Robinsons Land Corporation, and Robinsons Bank. He is a trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo de Manila University and attended the General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

**Frederick D. Go** has been a director of URC since June 2001. He is the President and Chief Operating Officer of Robinsons Land Corporation and Robinsons Recreation Corporation. He is the Group General Manager of Shanghai Ding Feng Real Estate Development Company Limited, Xiamen Pacific Estate Investment Company Limited, Chengdu Ding Feng Real Estate Development Company Limited, and Taicang Ding Feng Real Estate Development Company Limited. He also serves as a director of Cebu Air, Inc., JG Summit Petrochemical Corporation, Robinsons Bank, Secret Recipes Corporation, Ho Tsai Dimsum Incorporated, and Cebu Light Industrial Park. He is also the President of the Philippine Retailers Association. He received a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. Mr. Frederick D. Go is a nephew of Mr. John L. Gokongwei, Jr.

**Johnson Robert G. Go, Jr.** was elected director of URC on May 5, 2005. He is also a director of JG Summit Holdings, Inc. Robinsons Land Corporation, and Robinsons Bank. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

**Robert G. Coyiuto, Jr.** has been a director of URC since 2002. He is the Chairman of the Board and Chief Executive Officer of Prudential Guarantee & Assurance, Inc. and of PGA Sompo Japan Insurance, Inc. He is also Chairman of the Board of PGA Automobile, Inc./Sole Importer Principal of Lamborghini, PGA Cars, Inc./Sole Importer Principal of Porsche and Audi, Hyundai North Edsa, and Pioneer Tours Corporation. He is also the Chairman of Coyiuto Foundation. He is the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is Vice-Chairman of First Life Financial Co., Inc. He is also the President, Chief Operating Officer and Director of Oriental Petroleum and Minerals Corporation. He is a director of Petrogen Insurance Corporation, Canon (Philippines) Inc., Destiny Financial Plans, Inc. and National Grid Corporation of the Philippines. He is a Nominee of R. Coyiuto Securities, Inc. and a Trustee of San Beda College.

**Wilfrido E. Sanchez** has been an independent director of URC since 1995. He is a Tax Counsel in Quiason Makalintal Barot Torres & Ibarra Law Offices. He is also a director of Adventure International Tours, Inc., Amon Trading Corporation, Center for Leadership & Change, Inc., EEI Corporation, Eton Properties Philippines, Inc., House of Investments, EMCOR, Inc., J-DEL Investment and Management Corporation, JVR Foundation, Inc., Jubilee Shipping Corporation, Kawasaki Motor Corp., K Servico, Inc., Magellan Capital Holdings Corporation, PETNET, Inc., PETPLANS, Inc., Philippine Pacific Ocean Lines, Inc., Rizal Commercial Banking Corporation, LT Group, Inc., Transnational Diversified Corporation, Transnational Diversified Group, Inc., and Transnational Financial Services, Inc. (formerly Transnational Securities, Inc.). Mr. Sanchez received a Bachelor of Arts degree and a Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

**Pascual S. Guerzon** was elected independent director of URC on September 20, 2007. He is currently the Principal of Dean Guerzon & Associates (Business Development). He is the Founding Dean of De La Salle Graduate School of Business. He was also the former President of the Management Association of the Philippines Agribusiness and Countryside Development Foundation and the Management Association of the Philippines Foundation, MBA Director of the Ateneo de Manila Graduate School of Business, Director of Leverage International Consultants, Dep. Director of Asean Chambers of Commerce and Industry and Section Chief of the Board of Investments. Mr. Guerzon is a holder of an MBA in Finance from the University of the Philippines and a Ph.D. (N.D) in Management from the University of Santo Tomas.

**Cornelio S. Mapa, Jr.** is an Executive Vice President of URC. He is also Managing Director of the URC Branded Consumer Foods Group Philippines. He was the General Manager of the Commercial Centers Division of Robinsons Land Corporation before joining URC in October 2010. Prior to joining URC and Robinsons Land Corporation, he was Senior Vice President and Chief Financial Officer of the Coca Cola Bottlers Philippines including its subsidiaries, Cosmos Bottling and Philippine Beverage Partners. He was also formerly Senior Vice President and Chief Financial Officer of La Tondeña Distillers, Inc. He earned his Bachelor of Science degrees in Economics and International Finance from New York University and obtained his Masters in Business Administration from the International Institute for Management Development in Lausanne, Switzerland.

**Patrick O. Ng** is an Executive Vice President of URC. He is also Managing Director of URC International Co. Ltd., URC Asean Brands Co. Limited, URC (Thailand) Co. Ltd., URC Snackfoods (Malaysia) Sdn Bhd, URC Foods (Singapore) Pte. Ltd., URC Vietnam Co. Ltd., Hongkong China Foods Co. Ltd., and a Director of PT URC Indonesia, URC Hong Kong Ltd., Panyu Peggy Foods Co. Ltd., Shanghai Peggy Foods Co. Ltd., Ricellent Sdn Bhd, and URC Hanoi Co. Ltd. Mr. Ng joined URC in 1967 and has held various positions in the JG Summit Holdings, Inc. group including as Vice President of URC, CFC Corporation and Litton Mills, Inc. He received a Bachelor of Science degree in Engineering from the Ateneo de Manila University.

**Constante T. Santos** is the Senior Vice President - Corporate Controller of URC. He is also Senior Vice President - Corporate Controller of JG Summit Holdings, Inc. and Robinsons Land Corporation. Prior to joining URC in 1986, he practiced public accounting with SyCip, Gorres, Velayo & Co. in the Philippines and Ernst & Whinney in the United States. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Santos obtained his Bachelor of Science degree in Business Administration from the University of the East and attended the Management Development Program at the Asian Institute of Management.

**Bach Johann M. Sebastian** is Senior Vice President of URC. He is also the Senior Vice President and Chief Strategist of JG Summit Holdings, Inc. He is also Senior Vice President for Corporate Planning of Robinsons Land Corporation and Senior Vice President-Chief Strategist of Cebu Air, Inc. Prior to joining URC in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of the Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts in Economics from the University of the Philippines and his Master in Business Management degree from the Asian Institute of Management.

**Geraldo N. Florencio** is the First Vice President - Controller of URC. Prior to joining URC in 1992, he practiced public accounting with SyCip, Gorres, Velayo & Co. in the Philippines. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Florencio received a Bachelor of Science degree in Business Administration from the Philippine School of Business Administration. He also attended the Management Development Program at the Asian Institute of Management.

**Jeanette U. Yu** is Vice President of URC. She is also the Vice President-Treasurer of Cebu Air, Inc. and Chief Financial Officer of Oriental Petroleum and Minerals Corporation. Prior to joining URC in 1980, she worked for AEA Development Corporation and Equitable Banking Corporation. Ms. Jeanette U. Yu received her Bachelor of Science degree in Business Administration from St. Theresa's College in Quezon City.

**Ester T. Ang** is the Vice President - Treasurer of URC. She is also Vice President- Treasurer of JG Summit Petrochemical Corporation. Prior to joining URC in 1987, she worked with Bancom Development Corporation and Union Bank of the Philippines. Ms. Ester Ang received her Bachelor of Science degree in Accounting from the Ateneo De Davao University in Davao City.

**Rosalinda F. Rivera** was appointed Corporate Secretary of URC on May 22, 2004 and has been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc. and JG Summit Petrochemical Corporation. Prior to joining URC, she was a Senior Associate at Puno and Puno Law Offices. She received a Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law. She was admitted to the Philippine Bar in 1995.

The members of the Company's board of directors and executive officers can be reached at the address of its registered office at 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines.

*Involvement in Certain Legal Proceedings of Directors and Executive Officers*

None of the members of the Board of Directors and Executive Officers of the Company are involved in any criminal, bankruptcy or insolvency investigations or proceedings.

*Family Relationships*

Mr. James L. Go is a brother of Mr. John Gokongwei, Jr. while Mr. Lance Y. Gokongwei is his son. Mr. Patrick Henry C. Go, Mr. Frederick D. Go and Mr. Johnson Robert G. Go, Jr. are the nephews of Mr. John Gokongwei, Jr.

**Item 11. Executive Compensation**

The following summarizes certain information regarding compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's Directors and Executive Officers:

	Estimated - FY2013				Actual	
	Salary	Bonus	Other	Total	2012	2011
CEO and Four (4) most highly compensated executive officers	₱46,538,772	₱900,000	₱270,000	₱47,708,772	₱43,162,031	₱32,466,503
All officers and directors as a group unnamed	92,881,035	1,800,000	450,000	95,131,035	92,198,656	90,310,106

The following are the five (5) highest compensated directors and/or executive officers of the Company: 1. Director, Chairman Emeritus - John L. Gokongwei, Jr.; 2. Director, Chairman - James L. Go; 3. Director, President and Chief Executive Officer - Lance Y. Gokongwei; 4. Executive Vice President - Patrick Ng; and 5. Executive Vice President - Cornelio S. Mapa, Jr.

*Standard Arrangements*

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

*Other Arrangements*

There are no other arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

*Employment Contracts and Termination of Employment and Change-in-Control Arrangement*

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plans or arrangements with respect to a named executive officer.

*Warrants and Options Outstanding*

There are no outstanding warrants or options held by the Corporation's CEO, the named executive officers and all officers and directors as a group.

**Item 12. Security Ownership of Certain Beneficial Owners and Management**

**(1) Security Ownership of Certain Record and Beneficial Owners**

As of September 30, 2012, URC knows no one who beneficially owns in excess of 5% of URC's common stock except as set forth in the table below.

<b>Title of Class</b>	<b>Names and addresses of record owners and relationship with the Corporation</b>	<b>Name of beneficial owner and relationship with record owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% to Total Outstanding</b>
Common	JG Summit Holdings, Inc. <sup>1</sup> 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	1,320,223,061	60.52 %
Common	PCD Nominee Corporation <sup>2</sup> (Non-Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PCD Participants and their clients (See note 2)	Non-Filipino	498,136,847	22.83%
Common	PCD Nominee Corporation <sup>2</sup> (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PCD Participants and their clients (See note 2)	Filipino	349,769,683	16.03%

1. As of September 30, 2012, Mr. John L. Gokongwei, Jr., Chairman Emeritus of JG Summit Holdings, Inc., (JGSHI), holds 1,007,539,915 common shares representing 14.82% of the total outstanding shares of the said corporation. The Chairman and the President are both empowered under the By-Laws of JGSHI to vote any and all shares owned by JGSHI, except as otherwise directed by the Board of Directors. The incumbent Chairman and Chief Executive Officer and President and Chief Operating Officer of JGSHI are Mr. James L. Go and Mr. Lance Y. Gokongwei, respectively.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

Out of the PCD Nominee Corporation (Non-Filipino) account, "The Hongkong and Shanghai Banking Corp., Ltd - Client's Acct." holds for various trust accounts the following shares of the Corporation as of September 30, 2012:

The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct.	No. of shares 359,333,413	% to Outstanding 16.47%
---	------------------------------	----------------------------

The securities are voted by the trustee's designated officers who are not known to the Corporation.

Out of the PCD Nominee Corporation (Filipino) account, "ATR-Kim Eng Securities, Inc." holds for various trust accounts the following shares of the Corporation as of September 30, 2012:

ATR-Kim Eng Securities, Inc.	No. of shares 139,447,122	% to Outstanding 6.39%
------------------------------	------------------------------	---------------------------

The securities are voted by the trustee's designated officers who are not known to the Corporation.

## (2) Security Ownership of Management

Title of Class	Name of beneficial Owner	Position	Amount & nature of beneficial ownership	Citizenship	% to Total Outstanding
Named Executive Officers <sup>1</sup>					
Common	1. John L. Gokongwei, Jr. <sup>2</sup>	Director, Chairman Emeritus	2,479,401	Filipino	0.11%
Common	2. James L. Go	Director, Chairman	1	Filipino	*
Common	3. Lance Y. Gokongwei	Director, President & Chief Executive Officer	1	Filipino	*
-	4. Patrick O. Ng	Executive Vice President	-	Singaporean	-
-	5. Cornelio S. Mapa, Jr.	Executive Vice President	-	Filipino	-
	Sub-Total		<u>2,479,403</u>		<u>0.11%</u>
Other Directors, Executive Officers and Nominees					
Common	6. Patrick Henry C. Go	Director, Vice President	45,540	Filipino	*
Common	7. Frederick D. Go	Director	11,501	Filipino	*
Common	8. Johnson Robert G. Go, Jr.	Director	1	Filipino	*
Common	9. Robert G. Coyiuto, Jr.	Director	1	Filipino	*
Common	10. Wilfrido E. Sanchez	Independent Director	1	Filipino	*
Common	11. Pascual S. Guerzon	Independent Director	1	Filipino	*
Common	12. Vincent Henry C. Go	Vice President	45,540	Filipino	*
Common	13. Anne Patricia C. Go	Vice President	8,855	Filipino	*
	Sub-Total		<u>111,440</u>		<u>*</u>
			<u>2,590,843</u>		<u>0.12%</u>

- As defined under Part IV (B) (1) (b) of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of September 30, 2012.
- Sum of shares in the name of "John L. Gokongwei, Jr." for one (1) share and "Elizabeth Y. Gokongwei and/or John Gokongwei, Jr." for 2,479,400.

\* less than 0.01%

**(3) Voting Trust Holders of 5% or more**

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

**Item 13. Certain Relationships and Related Transactions**

The Company, in its regular conduct of business, had engaged in transactions with its major stockholder, JG Summit Holdings, Inc. and its affiliated companies. See Note 35 (Related Party Disclosures) of the Notes to Consolidated Financial Statements (page 133) in the accompanying Audited Financial Statements filed as part of this Form 17-A.

**PART IV - CORPORATE GOVERNANCE**

**Item 14. Corporate Governance**

The Company recognizes that a climate of integrity, transparency and accountability in an organization results to sustainable growth and profitability. These fundamental governance principles, embodied in the Company's Corporate Governance Manual and Code of Business Conduct, are adhered to and complied with by the Company.

The Company is a participant in the ASEAN Corporate Governance Scorecard Project to assess improvements in governance practices in the Philippines and the ASEAN. The Company likewise participated in the annual governance disclosure requirement for listed companies of the Philippine Stock Exchange.

An assessment of the responsibilities and functions of the Company's Audit Committee, as currently embodied in the Company Corporate Governance Manual, was done in compliance with SEC Memorandum Circular No. 4, Series of 2012 last September 2012. This assessment aims to further strengthen the Audit Committee with its role in the Company.

The scorecard and governance disclosures and internal governance evaluations serve as basis in the Company's submission of its Company's Corporate Governance Compliance Evaluation Form to the SEC and PSE on or before January 30 of each year.

**PART V - EXHIBITS AND SCHEDULES**

**Item 15. Exhibits and Reports on SEC Form 17-C**

- (a) Exhibits - See accompanying Index to Exhibits (page 41)

The following exhibit is filed as a separate section of this report:

(18) Subsidiaries of the Registrant

The other exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

- (b) Reports on SEC Form 17-C

**UNIVERSAL ROBINA CORPORATION**  
**LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS**  
**UNDER SEC FORM 17-C**  
**APRIL 1, 2012 TO SEPTEMBER 30, 2012**

<b>Date of Disclosure</b>	<b>Description</b>
April 18, 2012	Notice of cash dividend declaration
April 18, 2012	Stockholders' approval of amendment of Articles of Incorporation
April 18, 2012	Election of Directors
April 18, 2012	Results of organizational meeting of the Board of Directors
May 15, 2012	Press Release "URC posts continued growth for first half of its fiscal year 2012 as sales rose by 6.6% while net income increase by 36.5%
May 31, 2012	Reply to PSE letter regarding news article "SEC Approves URC Plans To Go Into Fuel Ethanol Production"
June 14, 2012	Board approval of sale of treasury shares
June 18, 2012	Additional information on sale of treasury shares
August 14, 2012	Press Release "URC's nine months net income up by 24.0% to ₱6.126 billion driven by the strong contribution coming from branded consumer foods group and positive gains in non-recurring income
August 14, 2012	Press Release "URC To Purchase International Unit"
August 29, 2012	Reply to PSE letter regarding news article "URC in talks to expand sugar business"

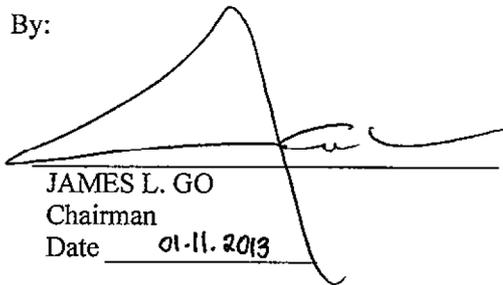
**SIGNATURES**

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Quezon on January 11, 2013.

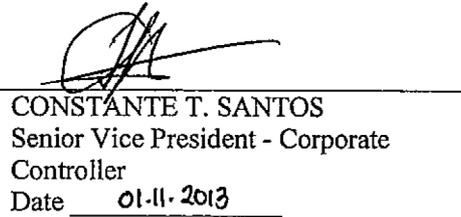
**UNIVERSAL ROBINA CORPORATION**  
Issuer

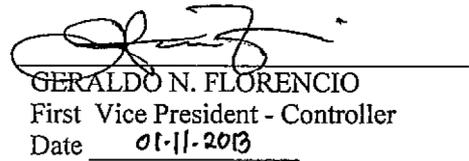
Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated.

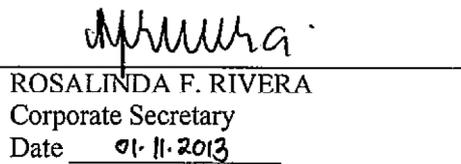
By:

  
\_\_\_\_\_  
JAMES L. GO  
Chairman  
Date 01-11-2013

  
\_\_\_\_\_  
LANCE V. GOKONGWEI  
President and Chief Executive Officer  
Date 01-11-2013

  
\_\_\_\_\_  
CONSTANTE T. SANTOS  
Senior Vice President - Corporate  
Controller  
Date 01-11-2013

  
\_\_\_\_\_  
GERALDO N. FLORENCIO  
First Vice President - Controller  
Date 01-11-2013

  
\_\_\_\_\_  
ROSALINDA F. RIVERA  
Corporate Secretary  
Date 01-11-2013

SUBSCRIBED AND SWORN to before me this JAN 11, 2013 day of 2013 affiants exhibiting to me his/their Community Tax Certificates, as follows:

NAMES	C.T.CERT.NO.	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	11176031	01.31.12	Pasig City
Lance Y. Gokongwei	11176032	01.31.12	Pasig City
Constante T. Santos	25961529	02.14.12	Pasig City
Geraldo N. Florencio	05069600	01.19.12	Marikina City
Rosalinda F. Rivera	Driver's License No. N01-94-172453	06.12.2011	Pasig City

Doc. No. 171 ;  
Page No. 36 ;  
Book No. VIII ;  
Series of 2013.

  
ATTY. ROMUALD C. PADILLA  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2013  
IBP NO. 869859 / 12-5-11 / PASIG  
PTR NO. 7549311 / 1-6-12 / PASIG  
Roll of Attorneys No. 54298  
TIN 170-266-059

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17- A, Item 7**

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\* Not applicable per section 1(b) (xii), 2(e) and 2 (I) of SRC Rule 68

\*\* These schedules, which are required by Section 4(e) of SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related URC & Subsidiaries' consolidated financial statements or in the notes thereto.



**UNIVERSAL ROBINA  
CORPORATION**

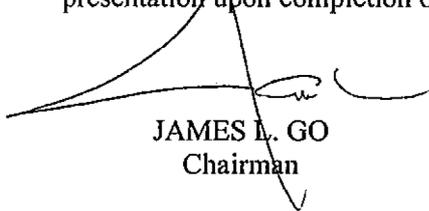
110 E. RODRIGUEZ, JR. AVENUE, BAGUMBAYAN, QUEZON CITY, PHILIPPINES 1600, P.O. Box 3542 MM 2800 - P.O. BOX 99-AC CUBAO, QUEZON CITY  
TEL. 635-0751 TO 85; 671-2935 TO 42

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of Universal Robina Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended September 30, 2012 and 2011, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders and the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination

  
JAMES L. GO  
Chairman

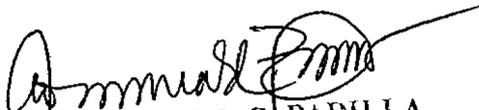
  
LANCE Y. GOKONGWEI  
President and  
Chief Executive Officer

  
CONSTANTE T. SANTOS  
SVP - Corporate Controller

SUBSCRIBED AND SWORN to before me this JAN 11 2013 day of January, 2013 affiant(s) exhibiting to me his/their Community Tax Certificates as follows:

NAMES	C.T. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	11176031	01.31.12	Pasig City
Lance Y. Gokongwei	11176032	01.31.12	Pasig City
Constante T. Santos	25961529	02.14.12	Pasig City

Doc No. 172  
Page No. 36  
Book No. VIII  
Series of 2013

  
ATTY. ROMUALD C. PADILLA  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2013  
IBP NO. 869859 / 12-5-11 / PASIG  
PTR NO. 7549311 / 1-6-12 / PASIG  
Roll of Attorneys No. 54298  
TIN 170-266-059

- 45 -

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Universal Robina Corporation  
110 E. Rodriguez Avenue  
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Universal Robina Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2012 and 2011, and the consolidated 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 September 30, 2012, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as at September 30, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Jose Pepito E. Zabat*

Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-2 (Group A),

March 1, 2012, valid until March 1, 2015

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670041, January 2, 2013, Makati City

January 10, 2013



**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>September 30</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	<b>₱5,345,833,397</b>	₱4,546,881,527
Financial assets at fair value through profit or loss (Notes 8, 9 and 35)	<b>10,812,402,265</b>	10,652,071,697
Available-for-sale investments (Notes 9 and 14)	<b>4,797,876,621</b>	5,511,551,122
Receivables (Notes 10 and 35)	<b>7,461,032,915</b>	7,419,824,815
Inventories (Note 11)	<b>9,759,334,152</b>	9,724,784,656
Biological assets (Note 15)	<b>1,057,007,658</b>	911,265,129
Other current assets (Note 12)	<b>454,142,702</b>	651,357,138
Total Current Assets	<b>39,687,629,710</b>	39,417,736,084
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 13)	<b>27,918,634,454</b>	26,423,220,738
Intangible assets (Note 16)	<b>1,273,627,776</b>	1,463,851,176
Biological assets (Note 15)	<b>428,961,591</b>	459,053,688
Investment in a joint venture (Note 17)	<b>96,139,053</b>	89,966,944
Investment properties (Note 18)	<b>64,491,512</b>	68,149,307
Deferred tax assets (Note 33)	<b>91,907,509</b>	98,507,804
Other noncurrent assets (Note 19)	<b>425,923,637</b>	353,198,160
Total Noncurrent Assets	<b>30,299,685,532</b>	28,955,947,817
	<b>₱69,987,315,242</b>	₱68,373,683,901
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other accrued liabilities (Notes 21 and 35)	<b>₱7,586,842,126</b>	₱7,270,818,277
Current portion of long-term debt (Notes 22, 23 and 31)	-	8,205,763,578
Short-term debt (Notes 20, 23 and 31)	<b>8,588,536,884</b>	5,749,632,635
Trust receipts and acceptances payable (Notes 11 and 23)	<b>3,464,360,214</b>	1,448,156,283
Income tax payable	<b>428,184,136</b>	408,699,778
Total Current Liabilities	<b>20,067,923,360</b>	23,083,070,551

