

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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N	D	S	U	B	S	I	D	I	A	R	I	E	S														

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address <div style="border: 1px solid black; padding: 5px; text-align: center;">N/A</div>	Company's Telephone Number <div style="border: 1px solid black; padding: 5px; text-align: center;">516-9888</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; text-align: center;">N/A</div>
No. of Stockholders <div style="border: 1px solid black; padding: 5px; text-align: center;">1,017</div>	Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center;">Last Wednesday of May</div>	Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center;">12/31</div>

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person <div style="border: 1px solid black; padding: 5px; text-align: center;">Mr. Francisco Del Mundo</div>	Email Address <div style="border: 1px solid black; padding: 5px; text-align: center;">Pancho.DelMundo@urc.net.ph</div>	Telephone Number/s <div style="border: 1px solid black; padding: 5px; text-align: center;">(02) 516-9822</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; text-align: center;">+63 998 840 0429</div>
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CONTACT PERSON'S ADDRESS

10th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



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 calendar year ended **December 31, 2017**
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. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue
(C5 Road), Ugong Norte, 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
Common Shares, P1.00 Par value	2,204,161,868 shares
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 ₱146,699,428,192.

**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". URC has established a strong presence in ASEAN and has further expanded its reach to the Oceania region through the acquisition of Griffin's Food Limited, the number one snackfoods company in New Zealand and Snack Brands Australia (SBA), the second largest salty snacks player in Australia. URC 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 poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies and Chocolates, and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles, and is a competitive 3rd player in the Coffee business. With the acquisition of Balayan Mill last February 2016, URC Sugar division is now the largest producer in the country based on capacity.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2015-2017) 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 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 82.5% of revenues for the calendar year ended December 31, 2017. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacture, distribution, sales, and marketing activities of BCF group are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage, and noodles, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business is conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2014, URC has expanded its reach to the Oceania region through the acquisition of Griffin's Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley & Palmer's, and Nice & Natural. In September 2016, URC completed the acquisition of Consolidated Snacks Pty Ltd., which trades under SBA, the second largest salty snacks player in Australia with a wide range of chips including the iconic brands like Kettle, Thins, CC's and Cheezels. The international operations contributed about 34.3% of the Company's revenues for the calendar year ended December 31, 2017.

The Company's agro-industrial products segment operates four segments: (1) Robina Farm-Hogs, (2) Robina Farm-Poultry, (3) the manufacturing and distribution of animal feeds (URC Feeds), and (4) the production and distribution of animal health products (URC Veterinary Drugs). This segment contributed approximately 8.1% of sale of goods and services in calendar year 2017.

The Company's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar division, (2) flour milling and pasta manufacturing through Flour division, and (3) renewable energy development through Distillery and Cogeneration divisions. This segment contributed approximately 9.4% of aggregate sale of goods and services in calendar year 2017.

The Company is a core subsidiary of JG Summit Holdings, Inc. (JGSHI), one of the largest and most diversified conglomerates in the Philippines. JGSHI has substantial business interests in air transportation, property development and hotel management, banking and financial services, and petrochemicals (JG Summit owns the only naphtha cracker complex in the country). It also has non-controlling minority stakes in the country's leading telecommunications, power generation and electricity distribution companies, as well as in a leading Singapore property company.

The percentage contribution to the Company's revenues for each of the three periods ended September 30, 2016 (one year), December 31, 2016 (three months) and December 31, 2017 (one year) by each of the Company's principal business segments is as follows:

	September 30, 2016 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)
Branded Consumer Foods Group	82.9%	83.1%	82.5%
Agro-Industrial Group	8.1%	7.7%	8.1%
Commodity Foods Group	9.0%	9.2%	9.4%
	100.00%	100.00%	100.00%

The geographic percentage distribution of the Company's revenues for each of the three periods September 30, 2016 (one year), December 31, 2016 (three months) and December 31, 2017 (one year) is as follows:

	September 30, 2016 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)
Philippines	71.8%	65.8%	65.7%
International	28.2%	34.2%	34.3%
	100.00%	100.00%	100.00%

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 trade and consumer promotions.

For URC AIG, both piggery and poultry farms have been accredited as GAHP (Good Animal Husbandry Practice), 100% compliant to Good Manufacturing Practices (GMP) and its meats and eggs have been certified as No Hormone, and Antibiotic residue free. This has allowed AIG to aggressively capture the quality conscious meat segment of the country as embodied by the Robina Farms brand with its key positioning of Robina raised, Family safe products. Similarly, the Feeds business headed by their brand champions such as Uno+, Supremo Gamefowl, and Top Breed Dog meals increased its distribution network supported by the Kabalikat Farm Program covering Hog and Gamefowl raisers.

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 Marketing Corporation, Monde M.Y. San Corporation, 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, Apollo Food, Frito-Lay, Nestlé S.A., PepsiCo, Inc., Cadbury Schweppes PLC and Kraft Foods International.

URC AIG has four major segments namely: Commercial Feeds, Commercial Drugs, Robina Farm-Hogs, and Robina Farm-Poultry. The market for AIG is highly fragmented, very competitive, cyclical and principally domestic. The Company is focused and known in providing Total Agri-Solution and farm management expertise including state of the art diagnostic capability.

The Company's commercial feeds segment principal competitive factors are quality, brand equity, credit term and price. It faces competition from local, multinational companies, and even foreign companies in all of its markets. Since the business is highly fragmented, it also faces increasing speed of change in the market particularly customer preferences and lifestyle. The Company's principal competitors are San Miguel Corporation (B-Meg and Integra), UNAHCO (Sarimanok, Thunderbird and GMP), and Aboitiz Inc. (Pilmico). 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 market for commercial drugs is composed of both local and multinational companies. Furthermore, URC AIG is one of the 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 Merck and Co., Inc. and Aventis. S.A.

The Company believes that the principal competitive factors for hogs are quality, reliability of supply, price, and proximity to market. The Company's principal competitors are San Miguel Corp. (Monterey), Aboitiz Inc. (Pilmico) and Foremost Farms, Inc. The Company considers quality, price, egg productivity, and disease resistance as the principal competitive factors of its poultry business. The Company's principal competitors are Bounty Farms, Inc., Foremost Farms, Inc., Brookdale Farms, and Heritage Vet Corp. for layer chicks.

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 calendar year alone, the Company's Branded Consumer Foods Philippines has introduced 39 new products, which contributed 1.83% to its total sales.

The Company supports the rapid growth of the business through line expansion, construction and acquisition of plants.

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 are imported. The Company also obtains a major portion of its raw materials from its commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while aseptic packaging is purchased entirely from China.

For its feeds segment, the Company requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. 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 its animal health products, the Company requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. The Company maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its hogs business, the Company requires a variety of raw materials, primarily close-herd breeding stocks. For its poultry business, the Company purchases the parent stock for its layer chicks from Dekalb from Europe. Robina Farms obtains all of the feeds it requires from its Commercial Feeds segment and substantially all of the minerals and antibiotics from its Commercial Drugs division as part of its vertical integration. The Company purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

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

The Company owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of RA 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL). In addition, certain trademarks have been strategically registered in other 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. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

Trademarks registered under RA 166, also known as the Trademark Law, are registered for twenty (20) years. Upon renewal, these trademarks become subject to the IP Code having a registration period of ten (10) years and renewable thereafter. In general, trademarks in other countries have a ten-year registration which are renewable as well, allowing relatively a lifetime of territorial and limited trademark registration.

The Company also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. The Company's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, Vitasoy, Calbee and B'lue, among others.

Licensing Agreements are voluntarily registered with the Documentation, Information and Technology Transfer Bureau of the IPPHL.

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 and renew its sugar milling licenses at the start of every crop year. The Company is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

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, bioethanol production, biomass power cogeneration and hog and poultry farm operations 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 ₱91 million was spent for research and development activities for calendar year 2017 and approximately ₱32 million and ₱87 million for the three-month period ended December 31, 2016 and fiscal year 2016, respectively.