(Forward)



	<b>September 30</b>	
	<b>2012</b>	<b>2011</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 22, 23 and 31)	<b>₱2,990,455,926</b>	₱3,002,447,146
Deferred tax liabilities (Note 33)	<b>301,320,823</b>	237,004,193
Net pension liability (Note 32)	<b>11,063,529</b>	24,650,517
Total Noncurrent Liabilities	<b>3,302,840,278</b>	3,264,101,856
Total Liabilities	<b>23,370,763,638</b>	26,347,172,407
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 23)	<b>19,056,685,251</b>	13,455,557,370
Retained earnings (Note 23)	<b>32,956,735,052</b>	29,137,859,147
Other comprehensive income (Note 24)	<b>793,452,103</b>	581,744,696
Equity reserve (Note 23)	<b>(5,556,531,939)</b>	-
Treasury shares (Note 23)	<b>(670,386,034)</b>	(2,414,026,153)
	<b>46,579,954,433</b>	40,761,135,060
Equity attributable to non-controlling interests	<b>36,597,171</b>	1,265,376,434
Total Equity	<b>46,616,551,604</b>	42,026,511,494
	<b>₱69,987,315,242</b>	₱68,373,683,901

*See accompanying Notes to Consolidated Financial Statements.*



**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Years Ended September 30</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>SALE OF GOODS AND SERVICES</b> (Notes 6 and 35)	<b>₱71,201,677,779</b>	₱67,167,630,481	₱57,719,996,079
<b>COST OF SALES</b> (Notes 25 and 35)	<b>52,730,554,394</b>	50,645,273,658	41,113,405,237
<b>GROSS PROFIT</b>	<b>18,471,123,385</b>	16,522,356,823	16,606,590,842
Selling and distribution costs (Note 26)	<b>(8,696,876,368)</b>	(7,680,831,878)	(7,091,008,271)
General and administrative expenses (Notes 27 and 35)	<b>(1,973,722,359)</b>	(1,952,777,324)	(1,837,374,186)
<b>OPERATING INCOME</b>	<b>7,800,524,658</b>	6,888,747,621	7,678,208,385
Market valuation gain (loss) on financial assets at fair value through profit or loss (Notes 6 and 8)	<b>1,548,491,547</b>	(1,157,315,912)	2,007,094,315
Finance revenue (Notes 6, 8 and 30)	<b>1,229,729,268</b>	1,191,241,808	1,222,064,699
Finance costs (Notes 6, 20, 22 and 31)	<b>(683,049,996)</b>	(1,001,247,740)	(1,034,199,841)
Impairment losses (Notes 6, 10, 11, 13, 16 and 19)	<b>(197,874,576)</b>	(167,210,935)	(442,888,794)
Net foreign exchange losses	<b>(634,390,049)</b>	(36,688,172)	(335,280,036)
Equity in net income of a joint venture (Note 17)	<b>31,172,102</b>	25,469,633	26,194,500
Other income (expenses) - net (Note 38)	<b>52,624,725</b>	(121,547,748)	(201,943,816)
<b>INCOME BEFORE INCOME TAX</b>	<b>9,147,227,679</b>	5,621,448,555	8,919,249,412
<b>PROVISION FOR INCOME TAX</b> (Note 33)	<b>989,341,422</b>	613,894,698	780,999,818
<b>NET INCOME</b>	<b>₱8,157,886,257</b>	₱5,007,553,857	₱8,138,249,594
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the parent (Note 34)	<b>₱7,735,729,577</b>	₱4,636,270,925	₱7,817,275,906
Non-controlling interests	<b>422,156,680</b>	371,282,932	320,973,688
	<b>₱8,157,886,257</b>	₱5,007,553,857	₱8,138,249,594
<b>EARNINGS PER SHARE</b> (Note 34)			
Basic/diluted, for income attributable to equity holders of the parent	<b>₱3.69</b>	₱2.25	₱3.75

*See accompanying Notes to Consolidated Financial Statements.*



**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>September 30</b>	
	<b>2012</b>	<b>2011</b>
<b>NET INCOME</b>	<b>₱8,157,886,257</b>	<b>₱5,007,553,857</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized gain (loss) on available-for-sale investments (Notes 14 and 24)	<b>393,466,028</b>	(437,926,411)
Cumulative translation adjustments (Note 24)	<b>(181,758,621)</b>	(142,199,153)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX</b>	<b>211,707,407</b>	(580,125,564)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>₱8,369,593,664</b>	<b>₱4,427,428,293</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the parent	<b>₱7,947,436,984</b>	₱4,056,145,361
Non-controlling interests	<b>422,156,680</b>	371,282,932
	<b>₱8,369,593,664</b>	<b>₱4,427,428,293</b>

*See accompanying Notes to Consolidated Financial Statements.*



**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010**

	Attributable to Equity Holders of the Parent													
	Paid-up Capital (Note 23)			Retained Earnings (Note 23)			Equity Reserve (Note 23)	Other Comprehensive Income (Loss)			Treasury Shares (Note 23)	Attributable to Non-controlling Interests	Total Equity	
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings		Cumulative Translation Adjustments (Note 24)	Net Unrealized Gain (Loss) on Available-For-Sale Investments (Notes 14 and 24)	Total Other Comprehensive Income (Loss) (Note 24)				
Balances as at October 1, 2011	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱24,137,859,147	₱5,000,000,000	₱29,137,859,147	₱-	₱324,705,986	₱257,038,710	₱581,744,696	(₱2,414,026,153)	₱40,761,135,060	₱1,265,376,434	₱42,026,511,494
Net income for the year	-	-	-	7,735,729,577	-	7,735,729,577	-	-	-	-	-	7,735,729,577	422,156,680	8,157,886,257
Other comprehensive income	-	-	-	-	-	-	-	(181,758,621)	393,466,028	211,707,407	-	211,707,407	-	211,707,407
<b>Total comprehensive income</b>	-	-	-	7,735,729,577	-	7,735,729,577	-	(181,758,621)	393,466,028	211,707,407	-	7,947,436,984	422,156,680	8,369,593,664
Unappropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares (Note 23)	-	5,601,127,881	5,601,127,881	-	-	-	-	-	-	-	1,743,640,119	7,344,768,000	-	7,344,768,000
Purchase of non-controlling interest (Note 23)	-	-	-	-	-	-	(5,556,531,939)	-	-	-	-	(5,556,531,939)	(1,650,935,943)	(7,207,467,882)
Cash dividends (Note 23)	-	-	-	(3,916,853,672)	-	(3,916,853,672)	-	-	-	-	-	(3,916,853,672)	-	(3,916,853,672)
<b>Balances as at September 30, 2012</b>	<b>₱2,227,638,933</b>	<b>₱16,829,046,318</b>	<b>₱19,056,685,251</b>	<b>₱27,956,735,052</b>	<b>₱5,000,000,000</b>	<b>₱32,956,735,052</b>	<b>(₱5,556,531,939)</b>	<b>₱142,947,365</b>	<b>₱650,504,738</b>	<b>₱793,452,103</b>	<b>(₱670,386,034)</b>	<b>₱46,579,954,433</b>	<b>₱36,597,171</b>	<b>₱46,616,551,604</b>
Balances as at October 1, 2010	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱25,418,631,895	₱3,000,000,000	₱28,418,631,895	₱-	₱466,905,139	₱694,965,121	₱1,161,870,260	(₱2,091,912,018)	₱40,944,147,507	₱894,093,502	₱41,838,241,009
Net income for the year	-	-	-	4,636,270,925	-	4,636,270,925	-	-	-	-	-	4,636,270,925	371,282,932	5,007,553,857
Other comprehensive income	-	-	-	-	-	-	-	(142,199,153)	(437,926,411)	(580,125,564)	-	(580,125,564)	-	(580,125,564)
<b>Total comprehensive income</b>	-	-	-	4,636,270,925	-	4,636,270,925	-	(142,199,153)	(437,926,411)	(580,125,564)	-	4,056,145,361	371,282,932	4,427,428,293
Unappropriation of retained earnings	-	-	-	3,000,000,000	(3,000,000,000)	-	-	-	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	(5,000,000,000)	5,000,000,000	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (Note 23)	-	-	-	-	-	-	-	-	-	-	(322,114,135)	(322,114,135)	-	(322,114,135)
Cash dividends (Note 23)	-	-	-	(3,917,043,673)	-	(3,917,043,673)	-	-	-	-	-	(3,917,043,673)	-	(3,917,043,673)
<b>Balances as at September 30, 2011</b>	<b>₱2,227,638,933</b>	<b>₱11,227,918,437</b>	<b>₱13,455,557,370</b>	<b>₱24,137,859,147</b>	<b>₱5,000,000,000</b>	<b>₱29,137,859,147</b>	<b>₱-</b>	<b>₱324,705,986</b>	<b>₱257,038,710</b>	<b>₱581,744,696</b>	<b>(₱2,414,026,153)</b>	<b>₱40,761,135,060</b>	<b>₱1,265,376,434</b>	<b>₱42,026,511,494</b>
Balances as at October 1, 2009	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱19,547,489,156	₱3,000,000,000	₱22,547,489,156	₱-	₱576,462,578	₱268,414,367	₱844,876,945	(₱934,712,846)	₱35,913,210,625	₱573,119,814	₱36,486,330,439
Net income for the year	-	-	-	7,817,275,906	-	7,817,275,906	-	-	-	-	-	7,817,275,906	320,973,688	8,138,249,594
Disposal of a foreign subsidiary (Note 38)	-	-	-	-	-	-	-	(29,013,457)	-	(29,013,457)	-	(29,013,457)	-	(29,013,457)
Other comprehensive income	-	-	-	-	-	-	-	(80,543,982)	426,550,754	346,006,772	-	346,006,772	-	346,006,772
<b>Total comprehensive income</b>	-	-	-	7,817,275,906	-	7,817,275,906	-	(109,557,439)	426,550,754	316,993,315	-	8,134,269,221	320,973,688	8,455,242,909
Purchase of treasury shares (Note 23)	-	-	-	-	-	-	-	-	-	-	(1,157,199,172)	(1,157,199,172)	-	(1,157,199,172)
Cash dividends (Note 23)	-	-	-	(1,946,133,167)	-	(1,946,133,167)	-	-	-	-	-	(1,946,133,167)	-	(1,946,133,167)
<b>Balances as at September 30, 2010</b>	<b>₱2,227,638,933</b>	<b>₱11,227,918,437</b>	<b>₱13,455,557,370</b>	<b>₱25,418,631,895</b>	<b>₱3,000,000,000</b>	<b>₱28,418,631,895</b>	<b>₱-</b>	<b>₱466,905,139</b>	<b>₱694,965,121</b>	<b>₱1,161,870,260</b>	<b>(₱2,091,912,018)</b>	<b>₱40,944,147,507</b>	<b>₱894,093,502</b>	<b>₱41,838,241,009</b>

See accompanying Notes to Consolidated Financial Statements.



**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended September 30</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱9,147,227,679</b>	₱5,621,448,555	₱8,919,249,412
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 13)	<b>3,415,369,881</b>	3,260,872,226	3,274,434,292
Investment properties (Note 18)	<b>3,657,795</b>	3,657,787	3,598,245
Intangible assets (Note 16)	-	1,614,455	2,767,636
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	<b>(1,548,491,547)</b>	1,157,315,912	(2,007,094,315)
Finance revenue (Note 30)	<b>(1,229,729,268)</b>	(1,191,241,808)	(1,222,064,699)
Finance costs (Note 31)	<b>683,049,996</b>	1,001,247,740	1,034,199,841
Net foreign exchange losses	<b>634,390,049</b>	36,688,172	335,280,036
Loss arising from changes in fair value less estimated costs to sell of swine stocks (Note 15)	<b>15,524,660</b>	128,310,166	44,745,566
Impairment losses on:			
Receivables (Note 10)	-	5,625,813	163,552,126
Inventories (Note 11)	-	4,005,060	248,805
Property, plant and equipment (Note 13)	<b>7,651,176</b>	10,065,297	-
Intangibles (Notes 16 and 38)	<b>190,223,400</b>	147,514,765	-
Other assets (Note 19)	-	-	279,087,863
Loss (gain) on sale of:			
Property, plant and equipment	<b>(27,681,325)</b>	(17,560,666)	(17,970,284)
Net assets of disposal group classified as held for sale (Note 38)	-	177,789,396	31,708,814
Available-for-sale investments	<b>(55,192,209)</b>	(69,390,963)	(11,526,071)
Financial assets at fair value through profit or loss	<b>85,096,391</b>	3,696,697	(9,290,668)
Equity in net income of a joint venture (Note 17)	<b>(31,172,102)</b>	(25,469,633)	(26,194,500)
Amortization of debt issuance costs	<b>9,396,636</b>	12,377,331	15,168,074
Market valuation gain on derivative transactions (Note 8)	<b>(12,226,523)</b>	(4,115,330)	(10,558,618)
Operating income before working capital changes	<b>11,287,094,689</b>	10,264,450,972	10,799,341,555
Decrease (increase) in:			
Receivables	<b>(1,034,433,903)</b>	(981,073,652)	187,222,647
Inventories	<b>(34,549,496)</b>	(1,843,302,662)	(1,771,130,996)
Biological assets	<b>(131,175,092)</b>	(203,051,947)	225,556,783
Other current assets	<b>197,214,436</b>	174,092,316	(17,559,797)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	<b>992,207,318</b>	686,348,971	219,441,709
Trust receipts and acceptances payable	<b>2,188,947,980</b>	1,439,785,594	(478,448,886)
Net cash generated from operations	<b>13,465,305,932</b>	9,537,249,592	9,164,423,015

(Forward)



	<b>Years Ended September 30</b>		
	2012	2011	2010
Interest received	₱1,227,580,030	₱1,163,170,777	₱1,210,290,196
Interest paid	(804,710,355)	(1,001,217,460)	(1,058,388,561)
Income taxes paid	(898,940,139)	(708,597,303)	(562,185,659)
Net cash provided from operating activities	<b>12,989,235,468</b>	8,990,605,606	8,754,138,991
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property, plant and equipment (Note 13)	(5,129,191,994)	(4,559,451,861)	(3,582,808,089)
Financial assets at fair value through profit or loss	(1,976,898,466)	(2,342,958,468)	(2,583,863,699)
Non-controlling interest (Note 23)	(7,200,000,000)	-	-
Proceeds from the sale of:			
Financial assets at fair value through profit or loss	2,740,543,903	672,701,490	1,173,940,289
Available-for-sale investments	954,610,881	716,158,372	655,977,635
Property, plant and equipment	63,908,741	67,560,666	62,569,987
Net assets of disposal group classified as held for sale (Note 38)	-	107,920,453	255,954,535
Decrease (increase) in:			
Other noncurrent assets	(72,725,477)	(81,148,992)	86,704,601
Net pension asset (liability)	(13,586,988)	102,555,337	70,988,000
Dividends received (Note 17)	24,999,993	24,999,929	24,999,993
Net cash used in investing activities	<b>(10,608,339,407)</b>	(5,291,663,074)	(3,835,536,748)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of:			
Short-term debt	(5,749,632,635)	(5,111,859,534)	(5,186,769,415)
Long-term debt	(7,848,762,768)	(7,401,385)	(338,237,308)
Proceeds from availment of short-term debt	8,588,536,884	5,747,104,738	5,111,859,534
Proceeds from the sale of treasury shares, net of transaction costs (Note 23)	7,344,768,000	-	-
Cash dividends paid (Note 23)	(3,916,853,672)	(3,917,043,673)	(1,946,133,167)
Purchase of treasury shares (Note 23)	-	(322,114,135)	(1,157,199,172)
Net cash used in financing activities	<b>(1,581,944,191)</b>	(3,611,313,989)	(3,516,479,528)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>798,951,870</b>	87,626,543	1,402,122,715
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,546,881,527</b>	4,459,254,984	3,057,132,269
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱5,345,833,397</b>	₱4,546,881,527	₱4,459,254,984

See accompanying Notes to Consolidated Financial Statements.



## **UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

Universal Robina Corporation (hereinafter referred to as “the Parent Company” or “URC”) is incorporated and domiciled in the Republic of the Philippines. The registered office address of the Parent Company is 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines.

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. (“the Ultimate Parent Company” or “JGSHI”).

The Parent Company and its subsidiaries (hereinafter referred to as “the Group”) is one of the largest branded food products companies in the Philippines and has a growing presence in other markets in Asia. The Group is involved in a wide range of food-related businesses which are organized into three (3) business segments: (a) the branded consumer food segment which manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, noodles and tomato-based products; (b) the agro-industrial segment which engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; and (c) the commodity food segment which engages in sugar milling and refining, flour milling and pasta manufacturing. The Parent Company also engages in consumer product-related packaging business through its packaging division which manufactures bi-axially oriented polypropylene (BOPP) film and through its subsidiary, CFC Clubhouse Property, Inc. (CCPI), which manufactures polyethylene terephthalate (PET) bottles and printed flexible packaging materials. The Parent Company’s packaging business is included in the branded consumer food segment.

On February 10, 2012 and April 18, 2012, the Board of Directors (BOD) and Stockholders, respectively approved the amendments to the Articles of Incorporation of the Parent Company to include in its purpose the business of producing fuel ethanol and other similar products and to carry on all activities and services incidental and/or ancillary for such. On May 25, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment to the secondary purpose of the Parent Company.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of four (4) years to six (6) years from respective start dates of commercial operations (see Note 36). The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6 to the consolidated financial statements.



## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments and derivative financial instruments that have been measured at fair value, and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as certain foreign subsidiaries) is the Philippine Peso.

### Statement of Compliance

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

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership		
		2012	2011	2010
CCPI	Philippines	<b>100.00</b>	100.00	100.00
CFC Corporation	- do -	<b>100.00</b>	100.00	100.00
Bio-Resource Power Generation Corporation	- do -	<b>100.00</b>	100.00	100.00
CFC Clubhouse, Incorporated	- do -	-	-	100.00
URC Confectionery Corporation	- do -	-	-	100.00
South Luzon Greenland, Inc.	- do -	-	-	100.00
Southern Negros Development Corporation (SONEDCO)	- do -	<b>94.00</b>	94.00	94.00
Nissin-URC	- do -	<b>65.00</b>	65.00	65.00
URC Philippines, Limited (URCPL)	British Virgin Islands	<b>100.00</b>	100.00	100.00
URC International Co. Ltd. (URCICL) and Subsidiaries*	- do -	<b>100.00</b>	77.00	77.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	<b>100.00</b>	100.00	100.00
URC China Commercial Co., Ltd.	China	<b>100.00</b>	100.00	100.00

\* Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China and Hong Kong

In August 2012, the BOD approved the acquisition by the Parent Company of 23.00% of the capital stock of URCICL owned by a minority shareholder, International Horizons Investments Ltd., for ₱7.2 billion. The acquisition of the shares allowed the Parent Company to consolidate 100.00% of the earnings of URCICL after the date of acquisition (see Note 23).

In February 2011, CFC Clubhouse, Incorporated, URC Confectionery Corporation, and South Luzon Greenland, Inc., have been merged to the Parent Company. The merger did not have an impact on the consolidated financial statements.



The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in the consolidation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Some of the Group's subsidiaries have a local statutory accounting reference date of December 31. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

Below are the subsidiaries with a different accounting reference date from that of the Parent Company:

Subsidiaries	Year-end
URC China Commercial Co., Ltd.	December 31
Shantou SEZ Shanfu Foods Co., Ltd.	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-
Jiangsu Acesfood Industrial Co., Ltd.	-do-
Acesfood Network Pte. Ltd. (Acesfood)	-do-
Acesfood Holdings Pte. Ltd.	-do-
Acesfood Distributors Pte. Ltd.	-do-
Advanson International Pte. Ltd. (Advanson)	-do-

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest (NCI).

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognized in the consolidated statement of income on the date of acquisition.

NCIs in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCIs consist of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the NCIs are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.



### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective for the Group beginning October 1, 2011. The adoption of the new and amended standards and interpretations did not have any effect on the consolidated financial statements of the Group. They did, however, give rise to additional disclosures.

On October 1, 2011, the Group early adopted the following new and amended accounting standards and interpretations which are mandatory for the Group for the fiscal year beginning October 1, 2012.

#### *Revised and Amended Standards*

- 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 Group has no investment properties at fair value and assets under PAS 16 carried under the revaluation model. The amendment has no impact on the consolidated financial statements of the Group. The amendments are effective for periods beginning on or after January 1, 2012.

### **Significant Accounting Policies**

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Sale of goods*

Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.



*Rendering of services*

Revenue derived from tolling activities, whereby raw sugar from traders and planters is converted into refined sugar, is recognized as revenue when the related services have been rendered.

*Dividend income*

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

*Rent income*

Rent income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

*Interest income*

Interest income is recognized as it accrues using the effective interest rate (EIR) method under which interest income is recognized at the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Cash and Cash Equivalents

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

Recognition of Financial Instruments

*Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

*Initial recognition of financial instruments*

Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, AFS investments and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

*Determination of fair value*

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.



For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

*Day 1 profit*

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount.

*Financial assets and financial liabilities at FVPL*

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, derivative instruments, or those designated upon initial recognition when any of the following criteria are met:

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

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right of the payment has been established.

The Group's financial assets at FVPL consist of private bonds, equity and government securities (see Note 8).

*Derivatives recorded at FVPL*

The Group uses derivative financial instruments such as currency forwards and currency options to hedge the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of the Group's derivative instruments are based on quotes obtained from counterparties.



*Embedded derivatives*

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

*Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade and other receivables (see Note 10).

*AFS investments*

AFS investments are those nonderivative investments which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported under the 'Other comprehensive income' section of the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Interest earned on holding AFS investments are reported as interest income using the EIR method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.



AFS investments held by the Group consist of private bonds, government and equity securities (see Note 14).

*Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs. Debt issuance costs are amortized using the EIR method and unamortized debt issuance costs are offset against the related carrying value of the loan in the consolidated statement of financial position.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

This accounting policy applies primarily to the Group's short-term (see Note 20) and long-term debt (see Note 22), accounts payable and other accrued liabilities (see Note 21) and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities or income tax payable).

Debt Issuance Costs

Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the loan in the consolidated statement of financial position. When loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statement of income.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.



### Reclassification of Financial Assets

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. In 2008, the Group reclassified certain financial assets at FVPL to AFS investments (see Note 9).

### Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) 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 discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of income. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

The Group first assesses whether 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 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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.



Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group (see Note 10).

#### *AFS investments*

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

For equity investments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income - is removed from equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly as part of the other comprehensive income.

#### Derecognition of Financial Instruments

##### *Financial assets*

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a



guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

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

#### Financial Guarantee Contracts

In the ordinary course of business, the Parent Company gives financial guarantees. Financial guarantees are initially recognized at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

#### Offsetting Financial Instruments

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

#### Inventories

Inventories, including goods-in-process, are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

#### *Finished goods, work-in-process, raw materials, containers and packaging materials*

Cost is determined using the weighted average method. Finished goods and work-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

#### *Materials in-transit*

Cost is determined using the specific identification basis.

#### *Spare parts and supplies*

Cost is determined using the weighted average method.



### Biological Assets

The biological assets of the Group are divided into two major categories with sub-categories as follows:

- Swine livestock
  - Breeders (livestock bearer)
  - Sucklings (breeders' offspring)
  - Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
  - Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
  
- Poultry livestock
  - Breeders (livestock bearer)
  - Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each statement of financial position date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. Agricultural produce harvested from an entity's biological assets are measured at its fair value less estimated costs to sell at the time of harvest.

The Group is unable to measure fair values reliably for its poultry livestock breeders in the absence of: (a) available market determined prices or values; and (b) alternative estimates of fair values that are determined to be clearly reliable; thus, these biological assets are measured at cost less accumulated depreciation and any accumulated impairment losses. However, once the fair values become reliably measurable, the Group measures these biological assets at their fair values less estimated costs to sell.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of comprehensive income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/ finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

#### *Biological assets at cost*

The cost of a biological asset comprises its purchase price and any costs attributable in bringing the biological asset to its location and conditions intended by management.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the biological assets, regardless of utilization. The EUL of biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that considers market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of biological assets. The EUL of biological assets ranges from two to three years.

The carrying values of biological assets are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable (see further discussion under Impairment of Nonfinancial Assets).

#### *Biological assets carried at fair values less estimated costs to sell*

Swine livestock are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell



include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset shall be included in the consolidated statement of income in the period in which it arises.

#### Assets Held for Sale

The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' consolidated statements of income and consolidated statement of cash flows are re-presented. The results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in the consolidated statement of income and consolidated statement of cash flows as items associated with discontinued operations.

In circumstances where certain events have extended the period to complete the sale of a disposal group beyond one year, the disposal group continues to be classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group. Otherwise, if the criteria for classification of a disposal group as held for sale are no longer met, the Group ceases to classify the disposal group as held for sale.

#### *Initial and subsequent measurement*

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition.

Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition.

Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any.

Land is stated at cost less any impairment in value.



Subsequent costs are capitalized as part of the 'Property, plant and equipment', only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Foreign exchange differentials arising from foreign currency borrowings used for the acquisition of property, plant and equipment are capitalized to the extent that these are regarded as adjustments to interest costs.

Construction-in-progress is stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Construction in-progress are transferred to the related 'Property, plant and equipment' when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Depreciation and amortization of property, plant and equipment commence, once the property, plant and equipment are available for use and are computed using the straight-line method over the EUL of the assets regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	Years
Land improvements	20
Buildings and improvements	10 to 30
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms.

The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year-end.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become 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 the Group).

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 on derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income, in the year the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.



Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up.

The Group's investment properties are depreciated using the straight-line method over their EUL as follows:

	Years
Land improvements	10
Buildings and building improvements	10 to 30

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

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

For a transfer from investment property to owner-occupied property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment account up to the date of change in use.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of Nonfinancial Assets).



If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	Product Formulation	Trademarks	
EUL	Indefinite	Indefinite	Finite (4 years)
Amortization method used	No amortization	No amortization	Straight-line amortization
Internally generated or acquired	Acquired	Acquired	Acquired

Investment in a Joint Venture

The Group has a 50.00% interest in Hunt-Universal Robina Corporation (HURC), a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investment in a joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of



the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity.

The investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), investment properties (see Note 18), investment in a joint venture (see Note 17), intangible assets (see Note 16) and biological assets at cost (see Note 15).

The Group assesses at each statement of financial position date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. 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, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 (or cash-generating unit).

Impairment losses are recognized in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each statement of financial position 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

The following criteria are also applied in assessing impairment of specific assets:

#### *Goodwill*

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that



unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

*Biological assets at cost*

The carrying values of biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

*Intangible assets*

Intangible assets with indefinite EUL are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

*Investment in a joint venture*

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in a joint venture. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the joint venture and the acquisition cost and recognizes the amount in the profit or loss in the consolidated statement of comprehensive income.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.



### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

### Pension Costs

Pension cost for defined contribution retirement plan is recognized when an employee has rendered services during the period as an expense and a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the financial position date, the excess should be recognized as an asset when such prepayment will lead to a reduction in future payments or a cash refund.

Pension cost for defined retirement benefit plan is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.00% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Past service costs, if any, are recognized immediately in the consolidated statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

### *Asset ceiling test*

The asset ceiling test requires a defined benefit asset to be measured at the lower of the amount of the prepaid retirement asset and the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan as reductions in the future contributions to the plan.



## Income Taxes

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the statement of financial position date.

### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rate that is 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 as of the statement of financial position date.

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

## Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted



average borrowing rate. Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the EIR method over the term of the loans.

#### Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, 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(s).

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 an 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 specified 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 gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for scenario b.

#### *Group as a lessee*

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income.

A lease is depreciated over the EUL of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

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

#### *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.



Foreign Currency Translation/Transactions

The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as certain consolidated foreign subsidiaries) is the Philippine Peso.

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Group's consolidated foreign subsidiaries follow:

Subsidiaries	Country of Incorporation	Functional Currency
URCL	Cayman Islands	Philippine Peso
URCPL	British Virgin Islands	- do -
URC Asean Brands Co. Ltd. (UABCL)	- do -	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URCICL	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd.	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Foods (Singapore) Pte. Ltd.	- do -	- do -
Acesfood Network Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -

As of the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their respective statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign



operation shall be recognized in the consolidated statement of income.

#### Common Stock

Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing consolidated net income applicable to common stock (consolidated net income less dividends on preferred stock) by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

#### Events after the Reporting Period

Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

#### New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2012

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have a significant impact on its consolidated financial statements.

#### *Effective in 2013 for adoption in fiscal year ending September 30, 2014*

- 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 arrangement that are not otherwise included in (b) above, including:
  1. Amounts related to recognized financial instruments that do not meet some or all of the following criteria in PAS 32; and
  2. 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 to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. 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 issues raised in SIC 12, *Consolidation for 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 the parent, compared with the requirements of PAS 2. The standard becomes effective for annual periods beginning on or after January 1, 2013.
- **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 equity method. The application of this new standard will not have an impact the financial position of the Group. The standard becomes effective for annual period beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interest 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 in PAS 31, and PAS 28, *Investment 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 standard becomes effective for annual periods beginning on or after January 1, 2013. 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 standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- 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.

The amendments become effective for annual periods beginning on or after January 1, 2013. 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 financial statements upon adoption of the standard. The estimated effects are detailed below:

	<b>As of September 30, 2012</b>	As of October 1, 2011
<u>Increase (decrease) in:</u>		
<u>Consolidated statement of financial position</u>		
Net pension liability	<b>₱360,233,568</b>	₱116,420,198
Deferred tax assets	<b>108,070,070</b>	34,926,059
Other comprehensive income	<b>446,996,364</b>	164,580,868
Retained earnings	<b>194,832,866</b>	83,086,729
	<b>2012</b>	
<u>Consolidated statement of income</u>		
Pension expense	<b>(₱38,802,634)</b>	
Provision for income tax	<b>11,640,790</b>	
Net income for the year		
Attributable to equity holders of the Parent	<b>(27,128,121)</b>	
Attributable to NCIs	<b>(33,723)</b>	



- PAS 27, *Separate Financial Statements* (as revised in 2011)  
As a consequence of the new PFRS 10 and 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. The adoption of the amended PAS 27 will not have significant impact on the separate financial statements of the entities within the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)  
As a consequence of the new PFRS 10 and 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.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*  
This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Group expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014 for adoption in fiscal year ending September 30, 2015

- 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 for adoption in fiscal year ending September 30, 2016

- PFRS 9, *Financial Instruments*  
PFRS 9, 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.
  - a. All financial assets to be measured at fair value at initial recognition;
  - b. 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;



- c. All equity financial assets are measured at fair value either through other comprehensive income 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 other comprehensive income. 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 other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- d. 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 Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

#### *Improvements to PFRS*

The omnibus amendments to PFRS issued in 2009, 2010 and 2011, 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.

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### 3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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 Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Classification of financial instruments*

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### *Determination of fair values of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting judgment and estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different



valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would affect profit and loss and equity.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. The fair values of the Group's derivative financial instruments are based from quotes obtained from counterparties.

The fair values of the Group's financial instruments are disclosed in Note 5.

#### *Classification of leases*

Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease contracts, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items, are capitalized. Otherwise, they are considered as operating leases.

The Group has entered into commercial property leases on its investment property portfolio. These leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right.

#### *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.



#### *Determination of functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

- a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b. the currency in which funds from financing activities are generated; and
- c. the currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the parent and performing the functions of the parent - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the parent company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the parent; while in the latter case, the functional currency of the entity would be assessed separately.

#### *Assets held for sale*

The Group classifies a subsidiary as a disposal group held for sale if it meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

#### *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

#### Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of AFS investments*

##### *Debt investments*

The Group classifies certain financial assets as AFS investments and recognizes movements in the fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether such can be considered as an impairment loss that should be recognized in the profit or loss in the consolidated statement of comprehensive income.



The Group did not recognize any provision for impairment loss on its AFS debt investments in 2012, 2011 and 2010. As of September 30, 2012 and 2011, the carrying value of AFS debt investments amounted to ₱3.8 billion and ₱4.6 billion, respectively (see Note 14).

*Equity investments*

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more and 'prolonged' as 12 months or longer for quoted equity securities. In addition, the Group evaluates other factors, such as normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The Group did not recognize any impairment loss on AFS equity investments in 2012, 2011 and 2010. As of September 30, 2012 and 2011, the carrying value of AFS equity investments amounted to ₱950.8 million and ₱894.2 million, respectively (see Note 14).

*Estimation of allowance for impairment losses on receivables*

The Group maintains allowances for impairment losses on its trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible. The Group reviews its finance receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the profit or loss in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on trade and other receivables would increase recorded operating expenses and decrease current assets.

Provision for impairment losses on receivables (included under 'Impairment losses' on the consolidated statements of income) amounted to nil, ₱5.6 million and ₱163.6 million in 2012, 2011 and 2010, respectively. In 2012, the Group recovered impaired receivables amounting to 0.8 million. Total receivables, net of allowance for impairment losses, amounted to ₱7.5 billion and ₱7.4 billion as of September 30, 2012 and 2011, respectively (see Note 10).



*Determination of NRV of inventories*

The Group, in determining the NRV, considers any adjustment necessary for obsolescence, which is generally providing 100.00% allowance for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories.

The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory written down as expense (included under the 'Cost of sales' in the consolidated statements of income) amounted to ₱673.6 million, ₱470.1 million and ₱459.7 million in 2012, 2011 and 2010, respectively (see Note 11).

The Group recognized impairment losses on its inventories amounted to nil, ₱4.0 million and ₱0.2 million in 2012, 2011 and 2010, respectively. The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱9.8 billion and ₱9.7 billion for September 30, 2012 and 2011, respectively (see Note 11).

*EUL of property, plant and equipment and investment properties*

The Group estimates the useful lives of its property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The EUL of property, plant and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the EUL of property, plant and equipment and investment properties would increase depreciation expense and decrease noncurrent assets.

As of September 30, 2012 and 2011, the balances of the Group's depreciable property, plant and equipment, biological assets and investment properties follow:

	<b>2012</b>	2011
Property, plant and equipment - net (see Note 13)	<b>₱22,954,777,868</b>	₱23,019,246,208
Biological assets - breeders (see Note 15)	<b>428,961,591</b>	459,053,688
Investment properties - net (see Note 18)	<b>64,491,512</b>	68,149,307

*Fair values less estimated costs to sell of biological assets*

The fair values of swine are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of September 30, 2012 and 2011, the Group's biological assets carried at fair values less



estimated costs to sell amounted to ₱1.3 billion and ₱1.2 billion, respectively (see Note 15). In 2012, 2011 and 2010, losses arising from changes in the fair market value of biological assets amounted to ₱15.5 million, ₱128.3 million and ₱44.7 million, respectively (see Note 15).

*Impairment of nonfinancial assets*

The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, investment properties, investment in a joint venture, biological assets at cost, goodwill and other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant or prolonged decline in the fair value of the asset;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount has been determined based on value in use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

In 2012 and 2011, the Group recognized impairment losses on its property, plant and equipment (included under 'Impairment losses' on the consolidated statements of income) of ₱7.7 million and ₱10.1 million, respectively (see Note 13). In 2012 and 2011, the Group recognized impairment losses on its trademark (included under 'Impairment losses' on the consolidated statements of income) of ₱190.2 million and ₱63.5 million, respectively. In 2011, the Group also recognized impairment losses on its goodwill (included under 'Impairment losses' on the consolidated statements of income) of ₱84.0 million, pertaining to disposed subsidiaries (see Notes 16 and 38).



As of September 30, 2012 and 2011, the balances of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment losses follow:

	<b>2012</b>	2011
Property, plant and equipment (see Note 13)	<b>₱27,918,634,454</b>	₱26,423,220,738
Intangible assets (see Note 16)	<b>1,273,627,776</b>	1,463,851,176
Biological assets at cost (see Note 15)	<b>182,704,353</b>	136,756,240
Investment in a joint venture (see Note 17)	<b>96,139,053</b>	89,966,944
Investment properties (see Note 18)	<b>64,491,512</b>	68,149,307

*Estimation of pension and other benefits costs*

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 32). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using the interest rate of Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date.

As of September 30, 2012 and 2011, the balances of the Group's net pension liability, actuarial losses and other employee benefits follow:

	<b>2012</b>	2011
Net pension liability (see Note 32)	<b>₱11,063,529</b>	₱24,650,517
Unrecognized actuarial loss - net (see Note 32)	<b>338,537,178</b>	111,571,379
Other employee benefits (see Note 29)	<b>856,708,522</b>	762,396,413

*Recognition of deferred tax assets*

The Group reviews the carrying amounts of its deferred income taxes at each statement of financial position date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

As of September 30, 2012 and 2011, the Group recognized deferred tax assets amounting to ₱187.3 million and ₱180.5 million, respectively (see Note 33), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱209.4 million and ₱138.5 million as of September 30, 2012 and 2011, respectively (see Note 33).



As of September 30, 2012 and 2011, the Group has certain subsidiaries which are under ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 36).

As of September 30, 2012 and 2011, the total amount of unrecognized deferred tax assets of the Group amounted to ₱186.6 million and ₱166.6 million, respectively (see Note 33).

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#### 4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, financial assets at FVPL, AFS investments, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiary is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes.

The BOD of the Parent Company and its subsidiaries review and approve policies for managing each of these risks and they are summarized below, together with the related risk management structure.

##### Risk Management Structure

The Group's risk management structure is closely aligned with that of the ultimate parent company. The BOD of the Parent Company and the respective BOD of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

##### *AC*

The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

- a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
- b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;



- c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
- d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

*Enterprise Risk Management Group (ERMG)*

The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

- a. recommending risk policies, strategies, principles, framework and limits;
- b. managing fundamental risk issues and monitoring of relevant risk decisions;
- c. providing support to management in implementing the risk policies and strategies; and
- d. developing a risk awareness program.

Compliance with the principles of good corporate governance is also one (1) of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining

violations, and recommending penalties on such infringements for further review and approval of the BOD, among others.

*Day-to-day risk management functions*

At the business unit or company level, the day-to-day risk management functions are handled by four (4) different groups, namely:

1. Risk-taking personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk control and compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk management. This group pertains to the business unit's Management Committee which makes risk mitigating decisions within the enterprise-wide risk management framework.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks such as foreign currency risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit and Collection Department of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.



With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk (including derivatives) of the Group as of September 30, 2012 and 2011, without considering the effects of collaterals and other credit risk mitigation techniques.

	2012	2011
<b>Loans and receivables:</b>		
Cash and cash equivalents (excluding cash on hand amounting to ₱41.1 million and ₱47.8 million as of September 30, 2012 and 2011, respectively) [see Note 7]	<b>₱5,304,708,453</b>	₱4,499,089,671
Receivables (see Note 10):		
Trade receivables	<b>4,750,357,051</b>	4,553,747,213
Due from related parties	<b>1,258,154,460</b>	1,602,667,129
Advances to officers, employees and suppliers	<b>668,015,302</b>	506,448,348
Interest receivable	<b>224,439,145</b>	222,289,907
Other receivables	<b>560,066,957</b>	534,672,218
<b>Total loans and receivables</b>	<b>12,765,741,368</b>	11,918,914,486
<b>Financial assets at FVPL (see Note 8):</b>		
Held-for-trading:		
Private bonds	<b>8,688,367,888</b>	7,374,656,667
Equity securities	<b>1,915,005,913</b>	3,132,619,171
Government bonds	<b>208,194,297</b>	135,633,633
Derivative assets	<b>834,167</b>	9,162,226
<b>Total financial assets at FVPL</b>	<b>10,812,402,265</b>	10,652,071,697
<b>AFS investments (see Note 14):</b>		
Debt securities:		
Private bonds	<b>1,984,850,194</b>	2,451,989,177
Government securities	<b>1,862,178,302</b>	2,165,354,695
Equity securities:		
Quoted	<b>950,848,125</b>	894,207,250
<b>Total AFS investments</b>	<b>4,797,876,621</b>	5,511,551,122
	<b>₱28,376,020,254</b>	₱28,082,537,305

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.



In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of September 30, 2012 and 2011 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2012					Total
	Philippines	Asia	United States	Europe	Others*	
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱3,339,748,263	₱1,964,960,190	₱-	₱-	₱-	₱5,304,708,453
Receivables (see Note 10):						
Trade receivables	2,876,597,951	1,837,508,882	22,611,964	4,085,966	9,552,288	4,750,357,051
Due from related parties	1,258,154,460	-	-	-	-	1,258,154,460
Advances to officers, employees and suppliers	378,126,181	289,889,121	-	-	-	668,015,302
Interest receivable	29,312,678	90,127,557	63,816,788	41,182,122	-	224,439,145
Other receivables	560,066,957	-	-	-	-	560,066,957
<b>Total loans and receivable</b>	<b>8,442,006,490</b>	<b>4,182,485,750</b>	<b>86,428,752</b>	<b>45,268,088</b>	<b>9,552,288</b>	<b>12,765,741,368</b>
Financial assets at FVPL (see Note 8):						
Held-for-trading:						
Private bonds	2,154,828,172	1,710,785,803	791,774,427	3,403,203,095	627,776,391	8,688,367,888
Equity securities	309,145,085	202,333,519	386,255,710	1,017,271,599	-	1,915,005,913
Government securities	-	208,194,297	-	-	-	208,194,297
Derivative assets	-	-	-	834,167	-	834,167
<b>Total financial assets at FVPL</b>	<b>2,463,973,257</b>	<b>2,121,313,619</b>	<b>1,178,030,137</b>	<b>4,421,308,861</b>	<b>627,776,391</b>	<b>10,812,402,265</b>
AFS investments (see Note 14):						
Debt securities						
Private bonds	-	897,137,215	300,358,872	787,354,107	-	1,984,850,194
Government securities	1,458,912,093	32,492,119	-	-	370,774,090	1,862,178,302
Equity securities						
Quoted	21,720,000	-	-	929,128,125	-	950,848,125
<b>Total AFS investments</b>	<b>1,480,632,093</b>	<b>929,629,334</b>	<b>300,358,872</b>	<b>1,716,482,232</b>	<b>370,774,090</b>	<b>4,797,876,621</b>
	<b>₱12,386,611,840</b>	<b>₱7,233,428,703</b>	<b>₱1,564,817,761</b>	<b>₱6,183,059,181</b>	<b>₱1,008,102,769</b>	<b>₱28,376,020,254</b>

\*Includes Brazil and Mexico.

	2011					Total
	Philippines	Asia	United States	Europe	Others*	
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱3,306,431,717	₱1,192,657,954	₱-	₱-	₱-	₱4,499,089,671
Receivables (see Note 10):						
Trade receivables	2,852,468,084	1,685,469,151	10,946,298	3,776,437	1,087,243	4,553,747,213
Due from related parties	1,602,667,129	-	-	-	-	1,602,667,129
Advances to officers, employees and suppliers	372,684,322	133,764,026	-	-	-	506,448,348
Interest receivable	54,733,477	35,903,249	25,687,935	56,245,627	49,719,619	222,289,907
Other receivables	94,865,232	353,418,059	86,388,927	-	-	534,672,218
<b>Total loans and receivable</b>	<b>8,283,849,961</b>	<b>3,401,212,439</b>	<b>123,023,160</b>	<b>60,022,064</b>	<b>50,806,862</b>	<b>11,918,914,486</b>
Financial assets at FVPL (see Note 8):						
Held-for-trading:						
Private bonds	2,039,715,883	1,186,923,860	361,697,309	2,724,956,460	1,061,363,155	7,374,656,667
Equity securities	1,456,512,509	199,202,374	361,109,440	1,115,794,848	-	3,132,619,171
Government securities	-	106,808,471	-	-	28,825,162	135,633,633
Derivative assets	-	-	-	9,162,226	-	9,162,226
<b>Total financial assets at FVPL</b>	<b>3,496,228,392</b>	<b>1,492,934,705</b>	<b>722,806,749</b>	<b>3,849,913,534</b>	<b>1,090,188,317</b>	<b>10,652,071,697</b>
AFS investments (see Note 14):						
Debt securities						
Private bonds	-	889,537,156	725,620,840	756,304,325	80,526,856	2,451,989,177
Government securities	1,459,530,167	147,680,695	-	-	558,143,833	2,165,354,695
Equity securities						
Quoted	21,720,000	-	-	-	872,487,250	894,207,250
<b>Total AFS investments</b>	<b>1,481,250,167</b>	<b>1,037,217,851</b>	<b>725,620,840</b>	<b>756,304,325</b>	<b>1,511,157,939</b>	<b>5,511,551,122</b>
	<b>₱13,261,328,520</b>	<b>₱5,931,364,995</b>	<b>₱1,571,450,749</b>	<b>₱4,666,239,923</b>	<b>₱2,652,153,118</b>	<b>₱28,082,537,305</b>

\*Includes Brazil and Mexico.



ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of September 30, 2012 and 2011 before taking into account any collateral held or other credit enhancements.