The Company has research and development staff for its branded consumer foods and packaging divisions located in its research and development facility in Metro Manila and 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 customizing products to meet the local needs and tastes in the international markets. The Company's commodity foods segment also utilizes 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 a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

Transactions with Related Parties

The largest shareholder, JG Summit Holdings, Inc., is one of the largest and most diversified conglomerates listed on the Philippine Stock Exchange. JG Summit provides the Company with certain corporate center services including corporate finance, corporate strategy and development, corporate affairs, corporate governance and management systems, corporate internal audit, procurement, human resources, general counsel, information technology and corporate advertising and public relations. JG Summit also provides the Company with valuable market expertise in the Philippines as well as intra-group synergies. See Note 34 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 and regulations enacted for the protection of the environment, including Philippine Clean Water Act (R.A. No. 9275), Clean Air Act (R.A. No. 8749), Ecological Solid Waste Management Act (R.A. No. 9003), Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969), Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Environmental Impact Statement System (P.D. 1586), the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850), Renewable Energy Act (R.A. No. 9513), Electric Power Industry Reform Act (R.A. No. 9136) and Environmental Compliance Certificates (ECCs) requirements of P.D. No. 1586, in accordance with DENR Administrative Order No. 2003-30. The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatment systems 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 December 31, 2017, the Company has invested about ₱225 million in wastewater treatment in its facilities in the Philippines.

Employees and Labor

As of December 31, 2017, the number of permanent full-time employees engaged in the Company's respective businesses is 13,881 and are deployed as follows:

Business	Company or Division	Number
Branded consumer foods	BCF, Packaging Division, CCPI, URCI, URCCCL, NURC, HURC, CURC and DURBI	10,317
Agro-industrial products	Robina Farms, UCP & Robichem	1,021
Commodity food products:		
Sugar	Sugar	976
Flour & pasta	Flour	351
Bio-ethanol & renewable energy	Distillery and Cogeneration	436
Corporate		780
		13,881

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 calendar year 2017, 2 collective bargaining agreements were signed and concluded with the labor unions which are as follows: URC SURE CARSUMCO Rank and File Union (PACIWU-TUCP) and URC SURE CARSUMCO Supervisory Union (NACUSIP-TUCP). The Company believes that good labor relations generally exist throughout the Company's subsidiaries and operating divisions.

The Company has a funded, noncontributory defined benefit 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 any time 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 net interest cost, amounted to ₱176 million, ₱48 million and ₱152 million in calendar year 2017, three-month period ended December 31, 2016 and fiscal year 2016, 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 is due to 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 4, *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 82.5% of the Company's sale of goods and services in calendar year 2017 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	Rented/Owned	Good
Libis, Quezon City (1)	Branded consumer food plant	Owned	Good
Cabuyao, Laguna (1)	Branded consumer food plant	Owned	Good
Luisita, Tarlac (1)	Branded consumer food plant	Rented/Owned	Good
San Fernando, Pampanga (1)	Branded consumer food plant	Rented/Owned	Good
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned	Good
Cagayan de Oro (1)	Branded consumer food plant	Owned	Good
San Pedro, Laguna (2)	Branded consumer food plant	Owned	Good
Calamba, Laguna (1)	Branded consumer food plant	Rented/Owned	Good
San Pablo, Laguna (2)	Branded consumer food plant	Owned	Good
Binan, Laguna (1)	Branded consumer food plant	Owned	Good
Antipolo, Rizal (4)	Poultry and piggery farms and slaughterhouse	Rented/Owned	Good
Taytay, Rizal (1)	Poultry farm	Rented/Owned	Good
Naic, Cavite (1)	Poultry farm	Owned	Good
San Miguel, Bulacan (2)	Piggery and poultry farms	Owned	Good
Bustos, Bulacan (1)	Piggery farm	Rented/Owned	Good
Pandi, Bulacan (1)	Piggery farm	Rented/Owned	Good
Novaliches, Quezon City (1)	Piggery farm	Owned	Good
Rosario, Batangas (1)	Piggery farm	Owned	Good
Magalang, Pampanga (1)	Piggery farm	Rented	Good
Davao City, Davao (1)	Flourmill	Owned	Good
Tabok City, Cebu (1)	Branded consumer food plant	Owned	Good
San Fernando, Cebu (1)	Branded consumer food plant	Owned	Good

Location (Number of facilities)	Type of Facility	Owned/Rented	Condition
Mandaue City, Cebu (1)	Feedmill	Owned	Good
Bais, Negros Oriental (1)	Distillery plant	Owned	Good
Manjuyod, Negros Oriental (1)	Sugar mill	Owned	Good
Piat, Cagayan (1)	Sugar mill	Owned	Good
Kabankalan, Negros Occidental (2)	Sugar mill and cogeneration plant	Owned	Good
San Enrique, Iloilo City (1)	Sugar mill	Owned	Good
Santa Catalina, Negros Oriental (1)	Sugar mill	Owned	Good
Balayan, Batangas (1)	Sugar mill	Owned	Good
Simlong, Batangas (2)	BOPP plant/Flexible packaging	Owned	Good
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (5)	Branded consumer food plants	Owned	Good
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned	Good
Jiangsu, China (1)	Branded consumer food plant	Owned	Good
Guangdong, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Bekasi, Indonesia (1)	Branded consumer food plant	Owned	Good
VSIP, Binh Duong Province, Vietnam (3)	Branded consumer food plants	Owned	Good
Thach That District, Ha Noi, Vietnam (1)	Branded consumer food plant	Owned	Good
Mingaladon, Yangon, Myanmar (1)	Branded consumer food plant	Owned	Good
Papakura, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Wiri, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Smithfield, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good
Blacktown, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good

The Company intends to continuously 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 rented properties amounted to ₱282 million for calendar year 2017. Lease contracts are renewable annually.

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 calendar 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
Calendar Year 2017		
January to March 2017	₱176.10	₱157.10
April to June 2017	185.30	157.50
July to September 2017	165.40	135.20
October to December 2017	155.00	131.00
Three Month Period		
October to December 2016	₱186.00	₱150.00
Fiscal Year 2016		
October to December 2015	₱209.00	₱175.00
January to March 2016	219.00	170.00
April to June 2016	219.80	192.60
July to September 2016	208.60	177.00

As of April 10, 2018, the latest trading date prior to the completion of this annual report, sales price of the common stock is at ₱145.00.

The number of shareholders of record as of December 31, 2017 was approximately 1,017. Common shares outstanding as of December 31, 2017 were 2,204,161,868.

**List of Top 20 Stockholders of Record
December 31, 2017**

	Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1	JG Summit Holdings, Inc.	1,215,223,061	55.13%
2	PCD Nominee Corporation (Non-Filipino)	699,014,732	31.71%
3	PCD Nominee Corporation (Filipino)	255,089,258	11.57%
4	Toccata Securities Pty. Ltd (Account 1)	5,035,541	0.23%
4	Toccata Securities Pty. Ltd (Account 2)	5,035,541	0.23%
4	Toccata Securities Pty. Ltd (Account 3)	5,035,541	0.23%
5	Elizabeth Y. Gokongwei and/or John Gokongwei, Jr.	2,479,400	0.11%
6	Litton Mills, Inc.	2,237,434	0.10%
7	Hopkins Securities Pty. Ltd. (Account 1)	1,888,328	0.09%
7	Hopkins Securities Pty. Ltd. (Account 2)	1,888,328	0.09%
7	Hopkins Securities Pty. Ltd. (Account 3)	1,888,328	0.09%
7	Hopkins Securities Pty. Ltd. (Account 4)	1,888,328	0.09%
8	Lisa Yu Gokongwei and/or Elizabeth Gokongwei	575,000	0.03%
8	Faith Gokongwei Ong and/or Elizabeth Gokongwei	575,000	0.03%
8	Robina Gokongwei Pe and/or Elizabeth Gokongwei	575,000	0.03%
8	Marcia Gokongwei Sy and/or Elizabeth Gokongwei	575,000	0.03%
8	Hope Gokongwei Tang and/or Elizabeth Gokongwei	575,000	0.03%
9	Quality Investments & Securities Corp.	400,143	0.02%
10	Flora Ng Siu Kheng	379,500	0.02%
11	Consolidated Robina Capital Corporation	253,000	0.01%
12	Gilbert U. Du and/or Fe Socorro R. Du	188,485	0.01%
13	JG Summit Capital Services Corporation	127,765	0.01%
14	Pedro Sen	75,900	0.00%
15	Phimco Industries Provident Fund	72,864	0.00%
16	Joseph Estrada	72,105	0.00%
17	Gilbert Du	63,250	0.00%
18	Abacus Securities Corporation	51,100	0.00%
19	Patrick Y. Tong	46,299	0.00%
20	Patrick Henry C. Go	45,540	0.00%
20	Vincent Henry C. Go	45,540	0.00%
	OTHERS	2,761,557	0.13%
	TOTAL	2,204,161,868	100.00%

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:

In 2017, a regular cash dividend of ₱1.65 per share and a special dividend of ₱1.50 per share were declared to all stockholders of record as of March 1, 2017 and paid on March 27, 2017.