	2012							Total
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-communication	Mining	Others*		
Loans and receivables:								
Cash and cash equivalents (excluding cash on hand) [see Note 7]	₱-	₱5,304,426,223	₱-	₱-	₱-	₱282,230	₱5,304,708,453	
Receivables (see Note 10):								
Trade receivables	4,604,350,852	30,670,388	-	-	-	115,335,811	4,750,357,051	
Due from related parties	393,845,840	46,458,902	617,321,039	68,520,364	-	132,008,315	1,258,154,460	
Advances to officers, employees and suppliers	631,996,593	15,252,004	-	-	-	20,766,705	668,015,302	
Interest receivable	3,912,346	133,191,981	11,949,887	6,068,891	6,837,674	62,478,366	224,439,145	
Other receivables	560,066,957	-	-	-	-	-	560,066,957	
<b>Total loans and receivables</b>	<b>6,194,172,588</b>	<b>5,529,999,498</b>	<b>629,270,926</b>	<b>74,589,255</b>	<b>6,837,674</b>	<b>330,871,427</b>	<b>12,765,741,368</b>	
Financial assets at FVPL (see Note 8):								
Held-for-trading:								
Private bonds	64,368,241	5,020,295,912	490,960,258	349,661,185	49,133,909	2,713,948,383	8,688,367,888	
Equity securities	-	1,522,847,509	-	-	2,174,225	389,984,179	1,915,005,913	
Government bonds	-	-	-	-	-	208,194,297	208,194,297	
Derivative assets	-	834,167	-	-	-	-	834,167	
<b>Total financial assets at FVPL</b>	<b>64,368,241</b>	<b>6,543,977,588</b>	<b>490,960,258</b>	<b>349,661,185</b>	<b>51,308,134</b>	<b>3,312,126,859</b>	<b>10,812,402,265</b>	
AFS investments (see Note 14):								
Debt securities								
Private bonds	-	1,120,850,363	277,864,687	91,537,672	139,017,375	355,580,097	1,984,850,194	
Government securities	-	-	-	-	-	1,862,178,302	1,862,178,302	
Equity securities								
Quoted	-	-	-	-	-	950,848,125	950,848,125	
<b>Total AFS investments</b>	<b>-</b>	<b>1,120,850,363</b>	<b>277,864,687</b>	<b>91,537,672</b>	<b>139,017,375</b>	<b>3,168,606,524</b>	<b>4,797,876,621</b>	
	<b>₱6,258,540,829</b>	<b>₱13,194,827,449</b>	<b>₱1,398,095,871</b>	<b>₱515,788,112</b>	<b>₱197,163,183</b>	<b>₱6,811,604,810</b>	<b>₱28,376,020,254</b>	

\*Includes real state, agriculture, automotive, and electrical industries.

	2011							Total
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-communication	Mining	Others*		
Loans and receivables:								
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱-	₱4,499,089,671	₱-	₱-	₱-	₱-	₱4,499,089,671	
Receivables (see Note 10):								
Trade receivables	4,203,941,406	-	-	-	-	349,805,807	4,553,747,213	
Due from related parties	215,981,515	34,064,602	410,436,221	28,425,304	15,108,713	898,650,774	1,602,667,129	
Advances to officers, employees and suppliers	231,988,407	-	-	-	-	274,459,941	506,448,348	
Interest receivable	-	90,179,881	3,084,373	7,646,172	9,139,693	112,239,788	222,289,907	
Other receivables	223,914,242	-	-	-	-	310,757,976	534,672,218	
<b>Total loans and receivables</b>	<b>4,875,825,570</b>	<b>4,623,334,154</b>	<b>413,520,594</b>	<b>36,071,476</b>	<b>24,248,406</b>	<b>1,945,914,286</b>	<b>11,918,914,486</b>	
Financial assets at FVPL (see Note 8):								
Held-for-trading:								
Private bonds	-	3,750,730,283	144,373,507	228,951,008	46,221,322	3,204,380,547	7,374,656,667	
Equity securities	-	1,606,788,000	-	147,000	15,569,742	1,510,114,429	3,132,619,171	
Government bonds	-	-	-	-	-	135,633,633	135,633,633	
Derivative assets	-	9,162,226	-	-	-	-	9,162,226	
<b>Total financial assets at FVPL</b>	<b>-</b>	<b>5,366,680,509</b>	<b>144,373,507</b>	<b>229,098,008</b>	<b>61,791,064</b>	<b>4,850,128,609</b>	<b>10,652,071,697</b>	
AFS investments (see Note 14):								
Debt securities								
Private bonds	-	1,425,412,197	-	84,737,667	135,094,800	806,744,513	2,451,989,177	
Government securities	-	-	-	-	-	2,165,354,695	2,165,354,695	
Equity securities								
Quoted	-	872,487,250	-	-	-	21,720,000	894,207,250	
<b>Total AFS investments</b>	<b>-</b>	<b>2,297,899,447</b>	<b>-</b>	<b>84,737,667</b>	<b>135,094,800</b>	<b>2,993,819,208</b>	<b>5,511,551,122</b>	
	<b>₱4,875,825,570</b>	<b>₱12,287,914,110</b>	<b>₱557,894,101</b>	<b>₱349,907,151</b>	<b>₱221,134,270</b>	<b>₱9,789,862,103</b>	<b>₱28,082,537,305</b>	

\*Includes real state, agriculture, automotive, and electrical industries.



c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of September 30, 2012 and 2011, gross of allowance for impairment losses:

	2012				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) [see Note 7]	₱5,304,708,453	₱-	₱-	₱-	₱5,304,708,453
Receivables (see Note 10):					
Trade receivables	1,962,728,970	2,250,623,299	94,653,505	651,514,661	4,959,520,435
Due from related parties	1,258,154,460	-	-	-	1,258,154,460
Advances to officers, employees and suppliers	87,497,890	526,160,016	8,563,956	65,440,122	687,661,984
Interest receivable	7,576,801	181,583,186	35,279,158	-	224,439,145
Other receivables	198,035,921	155,578,645	39,209	375,495,958	729,149,733
<b>Total loans and receivables</b>	<b>8,818,702,495</b>	<b>3,113,945,146</b>	<b>138,535,828</b>	<b>1,092,450,741</b>	<b>13,163,634,210</b>
Financial assets at FVPL (see Note 8):					
Held-for-trading:					
Private bonds	882,500,848	6,677,086,079	1,128,780,961	-	8,688,367,888
Government bonds	-	208,194,297	-	-	208,194,297
Equity securities	1,570,633,683	344,372,230	-	-	1,915,005,913
Derivative assets	834,167	-	-	-	834,167
<b>Total financial assets at FVPL</b>	<b>2,453,968,698</b>	<b>7,229,652,606</b>	<b>1,128,780,961</b>	<b>-</b>	<b>10,812,402,265</b>
AFS investments (see Note 14):					
Debt securities:					
Private bonds	-	1,984,850,194	-	-	1,984,850,194
Government securities	-	1,862,178,302	-	-	1,862,178,302
Equity securities:					
Quoted	21,720,000	929,128,125	-	-	950,848,125
<b>Total AFS investments</b>	<b>21,720,000</b>	<b>4,776,156,621</b>	<b>-</b>	<b>-</b>	<b>4,797,876,621</b>
	<b>₱11,294,391,193</b>	<b>₱15,119,754,373</b>	<b>₱1,267,316,789</b>	<b>₱1,092,450,741</b>	<b>₱28,773,913,096</b>

	2011				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱4,499,089,671	₱-	₱-	₱-	₱4,499,089,671
Receivables (see Note 10):					
Trade receivables	3,271,344,284	321,904,837	7,587,894	1,163,259,227	4,764,096,242
Due from related parties	1,602,667,129	-	-	-	1,602,667,129
Advances to officers, employees and suppliers	273,930,697	176,365,491	2,525,509	73,273,333	526,095,030
Interest receivable	222,289,907	-	-	-	222,289,907
Other receivables	225,136,402	223,816,130	353,233	261,148,976	710,454,741
<b>Total loans and receivables</b>	<b>10,094,458,090</b>	<b>722,086,458</b>	<b>10,466,636</b>	<b>1,497,681,536</b>	<b>12,324,692,720</b>
Financial assets at FVPL (see Note 8):					
Held-for-trading:					
Private bonds	98,509,718	4,241,697,419	3,034,449,530	-	7,374,656,667
Government bonds	-	-	135,633,633	-	135,633,633
Equity securities	2,440,942,233	544,239,970	147,436,968	-	3,132,619,171
Derivative assets	9,162,226	-	-	-	9,162,226
<b>Total financial assets at FVPL</b>	<b>2,548,614,177</b>	<b>4,785,937,389</b>	<b>3,317,520,131</b>	<b>-</b>	<b>10,652,071,697</b>
AFS investments (see Note 14):					
Debt securities:					
Private bonds	-	892,176,379	1,559,812,798	-	2,451,989,177
Government securities	-	268,496,072	1,896,858,623	-	2,165,354,695
Equity securities:					
Quoted	21,720,000	872,487,250	-	-	894,207,250
<b>Total AFS investments</b>	<b>21,720,000</b>	<b>2,033,159,701</b>	<b>3,456,671,421</b>	<b>-</b>	<b>5,511,551,122</b>
	<b>₱12,664,792,267</b>	<b>₱7,541,183,548</b>	<b>₱6,784,658,188</b>	<b>₱1,497,681,536</b>	<b>₱28,488,315,539</b>



High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks, including an affiliated bank, in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of September 30, 2012 and 2011 are as follows:

As of September 30, 2012

	Past Due Nor Impaired				Impaired Financial Assets	Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	₱80,150,320	₱134,423,830	₱43,145,205	₱184,631,922	₱209,163,384	₱651,514,661
Advances to officers, employees and suppliers	15,386,432	1,833,170	3,921,342	24,652,496	19,646,682	65,440,122
Others	10,545,041	4,713,115	244,214	190,910,812	169,082,776	375,495,958
<b>Balances at end of year</b>	<b>₱106,081,793</b>	<b>₱140,970,115</b>	<b>₱47,310,761</b>	<b>₱400,195,230</b>	<b>₱397,892,842</b>	<b>₱1,092,450,741</b>

As of September 30, 2011

	Past Due Nor Impaired				Impaired Financial Assets	Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	₱403,587,315	₱75,634,247	₱16,554,591	₱457,134,045	₱210,349,029	₱1,163,259,227
Advances to officers, employees and suppliers	10,796,900	5,673,457	4,404,666	32,751,628	19,646,682	73,273,333
Others	33,212,662	18,016,074	22,974,423	11,163,294	175,782,523	261,148,976
<b>Balances at end of year</b>	<b>₱447,596,877</b>	<b>₱99,323,778</b>	<b>₱43,933,680</b>	<b>₱501,048,967</b>	<b>₱405,778,234</b>	<b>₱1,497,681,536</b>

e. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.



The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crisis; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

#### *Liquidity risk*

Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.



**Maturity Profile of Financial Assets and Liabilities**

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2012 and 2011 based on the remaining undiscounted contractual cash flows.

	2012				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	
<b>Financial Assets</b>					
Loans and receivables					
Cash and cash equivalents	₱2,766,866,988	₱2,591,381,732	₱-	₱-	₱5,358,248,720
Receivables:					
Trade receivables	1,888,431,202	2,547,895,440	314,030,409	-	4,750,357,051
Due from related parties	1,258,154,460	-	-	-	1,258,154,460
Advances to officers, employees and suppliers	225,775,693	373,607,817	68,631,792	-	668,015,302
Interest receivable	-	224,439,145	-	-	224,439,145
Other receivables	228,554,569	313,364,162	18,148,226	-	560,066,957
Total receivables	6,367,782,912	6,050,688,296	400,810,427	-	12,819,281,635
Financial assets at FVPL:					
Held-for-trading:					
Private bonds	-	185,431,509	9,255,454,090	-	9,440,885,599
Equity securities	309,145,085	-	1,606,912,209	-	1,916,057,294
Government securities	-	2,907,715	217,852,936	-	220,760,651
Derivative assets	-	834,167	-	-	834,167
Total financial assets at FVPL	309,145,085	189,173,391	11,080,219,235	-	11,578,537,711
AFS investments:					
Debt securities:					
Private bonds	-	35,069,412	2,094,370,291	-	2,129,439,703
Government securities	-	30,495,857	1,958,358,335	-	1,988,854,192
Equity securities:					
Quoted	21,720,000	-	937,207,500	-	958,927,500
Total AFS investments	21,720,000	65,565,269	4,989,936,126	-	5,077,221,395
	₱6,698,647,997	₱6,305,426,956	₱16,470,965,788	₱-	₱29,475,040,741
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	₱1,784,409,047	₱2,646,660,961	₱2,548,402,782	₱-	₱6,979,472,790
Due to related parties	284,599,807	-	-	-	284,599,807
Short-term debt	-	8,601,326,050	-	-	8,601,326,050
Trust receipts and acceptances payable	-	1,156,041,243	2,331,957,745	-	3,487,998,988
Long-term debt (including current portion)	-	-	-	3,000,000,000	3,000,000,000
Total financial liabilities at amortized cost	2,069,008,854	12,404,028,254	4,880,360,527	3,000,000,000	22,353,397,635
Financial liabilities at FVPL:					
Derivative liabilities	-	4,680,533	-	-	4,680,533
	₱2,069,008,854	₱12,408,708,787	₱4,880,360,527	₱3,000,000,000	₱22,358,078,168



	2011				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
<b>Financial Assets</b>					
Loans and receivables					
Cash and cash equivalents	₱664,772,838	₱3,892,668,502	₱-	₱-	₱4,557,441,340
Receivables:					
Trade receivables	1,163,259,227	2,795,046,032	595,441,954	-	4,553,747,213
Due from related parties	1,602,667,129	-	-	-	1,602,667,129
Advances to officers, employees and suppliers	2,098,894	370,337,505	134,011,949	-	506,448,348
Interest receivable	-	222,289,907	-	-	222,289,907
Other receivables	382,205,889	35,928,058	116,538,271	-	534,672,218
<b>Total receivables</b>	<b>3,815,003,977</b>	<b>7,316,270,004</b>	<b>845,992,174</b>	<b>-</b>	<b>11,977,266,155</b>
Financial assets at FVPL:					
Held-for-trading:					
Private bonds	-	109,041,032	7,658,770,032	-	₱7,767,811,064
Equity securities	1,464,599,372	-	1,668,019,799	-	3,132,619,171
Government securities	-	2,255,542	139,113,537	-	141,369,079
Derivative assets	-	9,162,226	-	-	9,162,226
	1,464,599,372	120,458,800	9,465,903,368	-	11,050,961,540
AFS investments:					
Debt securities:					
Private bonds	-	43,883,351	2,596,797,323	-	2,640,680,674
Government securities	-	41,590,454	2,287,296,942	-	2,328,887,396
Equity securities:					
Quoted	21,720,000	-	872,487,250	-	894,207,250
	21,720,000	85,473,805	5,756,581,515	-	5,863,775,320
	<b>₱5,301,323,349</b>	<b>₱7,522,202,609</b>	<b>₱16,068,477,057</b>	<b>₱-</b>	<b>₱28,892,003,015</b>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	₱2,391,420,956	₱3,246,779,189	₱1,186,208,776	₱-	₱6,824,408,921
Due to related parties	335,279,536	-	-	-	335,279,536
Short-term debt	-	5,758,194,397	-	-	5,758,194,397
Trust receipts and acceptances payable	-	1,458,037,657	-	-	1,458,037,657
Long-term debt (including current portion)	-	46,039,468	8,638,396,001	3,417,925,406	12,102,360,875
<b>Total financial liabilities at amortized cost</b>	<b>2,726,700,492</b>	<b>10,509,050,711</b>	<b>9,824,604,777</b>	<b>3,417,925,406</b>	<b>26,478,281,386</b>
Financial liabilities at FVPL:					
Derivative liabilities	-	-	24,387,060	-	24,387,060
	<b>₱2,726,700,492</b>	<b>₱10,509,050,711</b>	<b>₱9,848,991,837</b>	<b>₱3,417,925,406</b>	<b>₱26,502,668,446</b>

*Market risk*

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

*Foreign currency risk*

Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of September 30, 2012, 2011 and 2010, approximately 28.3%, 28.6% and 25.3% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 63.4% and 70.6% of the Group's debt is denominated in US Dollar as of September 30, 2012 and 2011, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.



The tables below summarize the Group's exposure to foreign currency risk:

	2012			
	Euro	US Dollar	Other	Total
<b>Assets</b>				
Cash and cash equivalents	₱157,047,121	₱3,924,899,466	₱1,144,432,675	₱5,226,379,262
Receivables	14,364,369	904,269,290	1,804,726,731	2,723,360,390
Financial assets at FVPL				
Held-for-trading:				
Private bonds	108,302,005	8,398,284,563	131,387,947	8,637,974,515
Government bonds	–	208,194,297	–	208,194,297
Equity securities	–	1,373,144,590	232,716,229	1,605,860,819
Derivative assets	834,167	–	–	834,167
AFS investments				
Debt securities:				
Private bonds	173,856,487	1,810,993,707	–	1,984,850,194
Government securities	120,623,566	1,741,554,736	–	1,862,178,302
Equity securities:				
Quoted	–	929,128,125	–	929,128,125
	575,027,715	19,290,468,774	3,313,263,582	23,178,760,071
<b>Liabilities</b>				
Accounts payable and other accrued liabilities	83,064	513,492,478	2,888,140,882	3,401,716,424
Short-term debt	523,168,875	6,078,141,358	987,226,651	7,588,536,884
Trust Receipts	–	3,464,360,214	–	3,464,360,214
Long-term debt (including current portion)	–	–	–	–
	523,251,939	10,055,994,050	3,875,367,533	14,454,613,522
<b>Net Foreign Currency-Denominated Assets</b>	<b>₱51,775,776</b>	<b>₱9,234,474,724</b>	<b>(₱562,103,951)</b>	<b>₱8,724,146,549</b>

*Other currencies include Singapore Dollar, Thai Baht, Chinese Yuan, Malaysian Ringgit, Indonesian Rupiah, and Vietnam Dong*

	2011			
	Euro	US Dollar	Other	Total
<b>Assets</b>				
Cash and cash equivalents	₱19,592,778	₱3,418,469,545	₱982,698,157	₱4,420,760,480
Receivables	16,146,449	291,063,591	2,219,540,512	2,526,750,552
Financial assets at FVPL				
Held-for-trading:				
Private bonds	101,166,857	7,045,095,911	179,727,438	7,325,990,206
Government bonds	–	135,633,633	–	135,633,633
Equity securities	–	1,449,650,000	226,456,662	1,676,106,662
Derivative assets	7,670,065	1,492,161	–	9,162,226
AFS investments				
Debt securities:				
Private bonds	183,677,618	2,268,311,559	–	2,451,989,177
Government securities	372,465,180	1,792,889,515	–	2,165,354,695
Equity securities:				
Quoted	–	872,487,250	–	872,487,250
	700,718,947	17,275,093,165	3,608,422,769	21,584,234,881
<b>Liabilities</b>				
Accounts payable and other accrued liabilities	637,191	158,186,567	2,928,874,299	3,087,698,057
Short-term debt	720,498,759	4,409,925,140	619,208,996	5,749,632,895
Trust Receipts	–	391,830,500	–	391,830,500
Long-term debt (including current portion)	–	8,197,807,089	–	8,197,807,089
	721,135,950	13,157,749,296	3,548,083,295	17,426,968,541
<b>Net Foreign Currency-Denominated Assets</b>	<b>(₱20,417,003)</b>	<b>₱4,117,343,869</b>	<b>₱60,339,474</b>	<b>₱4,157,266,340</b>

*Other currencies include Singapore Dollar, Thai Baht, Chinese Yuan, Malaysian Ringgit, Indonesian Rupiah, and Vietnam Dong*



The following tables set forth the impact of the range of reasonably possible changes in the US Dollar and Euro - Philippine Peso exchange rate on the Group's income before income tax as of September 30, 2012, 2011 and 2010:

<b>2012</b>		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱1,107,251,166	₱4,807,656
(₱5.00)	(1,107,251,166)	(4,807,656)

<b>2011</b>		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱470,876,472	₱2,334,973
(₱5.00)	(470,876,472)	(2,334,973)

<b>2010</b>		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱525,044,127	(₱7,349,675)
(₱5.00)	(525,044,127)	7,349,675

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of September 30, 2012 and 2011 are deemed immaterial. As of September 30, 2012 and 2011, the impact of the changes in the exchange rates on the Group's cumulative translation adjustments in the statements of comprehensive income is also deemed immaterial.

The exchange rates used to restate the foreign currency-denominated financial assets and liabilities were ₱41.70 to US\$1.00 and ₱43.72 to US\$1.00 as of September 30, 2012 and 2011, respectively.

*Equity price risk*

Equity price 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. In 2012, 2011 and 2010, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱20.2 million, ₱23.4 million and ₱25.0 million, respectively, if equity prices will increase by 1%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on equity by ₱7.0 million and ₱8.3 million as of September 30, 2012 and 2011, respectively. An equal change in the opposite direction would have decreased equity and profit by the same amount.

*Interest rate risk*

The Group's exposure to interest rates relates primarily to the Group's short-term and long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

As of September 30, 2012 and 2011, 100.00% of the Group's borrowings are at a fixed rate of interest.



The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

		2012					Debt			
		<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:										
Foreign currencies:										
<i>Fixed rate</i>										
US Dollar loans	\$228,836,968	\$-	\$-	\$-	\$-	\$228,836,968	9,542,501,572	-	9,542,501,572	
Interest rate	0.49% to 1.45% and 3.50%									
Euro loans	€9,703,380	€-	€-	€-	€-	€9,703,380	523,168,875	-	523,168,875	
Interest rate	0.41% to 0.57%									
Thailand Baht loans	THB593,800,000	THB-	THB-	THB-	THB-	THB593,800,000	803,161,391	-	803,161,391	
Interest rate	3.30% to 3.85%									
Singapore Dollar	SGD5,408,958	SGD-	SGD-	SGD-	SGD-	SGD5,408,958	184,065,260	-	184,065,260	
Interest rate	PBOC Reference Rate + 0.78%									
Local currencies:										
<i>Fixed rate</i>										
Philippine Peso loans	₱1,000,000,000	₱3,000,000,000	₱-	₱-	₱-	₱4,000,000,000	4,000,000,000	(9,544,074)	3,990,455,926	
Interest rate	3.00%	8.75%								
							<b>15,052,897,098</b>	<b>(9,544,074)</b>	<b>15,043,353,024</b>	



2011

						Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years				
<b>Liabilities:</b>									
<b>Foreign currencies:</b>									
<i>Fixed rate</i>									
US Dollar loans	\$297,421,726	\$-	\$-	\$-	\$-	\$297,421,726	13,003,277,880	(3,715,151)	12,999,562,729
Interest rate	0.49% to 1.01% and 8.25%								
Euro loans	€12,182,818	€-	€-	€-	€-	€12,182,818	720,498,759	-	720,498,759
Interest rate	1.44% to 1.76%								
Thailand Baht loans	THB252,652,916	THB-	THB-	THB-	THB-	THB252,652,916	391,364,325	-	391,364,325
Interest rate	3.90% to 4.10%								
Singapore Dollar	SGD5,645,863	SGD-	SGD-	SGD-	SGD-	SGD5,645,863	189,830,928	-	189,830,928
Interest rate	PBOC Reference Rate + 1.15%								
Vietnam Dong loans	VND18,110,372,000	VND-	VND-	VND-	VND-	VND18,110,372,000	38,013,483	-	38,013,483
Interest rate	4.35%								
<b>Local currencies:</b>									
<i>Fixed rate</i>									
Philippine Peso loans	₱1,064,282,272	₱8,553,226	₱3,009,194,718	₱-	₱-	₱4,082,030,216	4,082,030,216	(15,300,798)	4,066,729,418
Interest rate	3% to 7.5%	7.5%	7.5% to 8.75%						
							<u>18,425,015,591</u>	<u>(19,015,949)</u>	<u>18,405,999,642</u>



The following tables set forth the estimated change in the Group's income before income tax and equity due to a reasonably possible change in interest rates and market prices of quoted bonds classified under financial assets at FVPL and AFS investments in 2012, 2011 and 2010:

2012				
Reasonably Possible Changes in:				
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	-	-	(₱1,946,060,405)	₱973,382,292
Equity	-	-	(457,410,580)	85,282,608

2011				
Reasonably Possible Changes in:				
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	-	-	(₱1,454,452,029)	₱2,828,488,774
Equity	-	-	(509,096,490)	94,919,266

2010				
Reasonably Possible Changes in:				
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	(₱12,790)	₱12,790	(₱280,731,854)	₱310,076,381
Equity	-	-	(370,831,395)	423,744,666

## 5. Fair Value Measurement

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:

*Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debt, and trust receipts and acceptances payable*

Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

*Amounts due from and due to related parties*

Carrying amounts of due from and due to related parties which are payable and due on demand approximate their fair values.

*Financial assets at FVPL and AFS investments*

Fair values of debt securities are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. Fair values of quoted equity securities are based on quoted prices published in markets.

*Derivative financial instruments*

The fair values of currency forwards and currency options are based on quotes obtained from counterparties.



*Long-term debt*

The fair value is determined using the discounted cash flow methodology, with reference to the Group's current incremental lending rates for similar types of loans. Discount curve used ranges from 0.63% to 3.12% in 2012 and 0.2% to 2.65% in 2011.

As of September 30, 2012 and 2011, the carrying amount of the Group's financial assets and liabilities approximates their respective fair values, except for the Group's long-term debt whose carrying value and fair value follows:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Long-term debt (including current portion)	₱2,990,455,926	₱3,367,165,859	₱11,208,210,724	₱11,841,382,125

Fair Value Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the Group's financial instruments carried at fair value as of September 30, 2012 and 2011, based on levels 1 and 2:

	2012		
	Level 1	Level 2	Total
<b>Financial Assets</b>			
Financial assets at FVPL:			
Held for trading:			
Private bonds	₱8,688,367,888	₱-	₱8,688,367,888
Equity securities	1,915,005,913	-	1,915,005,913
Government bonds	208,194,297	-	208,194,297
Derivative assets	-	834,167	834,167
Total financial assets at FVPL	10,811,568,098	834,167	10,812,402,265
AFS investments:			
Debt securities:			
Private bonds	1,984,850,194	-	1,984,850,194
Government securities	1,862,178,302	-	1,862,178,302
Equity securities:			
Quoted	950,848,125	-	950,848,125
Total AFS investments	4,797,876,621	-	4,797,876,621
	₱15,609,444,719	₱834,167	₱15,610,278,886
<b>Financial Liabilities</b>			
Financial liabilities at FVPL:			
Derivative liabilities	₱-	₱4,680,533	₱4,680,533



	2011		Total
	Level 1	Level 2	
<b>Financial Assets</b>			
Financial assets at FVPL:			
Held for trading:			
Private bonds	₱7,334,158,950	₱40,497,717	₱7,374,656,667
Equity securities	3,132,619,171	–	3,132,619,171
Government bonds	135,633,633	–	135,633,633
Derivative assets	–	9,162,226	9,162,226
<b>Total financial assets at FVPL</b>	<b>10,602,411,754</b>	<b>49,659,943</b>	<b>10,652,071,697</b>
AFS investments:			
Debt securities:			
Private bonds	2,451,989,177	–	2,451,989,177
Government securities	2,165,354,695	–	2,165,354,695
Equity securities:			
Quoted	894,207,250	–	894,207,250
<b>Total AFS investments</b>	<b>5,511,551,122</b>	<b>–</b>	<b>5,511,551,122</b>
	<b>₱16,113,962,876</b>	<b>₱49,659,943</b>	<b>₱16,163,622,819</b>
<b>Financial Liabilities</b>			
Financial liabilities at FVPL:			
Derivative liabilities	₱–	₱24,387,060	₱24,387,060

As of September 30, 2012 and 2011, the Group has no financial instruments valued based on level 3.

## 6. Business Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles, and pasta and tomato-based products. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures PET bottles and flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial products segment engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing. The peak season for sugar is during its crop season, which normally starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented



to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for Earnings before interest, income taxes and depreciation/amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the period ended September 30, 2012, 2011 and 2010.



The Group's business segment information follows:

	2012					Total
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	
	(In Thousands)					
<b>Sale of Goods and Services</b>						
Third party	₱56,256,548	₱7,370,321	₱7,574,809	₱-	₱-	₱71,201,678
Inter-segment	5,563,871	3,414,758	4,275,578	-	(13,254,207)	-
	<b>₱61,820,419</b>	<b>₱10,785,079</b>	<b>₱11,850,387</b>	<b>₱-</b>	<b>(₱13,254,207)</b>	<b>₱71,201,678</b>
<b>Result</b>						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱8,120,177	₱607,241	₱3,353,584	(₱861,449)	₱-	₱11,219,553
Depreciation and amortization (see Note 28)	(2,586,532)	(248,212)	(553,528)	(30,756)	-	(3,419,028)
Earnings before interest and income tax (EBIT)	<b>₱5,533,645</b>	<b>₱359,029</b>	<b>₱2,800,056</b>	<b>(₱892,205)</b>	-	<b>7,800,525</b>
Finance revenue (see Note 30)	₱32,443	₱179	₱1,007	₱1,196,100	₱-	1,229,729
Finance costs (see Notes 20, 22 and 31)	(₱21,381)	(₱45,766)	(₱82,400)	(₱533,503)	₱-	(683,050)
Equity in net income of a joint venture (see Note 17)	₱-	₱-	₱-	₱31,172	₱-	31,172
Market valuation gain on financial assets at FVPL (see Note 8)	₱-	₱-	₱-	₱1,548,492	₱-	1,548,492
Impairment losses and others						(197,875)
Other expenses*						(581,766)
Income before income tax						9,147,227
Provision for income tax (see Note 33)						(989,341)
Net income						<b>8,157,886</b>
<b>Other Information</b>						
Total assets	₱34,674,268	₱4,979,679	₱8,160,809	₱22,172,559	₱-	₱69,987,315
Total liabilities	₱7,140,013	₱2,287,383	₱3,848,986	₱10,094,382	₱-	₱23,370,764
Capital expenditures (see Note 13)	₱4,382,421	₱208,149	₱516,056	₱22,566	₱-	₱5,129,192
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Property, Plant and Equipment (see Note 13)	₱7,651	₱-	₱-	₱-	₱-	₱7,651
Intangibles (see Note 16)	190,224	-	-	-	-	190,224
	<b>₱197,875</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱197,875</b>

\* Includes foreign exchange losses and other revenues (expenses).



	2011					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
<b>Sale of Goods and Services</b>						
Third party	₱50,557,966	₱7,079,730	₱9,529,934	₱-	₱-	₱67,167,630
Inter-segment	4,610,521	3,266,357	3,957,040	-	(11,833,918)	-
	₱55,168,487	₱10,346,087	₱13,486,974	₱-	(₱11,833,918)	₱67,167,630
<b>Result</b>						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱6,980,405	₱576,987	₱3,390,973	(₱793,473)	₱-	₱10,154,892
Depreciation and amortization (see Note 28)	(2,436,279)	(257,386)	(539,671)	(32,808)	-	(3,266,144)
Earnings before interest and income tax (EBIT)	₱4,544,126	₱319,601	₱2,851,302	(₱826,281)	₱-	6,888,748
Finance revenue (see Note 30)	₱20,151	₱355	₱1,536	₱1,169,200	₱-	1,191,242
Finance costs (see Notes 20, 22 and 31)	(₱13,325)	(₱1,997)	(₱9,344)	(₱976,582)	₱-	(1,001,248)
Equity in net income of a joint venture (see Note 17)	₱-	₱-	₱-	₱25,470	₱-	25,470
Market valuation gain on financial assets at FVPL (see Note 8)	₱-	₱-	₱-	(₱1,157,316)	₱-	(1,157,316)
Impairment losses and others						(167,211)
Other expenses*						(158,236)
Income before income tax						5,621,449
Provision for income tax (see Note 33)						(613,895)
Net income						5,007,554
<b>Other Information</b>						
Total assets	₱32,622,218	₱4,864,421	₱7,457,158	₱23,429,887	₱-	₱68,373,684
Total liabilities	₱7,985,157	₱1,633,099	₱2,398,489	₱14,330,427	₱-	₱26,347,172
Capital expenditures (see Note 13)	₱3,709,015	₱305,080	₱497,042	₱48,317	₱-	₱4,559,454
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (see Note 10)	₱949	₱-	₱4,677	₱-	₱-	₱5,626
Inventories (see Note 11)	4,005	-	-	-	-	4,005
Property, Plant and Equipment (see Note 13)	10,065	-	-	-	-	10,065
Intangibles (see Note 16)	84,015	-	-	63,500	-	147,515
	₱99,034	₱-	₱4,677	₱63,500	₱-	₱167,211

\* Includes foreign exchange losses and other revenues (expenses).



	2010					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
<b>Sale of Goods and Services</b>						
Third party	₱43,249,537	₱7,166,117	₱7,304,342	₱-	₱-	₱57,719,996
Inter-segment	5,045,887	3,124,832	3,842,742	-	(12,013,461)	-
	₱48,295,424	₱10,290,949	₱11,147,084	₱-	(₱12,013,461)	₱57,719,996
<b>Result</b>						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱7,287,647	₱1,199,890	₱3,297,498	(₱826,026)	₱-	₱10,959,009
Depreciation and amortization (see Note 28)	(2,461,620)	(282,635)	(508,370)	(28,175)	-	(3,280,800)
Earnings before interest and income tax (EBIT)	₱4,826,027	₱917,255	₱2,789,128	(₱854,201)	₱-	₱7,678,209
Finance revenue (see Note 30)	₱21,167	₱210	₱3,991	₱1,196,697	₱-	1,222,065
Finance costs (see Notes 20, 22 and 31)	(₱19,440)	(₱270)	(₱6,767)	(₱1,007,723)	₱-	(1,034,200)
Equity in net income of a joint venture (see Note 17)	₱-	₱-	₱-	₱26,195	₱-	26,195
Market valuation gain on financial assets at FVPL (see Note 8)	₱-	₱-	₱-	₱2,007,094	₱-	2,007,094
Impairment losses and others						(442,889)
Other expenses*						(537,225)
Income before income tax						8,919,249
Provision for income tax						(780,999)
Net income						8,138,250
<b>Other Information</b>						
Total assets	₱29,639,640	₱4,768,924	₱7,258,597	₱23,692,139	₱-	₱65,359,300
Total liabilities	₱6,393,016	₱840,143	₱899,384	₱15,388,516	₱-	₱23,521,059
Capital expenditures (see Note 13)	₱2,784,330	₱276,476	₱484,857	₱37,145	₱-	₱3,582,808
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Other assets (see Note 19)	₱-	₱-	₱-	₱279,088	₱-	₱279,088
Receivables (see Note 10)	43,250	-	8,696	111,606	-	163,552
Inventories (see Note 11)	249	-	-	-	-	249
	₱43,499	₱-	₱8,696	₱390,694	₱-	₱442,889

\* Includes foreign exchange losses and other revenues (expenses).



Inter-segment Revenues

Intersegment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVPL, foreign exchange losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets

Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures

The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information

The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore and Vietnam.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2012	2011	2010
	<b>(In Thousands)</b>		
Domestic	<b>₱51,044,862</b>	₱47,949,495	₱43,089,209
Foreign	<b>20,156,816</b>	19,218,135	14,630,787
	<b>₱71,201,678</b>	₱67,167,630	₱57,719,996

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	2012	2011	2010
	<b>(In Thousands)</b>		
Domestic	<b>₱20,583,499</b>	₱20,362,311	₱20,400,110
Foreign	<b>9,624,279</b>	8,495,129	7,435,184
	<b>₱30,207,778</b>	₱28,857,440	₱27,835,294



## 7. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	<b>₱41,124,944</b>	₱47,791,856
Cash in banks	<b>2,725,742,044</b>	616,980,982
Short-term investments	<b>2,578,966,409</b>	3,882,108,689
	<b>₱5,345,833,397</b>	₱4,546,881,527

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 1.2% to 3.9%, 1.4% to 3.8% and 1.6% to 3.6% in 2012, 2011 and 2010, respectively.

## 8. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2012	2011
Investments held-for-trading	<b>₱10,811,568,098</b>	₱10,642,909,471
Derivative assets	<b>834,167</b>	9,162,226
	<b>₱10,812,402,265</b>	₱10,652,071,697

Investments held-for-trading consist of:

	2012	2011
Private bonds	<b>₱8,688,367,888</b>	₱7,374,656,667
Equity securities	<b>1,915,005,913</b>	3,132,619,171
Government securities	<b>208,194,297</b>	135,633,633
	<b>₱10,811,568,098</b>	₱10,642,909,471

The above investments consist of quoted debt and equity securities issued by certain domestic and foreign entities.

The Group reported net market valuation gains on financial assets at FVPL of ₱1.5 billion and ₱2.0 billion in 2012 and 2010, respectively, while net market valuation losses of ₱1.2 billion in 2011. Breakdown of the market valuation gains (loss) per class of investment follows:

	2012	2011	2010
Private bonds	<b>₱855,860,481</b>	(₱671,472,063)	₱1,704,130,132
Equity securities	<b>669,815,481</b>	(470,301,969)	287,295,195
Government securities	<b>22,815,585</b>	(15,541,880)	15,668,988
	<b>₱1,548,491,547</b>	(₱1,157,315,912)	₱2,007,094,315

Interest income earned from private bonds amounted to ₱531.0 million, ₱505.1 million and ₱486.9 million in 2012, 2011, and 2010, respectively. Interest income from government securities amounted to ₱11.0 million, ₱15.7 million and ₱5.9 million in 2012, 2011, and 2010, respectively (see Note 30).



### Derivative Financial Instruments

The Group's freestanding derivative financial instruments are accounted for as financial instruments at FVPL. Gains or losses arising from fair value changes on these derivative instruments are reported immediately in the profit or loss in the consolidated statements of comprehensive income.

The Group's freestanding derivatives consist of:

	2012			2011		
	Currency Forwards	Currency Options	Total	Currency Forwards	Currency Options	Total
Notional Amounts						
in USD	US\$-	US\$-	US\$-	US\$980,390	US\$-	US\$980,390
In Euro	€-	€900,000	€900,000	€900,000	€900,000	€1,800,000
Derivative assets	₪-	₪834,167	₪834,167	₪1,609,333	₪7,552,893	₪9,162,226
Derivative liabilities (Note 21)	₪-	(₪4,680,533)	(₪4,680,533)	₪1,395,542	₪22,991,518	₪24,387,060

The Group's freestanding derivatives represent currency forwards and currency options that are all due within one year from respective financial position dates.

### Fair value changes on derivatives

The net movements in fair value of all derivative instruments in 2012 and 2011 are as follows:

	2012	2011
Balances at beginning of year:		
Derivative assets	₪9,162,226	₪2,257,526
Derivative liabilities	(24,387,060)	(12,826,639)
Net changes in fair value of derivatives	12,226,523	4,115,330
Fair value of settled instruments	(848,055)	(540,391)
Balances at end of year:		
Derivative assets	₪834,167	₪9,162,226
Derivative liabilities (see Note 21)	(₪4,680,533)	(₪24,387,060)

## 9. Reclassification of Financial Assets

In 2008, following the amendments to PAS 39 and PFRS 7, *Reclassification of Financial Assets*, the Group reclassified certain trading assets from the financial assets at FVPL category to the AFS investments category in the consolidated statements of financial position. The global credit crunch in 2008 had prompted the amendments to be issued by the International Accounting Standards Board (IASB), and the adoption of these amendments permitted the Group to revisit the existing classification of their financial assets. The Group identified assets eligible under the amendments, for which at July 1, 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The disclosures below detail the impact of the reclassifications to the Group.



The following table shows carrying values and fair values of the reclassified assets:

	2012	2011	2010	2009	2008
Private bonds	<b>₱1,984,850,194</b>	₱2,451,989,177	₱3,238,990,528	₱3,851,715,862	₱3,296,606,883
Government securities	<b>1,862,178,302</b>	2,165,354,695	2,543,989,688	2,559,491,290	2,224,382,820
Equity securities	<b>929,128,125</b>	872,487,250	943,694,250	896,441,088	783,853,000
	<b>₱4,776,156,621</b>	₱5,489,831,122	₱6,726,674,466	₱7,307,648,240	₱6,304,842,703

As of the reclassification date, EIRs on reclassified trading assets ranged from 6.06% to 18.94% with expected recoverable cash flows of ₱12.5 billion. Ranges of EIRs were determined based on weighted average rates by business.

Prior to reclassification, reduction in the fair values of the Group's financial assets at FVPL at July 1, 2008 amounted to ₱1.3 billion, which is included under 'Market valuation gain (loss) on financial assets at FVPL' in the 2008 consolidated statement of income.

Had the reclassification not been made, the Group's consolidated net income would have included an additional market valuation gain on financial assets at FVPL amounting to ₱393.5 million in 2012 while an additional market valuation loss of ₱437.9 million in 2011.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the years ended September 30, 2012 and 2011, respectively:

	2012	2011
Increase (reduction) in:		
Interest income - accretion	<b>₱9,004,095</b>	₱7,474,245
Foreign exchange losses	<b>(19,198,021)</b>	(23,298,431)

The reclassification is compliant with the criteria and rules set forth in the SEC Memorandum Circular No. 10, Series of 2008, on Amendments to PAS 39 and PFRS 7, as issued by the Philippine SEC.

## 10. Receivables

This account consists of:

	2012	2011
Trade receivables	<b>₱4,959,520,435</b>	₱4,764,096,242
Due from related parties (see Note 35)	<b>1,258,154,460</b>	1,602,667,129
Advances to officers, employees and suppliers	<b>687,661,984</b>	526,095,030
Interest receivable	<b>224,439,145</b>	222,289,907
Others	<b>729,149,733</b>	710,454,741
	<b>7,858,925,757</b>	7,825,603,049
Less allowance for impairment losses	<b>397,892,842</b>	405,778,234
	<b>₱7,461,032,915</b>	₱7,419,824,815

Others include receivables from URC Retirement Plan amounting to ₱373.9 million and ₱354.3 million as of September 30, 2012 and 2011, respectively (see Note 32).



Allowance for Impairment Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	2012			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱196,787,738	₱195,429,205	₱13,561,291	₱405,778,234
Recovery during the year	(750,515)	-	-	(750,515)
Accounts written-off	(435,130)	(6,699,747)	-	(7,134,877)
Balances at end of year	₱195,602,093	₱188,729,458	₱13,561,291	₱397,892,842

	2011			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱193,956,711	₱205,267,791	₱13,561,291	₱412,785,793
Provision for impairment losses	3,525,854	2,099,959	-	5,625,813
Accounts written-off	(694,827)	(11,938,545)	-	(12,633,372)
Balances at end of year	₱196,787,738	₱195,429,205	₱13,561,291	₱405,778,234

Allowance for impairment losses on other receivables includes ₱19.7 million for advances to officers, employees and suppliers as of September 30, 2012 and 2011, and ₱169.0 million and ₱175.8 million for other receivables as of September 30, 2012 and 2011, respectively.

**11. Inventories**

This account consists of:

	2012	2011
At cost:		
Raw materials	₱4,914,866,990	₱4,915,009,092
Finished goods	2,172,592,347	2,090,752,080
	7,087,459,337	7,005,761,172
At NRV:		
Goods in-process	364,509,629	451,672,553
Containers and packaging materials	1,027,597,765	1,114,231,000
Spare parts and supplies	1,279,767,421	1,153,119,931
	2,671,874,815	2,719,023,484
	₱9,759,334,152	₱9,724,784,656



Under the terms of the agreements covering liabilities under trust receipts totaling ₱3.5 billion and ₱1.4 billion as of September 30, 2012 and 2011, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusted merchandise or their sales proceeds.

Inventory written down as expense (included under the 'Cost of sales' in the consolidated statements of income) amounted to ₱673.6 million, ₱470.1 million and ₱459.7 million in 2012, 2011 and 2010, respectively.

The Group recognized impairment losses on its inventories amounted to nil, ₱4.0 million and ₱0.2 million in 2012, 2011 and 2010, respectively. The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱9.8 billion and ₱9.7 billion for September 30, 2012 and 2011, respectively.

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## 12. Other Current Assets

This account consists of:

	2012	2011
Input value-added tax (VAT)	<b>₱290,724,709</b>	₱490,943,646
Prepaid expenses	<b>163,417,993</b>	160,413,492
	<b>₱454,142,702</b>	₱651,357,138

Prepaid expenses include prepaid insurance amounting to ₱66.2 million and ₱69.4 million in 2012 and 2011, respectively, and prepaid rent amounting to ₱15.8 million and ₱13.2 million in 2012 and 2011, respectively.



### 13. Property, Plant and Equipment

The composition of and movements in this account follow:

	2012				Sub-total
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	
<b>Cost:</b>					
Balances at beginning of year	₱1,861,511,843	₱1,137,422,773	₱10,189,106,715	₱37,350,139,182	₱50,538,180,513
Additions (see Note 6)	228,621,623	305,132,982	446,818,218	2,172,342,087	3,152,914,910
Disposals and other adjustments	–	5,453,200	(107,225,178)	(303,054,272)	(404,826,250)
Balances at end of year	2,090,133,466	1,448,008,955	10,528,699,755	39,219,426,997	53,286,269,173
<b>Accumulated Depreciation, Amortization and Impairment Losses:</b>					
Balances at beginning of year	–	470,848,675	3,956,210,084	22,726,266,375	27,153,325,134
Depreciation and amortization (see Note 6)	–	39,065,498	414,342,724	2,674,560,994	3,127,969,216
Impairment losses	–	–	–	7,651,176	7,651,176
Disposals and other adjustments	–	(2,535,082)	(107,490,935)	(297,139,240)	(407,165,257)
Balances at end of year	–	507,379,091	4,263,061,873	25,111,339,305	29,881,780,269
<b>Net Book Value</b>	<b>₱2,090,133,466</b>	<b>₱940,629,864</b>	<b>₱6,265,637,882</b>	<b>₱14,108,087,692</b>	<b>₱23,404,488,904</b>

	2012				Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	
<b>Cost:</b>					
Balances at beginning of year	₱2,037,008,518	₱1,753,186,228	₱1,440,103,985	₱102,358,702	₱55,870,837,946
Additions (see Note 6)	117,622,231	162,477,525	1,007,889,688	688,287,640	5,129,191,994
Disposals and other adjustments	(79,290,412)	87,150,158	(173,124,798)	(191,692,097)	(761,783,399)
Balances at end of year	2,075,340,337	2,002,813,911	2,274,868,875	598,954,245	60,238,246,541
<b>Accumulated Depreciation, Amortization and Impairment Losses:</b>					
Balances at beginning of year	1,359,337,082	934,954,992	–	–	29,447,617,208
Depreciation and amortization (see Note 6)	99,945,261	187,455,404	–	–	3,415,369,881
Impairment losses	–	–	–	–	7,651,176
Disposals and other adjustments	(79,572,287)	(64,288,634)	–	–	(551,026,178)
Balances at end of year	1,379,710,056	1,058,121,762	–	–	32,319,612,087
<b>Net Book Value</b>	<b>₱695,630,281</b>	<b>₱944,692,149</b>	<b>₱2,274,868,875</b>	<b>₱598,954,245</b>	<b>₱27,918,634,454</b>



	2011				Sub-total
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	
Cost:					
Balances at beginning of year	₱1,773,136,819	₱1,146,007,084	₱9,552,049,507	₱35,035,011,058	₱47,506,204,468
Additions (see Note 6)	88,375,024	45,641,856	397,888,024	2,388,791,049	2,920,695,953
Disposal of assets held for sale (see Note 38)	–	(40,332,487)	(273,026,647)	(177,304,404)	(490,663,538)
Disposals and other adjustments	–	(13,893,680)	512,195,831	103,641,479	601,943,630
Balances at end of year	1,861,511,843	1,137,422,773	10,189,106,715	37,350,139,182	50,538,180,513
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	–	467,007,996	3,230,411,427	21,210,542,975	24,907,962,398
Depreciation and amortization (see Note 6)	–	48,019,284	418,613,522	2,513,220,238	2,979,853,044
Impairment losses	–	–	–	10,065,297	10,065,297
Disposal of assets held for sale (see Note 38)	–	(30,284,925)	(205,010,696)	(133,134,621)	(368,430,242)
Disposals and other adjustments	–	(13,893,680)	512,195,831	(874,427,514)	(376,125,363)
Balances at end of year	–	470,848,675	3,956,210,084	22,726,266,375	27,153,325,134
Net Book Value	₱1,861,511,843	₱666,574,098	₱6,232,896,631	₱14,623,872,807	₱23,384,855,379

	2011				Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	
Cost:					
Balances at beginning of year	₱1,962,727,429	₱1,611,728,456	₱812,361,948	₱386,517,787	₱52,279,540,088
Additions (see Note 6)	94,935,093	172,170,867	1,269,291,246	102,358,702	4,559,451,861
Disposal of assets held for sale (see Note 38)	(6,652,393)	(13,717,016)	–	–	(511,032,947)
Disposals and other adjustments	(14,001,611)	(16,996,079)	(641,549,209)	(386,517,787)	(457,121,056)
Balances at end of year	2,037,008,518	1,753,186,228	1,440,103,985	102,358,702	55,870,837,946
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	1,278,453,708	781,111,890	–	–	26,967,527,996
Depreciation and amortization (see Note 6)	99,880,145	181,139,037	–	–	3,260,872,226
Impairment losses	–	–	–	–	10,065,297
Disposal of assets held for sale (see Note 38)	(4,995,160)	(10,299,855)	–	–	(383,725,257)
Disposals and other adjustments	(14,001,611)	(16,996,080)	–	–	(407,123,054)
Balances at end of year	1,359,337,082	934,954,992	–	–	29,447,617,208
Net Book Value	₱677,671,436	₱818,231,236	₱1,440,103,985	₱102,358,702	₱26,423,220,738



In 2012 and 2011, the Group recognized impairment losses of ₱7.7 million and ₱10.1 million on its machinery and equipment (included under 'Impairment losses' on the consolidated statements of income), respectively.