In 2016, a regular cash dividend of ₱1.65 per share and a special dividend of ₱1.50 per share were declared to all stockholders of record as of February 29, 2016 and paid on March 28, 2016.

In 2015, a regular cash dividend of ₱1.50 per share and a special cash dividend of ₱1.50 per share were declared to all stockholders of record as of February 26, 2015 and paid on March 24, 2015.

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

<i>(in thousand pesos)</i>	Calendar Year ended 2017	Calendar Year ended 2016*	Fiscal Year ended 2016	Fiscal Year ended 2015
Sale of goods and services	₱125,007,824	₱ 112,611,970	₱111,631,793	₱109,051,030
Cost of sales	85,693,355	76,403,954	75,090,959	73,801,436
Gross profit	39,314,469	36,208,016	36,540,834	35,249,594
Selling and distribution costs	(19,250,876)	(16,274,639)	(15,828,046)	(14,622,882)
General and administrative expenses	(5,111,426)	(4,173,860)	(3,902,175)	(3,253,291)
Operating income	14,952,167	15,759,517	16,810,613	17,373,421
Finance costs	(1,427,330)	(927,122)	(897,221)	(1,277,553)
Equity in net income (loss) of joint ventures	(280,533)	(166,719)	(233,999)	(206,481)
Finance revenue	225,583	182,335	213,044	277,180
Net foreign exchange gains (losses)	154,191	1,308,789	1,877,597	(265,211)
Market valuation gain on financial assets and liabilities at fair value through profit or loss	71,016	107,383	855,085	(214,624)
Impairment losses	(21,423)	(185,595)	(181,097)	(109,938)
Other income – net	276,736	220,628	353,483	179,676
Income before income tax	13,950,407	16,299,216	18,797,505	15,756,470
Provision for income tax	2,797,486	3,216,342	3,441,533	3,251,548
Net income	₱11,152,921	₱13,082,874	₱15,355,972	₱12,504,922

*Unaudited

Calendar Year 2017 Compared to Calendar Year 2016

URC generated a consolidated sale of goods and services of ₱125.008 billion for the year ended December 31, 2017, an 11.0% 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 ₱9.684 billion or 10.5% to ₱101.820 billion in calendar year 2017 from ₱92.136 billion registered in calendar year 2016. BCFG domestic operations' net sales slightly decline from ₱59.188 billion in calendar year 2016 to ₱58.950 billion in calendar year 2017, which was mainly driven by the lower volume and unfavorable mix in the coffee category, that dragged down the sustained growth performance in snacks and recovery of RTD beverages.

BCFG international sales increased by 30.1% to ₱42.870 billion in calendar year 2017 against ₱32.948 billion in calendar year 2016. In constant US dollar (US\$) terms, sales improved by 21.2% to US\$851 million in calendar year 2017 against last year due to full year consolidation of SBA as well as growth from Thailand and Malaysia, partly offset by Vietnam's slower than expected recovery. Malaysia grew by 7.8% on the back of positive performances from snacks, wafer and chocolates while Thailand increased by 6.1% due to continuous growth with wafer and snack categories reaching their highest market shares to date. Vietnam's steady recovery was driven by renewed campaign of C2 brand plus growing snackfoods business.

Sale of goods and services of BCFG, excluding packaging division, accounted for 81.5% of total URC consolidated sale of goods and services for calendar year 2017.

Sale of goods and services in URC's packaging division increased by 16.4% to ₱1.276 billion in calendar year 2017 from ₱1.095 billion recorded in calendar year 2016.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱10.111 billion in calendar year 2017, a 9.9% increase from ₱9.201 billion recorded in calendar year 2016. Feeds business grew by 4.6% due to increase in volumes while farms business increased by 16.4% due to higher volumes and average selling prices of value added hogs.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱11.801 billion in calendar year 2017 or up by 15.9% from ₱10.180 billion reported in calendar year 2016. Sugar and renewables businesses grew by 33.6% and 15.5%, respectively, on the account of higher volumes. On the other hand, flour business declined by 3.8% due to lower volume and average selling price.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱9.289 billion, or 12.2%, to ₱85.693 billion in calendar year 2017 from ₱76.404 billion recorded in calendar year 2016 mainly coming from the effect of SBA full year consolidation.

URC's gross profit for calendar year 2017 amounted to ₱39.314 billion, up by ₱3.106 billion or 8.6% from ₱36.208 billion reported in calendar year 2016. Gross profit margin decreased by 70 basis points from 32.2% in calendar year 2016 to 31.5% in calendar year 2017.

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 ₱3.914 billion or 19.1% to ₱24.362 billion in calendar year 2017 from ₱20.448 billion registered in calendar year 2016. This increase resulted primarily from the following factors:

- 23.5% or ₱1.004 billion increase in compensation and benefits to ₱5.279 billion in calendar year 2017 from ₱4.275 billion in calendar year 2016 due to SBA full year consolidation, increase in headcount and annual salary adjustments.
- 24.7% or ₱1.355 billion increase in freight and delivery charges to ₱6.846 billion in calendar year 2017 from ₱5.491 billion in calendar year 2016 due to SBA full year consolidation and increase in trucking and shipping costs as a result of increased volume.

- 10.3% or ₱713 million increase in advertising and promotion costs to ₱7.603 billion in calendar year 2017 from ₱6.890 billion in calendar year 2016 due to promotion programs with key accounts and wholesalers, and new product launches.
- 49.3% or ₱253 million increase in contracted services to ₱766 million in calendar year 2017 from ₱513 million in calendar year 2016 due to additional conso warehouses and increase in shared services charges.

As a result of the above factors, operating income decreased by ₱807 million, or 5.1% to ₱14.952 billion in calendar year 2017 from ₱15.760 billion reported in calendar year 2016. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱1.010 billion or 7.7% to ₱12.081 billion in calendar year 2017 from ₱13.091 billion in calendar year 2016. URC's domestic operations went down by 14.9% to ₱8.927 billion in calendar year 2017 from ₱10.493 billion in calendar year 2016 due to decline in sales volume and lower margins as a result of higher input costs, forex devaluation and unfavorable product mix driven by coffee category. International operations posted a ₱3.154 billion operating income, 21.4% higher than ₱2.598 billion posted in calendar year 2016. In constant US dollar terms, international operations posted an operating income of US\$63 million, a 11.7% increase from last year due SBA full year consolidation, offset by Vietnam's slower than expected recovery.

URC's packaging division reported an operating income of ₱48 million in calendar year 2017 from ₱65 million reported in calendar year 2016 due to lower margins.

- Operating income in URC's agro-industrial segment increased by ₱847 million to ₱1.780 billion in calendar year 2017 from ₱934 million in calendar year 2016 due to higher volumes coupled with favorable prices of hogs and lower raw materials costs of feeds.
- Operating income in URC's commodity foods segment decreased by ₱440 million or 13.1% to ₱2.917 billion in calendar year 2017 from ₱3.357 billion in calendar year 2016. Flour business declined by 13.9% due to lower selling prices and volume in addition to higher wheat costs. Sugar business dropped by 22.1% due to lower selling prices notwithstanding higher volumes and higher freight costs. Renewable energy business grew by 12.6% from last year driven by higher sales.

URC's finance costs consist mainly of interest expense which increased by ₱500 million or 54.0%, to ₱1.427 billion in calendar year 2017 from ₱927 million recorded in calendar year 2016 due to higher level of long-term debt, which was used to finance the acquisition of SBA.