Property, plant and equipment with an aggregate net book value of ₱34.3 million have been pledged as security for certain long-term debt as of September 30, 2011. In December 2011, SONEDCO fully settled the long-term debt (see Note 22).

#### Borrowing Costs

No borrowing costs have been capitalized as property, plant and equipment under construction as 2012 and 2011. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2010 amounted to 8.75%.

#### Depreciation and Amortization

The breakdown of consolidated depreciation and amortization of property, plant and equipment follows (see Note 28):

	2012	2011	2010
Cost of sales	<b>₱3,216,808,941</b>	₱3,041,569,926	₱3,063,181,291
Selling and distribution costs	<b>86,640,875</b>	115,416,392	114,281,407
General and administrative expenses	<b>111,920,065</b>	103,885,908	96,971,594
	<b>₱3,415,369,881</b>	₱3,260,872,226	₱3,274,434,292

#### 14. Available-for-Sale Investments

This account consists of:

	2012	2011
Debt securities:		
Private bonds	<b>₱1,984,850,194</b>	₱2,451,989,177
Government securities		
Philippines	<b>1,458,912,091</b>	1,459,530,167
Others	<b>403,266,211</b>	705,824,528
	<b>3,847,028,496</b>	4,617,343,872
Equity securities:		
Quoted	<b>950,848,125</b>	894,207,250
	<b>₱4,797,876,621</b>	₱5,511,551,122

The Group did not recognize any provision for impairment loss on its AFS investments under private debt securities in 2012, 2011 and 2010. As of September 30, 2012 and 2011, AFS investments include net unrealized gain on market revaluation of ₱650.5 million and ₱257.0 million, respectively, which are presented as components of 'Other comprehensive income' in Equity (see Note 24).



Interest income recognized from private bonds amounted to ₱202.6 million, ₱219.3 million and ₱293.9 million in 2012, 2011 and 2010, respectively. Interest income from government bonds amounted to ₱130.7 million, ₱133.1 million and ₱190.7 million in 2012, 2011 and 2010, respectively (see Note 30).

Movements in the net unrealized gain on AFS investments follow:

	2012	2011
Balances at beginning of year	₱257,038,710	₱694,965,121
Net changes shown in other comprehensive income (see Note 24):		
Fair value changes during the period	446,319,850	(385,999,011)
Fair value changes taken to profit and loss upon sale of AFS investments	(52,853,822)	(51,927,400)
	<b>393,466,028</b>	<b>(437,926,411)</b>
Balances at end of year	<b>₱650,504,738</b>	<b>₱257,038,710</b>

## 15. Biological Assets

Movements in this account follow:

	2012						Total
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	
<b>Cost:</b>							
Balances at beginning of year	₱422,322,129	₱850,256,410	₱1,272,578,539	₱130,599,612	₱61,008,719	₱191,608,331	₱1,464,186,870
Additions	383,682,724	2,960,918,965	3,344,601,689	179,122,273	582,769,817	761,892,090	4,106,493,779
Disposal	(337,830,042)	(2,903,504,759)	(3,241,334,801)	(131,522,118)	(541,316,483)	(672,838,601)	(3,914,173,402)
Balances at end of year	468,174,811	907,670,616	1,375,845,427	178,199,767	102,462,053	280,661,820	1,656,507,247
<b>Accumulated Depreciation:</b>							
Balances at beginning of year	39,015,962	-	39,015,962	54,852,091	-	54,852,091	93,868,053
Depreciation	40,854,993	-	40,854,993	135,671,573	-	135,671,573	176,526,566
Disposal	(22,815,084)	-	(22,815,084)	(92,566,197)	-	(92,566,197)	(115,381,281)
Balances at end of year	57,055,871	-	57,055,871	97,957,467	-	97,957,467	155,013,338
Gains (losses) arising from changes in fair value less estimated costs to sell	(62,399,649)	46,874,989	(15,524,660)	-	-	-	(15,524,660)
<b>Net Book Value at End of Year</b>	<b>₱348,719,291</b>	<b>₱954,545,605</b>	<b>₱1,303,264,896</b>	<b>₱80,242,300</b>	<b>₱102,462,053</b>	<b>₱182,704,353</b>	<b>₱1,485,969,249</b>



	2011						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			Total
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	
<b>Cost:</b>							
Balances at beginning of year	₱396,710,301	₱787,198,756	₱1,183,909,057	₱145,480,795	₱59,678,045	₱205,158,840	₱1,389,067,897
Additions	350,854,991	2,839,957,501	3,190,812,492	-	593,208,152	593,208,152	3,784,020,644
Disposal	(335,315,726)	(2,638,517,118)	(2,973,832,844)	(14,881,183)	(591,877,478)	(606,758,661)	(3,580,591,505)
Balances at end of year	412,249,566	988,639,139	1,400,888,705	130,599,612	61,008,719	191,608,331	1,592,497,036
<b>Accumulated Depreciation:</b>							
Balances at beginning of year	37,487,487	-	37,487,487	56,003,374	-	56,003,374	93,490,861
Depreciation	26,163,535	-	26,163,535	-	-	-	26,163,535
Disposal	(24,635,060)	-	(24,635,060)	(1,151,283)	-	(1,151,283)	(25,786,343)
Balances at end of year	39,015,962	-	39,015,962	54,852,091	-	54,852,091	93,868,053
Gains (losses) arising from changes in fair value less estimated costs to sell	10,072,563	(138,382,729)	(128,310,166)	-	-	-	(128,310,166)
Net Book Value at End of Year	₱383,306,167	₱850,256,410	₱1,233,562,577	₱75,747,521	₱61,008,719	₱136,756,240	₱1,370,318,817

The Group has about 217,796 and 206,201 heads of swine as of September 30, 2012 and 2011, respectively, and about 652,556 and 470,969 heads of poultry as of September 30, 2012 and 2011, respectively.

## 16. Intangible Assets

The composition of and movements in this account follow:

	2012			
	Goodwill	Trademark	Product Formulation	Total
<b>Cost:</b>				
Balances at beginning and end of year	₱1,046,767,480	₱251,524,581	₱425,000,000	₱1,723,292,061
<b>Accumulated Amortization and Impairment Losses:</b>				
Balances at beginning of year	248,139,704	11,301,181	-	259,440,885
Impairment losses during the year	-	190,223,400	-	190,223,400
Balances at end of year	248,139,704	201,524,581	-	449,664,285
<b>Net Book Value at End of Year</b>	<b>₱798,627,776</b>	<b>₱50,000,000</b>	<b>₱425,000,000</b>	<b>₱1,273,627,776</b>
	2011			
	Goodwill	Trademark	Product Formulation	Total
<b>Cost:</b>				
Balances at beginning of year	₱1,075,014,724	₱335,539,346	₱425,000,000	₱1,835,554,070
Disposal of investment (see Note 38)	(28,247,244)	(84,014,765)	-	(112,262,009)
Balances at end of year	1,046,767,480	251,524,581	425,000,000	1,723,292,061
<b>Accumulated Amortization and Impairment Losses:</b>				
Balances at beginning of year	184,639,704	9,686,726	-	194,326,430
Amortization during the year	-	1,614,455	-	1,614,455
Impairment losses during the year	63,500,000	84,014,765	-	147,514,765
Disposal of investment (see Note 38)	-	(84,014,765)	-	(84,014,765)
Balances at end of year	248,139,704	11,301,181	-	259,440,885
<b>Net Book Value at End of Year</b>	<b>₱798,627,776</b>	<b>₱240,223,400</b>	<b>₱425,000,000</b>	<b>₱1,463,851,176</b>



The Group's goodwill pertains to: (a) the acquisition of Advanson in December 2007, (b) the acquisition of Acesfood in May 2007 and (c) the excess of the acquisition cost over the fair values of the net assets acquired by HCFCL and UABCL in 2000. The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of September 30, 2012. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.3% to 10.0%. The following assumptions were also used in computing value in use:

*Growth rate estimates* - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

*Discount rates* - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

In 2012, the Group recognized impairment loss of ₱190.2 million (included under 'Impairment losses' on the consolidated statement of income) on trademark attributed to Shanghai Peggy, a wholly owned subsidiary of HCFCL. Shanghai Peggy manufactures branded consumer foods such as oats, biscuits and cereals.

In 2011, the Group recognized impairment loss of ₱63.5 million (included under 'Impairment losses' on the consolidated statement of income) on the goodwill attributed to SONEDCO. The Group also derecognized goodwill of ₱28.2 million and trademark of ₱84.0 million pertaining to the disposal of subsidiaries (see Note 38).

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## 17. Investment in a Joint Venture

This account consists of:

	2012	2011
<b>Acquisition Cost:</b>		
Balances at beginning and end of year	<b>₱1,250,000</b>	₱1,250,000
<b>Accumulated Equity in Net Earnings:</b>		
Balances at beginning of year	<b>88,716,944</b>	88,247,240
Equity in net income during the year	<b>31,172,102</b>	25,469,633
Dividends received	<b>(24,999,993)</b>	(24,999,929)
Balances at end of year	<b>94,889,053</b>	88,716,944
<b>Net Book Value at End of Year</b>	<b>₱96,139,053</b>	₱89,966,944

The Parent Company has an equity interest in HURC, a domestic joint venture. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines.



The Parent Company's percentage of ownership in HURC and its related equity in the net assets is summarized below:

	Percentage of Ownership		Equity in Net Assets	
	2012	2011	2012	2011
			(In Millions)	
HURC	50.0	50.0	₱96.1	₱90.0

Summarized financial information of HURC as of September 30, 2012 and 2011 which are accounted for under the equity method follow:

	2012	2011
	(In Thousands)	
Current assets	₱500,909	₱334,311
Noncurrent assets	2,213	2,888
Current liabilities	411,507	257,347
Noncurrent liabilities	–	582
Revenue	650,234	657,819
Costs and expenses	(569,959)	(594,671)
Net income	62,344	50,939

## 18. Investment Properties

Movements in this account follow:

	2012	2011
<b>Cost:</b>		
Balances at beginning and end of year	₱107,947,364	₱107,947,364
<b>Accumulated Depreciation:</b>		
Balances at beginning of year	39,798,057	36,140,270
Depreciation	3,657,795	3,657,787
Balances at end of year	43,455,852	39,798,057
<b>Net Book Value at End of Year</b>	<b>₱64,491,512</b>	<b>₱68,149,307</b>

The investment properties consist of building and plant which are made available for lease to certain related parties (see Note 35).

The aggregate fair value of the Group's investment properties amounted to ₱192.4 million as of September 30, 2012 and 2011. The fair values of investment properties have been determined by qualified independent appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Total rental income earned from investment properties (included under 'Other expenses' in the consolidated statements of income) amounted to ₱64.7 million, ₱52.8 million and ₱56.6 million in 2012, 2011 and 2010, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱2.6 million in 2012 and ₱0.2 million both for 2011 and 2010.



## 19. Other Noncurrent Assets

This account consists of:

	2012	2011
Input VAT	₱88,829,664	₱126,104,745
Miscellaneous deposits	257,812,178	151,494,331
Others	79,281,795	75,599,084
	<b>₱425,923,637</b>	<b>₱353,198,160</b>

Other noncurrent assets is net of allowance for impairment losses amounting to ₱279.1 million as of September 30, 2012 and 2011.

## 20. Short-term Debt

This account consists of:

	2012	2011
US Dollar denominated loans - with interest rates ranging from 0.65% to 1.45% in 2012 and 0.49% to 1.01% in 2011	<b>₱6,078,141,358</b>	₱4,409,925,140
Philippine Peso denominated loan with interest rate at 3.00% in 2012	<b>1,000,000,000</b>	-
Euro denominated loans - with interest rates ranging from 0.41% to 0.57% in 2012 and 1.44% to 1.76% in 2011	<b>523,168,875</b>	720,498,759
Thai Baht denominated loans - with interest rates ranging from and 3.30% to 3.85% in 2012 and 3.90% to 4.10% in 2011	<b>803,161,391</b>	391,364,325
Singaporean Dollar denominated loans - with interest rates at 0.78% in 2012 and 0.45% in 2011	<b>184,065,260</b>	189,830,928
Vietnam Dong denominated loans with interest rate at 4.35% in 2011	-	38,013,483
	<b>₱8,588,536,884</b>	<b>₱5,749,632,635</b>

Interest is based on prevailing market rates. Accrued interest payable on the Group's short-term debt (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱10.8 million and ₱5.1 million as of September 30, 2012 and 2011, respectively (see Note 21). Interest expense from the short-term debt amounted to ₱431.5 million, ₱58.8 million and ₱54.7 million in 2012, 2011 and 2010, respectively (see Note 31).



## 21. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2012	2011
Trade payables	<b>₱5,205,697,374</b>	₱4,753,740,196
Accrued expenses	<b>1,457,090,391</b>	1,544,764,922
Due to related parties (see Note 35)	<b>284,599,807</b>	335,279,536
Customers' deposits	<b>207,167,134</b>	244,869,140
Advances from stockholders (see Note 35)	<b>218,904,217</b>	223,218,179
Derivative liabilities (see Note 8)	<b>4,680,533</b>	24,387,060
Others	<b>208,702,670</b>	144,559,244
	<b>₱7,586,842,126</b>	₱7,270,818,277

As of September 30, 2012 and 2011, Others include withholding taxes payable amounting to ₱121.8 million and ₱86.7 million, respectively. The accrued expenses account consists of:

	2012	2011
Advertising and promotions	<b>₱899,226,122</b>	₱831,935,964
Freight and handling costs	<b>191,287,113</b>	160,409,857
Contracted services	<b>150,812,491</b>	304,028,503
Interest payable	<b>24,254,634</b>	145,914,993
Others	<b>191,510,031</b>	102,475,605
	<b>₱1,457,090,391</b>	₱1,544,764,922

As of September 30, 2012 and 2011, Others include accrued utilities amounting to ₱96.6 million and ₱76.5 million, respectively.

## 22. Long-term Debt

This account consists of:

	Maturities	Interest Rates	2012	2011
Parent Company:				
Philippine Peso:				
₱3.0 billion loan facility	2014	8.75%	<b>₱2,990,455,926</b>	₱2,984,699,202
Subsidiaries:				
Foreign currency:				
URC US\$200 million guaranteed notes	2012	8.25%	-	8,197,807,089
Philippine Peso:				
Philippine Sugar Corporation restructured loan	2013	7.50%	-	25,704,433
			-	8,223,511,522
			<b>2,990,455,926</b>	11,208,210,724
Less current portion			-	8,205,763,578
			<b>₱2,990,455,926</b>	₱3,002,447,146

Long-term debt is shown net of unamortized debt issuance costs totaling to ₱9.5 million and ₱19.0 million as of September 30, 2012 and 2011, respectively (see Note 4).



Repayments of the long-term debt follow:

	2012	2011
Due in:		
2012	₱-	₱8,205,763,578
2013	-	8,553,226
2014	<b>3,000,000,000</b>	3,009,194,718
	<b>₱3,000,000,000</b>	<b>₱11,223,511,522</b>

The exchange rates used to restate the foreign currency borrowings were ₱41.70 to US\$1.00 and ₱43.72 to US\$1.00 as of September 30, 2012 and 2011, respectively.

The following significant transactions affected the Group's long-term debt:

URC ₱3.0 Billion 8.75% Fixed Corporate Notes Due 2014

On March 24, 2009, URC issued fixed corporate notes amounting to ₱3.0 billion to various financial institutions for capital expenditures and general corporate purposes. The notes bear a fixed interest rate of 8.75%, payable semi-annually in arrears, and have a term of five (5) years, maturing on March 27, 2014.

The notes contain negative covenants that, among others, prohibit merger or consolidation with other entities if it is not the surviving entity, nor shall it create or form another corporation or subsidiary when a material adverse effect will result. The notes also contain affirmative covenants which include among others maintenance of a debt to equity ratio of not greater than 2.0 to 1.0 and interest coverage ratio of not lesser than 2.0 to 1.0.

URCPL 8.25% Guaranteed Notes Due 2012

On January 14, 2005, URCPL issued US\$200.0 million 8.25% notes due 2012 guaranteed by the Parent Company (the guarantor). Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest on January 20, 2012. These corporate notes contain negative covenants which include among others maintenance of the guarantor of a debt to equity ratio of not greater than 2.0 to 1.0.

On October 29, 2008, the Group reacquired a portion of its bonds payable with a face value of ₱241.7 million (US\$5.0 million) for a total proceeds of ₱228.0 million (US\$4.5 million). The Group recognized gain on reacquisition of bonds amounting to ₱20.8 million (included under 'Other expenses' in the 2009 consolidated statements of income).

On February 20, 2010, the Group made a partial principal repayment on its bonds payable with a face value of ₱342.8 million (US\$7.4 million). In January 2012, URCPL fully settled the said guaranteed notes with a total payment of ₱8.4 billion, including interest.

Philippine Sugar Corporation Restructured Loan

Certain property and equipment of a subsidiary with a net book value of nil and ₱34.3 million as of September 30, 2012 and 2011, respectively, were used to secure the loan.



The loan is payable in 25 equal annual amortizations of ₱9.9 million. Unpaid interest on the loan amounted to nil and ₱1.4 million as of September 30, 2012 and 2011, respectively. Total interest expense and other related charges on all of these long-term debts amounted to ₱205.8 million, ₱940.4 million and ₱978.1 million in 2012, 2011 and 2010, respectively (see Note 31). In December 2011, SONEDCO fully settled the loan with a total payment of ₱27.6 million, including interest.

## 23. Equity

The details of the Parent Company's common stock follow:

	2012	2011	2010
Authorized shares	<b>2,998,000,000</b>	2,998,000,000	2,998,000,000
Par value per share	<b>₱1.00</b>	₱1.00	₱1.00
Issued shares:			
Balances at beginning and end of year	<b>2,227,638,933</b>	2,227,638,933	2,227,638,933
Outstanding shares	<b>2,181,501,933</b>	2,061,501,933	2,070,354,433

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio as of September 30, 2012 and 2011.

	2012	2011
(a) Short-term debt (see Note 20)	<b>₱8,588,536,884</b>	₱5,749,632,635
Trust receipts payable (see Note 11)	<b>3,464,360,214</b>	1,448,156,283
Long-term debt (see Note 22)	<b>2,990,455,926</b>	11,208,210,724
	<b>₱15,043,353,024</b>	₱18,405,999,642
(b) Capital	<b>₱46,616,551,604</b>	₱42,026,511,494
(c) Debt-to-capital ratio (a/b)	<b>0.32:1</b>	0.44:1

The Group's policy is to not to exceed a debt-to-capital ratio of 2:1 level. The Group considers its total equity as capital.



Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2012 and 2011.

Retained Earnings

*Dividends*

Details of the Group's dividend declarations follow:

	<b>2012</b>	2011	2010
Date of declaration	<b>April 18, 2012</b>	May 11, 2011	April 15, 2010
Dividend per share	<b>₱1.90</b>	₱1.90	₱0.94
Total dividends	<b>₱3.9 billion</b>	₱3.9 billion	₱1.9 billion
Date of record	<b>May 8, 2012</b>	May 31, 2011	May 5, 2010
Date of payment	<b>June 1, 2012</b>	June 27, 2011	May 20, 2010

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

*Appropriation of retained earnings*

In 2011, as approved by the BOD, the Group has appropriated retained earnings amounting to ₱5.0 billion for the Group's expansion plans. On the same date, however, the BOD also approved the reversal of the previously appropriated retained earnings amounting to ₱3.0 billion.

Treasury Shares

On November 13, 2007, the Group's BOD approved the creation and implementation of a share buy-back program allotting up to ₱2.5 billion to reacquire a portion of the Parent Company's issued and outstanding common shares, representing approximately 7.63% of current market capitalization.

On January 12, 2011, the Group's BOD approved the extension of the Group's share buy-back program, allotting up to another ₱2.5 billion to reacquire a portion of the Parent Company's issued and outstanding common shares. The extension of the share buyback program shall have the same terms and conditions as the share buyback program approved by the BOD on November 13, 2007.

On June 14, 2012, the Parent Company's BOD approved the sale of 120 million common shares previously held as treasury shares through a placement to institutional investors at a selling price of ₱62 per share, with a total gross selling proceeds amounting to ₱7.4 billion. On June 19, 2012, the Parent Company received the net cash proceeds amounting to ₱7.3 billion, net of the transactions costs incurred amounting to ₱95.2 million. The proceeds of the said sale will be used for potential acquisition and general corporate purposes. CLSA Limited acted as a sole book-runner and sole placing agent for the sale.



The details of the treasury shares follow:

	2012	2011	2010
Balances at beginning of year	<b>₱2,414,026,153</b>	₱2,091,912,018	₱934,712,846
Purchases during the year	–	322,114,135	1,157,199,172
Sale during the year	<b>(1,743,640,119)</b>	–	–
Balances at end of year	<b>₱670,386,034</b>	₱2,414,026,153	₱2,091,912,018

The Parent Company has outstanding treasury shares of 46.1 million, 166.1 million and 157.3 million shares as of September 30, 2012, 2011 and 2010, respectively. The Parent Company is restricted from declaring an equivalent amount of the treasury shares from the unappropriated retained earnings as dividends.

#### Equity Reserve

In August 2012, the Parent Company has acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represents the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included in “Equity Reserve” in the 2012 consolidated statements of changes in equity. The equity reserve from the acquisition will only be recycled in the consolidated statement of income in the event that the Group will lose its control over URCICL.



Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	₱1.00	₱1.00	–	929,890,908
	New common shares	309,963,636	₱1.00	₱21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)



Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
						2,181,501,933

The table below provides information regarding the number of stockholders of the Parent Company as of September 30, 2012, 2011 and 2010:

	2012	2011	2010
Common shares	1,110	1,146	1,189



## 24. Components of Other Comprehensive Income

The Group does not recognize income tax on the components of other comprehensive income as presented in the following table:

	2012	2011
Cumulative translation adjustments	<b>₱142,947,365</b>	₱324,705,986
Net unrealized gain on AFS investments (see Note 14):		
Balances at beginning of year	<b>257,038,710</b>	694,965,121
Changes in fair value during the period	<b>446,319,850</b>	(385,999,011)
Reclassification adjustment included in the profit or loss arising from disposal of AFS investment	<b>(52,853,822)</b>	(51,927,400)
Balances at end of year	<b>650,504,738</b>	257,038,710
	<b>₱793,452,103</b>	₱581,744,696

## 25. Cost of Sales

This account consists of:

	2012	2011	2010
Raw materials used	<b>₱40,177,314,934</b>	₱38,195,240,177	₱31,087,524,494
Direct labor	<b>2,028,691,748</b>	2,403,857,461	1,921,581,435
Overhead costs	<b>10,519,225,055</b>	10,730,878,529	8,722,196,943
Total manufacturing costs	<b>52,725,231,737</b>	51,329,976,167	41,731,302,872
Goods in-process	<b>87,162,924</b>	(329,671,870)	(23,585,629)
Cost of goods manufactured	<b>52,812,394,661</b>	51,000,304,297	41,707,717,243
Finished goods	<b>(81,840,267)</b>	(355,030,639)	(594,312,006)
	<b>₱52,730,554,394</b>	₱50,645,273,658	₱41,113,405,237

Overhead costs are broken down as follows:

	2012	2011	2010
Utilities and rental	<b>₱4,138,653,789</b>	₱4,450,486,827	₱2,816,362,105
Depreciation and amortization (see Note 28)	<b>3,216,808,941</b>	3,041,569,926	3,063,181,291
Repairs and maintenance	<b>1,445,307,713</b>	1,366,606,774	1,130,407,098
Personnel expenses (see Note 29)	<b>1,213,493,075</b>	1,152,031,563	1,206,049,347
Rental expense	<b>221,551,914</b>	142,983,515	125,954,362
Research and development	<b>81,251,615</b>	43,632,441	57,563,121
Handling and delivery charges	<b>58,187,875</b>	113,895,035	97,648,773
Others	<b>143,970,133</b>	419,672,448	225,030,846
	<b>₱10,519,225,055</b>	₱10,730,878,529	₱8,722,196,943



## 26. Selling and Distribution Costs

This account consists of:

	2012	2011	2010
Advertising and promotions	<b>₱4,001,355,991</b>	₱3,512,877,794	₱3,498,090,000
Freight and other selling expenses	<b>3,540,336,732</b>	3,129,784,318	2,624,431,964
Personnel expenses (see Note 29)	<b>911,511,275</b>	803,537,499	752,436,505
Depreciation and amortization (see Note 28)	<b>86,640,875</b>	115,416,392	114,281,407
Repairs and maintenance	<b>74,768,318</b>	46,508,408	49,047,841
Other selling and distribution costs	<b>82,263,177</b>	72,707,467	52,720,554
	<b>₱8,696,876,368</b>	₱7,680,831,878	₱7,091,008,271

## 27. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Personnel expenses (see Note 29)	<b>₱1,040,834,754</b>	₱991,406,027	₱798,571,694
Travel and transportation	<b>232,534,644</b>	204,318,063	164,297,894
Depreciation and amortization (see Note 28)	<b>115,577,860</b>	109,158,150	103,337,475
Taxes, licenses and fees	<b>84,868,260</b>	76,426,067	97,687,353
Security and contractual services	<b>56,038,408</b>	46,877,314	35,430,789
Professional and legal fees	<b>44,610,145</b>	39,568,135	83,045,812
Utilities	<b>43,696,135</b>	43,124,599	41,698,906
Communication	<b>41,513,708</b>	43,969,017	39,537,459
Rent expense	<b>33,839,986</b>	30,942,901	31,810,741
Repairs and maintenance	<b>33,161,801</b>	81,139,260	60,546,398
Stationery and office supplies	<b>26,052,378</b>	26,914,522	28,132,890
Other expenses	<b>220,994,280</b>	258,933,269	353,276,775
	<b>₱1,973,722,359</b>	₱1,952,777,324	₱1,837,374,186



## 28. Depreciation and Amortization

### Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment, investment in properties and intangible assets follows:

	2012	2011	2010
Cost of sales (see Notes 13, and 25)	<b>₱3,216,808,941</b>	₱3,041,569,926	₱3,063,181,291
Selling and distribution costs (see Notes 13 and 26)	<b>86,640,875</b>	115,416,392	114,281,407
General and administrative expenses (see Notes 13, 16, 18, and 27)	<b>115,577,860</b>	109,158,150	103,337,475
	<b>₱3,419,027,676</b>	₱3,266,144,468	₱3,280,800,173

## 29. Personnel Expenses

Personnel expenses consist of:

	2012	2011	2010
Salaries and wages	<b>₱2,180,367,474</b>	₱2,087,085,557	₱1,925,399,085
Other employee benefits	<b>856,708,522</b>	762,396,413	767,086,009
Pension expense (see Note 32)	<b>128,763,108</b>	97,493,119	64,572,452
	<b>₱3,165,839,104</b>	₱2,946,975,089	₱2,757,057,546

The breakdown of personnel expenses follows:

	2012	2011	2010
Cost of sales (see Note 25)	<b>₱1,213,493,075</b>	₱1,152,031,563	₱1,206,049,347
Selling and distribution costs (see Note 26)	<b>911,511,275</b>	803,537,499	752,436,505
General and administrative expenses (see Note 27)	<b>1,040,834,754</b>	991,406,027	798,571,694
	<b>₱3,165,839,104</b>	₱2,946,975,089	₱2,757,057,546



### 30. Finance Revenue

This account consists of:

	2012	2011	2010
Interest income from investments in financial assets at FVPL (see Note 8)	<b>₱542,013,555</b>	₱520,838,056	₱492,712,052
Interest income from AFS investments (see Note 14)	<b>333,262,515</b>	352,390,531	484,530,587
Dividend income	<b>204,844,077</b>	211,016,855	189,654,704
Bank interest income	<b>148,266,086</b>	105,983,256	54,791,047
Others	<b>1,343,035</b>	1,013,110	376,309
	<b>₱1,229,729,268</b>	₱1,191,241,808	₱1,222,064,699

### 31. Finance Costs

This account consists of finance costs arising from:

	2012	2011	2010
Long-term debt (see Note 22)	<b>₱205,774,105</b>	₱940,439,248	₱978,103,707
Short-term debt (see Note 20)	<b>431,509,913</b>	58,809,788	54,705,591
Others	<b>45,765,978</b>	1,998,704	1,390,543
	<b>₱683,049,996</b>	₱1,001,247,740	₱1,034,199,841

### 32. Pension Costs

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The Parent Company, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement fund is being administered and managed by certain stockholders as trustees. The latest actuarial valuation was made on September 30, 2012.

The following tables summarize the components of net pension expense (income) recognized in the Parent Company's statements of comprehensive income, and the funded status and amounts recognized in the statements of financial position.

The amounts recognized in the Parent Company's statements of financial position follow:

	2012	2011
Present value of funded obligation	<b>₱1,738,830,510</b>	₱1,351,799,927
Fair value of plan assets	<b>(1,389,545,391)</b>	(1,221,431,248)
Funded status (unfunded obligation)	<b>(349,285,119)</b>	(130,368,679)
Unrecognized actuarial loss	<b>349,285,119</b>	113,995,788
Net plan liability	<b>₱-</b>	₱16,372,891



Components of the Parent Company's pension expense follow:

	2012	2011	2010
Current service cost	<b>₱77,910,400</b>	₱69,431,700	₱59,860,000
Interest cost	<b>96,924,055</b>	94,503,680	102,068,419
Expected return on plan assets	<b>(48,857,250)</b>	(48,391,248)	(67,734,560)
Loss (gain) recognized under limit on net assets	-	(21,266,423)	(31,080,477)
<b>Total pension expense</b>	<b>₱125,977,205</b>	<b>₱94,277,709</b>	<b>₱63,113,382</b>

Movements in the Parent Company's present value of the defined benefit obligation follow:

	2012	2011
Balances at beginning of year	<b>₱1,351,799,927</b>	₱1,220,977,777
Current service cost	<b>77,910,400</b>	69,431,700
Interest cost	<b>96,924,055</b>	94,503,680
Benefits paid	<b>(52,813,232)</b>	(90,431,051)
Actuarial losses	<b>265,009,360</b>	57,317,821
<b>Balances at end of year</b>	<b>₱1,738,830,510</b>	<b>₱1,351,799,927</b>

Movements in the Parent Company's fair value of plan assets follow:

	2012	2011
Balances at beginning of year	<b>₱1,221,431,248</b>	₱1,247,197,112
Expected return on plan assets	<b>48,857,250</b>	48,391,248
Actual contributions	<b>142,350,096</b>	-
Benefits paid	<b>(52,813,232)</b>	(90,431,051)
Actuarial gain	<b>29,720,029</b>	16,273,939
<b>Balances at end of year</b>	<b>₱1,389,545,391</b>	<b>₱1,221,431,248</b>
<b>Actual return on plan assets</b>	<b>₱78,577,279</b>	<b>₱64,665,187</b>

There are no reimbursement rights recognized as a separate asset as of September 30, 2012 and 2011.

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

Principal actuarial assumptions of the Parent Company at the financial position date follow:

	2012	2011	2010
Discount rate	<b>5.60%</b>	7.17%	7.74%
Salary rate increase	<b>5.50%</b>	5.50%	5.50%
Expected rate of return on plan assets	<b>4.00%</b>	4.00%	3.88%
Experience adjustments gains (losses)	<b>(₱61,225,995)</b>	₱1,502,508	₱3,797,073
Turnover rate	<b>0.00% - 29.00%</b>	0.00% - 31.94%	0.00% - 31.94%



The Parent Company's plan assets consist of the following:

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Cash	<b>₱38,097</b>	-	₱35,992	-	₱544,419	-
Receivables	<b>1,763,417,600</b>	<b>126.91</b>	1,575,702,384	129.00	1,553,392,757	124.55
Liabilities (Notes 10 and 35)	<b>(373,910,306)</b>	<b>(26.91)</b>	(354,307,128)	(29.00)	(306,740,064)	(24.55)
	<b>₱1,389,545,391</b>	<b>100.00</b>	₱1,221,431,248	100.00	₱1,247,197,112	100.00

Amounts for the current annual period and previous four annual periods of the Parent Company are as follows:

	2012	2011	2010	2009	2008
Defined benefit obligation	<b>₱1,738,830,510</b>	₱1,351,799,927	₱1,220,977,777	₱1,038,335,900	₱1,113,492,800
Plan assets	<b>1,389,545,391</b>	1,221,431,248	1,247,197,112	1,354,691,200	1,341,210,300
Surplus (deficit)	<b>(349,285,119)</b>	(130,368,679)	26,219,335	316,355,300	227,717,500
Experience adjustments on					
Plan assets	<b>29,720,029</b>	16,273,939	(32,995,817)	6,390,700	(5,111,600)
Plan liabilities	<b>61,225,995</b>	(1,502,508)	(3,797,073)	(7,144,800)	(176,556,600)

The Group's subsidiaries have both a funded, defined retirement contribution plan and an unfunded, noncontributory defined benefit plan covering all its regular employees. Both plans provide for retirement, separation, disability and death benefits to its members. Pension expense from the defined retirement contribution plan is based on the amount of contributions paid by the subsidiaries during the year.

Pension expense from defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation was made on September 30, 2012.

The following tables summarize the components of total net pension expense recognized in the subsidiaries' statements of comprehensive income, and the funded status and amounts recognized in the statements of financial position.

	2012	2011
Present value of defined benefit obligation	<b>₱21,811,470</b>	₱10,702,035
Unrecognized actuarial gain	<b>(10,747,941)</b>	(2,424,409)
Liability to be recognized in the statements of financial position	<b>₱11,063,529</b>	₱8,277,626

Components of the subsidiaries' total pension expense follow:

	2012	2011	2010
Current service cost	<b>₱1,826,200</b>	₱1,229,600	₱650,680
Interest cost	<b>876,440</b>	764,798	678,990
Amortization amounts for:			
Actuarial net losses	<b>83,263</b>	1,221,012	129,400
Total pension expense	<b>₱2,785,903</b>	₱3,215,410	₱1,459,070



Movements in the subsidiaries' present value of the defined benefit obligation follow:

	2012	2011
Balances at beginning of year	<b>₱10,702,035</b>	₱7,128,100
Interest cost	<b>876,440</b>	653,596
Current service cost	<b>1,826,200</b>	1,229,600
Actuarial losses	<b>8,406,795</b>	1,690,739
Balances at end of year	<b>₱21,811,470</b>	₱10,702,035

The subsidiaries' principal actuarial assumptions at the statement of financial position date follow:

	2012	2011	2010
Discount rate	<b>6.09% to 6.20%</b>	8.15% to 8.29%	9.03% to 9.31%
Salary rate increase	<b>5.50%</b>	5.50%	5.50%

### 33. Income Taxes

Provision for (benefit from) income tax consists of:

	2012	2011	2010
Current	<b>₱918,424,497</b>	₱753,578,396	₱747,807,884
Deferred	<b>70,916,925</b>	(139,683,698)	33,191,934
	<b>₱989,341,422</b>	₱613,894,698	₱780,999,818

Components of the Group's net deferred tax liabilities follow:

	2012	2011
Deferred tax assets on:		
Impairment losses on trade receivables and property and equipment	<b>₱120,968,898</b>	₱120,195,353
Pension liabilities	<b>28,134,584</b>	15,936,241
Inventory write-downs	<b>23,439,329</b>	22,200,106
MCIT	<b>1,410,907</b>	-
NOLCO	<b>1,714,260</b>	-
Foreign subsidiaries	<b>11,644,434</b>	22,141,945
	<b>187,312,412</b>	180,473,645
Deferred tax liabilities on:		
Undistributed income of foreign subsidiaries	<b>268,093,259</b>	202,060,961
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	<b>56,566,683</b>	61,224,081
Foreign subsidiaries	<b>35,212,730</b>	35,345,959
Net unrealized foreign exchange gain	<b>20,207,889</b>	1,387,667
Borrowing costs	<b>16,645,165</b>	18,951,366
	<b>396,725,726</b>	318,970,034
Net deferred tax liabilities	<b>₱209,413,314</b>	₱138,496,389



As of September 30, 2012 and 2011, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱186.6 million and ₱166.6 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized. The temporary difference wherein no deferred tax assets were recognized were from the NOLCO of the Group's subsidiaries. NOLCO of the Group's subsidiaries amounted to ₱535.3 million and ₱555.3 million in 2012 and 2011, respectively.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2012	2011	2010
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Tax effects of:			
Market valuation loss (gain) on financial assets at FVPL	<b>(5.08)</b>	6.18	(3.80)
Net income of subsidiaries for which no tax was provided	<b>(10.90)</b>	(20.80)	(19.54)
Nondeductible interest expense	<b>0.15</b>	0.19	0.05
Income exempt from tax	<b>(0.08)</b>	(0.11)	0.39
Equity in net income of a joint venture	<b>0.10</b>	0.14	-
Interest income subjected to final tax	<b>(0.39)</b>	(0.27)	(0.14)
Others	<b>(2.98)</b>	(4.41)	1.80
<b>Effective income tax rate</b>	<b>10.82%</b>	10.92%	8.76%

#### RA No. 9337

RA No. 9337 was enacted into law which amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA were the reduction in the regular corporate income tax rate from 35% to 30% beginning January 1, 2009; and the reduction of nondeductible interest expense from 42% of interest income subjected to final tax to 33% beginning January 1, 2009.

#### Entertainment, Amusement and Recreation (EAR) Expenses

Revenue Regulation No. 10-2002 defines expenses to be classified as EAR expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. EAR expenses amounted to ₱36.8 million, ₱32.9 million and ₱24.9 million in 2012, 2011 and 2010, respectively.

#### MCIT

An MCIT of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In 2012, CCPI has excess MCIT over RCIT amounting to ₱1.4 million for which CCPI recognized deferred tax asset.



### 34. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	2012	2011	2010
Net income attributable to equity holders of the parent	<b>₱7,735,729,577</b>	₱4,636,270,925	₱7,817,275,906
Weighted average number of common shares	<b>2,096,501,933</b>	2,063,060,683	2,084,282,583
Basic/dilutive EPS	<b>₱3.69</b>	₱2.25	₱3.75

The weighted average number of common shares takes into account the treasury shares at year end. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares in 2012, 2011, and 2010.

### 35. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, various guarantees, regular banking transactions, leases and, management and administrative service agreements.

Intercompany transactions are eliminated in the accompanying consolidated financial statements. Related party transactions not eliminated are as follows:

	2012	2011
Due from related parties (shown under Receivables account in the consolidated statements of financial position) (see Note 10):		
JGSHI	<b>₱806,083,049</b>	₱672,356,936
Hongkong Peggy Foods, Inc.	<b>296,586,579</b>	314,568,766
JG Summit Petrochemical Corporation (JGSPC)	<b>35,465,263</b>	410,436,221
Robinsons Land Corporation	<b>33,698,496</b>	28,425,304
JG Summit Capital Services Corporation	<b>19,025,995</b>	19,026,053
Robinsons Convenient Store	<b>8,722,536</b>	10,606,605
Cebu Air, Inc.	<b>1,894,662</b>	34,013,299
Digital Telecom. Philippines, Inc. (DTPI)	-	34,316,075
HURC	-	15,568,093
Others*	<b>56,677,880</b>	63,349,777
	<b>₱1,258,154,460</b>	₱1,602,667,129

\* Others include Robinsons Savings Bank Corporation and Unicon Insurance Brokers Corporation



	2012	2011
Due to related parties (shown under Accounts payable and other accrued liabilities account in the consolidated statements of financial position) (see Note 21)		
Shanghai Ding Feng Estate Development, Co., Ltd.	<b>₱151,567,215</b>	₱157,945,310
RSC	<b>55,402,524</b>	83,247,790
Solid Finance Holdings, Inc.	<b>27,079,065</b>	28,357,143
Xiamen Pacific Estate Investment Co., Ltd.	<b>19,090,896</b>	19,090,896
Taicang Ding Feng Real Estate	<b>13,193,129</b>	41,019,328
Others*	<b>18,266,978</b>	5,619,069
	<b>₱284,599,807</b>	₱335,279,536

\* Others include Digital Mobile Philippines, Inc.

The Group's significant transactions with related parties follow:

- (a) Sales to related parties (which include affiliates Robinson's Supermarket, Robinsons Convenient Store, HURC and Robinsons Handyman) amounted to ₱1.6 billion, ₱890.0 million and ₱1.4 billion in 2012, 2011 and 2010, respectively. Trade receivables from HURC amounted to ₱18.1 million and ₱148.3 million as of September 30, 2012 and 2011, respectively.
- (b) The Group purchases polypropylene resin for BOPP film from JGSPC, an affiliate. BOPP film is used as one of the raw materials for the Group's packaging division. Said purchases amounted to ₱1.4 billion, ₱813.2 million and ₱560.6 million in 2012, 2011 and 2010, respectively. The Group also purchases power from JGSPC. The said purchases amounted to ₱301.4 million, ₱266.2 million and ₱179.2 million in 2012, 2011 and 2010, respectively.
- (c) JGSHI provides the Group certain corporate services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications.
- (d) The Group leases certain properties from JGSHI. Expenses relating to said lease amounted to ₱16.1 million for year ended 2012 and ₱17.0 million for each of the years ended 2011 and 2010.
- (e) The Group leases certain properties to various related parties (which include DTPI, NURC and Robinsons, Inc.). Rent income earned from said properties amounted to ₱64.7 million, ₱52.8 million and ₱55.7 million in 2012, 2011 and 2010, respectively.
- (f) As of September 30, 2012 and 2011, the Group has advances from stockholders amounting to ₱218.9 million and ₱223.2 million, respectively.
- (g) The Group engages in regular bank transactions with Robinsons Savings Bank Corp., an affiliated local commercial bank.
- (h) The Group has bond investments issued by JGSHI recorded as financial assets at FVPL amounting to nil and ₱566.3 million in 2012 and 2011, respectively. The bond investments earned interest of ₱21.8 million and ₱43.0 million in 2012 and 2011, respectively. In February 2012, the Group sold its 57.7 million shares of JGSHI bond investments with total proceeds of ₱1.4 billion.



### Compensation of Key Management Personnel

The compensation of the Group's key management personnel by benefit type follows:

	2012	2011	2010
Short-term employee benefits	<b>₱135,360,688</b>	₱122,776,609	₱107,165,000
Post-employment benefits	<b>52,813,232</b>	90,431,051	17,932,318
	<b>₱188,173,920</b>	₱213,207,660	₱125,097,318

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

As of September 30, 2012 and 2011, the Group's plan assets include amounts due to the Parent Company totaling ₱373.9 million and ₱354.3 million, respectively (see Notes 10 and 32). The Group's plan assets also include amounts due from JGSHI totaling ₱1.8 billion (see Note 32).

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### **36. Registration with the BOI**

Certain operations of the Parent Company and consolidated subsidiaries are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these entities are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

#### Robina Farms - Poultry

On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. In June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.



#### Robina Farms - Hogs

On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

#### Bio-Resource Power Generation Corporation

Bio-Resource Power Generation Corporation is registered with BOI as pioneer status under the Omnibus Investments Code of 1987 otherwise known as Executive Order No. 226. Under the terms of its registration, the company shall be entitled to certain incentives such as (a) additional deduction from taxable income of fifty percent (50%) on wages subject to certain terms and conditions; (b) employment of foreign nationals; (c) importation of consigned equipment for a period of ten (10) years from date of registration subject to certain terms and conditions; (d) exemption from taxes and duties on imported spare parts and suppliers for certain producers; and (e) other non-fiscal incentives that may be applicable.

#### SONEDCO

In November 2005, SONEDCO was registered with the BOI under the Omnibus Investments Code of 1987 as a new producer of refined sugar and its by-product (molasses) on a pioneer status and as expanding producer of raw sugar and its by-product (molasses) on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, SONEDCO is entitled to certain fiscal and non-fiscal incentives which were transferred to the Parent Company, on account of the transfer of its sugar milling operations: (a) ITH for a period of six years from November 2006; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for 10 years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations provided firm exports at least 70% of production output; (g) exemption from wharfage dues and any export tax, duty, impost and fees; (h) importation of consigned equipment for a period of 10 years from date of registration; and (i) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with CBMW exporting at least 70% of production.