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 ₱43 million to ₱225 million in calendar year 2017 from ₱182 million in calendar year 2016 due to higher level of financial assets during the year.

Equity in net losses of joint ventures amounted to ₱281 million in calendar year 2017 as against ₱167 million in calendar year 2016 due to equity share in the net losses of newly created joint venture, Vitasoy-URC.

Net foreign exchange gain decreased to ₱154 million in calendar year 2017 from ₱1.309 billion reported in calendar year 2016 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly NZD, and depreciation of Philippine peso against US dollar.

Market valuation gain on financial instruments at fair value through profit or loss of ₱71 million reported in calendar year 2017 was lower than the ₱107 million in calendar year 2016 due to increase in market values of equity investments, offset by unfavorable fair value changes of derivative instruments.

Impairment losses decreased to ₱21 million in calendar year 2017 from ₱186 million in calendar year 2016 due to last year's higher inventory write-offs resulting from issues encountered in Vietnam.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income-net increased to ₱277 million in calendar year 2017 from ₱221 million in calendar year 2016 due to higher gain on sale of fixed assets.

URC recognized consolidated provision for income tax of ₱2.797 billion in calendar year 2017, a 13.0% decrease from ₱3.216 billion in calendar year 2016 due to lower taxable income and utilization of deferred tax assets on realized foreign exchanges losses and tax credits.

URC's consolidated net income for calendar year 2017 amounted to ₱11.153 billion, lower by ₱1.930 billion or 14.8% from ₱13.083 billion in calendar year 2016, due to lower operating income, lower net foreign exchange gains and higher net finance costs.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for calendar year 2017 amounted to ₱13.656 billion, a decline of 9.6% from ₱14.944 billion recorded in calendar year 2016.

Net income attributable to equity holders of the parent decreased by ₱1.984 billion or 15.4% to ₱10.888 billion in calendar year 2017 from ₱12.872 billion in calendar year 2016 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱211 million in calendar year 2016 to ₱265 million in calendar year 2017.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱21.056 billion for calendar year 2017, 1.6% lower than the ₱21.405 billion posted in calendar year 2016.

Fiscal Year 2016 Compared to Fiscal Year 2015

URC generated a consolidated sale of goods and services of ₱111.632 billion for the fiscal year ended September 30, 2016, a 2.4% 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 ₱643 million to ₱91.376 billion in fiscal 2016, slightly up from ₱90.733 billion registered in fiscal 2015. BCFG domestic operations posted an increase of 4.0% in net sales from ₱57.600 billion in fiscal 2015 to ₱59.923 billion in fiscal 2016, which was mainly driven by RTD beverages, chocolates and noodles with double-digit growths. Sales was muted due to decline in coffee category as a result of intense competition in the saturated coffee market. Snackfoods category was flattish due to the aggressive low-priced players affecting corn chips and pelletized snacks.

BCFG international sales decreased by 5.1% to ₱31.453 billion in fiscal 2016 against ₱33.133 billion in fiscal 2015. In constant US dollar (US\$) terms, sales declined by 4.8% to US\$670 million in fiscal 2016 against last year due to regulatory issues encountered in Vietnam despite the growth from Indonesia, Thailand and Malaysia. Indonesia was up by 25.3% driven by the growth in modern trade and sustained sales momentum from favorable results in all categories. Malaysia grew by 7.0% on the back of positive performances from chocolates and wafers while Thailand increased by 3.0% as consumer confidence has started to recover in the country. New Zealand was flat against last year but with improvements as Griffin's business have started stabilizing through improved pricing strategies and new product developments.

Sale of goods and services of BCFG, excluding packaging division, accounted for 81.9% of total URC consolidated sale of goods and services for fiscal 2016.

Sale of goods and services in URC's packaging division was flat at ₱1.139 billion in fiscal 2016 from ₱1.128 billion recorded in fiscal 2015.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱9.114 billion in fiscal 2016, a 2.0% increase from ₱8.931 billion recorded in fiscal 2015. Feeds business grew by 21.3% due to increase in sales volume as a result of aggressive sales and marketing strategies while farms business declined by 14.8% due to lower average selling price of live hogs.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱10.003 billion in fiscal 2016 or up by 21.1% from ₱8.259 billion reported in fiscal 2015. Sugar business grew by 20.0% due to incremental sales from the recently acquired Balayan sugar mill and higher prices of raw and refined sugar. On the other hand, flour business declined by 2.3% despite higher volume due to lower average selling price. Sales contribution from renewable energy businesses amounted to ₱2.003 billion in fiscal 2016, compared to ₱824 million last year.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱1.290 billion, or 1.7%, to ₱75.091 billion in fiscal 2016 from ₱73.801 billion recorded in fiscal 2015 due to increase in sales volume.

URC's gross profit for fiscal 2016 amounted to ₱36.541 billion, up by ₱1.291 billion or 3.7% from ₱35.250 billion reported in fiscal 2015. Gross profit margin increased by 41 basis points from 32.3% in fiscal 2015 to 32.7% in fiscal 2016.

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 ₱1.854 billion or 10.4% to ₱19.730 billion in fiscal 2016 from ₱17.876 billion registered in fiscal 2015. This increase resulted primarily from the following factors:

- 17.5% or ₱603 million increase in compensation and benefits to ₱4.047 billion in fiscal 2016 from ₱3.444 billion in fiscal 2015 due to increase in headcount and annual salary adjustments.
- 9.1% or ₱576 million increase in advertising and promotion costs to ₱6.888 billion in fiscal 2016 from ₱6.312 billion in fiscal 2015 due to promotion programs with key accounts and wholesalers, and new product launches.

- 7.9% or ₱381 million increase in freight and delivery charges to ₱5.227 billion in fiscal 2016 from ₱4.846 billion in fiscal 2015 due to increase in trucking and shipping costs as a result of increased volume.
- 62.0% or ₱292 million increase in rent expense to ₱764 million in fiscal 2016 from ₱471 million in fiscal 2015 as a result of business expansion.

As a result of the above factors, operating income decreased by ₱563 million, or 3.2% to ₱16.811 billion in fiscal 2016 from ₱17.373 billion reported in fiscal 2015. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱540 million or 3.7% to ₱13.975 billion in fiscal 2016 from ₱14.515 billion in fiscal 2015. URC's domestic operations went up by 3.1% to ₱11.003 billion in fiscal 2016 from ₱10.676 billion in fiscal 2015 due to growth in sales volume, net of slightly lower margins as a result of change in product mix and higher key input costs. International operations posted a ₱2.973 billion operating income, 22.6% lower than ₱3.839 billion posted in fiscal 2015. In constant US dollar terms, international operations posted an operating income of US\$63 million, a 23.1% drop from last year due to Vietnam issues, decline in New Zealand and losses from Indonesia and Myanmar as a result of brand building and distribution.

URC's packaging division reported an operating income of ₱75 million in fiscal 2016 from ₱30 million operating loss reported in fiscal 2015 due to improved sales mix and margins.

- Operating income in URC's agro-industrial segment decreased by ₱119 million to ₱1.051 billion in fiscal 2016 from ₱1.170 billion in fiscal 2015 due to lower prices and volumes of hogs, net of strong performance by feeds business.
- Operating income in URC's commodity foods segment increased by ₱201 million or 6.4% to ₱3.340 billion in fiscal 2016 from ₱3.139 billion in fiscal 2015, mainly coming from the additional contribution of renewable energy businesses. Flour business slightly increased by 1.7% due to better wheat prices while sugar business declined by 18.4% due to higher freight costs notwithstanding higher sales volume and price.

Market valuation gain on financial instruments at fair value through profit or loss of ₱855 million was reported in fiscal 2016 against the ₱215 million market valuation loss in fiscal 2015 due to fair value changes of derivative instruments and lower decline in market values of 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 decreased by ₱64 million to ₱213 million in fiscal 2016 from ₱277 million in fiscal 2015 due to decline in level of financial assets.

URC's finance costs consist mainly of interest expense which decreased by ₱380 million or 29.8%, to ₱897 million in fiscal 2016 from ₱1.278 billion recorded in fiscal 2015 due to lower level of financial debt resulting from prepayment of a long-term debt.