### CCPI

In June 2005, CCPI was registered with the BOI as a new producer of PET bottles on a non-pioneer status and as a new producer of printed flexible packaging materials on a non-pioneer status. In July 2010, the BOI granted the entity's request to upgrade the registration status of the PET bottles from non-pioneer to pioneer in relation to PET bottles' expiration of ITH incentive in May 2010. The change in status entitles to an extension of the ITH period for another two years reckoned from June 1, 2006 to May 31, 2012.

Under the terms of the registration and subject to certain requirements, CCPI is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of six years from June 2006 (as a new producer of PET bottles) and for a period of four years from April 2007 (as a new producer of printed flexible packaging materials); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for 10 years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to custom rules and regulations provided firm exports at least 70% of production output; (g) exemption from wharfage dues and any export tax, duty, impost and fees (h) importation of consigned equipment for a period of 10 years from date of registration; and (i) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with common branded manufacturing warehouse exporting at least 70% of production.

As of September 30, 2012, CCPI's ITH as new producer of PET bottles on a pioneer status has ended last May 31, 2012.

In July 7, 2010, CCPI was registered with BOI as a new export producer of printed flexible packaging materials on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the CCPI is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2011 (as a new export producer of printed flexible packaging materials); (b) additional deduction from taxable income of 50% of the wages subject to certain terms and conditions; (c) simplification of customers procedures for the importation of equipment, spare parts, raw materials and supplies; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals; (f) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operation; (g) access to CBMW subject to Customs rules and regulations provided that CCPI's exports at least 70% of production output; (h) exemption from taxes and duties on imported spare parts and consumable supplies for export producer with CBMW exporting at least 70% of production; and (i) exports by CCPI of its registered export products shall be exempted from wharfage dues and any export tax, duty, impost and fee for a period of ten (10) years from date of registration.

CCPI's ITH as producer of printed flexible packaging materials has ended last March 31, 2011. As of September 30, 2011, CCPI is subjected to income tax for a period of six months starting April 1, 2011 for the year 2011 and onwards.



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### 37. Commitments and Contingencies

#### Operating Lease Commitments - Group as a Lessee

The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' in the consolidated statements of comprehensive income) amounted to ₱70.7 million, ₱62.4 million and ₱55.0 million in 2012, 2011 and 2010, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2012	2011	2010
Within one year	<b>₱16,140,911</b>	₱16,953,651	₱16,953,651
After one year but not more than five years	<b>64,563,644</b>	67,814,604	67,814,604
	<b>₱80,704,555</b>	₱84,768,255	₱84,768,255

#### Operating Lease Commitments - Group as a Lessor

The Group has entered into a (1) one-year renewable, noncancellable lease with various related parties covering certain land and building where office spaces are located.

Future minimum rentals receivable under noncancellable operating leases amounted to ₱65.3 million, ₱65.8 million and ₱57.1 million in 2012, 2011 and 2010, respectively.

#### Finance Lease Commitments - Group as a Lessee

Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under General and Administrative Expenses' in the consolidated statements of comprehensive income) amounted to ₱3.7 million, ₱3.7 million and ₱2.9 million in 2012, 2011 and 2010, respectively.

#### Others

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

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### 38. Disposal Group Held for Sale

In May 2008, the Group executed an agreement with Tianjin Hope Shipbuilding Construction Co., Ltd. (Tianjin) and Xinyuda Ocean Engineering (Hong Kong) Co., Ltd. (Xinyuda) to sell all the shares of stock of Tianjin Pacific Foods Manufacturing Co., Ltd. (TPFMC), a 100%-owned subsidiary of the Group, for a total consideration of RMB32.7 million (approximately ₱245.1 million).



In December 2009, the sale of TPFMC to Xinyuda was fully consummated, and the Group recognized a net loss on the disposal of the investment in TPFMC amounting to ₱31.7 million (included under the ‘Other expenses’ account in the consolidated statements of comprehensive income).

In September 2010, the Group decided to sell its wholly owned subsidiaries Shantou SEZ Toyo Food Industrial Co. Ltd. (Shantou SEZ Toyo) and Guangdong Acesfood Co. Ltd. (Guangdong Acesfood), both of which are registered in the People’s Republic of China.

In July 2011, the sales of Shantou SEZ Toyo and Guangdong Acesfood were fully consummated. The Group recognized a combined loss on disposal of subsidiaries of ₱177.8 million (included under ‘Other expenses’ in the consolidated statements of comprehensive income).

	Shantou SEZ Toyo	Guangdong Acesfood
Proceeds from Sale	RMB8.5 million	RMB7.9 million
(in Philippine Peso equivalent)	₱56.1 million	₱51.8 million

The table below shows the summary of the financial information for each subsidiary as of disposal date:

	Shantou SEZ Toyo	Guangdong Acesfood
Receivables	₱183	₱19,760,033
Inventories	486,716	2,950,000
Property, plant and equipment	96,718,200	30,589,490
Other current assets	6,717,919	76,545,689
Accounts payable and other accrued liabilities	–	682,920

Included in the loss on disposal is derecognized goodwill of ₱28.2 million pertaining to the disposed subsidiaries (see Note 16). In 2011, the Group recognized impairment loss on trademark of ₱84.0 million (included under ‘Impairment losses’ in the consolidated statements of comprehensive income) pertaining to the disposed subsidiaries (see Note 16).

### 39. Supplemental Disclosures to Cash Flow Statements

The Group’s noncash activities pertain to the movement of the cumulative translation adjustment account and the depreciation of biological assets (breeders) that are capitalized as part of the cost of new born biological assets (sucklings).

	2012	2011	2010
Biological assets	₱137,531,997	₱140,116,580	₱139,105,194
Cumulative translation adjustment	181,758,621	142,199,153	80,543,982

### 40. Approval for the Release of the Financial Statements

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on January 10, 2013.



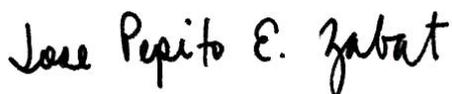
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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors  
Universal Robina Corporation  
110 E. Rodriguez Avenue  
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) included in this Form 17-A and have issued our report thereon dated January 10, 2013. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management and are presented for purposes of complying with Securities Regulation Code Rule 68.1 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner  
CPA Certificate No. 85501  
SEC Accreditation No. 0328-AR-2 (Group A),  
March 1, 2012, valid until March 1, 2015  
Tax Identification No. 102-100-830  
BIR Accreditation No. 08-001998-60-2012,  
April 11, 2012, valid until April 10, 2015  
PTR No. 3670041, January 2, 2013, Makati City

January 10, 2013



**Universal Robina Corporation and Subsidiaries**  
**Schedule A - Financial Assets At Fair Value through Profit or Loss**  
**(Current Marketable Equity Securities and Other Short-Term Investments)**  
**September 30, 2012**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/ Notes	Valued Based on Market Quotations at Balance Sheet Date	Income Received and Accrued (including Dividends Received)
Various / Private Bonds		₱8,688,367,888	₱8,688,367,888	₱530,993,832
Various / Government Bonds		208,194,297	208,194,297	11,019,723
Various / Equity Securities		1,915,005,913	1,915,005,913	107,431,750
		<u>₱10,811,568,098</u>	<u>₱10,811,568,098</u>	<u>₱649,445,305</u>
Derivatives				
Citibank				
Foreign Exchange Forwards		₱-	₱-	
Foreign Exchange Options		834,167	834,167	
		<u>₱834,167</u>	<u>₱834,167</u>	
Total		<u>₱10,812,402,265</u>	<u>₱10,812,402,265</u>	

See Note 8 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule B - Advances to Officers and Employees, Receivable from Directors, Officers, Employees, Related**  
**Parties and Principal Stockholders (Other than Related Parties)**  
**September 30, 2012**

Name of Debtor	Beginning Balance	Additions	Collections	Ending Balance		
				Current	Non-Current	Total
Advances to officers and employees	₱56,106,742	₱8,235,755	₱-	₱64,342,497	₱-	₱64,342,497
Advances to stockholders	-	-	-	-	-	-
	<u>₱56,106,742</u>	<u>₱8,235,755</u>	<u>₱-</u>	<u>₱64,342,497</u>	<u>₱-</u>	<u>₱64,342,497</u>

See Note 10 of the Consolidated Financial Statements.



**Universal Robina Corporation and Subsidiaries**  
**Schedule D - Advances to Unconsolidated Subsidiaries and Affiliates**  
**September 30, 2012**

Name of Affiliate	Beginning Balance	Ending Balance
JG Summit Holdings Inc.	₱672,356,936	₱806,083,049
Hong Kong Peggy Foods, Inc.	314,568,766	296,586,579
JG Summit Petrochemical Corporation	410,436,221	35,465,263
Digital Telecommunications Philippines., Inc.	34,316,075	-
Cebu Air, Inc.	34,013,299	1,894,662
Robinsons Land Corporation	28,425,304	33,698,496
JG Summit Capital Services Corporation	19,026,053	19,025,995
Hunt-Universal Robina Corporation	15,568,093	-
Robinsons Convenient Store	10,606,605	8,722,536
Others	63,349,777	56,677,880
	<u>₱1,602,667,129</u>	<u>₱1,258,154,460</u>

See Note 10 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule E - Property, Plant and Equipment**  
**September 30, 2012**

Classification	Beginning Balance	Acquisitions and Additions at Cost	Retirements and Other Adjustments	Ending Balance
Cost:				
Land	₱1,861,511,843	₱228,621,623	₱—	₱2,090,133,466
Land improvements	1,137,422,773	305,132,982	5,453,200	1,448,008,955
Building and improvements	10,189,106,715	446,818,218	(107,225,178)	10,528,699,755
Machinery and equipment	37,350,139,182	2,172,342,087	(303,054,272)	39,219,426,997
Transportation equipment	2,037,008,518	117,622,231	(79,290,412)	2,075,340,337
Furniture, fixtures and equipment	1,753,186,228	162,477,525	87,150,158	2,002,813,911
Construction-in-progress	1,440,103,985	1,007,889,688	(173,124,798)	2,274,868,875
Equipment-in-transit	102,358,702	688,287,640	(191,692,097)	598,954,245
	<u>₱55,870,837,946</u>	<u>₱5,129,191,994</u>	<u>(₱761,783,399)</u>	<u>₱60,238,246,541</u>

See Note 13 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule F - Accumulated Depreciation**  
**September 30, 2012**

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements and Other Adjustments	Ending Balance
Accumulated Depreciation:				
Land improvements	₱470,848,675	₱39,065,498	(₱2,535,082)	₱507,379,091
Building and improvements	3,956,210,084	414,342,724	(107,490,935)	4,263,061,873
Machinery and equipment	22,726,266,375	2,674,560,994	(289,488,064)	25,111,339,305
Transportation equipment	1,359,337,082	99,945,261	(79,572,287)	1,379,710,056
Furniture, fixtures and equipment	934,954,992	187,455,404	(64,288,634)	1,058,121,762
	<u>₱29,447,617,208</u>	<u>₱3,415,369,881</u>	<u>(₱543,375,002)</u>	<u>₱32,319,612,087</u>

See Note 13 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule G - Intangible Assets / Other Noncurrent Assets**  
**September 30, 2012**

Description	Beginning Balance	Additions at Cost	Deductions / Amortizations		Other Charges— Additions (Deductions)	Ending Balance
			Charged to cost and Expenses	Charged to Other Accounts		
Goodwill	₱798,627,776	₱—	₱—	₱—	₱—	₱798,627,776
Trademark	240,223,400	—	(190,223,400)	—	—	50,000,000
Product formulation	425,000,000	—	—	—	—	425,000,000
<b>Intangible Assets</b>	<b>₱1,463,851,176</b>	<b>₱—</b>	<b>(₱190,223,400)</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,273,627,776</b>

See Note 16 of the Consolidated Financial Statements.

Input value added tax - net	₱126,104,745	₱—	₱—	₱—	(₱37,275,081)	₱88,829,664
Miscellaneous deposits	151,494,331	106,317,847	—	—	—	257,812,178
Others	75,599,084	3,682,711	—	—	—	79,281,795
<b>Other Noncurrent Assets</b>	<b>₱353,198,160</b>	<b>₱110,000,558</b>	<b>₱—</b>	<b>₱—</b>	<b>(₱37,275,081)</b>	<b>₱425,923,637</b>

See Note 19 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule H - Long-Term Debt**  
**September 30, 2012**

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Universal Robina Corporation, 8.75% Fixed Corporate Notes Due 2014	₱3,000,000,000	₱-	₱2,990,455,926	₱2,990,455,926
		₱-	₱2,990,455,926	₱2,990,455,926

See Note 22 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule I - Advances from Unconsolidated Subsidiaries and Affiliates**  
**September 30, 2012**

Name of Affiliate	Beginning Balance	Ending Balance
Shanghai Ding Feng Estate Development Co., Ltd.	₱157,945,310	₱151,567,215
Robinsons Supermarket Corporation	83,247,790	55,402,524
Taicang Ding Feng Real Estate	41,019,328	13,193,129
Solid Finance Holdings, Inc.	28,357,143	27,079,065
Xiamen Pacific Estate Development Co., Ltd.	19,090,896	19,090,896
Others	5,619,069	18,266,978
	<u>₱335,279,536</u>	<u>₱284,599,807</u>

See Note 21 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**  
**Schedule K - Capital Stock**  
**September 30, 2012**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding (Net of Treasury Shares)	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Preferred stock - ₱1 par value	2,000,000	None	—	—	—	—
Common stock - ₱1 par value	2,998,000,000	2,181,501,933	—	1,322,841,260	14,290,843	844,369,830

See Note 23 of the Consolidated Financial Statements.

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

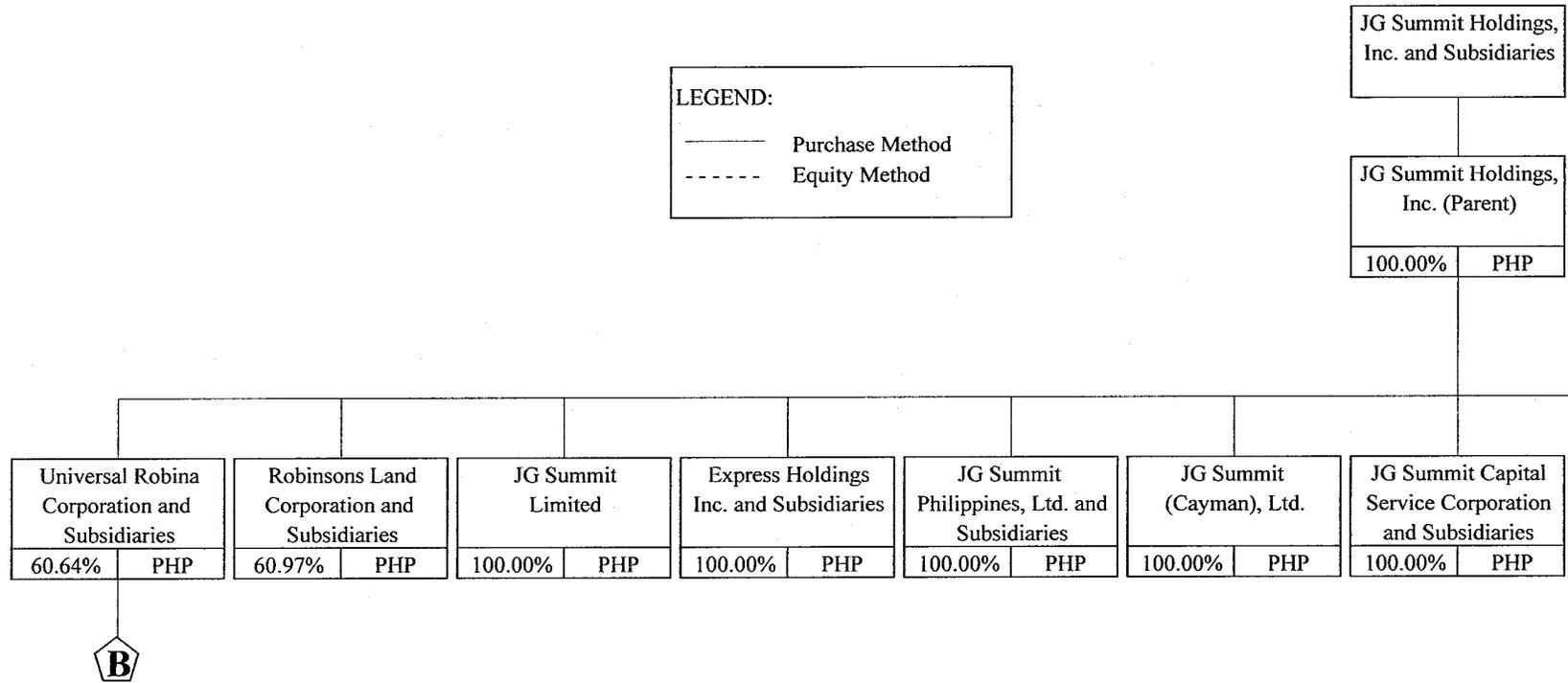
**List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of September 30, 2012:**

<b>PFRSs</b>	<b>Adopted / Not Adopted / Not applicable</b>
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Not Applicable
PFRS 2, <i>Share-based Payment</i>	Not Applicable
PFRS 3, <i>Business Combinations</i>	Adopted
PFRS 4, <i>Insurance Contracts</i>	Not Applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Adopted
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not Applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Not Applicable
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not Applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not Applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
PAS 31, <i>Interests in Joint Ventures</i>	Adopted
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Adopted
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted

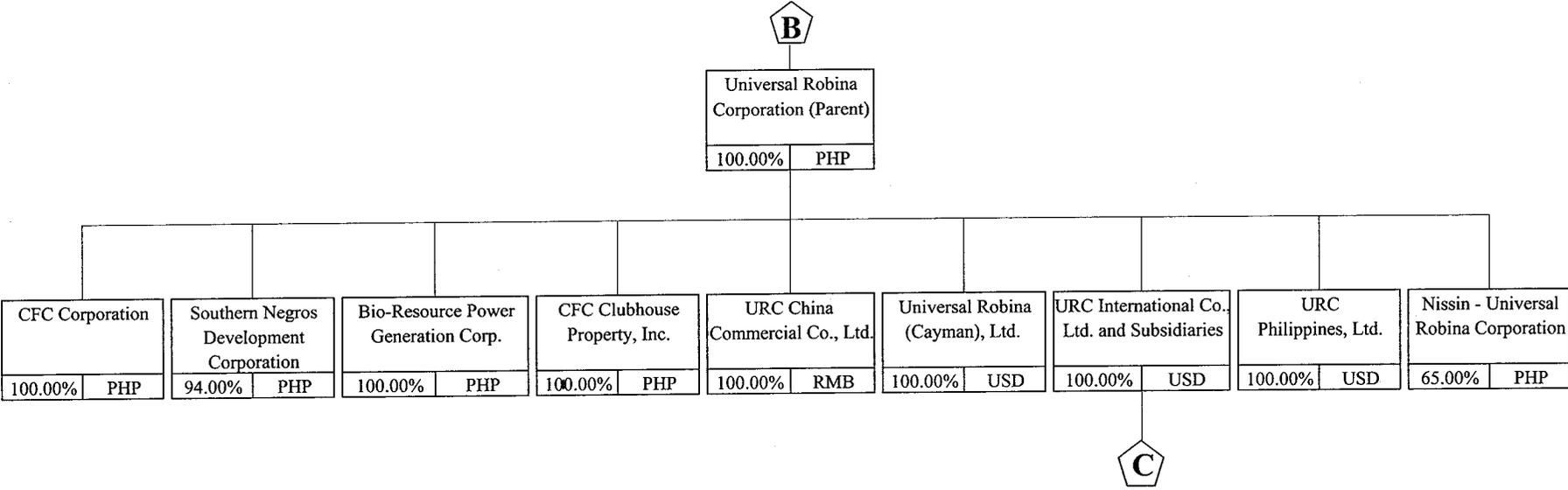
<b>PFRSs</b>	<b>Adopted / Not Adopted / Not applicable</b>
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Adopted
Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Not Applicable
Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not Applicable
Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i>	Not Applicable
Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not Applicable
Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not Applicable
Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i>	Not Applicable

<b>PFRSs</b>	<b>Adopted / Not Adopted / Not applicable</b>
Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not Applicable
Philippine Interpretation SIC-15, <i>Operating Leases – Incentives</i>	Not Applicable
Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not Applicable
Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not Applicable
Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Not Applicable
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not Applicable
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Not Applicable

LEGEND:  
 ——— Purchase Method  
 - - - - - Equity Method



A		JG Petrochemical Corporation		JG Summit Olefins Corporation		CP Air Holdings, Inc. and Subsidiary		Bauang Private Power Corporation		Unicon Insurance Brokers Corporation		Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries		Oriental Petroleum and Minerals Corporation		Sterling Holdings and Security Corp.	
		100.00%	PHP	100.00%	PHP	67.23%	PHP	18.66%	USD	100.00%	PHP	100.00%	PHP	19.40%	USD	49.00%	PHP





URC International Co.,  
Ltd. and Subsidiaries  
100.00% | USD

Hong Kong - China  
Foods Co., Ltd.  
100.00% | USD

URC International  
Co., Ltd. (Parent)  
100.00% | USD

URC Asean Co.,  
Ltd. and Subsidiaries  
100.00% | USD

Acesfood Network Pte.  
Ltd. and Subsidiaries  
96.08% | SGD

Hong Kong China  
Foods (Parent)  
100.00% | USD

URC Hong Kong  
Co., Ltd.  
100.00% | HKD

Xiamen Tongan  
Pacific Foods Co., Ltd  
100.00% | RMB Yuan

Shanghai Peggy Foods  
Co., Ltd.  
100.00% | RMB Yuan

Guangzhou Peggy  
Foods Co., Ltd.  
90.00% | RMB Yuan

Advanson International  
Pte. Ltd. and  
Subsidiaries  
100.00% | SGD

Advanson International  
Pte. Ltd.  
100.00% | SGD

Jiangsu Acesfood  
Industrial Co., Ltd.  
100.00% | RMB

URC Asean Brands  
Co., Ltd. (Parent)  
100.00% | USD

URC Vietnam  
Co., Ltd.  
100.00% | VND

URC Foods  
(Singapore) Pte. Ltd.  
100.00% | SGD

Ricellent Sdn. Bhd  
53.49% | MYR

URC Snack Foods  
(Malaysia) Sdn. Bhd.  
91.52% | MYR

URC (Thailand)  
Co., Ltd.  
100.00% | BHT

URC Hanoi Co., Ltd.  
100.00% | VND

PT URC  
Indonesia  
100.00% | IDR

Acesfood Holdings  
Pte. Ltd.  
100.00% | SGD

Acesfood Distributors  
Pte. Ltd.  
100.00% | SGD

Acesfood Holdings  
Pte. Ltd.  
100.00% | USD

Acesfood Network  
Pte. Ltd.  
100.00% | SGD

Shantou SEZ Shanfu  
Pte. Ltd.  
100.00% | RMB

Siam Pattanasin Co., Ltd  
49.00% | BHT