Net foreign exchange gain amounted to ₱1.878 billion in fiscal 2016 from ₱265 million net foreign exchange loss reported in fiscal 2015 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly IDR and NZD, and depreciation of Philippine peso against US dollar.

Impairment losses increased to ₱181 million in fiscal 2016 from ₱110 million in fiscal 2015 due to higher inventory write-offs resulting from issues encountered in Vietnam.

Equity in net losses of joint ventures amounted to ₱234 million in fiscal 2016 as against ₱206 million in fiscal 2015 due to higher net losses of DURBI as a result of continuous brand building.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income-net increased to ₱353 million in fiscal 2016 from ₱180 million in fiscal 2015 mainly coming from gain on sale of a property located in China.

URC recognized consolidated provision for income tax of ₱3.442 billion in fiscal 2016, a 5.8% increase from ₱3.252 billion in fiscal 2015 due to recognition of higher deferred tax liabilities, net of lower taxable income.

URC's consolidated net income for fiscal 2016 amounted to ₱15.356 billion, higher by ₱2.851 billion or 22.8% from ₱12.505 billion in fiscal 2015, due to market valuation gain on financial assets and net foreign exchange gains.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2016 amounted to ₱15.904 billion, a decline of 2.7% from ₱16.346 billion recorded in fiscal 2015.

Net income attributable to equity holders of the parent increased by ₱2.757 billion or 22.3% to ₱15.140 billion in fiscal 2016 from ₱12.383 billion in fiscal 2015 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱122 million in fiscal 2015 to ₱216 million in fiscal 2016.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.280 billion for fiscal 2016, slightly higher than ₱22.083 billion posted in fiscal 2015.

Fiscal Year 2015 Compared to Fiscal Year 2014

URC generated a consolidated sale of goods and services of ₱109.051 billion for the fiscal year ended September 30, 2015, an 18.1% sales growth over previous 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 ₱14.605 billion, or 19.2% to ₱90.733 billion in fiscal 2015 from ₱76.128 billion registered in fiscal 2014. BCFG domestic operations posted a 10.0% increase in net sales from ₱52.352 billion in fiscal 2014 to ₱57.600 billion in fiscal 2015 due to strong performance of its beverage division which grew 12.7% on the back of continued growth of coffee business. Sales for snackfoods division grew by 6.2% due to growth across snacks, biscuits and chocolate segments as the Company defended its market shares and positions in key snackfood categories.

BCFG international sales increased by 39.4% to ₱33.133 billion in fiscal 2015 against ₱23.776 billion in fiscal 2014. In US dollar (US\$) term, sales registered an increase of 36.6% from US\$539 million in fiscal 2014 to US\$736 million in fiscal 2015. Top-line growth came from Thailand, Indonesia and Vietnam with sales contribution from New Zealand. Sales growth in Thailand was driven by core

brands as it continues to be the market leader in biscuits and wafers. Indonesia posted double digit growth with its number one potato chips brand, Piattos, hitting all-time high sales and successful launch of another snack brand, Chiz King. Vietnam continued to grow on the back of robust sales of Rong Do, energy drink brand and C2, which remains to be the number one brand in the RTD tea category in the market. The Group started consolidating Griffin's sales into URC International starting mid-November 2014 upon closing of the acquisition.

Sale of goods and services of BCFG, excluding packaging division, accounted for 83.2% of total URC consolidated sale of goods and services for fiscal 2015.

Sale of goods and services in URC's packaging division slightly went up by 2.0% to ₱1.128 billion in fiscal 2015 from ₱1.106 billion recorded in fiscal 2014 due to increase in volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱8.931 billion in fiscal 2015, an 8.9% increase from ₱8.203 billion recorded in fiscal 2014. Feeds business increased by 21.6% due to higher sales volume as a result of effective sales strategy while farms business remained flat.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱8.259 billion in fiscal 2015 or up by 19.0% from ₱6.939 billion reported in fiscal 2014. Growth came from sugar business which increased by 18.4% due to higher sales volume and sales contribution from distillery and cogeneration businesses while flour business remained flat.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱9.796 billion, or 15.3%, to ₱73.801 billion in fiscal 2015 from ₱64.005 billion recorded in fiscal 2014 due to increase in sales volume.

URC's gross profit for fiscal 2015 amounted to ₱35.250 billion, up by ₱6.879 billion or 24.2% from ₱28.371 billion reported in fiscal 2014. Gross profit margin increased by 160 basis points from 30.7% in fiscal 2014 to 32.3% in fiscal 2015.

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 ₱3.624 billion or 25.4% to ₱17.876 billion in fiscal 2015 from ₱14.252 billion registered in fiscal 2014. This increase resulted primarily from the following factors:

- 18.8% or ₱999 million increase in advertising and promotion costs to ₱6.312 billion in fiscal 2015 from ₱5.313 billion in fiscal 2014 due to promotion programs with key accounts and wholesalers, and new product launches.
- 39.6% or ₱977 million increase in compensation and benefits to ₱3.444 billion in fiscal 2015 from ₱2.467 billion in fiscal 2014 due to annual salary adjustments including the effect of consolidating Griffin's accounts starting this fiscal year.
- 16.5% or ₱688 million increase in freight and delivery charges to ₱4.846 billion in fiscal 2015 from ₱4.158 billion in fiscal 2014 due to increase in trucking and shipping costs as a result of increased volume.

- 192.6% or ₱310 million increase in rent expense to ₱471 million in fiscal 2015 from ₱161 million in fiscal 2014 as a result of consolidating Griffin's accounts.

As a result of the above factors, operating income increased by ₱3.254 billion, or 23.0% to ₱17.373 billion in fiscal 2015 from ₱14.119 billion reported in fiscal 2014. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, increased by ₱3.353 billion or 30.0% to ₱14.515 billion in fiscal 2015 from ₱11.162 billion in fiscal 2014. URC's domestic operations went up by 23.5% to ₱10.676 billion in fiscal 2015 from ₱8.648 billion in fiscal 2014 due to margin expansion as a result of lower input prices and operational efficiencies. International operations posted a ₱3.839 billion operating income, 52.7% higher than ₱2.514 billion posted in fiscal 2014 due to lower input prices partly offset by forex volatility. In US dollar amount, international operations posted an operating income of US\$85 million, a 49.7% increase from US\$57 million in fiscal 2014. The significant increase was attributed to the surging profits from Vietnam and operating income contribution from Griffins'.

URC's packaging division reported a lower operating loss of ₱30 million in fiscal 2015 from ₱63 million reported in fiscal 2014 due to improved margins.

- Operating income in URC's agro-industrial segment increased by ₱104 million to ₱1.170 billion in fiscal 2015 from ₱1.067 billion in fiscal 2014 due to higher volumes and lower input prices for feeds business.
- Operating income in URC's commodity foods segment increased by ₱47 million to ₱3.139 billion in fiscal 2015 from ₱3.092 billion in fiscal 2014. Flour business registered an 11.8% increase due to better wheat prices. Sugar business declined by 10.4% due to higher freight costs notwithstanding higher sales volume and price while the distillery and cogeneration operations contributed an operating income of ₱126 million.

Market valuation loss on financial instruments at fair value through profit or loss of ₱215 million was reported in fiscal 2015 against the ₱63 million market valuation gain in fiscal 2014 due to decline in market values of equity investments and fair value changes from derivative instruments.

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 ₱48 million to ₱277 million in fiscal 2015 from ₱229 million in fiscal 2014 due to increased level of financial assets.

URC's finance costs consist mainly of interest expense which increased by ₱1.127 billion or 749.4%, to ₱1.278 billion in fiscal 2015 from ₱150 million recorded in fiscal 2014 due to increased level of financial debt resulting from availments of long-term debt to finance the acquisition of Griffin's.

Net foreign exchange loss amounted to ₱265 million in fiscal 2015 from ₱73 million net foreign exchange gain reported in fiscal 2014 due to the combined effects of depreciation of international subsidiaries' local currencies vis-à-vis US dollar, particularly IDR, and depreciation of Philippine peso vis-à-vis US dollar.

Impairment losses decreased to ₱110 million in fiscal 2015 from ₱122 million in fiscal 2014 due to lower impairment losses on receivables.

Equity in net losses of joint ventures amounted to ₱206 million in fiscal 2015 as against ₱14 million equity income in fiscal 2014 due to pre-operating losses of Danone Universal Robina Beverages, Inc. (DURBI) and Calbee-Universal Robina Corporation (CURC).

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income-net increased to ₱180 million in fiscal 2015 from ₱3 million in fiscal 2014 due to claims from truckers, income from sale of poultry farm and insurance claims from losses resulting from typhoons.

The Company recognized provision for income tax of ₱3.252 billion in fiscal 2015, a 26.4% increase from ₱2.572 billion in fiscal 2014 due to higher taxable income, net of increase in recognized deferred tax asset.

URC's net income for fiscal 2015 amounted to ₱12.505 billion, higher by ₱850 million or 7.3% from ₱11.655 billion in fiscal 2014, due to higher operating income, net of increases in net finance costs, foreign exchange and market valuation losses and equity share in net losses of joint ventures.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2015 amounted to ₱16.346 billion, an increase of 15.0% from ₱14.214 billion recorded in fiscal 2014.

Net income attributable to equity holders of the parent increased by ₱825 million or 7.1% to ₱12.383 billion in fiscal 2015 from ₱11.559 billion in fiscal 2014 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱97 million in fiscal 2014 to ₱122 million in fiscal 2015.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.083 billion for fiscal 2015, 22.7% higher than ₱18.004 billion posted in fiscal 2014.

Financial Condition

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.92:1 as of December 31, 2017, higher than the 1.86:1 as of December 31, 2016. Financial debt to equity ratio of 0.47:1 as of December 31, 2017 is within comfortable level. The Company is in a net debt position of ₱23.391 billion this year against ₱21.577 billion last year.

Total assets amounted to ₱147.641 billion as of December 31, 2017, higher than ₱142.665 billion as of December 31, 2016. Book value per share increased to ₱36.93 as of December 31, 2017 from ₱35.77 as of December 31, 2016.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for calendar year 2017 amounted to ₱14.254 billion. Net cash used in investing activities amounted to ₱8.408 billion which were substantially used for fixed asset acquisitions. Net cash used in financing activities amounted to ₱6.696 billion due to dividend payment, net of loan availments.

The capital expenditures amounting to ₱8.130 billion include site development and building constructions and rehabilitation/upgrade of beverage and snacks facilities in the Philippines; construction of glucose plant and coffee manufacturing facilities in Vietnam; new warehouse and improvements in biscuit and

wafer lines in Thailand; on-site storage warehouse in New Zealand; , machine upgrades and building management improvements in New Zealand and Australia; warehouse construction and biscuit line installation in Myanmar.

The Company budgeted about ₱8.000 billion for capital expenditures (including maintenance capex) and investments for calendar year 2018, which substantially consists of the following:

- ₱5.500 billion for expansion of capacities and improvement of handling, distribution, quality control and operational efficiencies throughout the branded foods group.
- ₱1.500 billion for commodity foods group for flourmill and pasta manufacturing equipment, sugar business expansion and maintenance capital expenditures.
- ₱1.000 billion for agro-industrial group for sow level expansion, new commissary and processed meat plant, feedmill capacity expansions, farm improvements and handling facilities for feeds division.

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 December 31, 2017, 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 year against last year.

	December 31, 2017	December 31, 2016
<hr/>		
Liquidity:		
Current ratio	1.92:1	1.86:1
Solvency:		
Gearing ratio	0.47:1	0.47:1
Debt to equity ratio	0.81:1	0.81:1
Asset to equity ratio	1.81:1	1.81:1
<hr/>		
	CY 2017	CY 2016
<hr/>		
Profitability:		
Operating margin	12.0%	14.0%
Earnings per share	4.94	5.88
Leverage:		
Interest rate coverage ratio	14.75	23.09

The Group calculates the ratios as follows:

Financial Ratios	Formula
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gearing ratio	$\frac{\text{Total financial debt (short-term debt, trust receipts payable and long-term debt including current portion)}}{\text{Total equity (equity holders + non-controlling interests)}}$
Debt to equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Total equity (equity holders + non-controlling interests)}}$
Asset to equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Total equity (equity holders + non-controlling interests)}}$
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 2017 Financial Statements
(Increase/Decrease of 5% or more versus 2016)**

Income statements – Year ended December 31, 2017 versus Year ended December 31, 2016

11.0% 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 ₱9.684 billion or 10.5% to ₱101.820 billion in calendar year 2017 from ₱92.136 billion registered in calendar year 2016. BCFG domestic operations' net sales slightly decline from ₱59.188 billion in calendar year 2016 to ₱58.950 billion in calendar year 2017, which was mainly driven by the lower volume and unfavorable mix in the coffee category, that dragged down the sustained growth performance in snacks and recovery of RTD beverages.

BCFG international sales increased by 30.1% to ₱42.870 billion in calendar year 2017 against ₱32.948 billion in calendar year 2016. In constant US dollar (US\$) terms, sales improved by 21.2% to US\$851 million in calendar year 2017 against last year due to full year consolidation of SBA as well as growth from Thailand and Malaysia, partly offset by Vietnam's slower than expected recovery. Malaysia grew by 7.8% on the back of positive performances from snacks, wafer and chocolates while Thailand increased by 6.1% due to continuous growth with wafer and snack categories reaching their highest market shares to date. Vietnam's steady recovery was driven by renewed campaign of C2 brand plus growing snackfoods business.

Sale of goods and services in URC's packaging division increased by 16.4% to ₱1.276 billion in calendar year 2017 from ₱1.095 billion recorded in calendar year 2016.

Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱10.111 billion in calendar year 2017, a 9.9% increase from ₱9.201 billion recorded in calendar year 2016. Feeds business grew by 4.6% due to increase in volumes while farms business increased by 16.4% due to higher volumes and average selling prices of value added hogs.

Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱11.801 billion in calendar year 2017 or up by 15.9% from ₱10.180 billion reported in calendar year 2016. Sugar and renewables businesses grew by 33.6% and 15.5%, respectively, on the account of higher volumes. On the other hand, flour business declined by 3.8% due to lower volume and average selling price.

12.2% increase in cost of sales

Due to increase in volume and prices of major raw materials

18.3% increase in selling and distribution costs

Due to increases in advertising and promotion costs, freight and delivery charges, contracted services, rental and personnel-related expenses

22.5% increase in general and administrative expenses

Due to increases in personnel-related costs, contracted services, and depreciation

23.7% increase in finance revenue

Due to higher level of financial assets during the year

54.0% increase in finance costs

Due to additional long-term debt used for the acquisition of SBA

68.3% increase in equity in net losses of joint ventures

Due to equity share in net losses of new joint venture, Vitasoy-URC

88.2% decrease in net foreign exchange gains

Due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly NZD, and depreciation of Philippine peso against US dollar

33.9% decrease in market valuation gain on financial instruments at fair value through profit or loss

Due to increase in market values of equity investments, offset by unfavorable fair value changes of derivative instruments

88.5% decrease in impairment losses

Due to last year's higher inventory write-offs resulting from issues encountered in Vietnam

25.4% increase in other income - net

Due to higher gain from sale of fixed assets

13.0% decrease in provision for income tax

Due to lower taxable income and utilization of deferred tax assets on realized foreign exchanges losses and tax credits

25.5% increase in net income attributable to non-controlling interest

Due to higher net income of Nissin-URC

Statements of Financial Position - December 31, 2017 versus December 31, 2016

5.5% decrease in cash and cash equivalents

Due to capital expenditure and dividend payment, net of operating cash

18.5% increase in financial assets at fair value through profit or loss

Due to increase in fair values of equity securities

8.5% increase in receivables - net

Due to increase in trade receivables

21.3% increase in biological assets

Due to increase in headcount and market prices of hogs

40.6% increase in other current assets

Due to increases in input value-added tax and advances to suppliers

7.2%% increase in property, plant and equipment

Due to various plant expansion projects

83.1% increase in investment in joint ventures

Due to additional investments, net of equity share in net losses of joint ventures

18.3% increase in noncurrent assets

Due to increases in deferred input taxes and security deposits

8.0% increase in accounts payable and other accrued liabilities

Due to increases in trade payables and accrual of various expenses

40.3% increase in short-term debt

Due to loan availments during the year to finance business expansion

30.7% decrease in trust receipts payable

Due to payments during the year

40.9% decrease in income tax payable

Due to payments, net of current provision for income tax for the year

5.9% increase in long-term debt

Due to effect of forex translation adjustments

10.2% increase in net deferred tax liabilities

Due to utilization of deferred tax assets on realized foreign exchange losses

51.8% increase in other noncurrent liabilities

Due to share in equity losses of DURBI in excess of investment

6.7% increase in retained earnings

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

73.6% decrease in other comprehensive income

Due to significant decline in cumulative translation adjustments

1,728.2% increase in equity attributable to non-controlling interests

Due to equity 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)

Universal Robina Corporation (Consolidated)			
	CY 2017	CY 2016	Index
Revenues	125,008	112,612	111
EBIT	14,952	15,760	95
EBITDA	21,056	21,405	98
Net Income	11,153	13,083	85
Total Assets	147,641	142,665	103

URC International Co., Ltd. (Consolidated)			
	CY 2017	CY 2016	Index
Revenues	42,871	32,948	130
EBIT	3,154	2,598	121
EBITDA	5,833	4,759	123
Net Income	1,855	1,871	99
Total Assets	87,739	83,758	105

Nissin-URC			
	CY 2017	CY 2016	Index
Revenues	5,103	4,361	117
EBIT	769	678	113
EBITDA	890	777	115
Net Income	559	475	118
Total Assets	2,686	2,281	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 172).

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 Company's independent public accountant is the accounting firm of 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 Company in 2015 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 years for professional services rendered by Sycip, Gorres, Velayo & Co.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>CY 2017</u>
Audit and Audit-Related Fees	₱8,349,000	₱9,740,000	₱9,954,000
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	none	none	none
• Professional fees for due diligence review for bond/shares offering	none	none	none
Tax Fees	none	none	none
Other Fees	none	none	none
Total	<u>₱8,349,000</u>	<u>₱9,740,000</u>	<u>₱9,954,000</u>

Audit Committee's Approval Policies and Procedures for the Services Rendered by the External Auditors

The Corporate Governance Manual of the Company provides that the Audit Committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency, and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Registrant

	Name	Age	Position	Citizenship
1.	John L. Gokongwei, Jr	91	Director, Chairman Emeritus	Filipino
2.	James L. Go	78	Director, Chairman	Filipino
3.	Lance Y. Gokongwei	51	Director, President and Chief Executive Officer	Filipino
4.	Patrick Henry C. Go	47	Director, Vice President	Filipino
5.	Frederick D. Go	48	Director	Filipino
6.	Johnson Robert G. Go, Jr	52	Director	Filipino
7.	Robert G. Coyiuto, Jr	66	Director	Filipino
8.	Wilfrido E. Sanchez	80	Director (Independent)	Filipino
9.	Pascual S. Guerzon	80	Director (Independent)	Filipino
10.	Cornelio S. Mapa, Jr.	51	Executive Vice President	Filipino
11.	Bach Johann M. Sebastian	56	Senior Vice President	Filipino
12.	David J. Lim, Jr.	54	Senior Vice President	Filipino
13.	Edwin R. Canta	54	Senior Vice President	Filipino
14.	Francisco M. Del Mundo	47	Chief Financial Officer	Filipino
15.	Chona R. Ferrer	59	First Vice President	Filipino
16.	Ester T. Ang	59	Vice President - Treasurer	Filipino
17.	Albert Francis S. Fernandez	51	Vice President	Filipino
18.	Teofilo B. Eugenio, Jr.	52	Vice President	Filipino
19.	Vincent Henry C. Go	46	Vice President	Filipino
20.	Ellison Dean C. Lee	60	Vice President	Filipino
21.	Renato P. Cabati	54	Vice President	Filipino
22.	Anne Patricia C. Go	51	Vice President	Filipino
23.	Alan D. Surposa	54	Vice President	Filipino
24.	Michael P. Liwanag	43	Vice President	Filipino
25.	Rosalinda F. Rivera	47	Corporate Secretary	Filipino
26.	Socorro ML. Banting	63	Assistant Vice President	Filipino
27.	Arlene S. Denzon	49	Compliance Officer	Filipino

All of the above directors and officers have served their respective offices since June 28, 2017. There are no 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 Company.

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 continues to be a member of URC's Board and is the Chairman Emeritus of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and a director of Cebu Air, Inc., Robinsons Retail Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. 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 is the Chairman and Chief Executive Officer of JGSHI and Oriental Petroleum and Minerals Corporation. He is the Chairman of Robinsons Land Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA. 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 is the President and Chief Operating Officer of JGSHI. He is the Chairman and Chief Executive Officer of Robinsons Retail 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. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. He received his 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 Senior Managing Director of the URC Packaging (BOPP) Division and Flexible Packaging Division. He is also the President and Chief Operating Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of JGSHI, Robinsons Land Corporation, and Robinsons Bank Corporation. He is a trustee and treasurer 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 a director 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., Robinsons Bank Corporation, JG Summit Petrochemical Corporation, and Cebu Light Industrial Park. He is also a Vice Chairman of the Philippine Retailers Association. He received his 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. has been a director of URC since May 5, 2005. He is also a director of JGSHI, Robinsons Land Corporation, and Robinsons Bank Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received his 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 was appointed Presidential Adviser on Capital Market Development. He is the Chairman of the Board and Chief Executive Officer of Prudential Guarantee & Assurance, Inc. and of PGA Sampo Insurance Corporation. He is also Chairman of PGA Cars, Inc., Pioneer Tours Corporation and Coyiuto Foundation. He is the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is Vice Chairman and Director of National Grid Corporation of the Philippines and 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, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange and a Member of the Board of Trustees 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 Sison & Damaso Law Firm. He is also a director of Adventure International Tours, Inc., Amon Trading Corporation, Asia Brewery, Inc., Center for Leadership & Change, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., House of Investments, Inc., J-DEL Investment and Management Corporation, JVR Foundation, Inc., Kawasaki Motor Corp., K Servico, Inc., LT Group, Inc., Magellan Capital Holdings Corporation, Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., and Transnational Plans, Inc. He was also appointed as a member of the Board of Trustees of the Asian Institute of Management on September 8, 2016. He received his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

Pascual S. Guerzon has been an independent director of URC since September 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, Deputy Director of Asean Chambers of Commerce and Industry and Section Chief of the Board of Investments. He 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 the Executive Vice President of URC. He is also Managing Director of the URC Branded Consumer Foods Group. 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 IMD in Lausanne, Switzerland.

Bach Johann M. Sebastian is the Senior Vice President and Chief Strategist of URC. He is also the Senior Vice President and Chief Strategist of JGSHI, Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Retail Holdings, Inc. Prior to joining URC in 2002, he was Senior Vice President and Chief Corporate Strategist at RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received his Bachelor of Arts in Economics from the University of the Philippines in 1981 and his Master in Business Administration degree from the Asian Institute of Management in 1986.

David J. Lim, Jr. is the Senior Vice President for Manufacturing, Technology and Projects & Engineering of URC's Branded Consumer Foods Group Philippines and International. He was the Assistant Technical Director for JGSHI prior to joining URC in December of 2008. He earned his Bachelor of Science degree in Aeronautical Engineering from Imperial College, London, England and

obtained his Master of Science degree in Civil Structural Engineering from the University of California at Beverly, USA as well as his Masters in Engineering from the Massachusetts Institute of Technology, USA.

Edwin R. Canta is the Senior Vice President and Business Unit General Manager of URC's Branded Consumer Foods Group Philippines. He previously held the position of Business Unit General Manager of URC Vietnam until September 30, 2015. He joined URC in June 2005 as Marketing Manager, Coffee and Dairy for the URC Beverage Division and was later on appointed as Business Unit General Manager of Nissin Universal Robina (NUR). Mr. Canta brings with him over 30 years of experience in the field of sales and marketing. Prior to joining URC, he was the Marketing Manager at Century Canning Corporation. He also held sales and marketing positions from companies such as Zuellig, RFM-Swift Foods, Inc. and Splash Corporation. He holds a Bachelor of Science degree in Commerce major in Marketing Management from the De La Salle University.

Francisco M. Del Mundo is the Chief Financial Officer of URC. He was also appointed CFO of JGSHI effective October 2, 2017. He brings with him 24 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and 3 years in Coca-Cola prior to joining the JG Summit Group. He has worked in three different markets: Manila, Thailand and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore and Malaysia. In 2013, he joined JGSHI as Vice President for JG Summit and Affiliates Shared Services. He was appointed as CFO of URC International the same year, concurrent with Shared Services role. In 2016, he was appointed CFO of URC and Head of JG Summit Enterprise Risk Management Group, and continues to lead Shared Services as its Vice President. He graduated cum laude from the University of the Philippines Diliman with a Bachelor of Science in Business Administration degree. He was recognized as the Most Distinguished Alumnus of the University's College of Business Administration in 2008. He is also a Certified Internal Auditor and has done several external talks on shared service and finance transformation in Manila, Malaysia and Dubai.

Chona R. Ferrer is the First Vice President for Corporate Treasury of URC. She is also the Deputy Treasurer of JGSHI. Prior to joining URC in 1983, she was Assistant Treasurer of Guevent Industrial Development Corporation. She received a Bachelor of Science degree in Business Administration from the University of the Philippines.

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

Albert Francis S. Fernandez is the Vice President for Sales of URC's Branded Consumer Foods Group Philippines. Concurrent to this, he is also Vice President for Exports and New Markets Development of URC's Branded Consumer Foods Group Philippines and International. He brings with him over 20 years of experience in the areas of management, sales, trade marketing, logistics and manufacturing from various industries such as cement, business process outsourcing, foods, consumer goods and agriculture. Prior to joining URC in 2012, he was Vice President for Sales and Logistics of Lafarge Cement Philippines. He also led GE Money Servicing Philippines as Vice President for Operations. He also held top key sales positions in Coca-Cola Export Corporation and Unilever Philippines Inc. He holds a Bachelor of Science degree in Chemical Engineering at the University of St. La Salle, Bacolod City.

Teofilo B. Eugenio, Jr. is the Vice President for Griffin's Asia and Export Development of the URC Branded Consumer Foods Group. He was Vice President for Snacks Marketing until September 2017. Also in September 2017, he was appointed President and General Manager of Hunt-Universal Robina Corporation and General Manager of Nissin Universal Robina Corporation. During the time he was Vice President for Snacks Marketing, he also served as General Manager of Calbee-URC, Inc. until April 2016. Before handling Snacks, he was the Marketing Director for biscuits, cakes and chocolates of the URC Branded Consumer Foods Group and started as Group Product Manager of biscuits. Prior to joining URC, he was Senior Product Manager for Ovaltine at Novartis Nutrition Philippines, Inc. He has more than 20 years experience in the field of marketing. He earned his Bachelor of Science degree in Industrial Management Engineering, Minor in Mechanical Engineering, from the De La Salle University, Manila and obtained his Masters in Business Administration from Strathclyde Graduate Business School, Strathclyde University, United Kingdom.

Vincent Henry C. Go is the Vice President of URC, has been the Group General Manager of URC's Agro-Industrial Group since 2006 and Chairman of the Supplier Selection Committee since 2013. He served as General Manager and National Sales Manager of Universal Corn Products in 2002 and 1994, respectively. He obtained his degree in Feed Manufacturing Technology from the Swiss Institute of Feed Technology in Uzwil, Switzerland. Mr. Vincent Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr. and joined URC in 1992.

Ellison Dean C. Lee is the Vice President of URC and the Business Unit General Manager of URC's Flour Division. He started his career with the Philippine Appliance Corporation as Manager, Special Accounts, under the Office of the Chairman and President. He then moved to PHINMA Group of Companies and occupied the positions of Assistant Vice President and Vice President for Marketing. He also joined Inglenook Foods Corporation as Vice President for Sales. Prior to joining URC in 2001, he was a Vice President of Golden Gate Marketing Corporation, a marketing arm of APO Cement Corporation, and Vice President for Sales and Marketing of Blue Circle Philippines, Inc. He graduated with a Bachelor of Science in Business Management from the Ateneo De Manila University. He also attended the Management Program at the Asian Institute of Management.

Renato P. Cabati is the Vice President of URC and the Business Unit General Manager of URC's Sugar and Renewables Group since 2002. He has held various posts in the sugar business since 1989. Prior to joining URC, he practiced public accounting with SyCip, Gorres, Velayo & Co. and private accounting with NDC - Guthrie Plantations, Inc. He is a member of the Philippine Institute of Certified Public Accountants, past President and Chairman of the Philippine Sugar Technologists Association, Inc., Executive Committee member of the Philippine Sugar Millers Association, Millers Sector Representative to the Sugar Tripartite Council of the Department of Labor & Employment and President of the Philippine Association of Sugar Refiners, Inc. and Vice Chairman of Ethanol Producers Association of the Philippines. He is a Certified Public Accountant and has obtained his Bachelor of Science degree in Commerce Major in Accounting from the Far Eastern University and attended raw sugar and refined sugar manufacturing courses at the Nichols State University, Thibodaux, Louisiana, USA.

Anne Patricia C. Go is the Vice President for Advertising and Marketing Services of URC. She also handles all Advertising and Public Relations, Consumer Promotions, Special Events and Market Research requirements of URC. She is also Vice President for Advertising and Public Relations of JGSHI (JGSHI) and handles all Advertising and Public Relations for JGSHI, its core businesses, and its other business interests, which include Summit Media and Robinsons Retail Group. She joined URC in 1993 as Director of Marketing Services. She began her more than 20 year-career in Advertising and Communications in Basic/FCB. She was also a freelance broadcast producer and the Philippine representative of Hong Kong-based Centro Digital Pictures. She graduated from Ateneo de Manila

University with a degree in Communication Arts. Ms. Anne Patricia C. Go is the niece of Mr. John L. Gokongwei, Jr.

Alan D. Surposa is the Vice President for Procurement of URC and for Procurement and Supply Chain of URC Branded Consumer Foods Group - Philippines and International. He had an expanded role as Vice President - Corporate Procurement of JGSHI effective March 18, 2015. He is responsible for the procurement operations of both the domestic and international businesses of URC and ensures proper implementation of best practices and techniques and exercises strong functional oversight over heads/managers in the different countries whose work revolves around procurement and supply chain to ensure consistent alignment and synergies across the region. He also handles the Corporate Import Services of JGSHI. In his expanded role, he is responsible for ensuring that procurement processes operate smoothly and consistently across the group in line with the set procurement policies of the organization. He is a member and formerly a Director of The Purchasing Managers Association of the Philippines. He received his Bachelor of Science degree in Civil Engineering from the Cebu Institute of Technology in Cebu City.

Michael P. Liwanag is the Vice President of Corporate Strategy and Development of URC. Prior to joining the Company in 2001, he worked in different capacities in the fields of Strategy, M&A Program Management and Business Analytics in Digital Telecommunications Phils., Inc., Global Crossings and Philippine Global Communications, Inc. He studied Engineering at the University of the Philippines, is a Certified Management Accountant (ICMA Australia) and an alumni of the Harvard Business School (AMP).

Rosalinda F. Rivera is the Corporate Secretary of URC. She was appointed Corporate Secretary on May 22, 2004 and has been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of JGSHI, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, 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.

Socorro ML. Banting is the Assistant Vice President and Assistant Treasurer of URC. She is also an officer of other related companies of URC. Prior to joining URC in 1986, she worked with State Investment House, Inc. and Manila Midtown Hotel. She obtained her Bachelor of Science degree in Business Administration from the Ateneo de Davao University.

Arlene S. Denzon is the Compliance Officer of URC and Vice President of the Corporate Governance and Management Systems (CGMS) of JGSHI. Prior to rejoining URC in February 2013, she was the Senior Vice President in charge of the Enterprise-wide Risk Management Group of Digitel Mobile Philippines, Inc. (DMPI, more popularly known as Sun Cellular) until December 2012. Ms. Denzon started her career in the Gokongwei Group in 1991 and performed various roles including Accounting Manager of JGSHI until 1997, Assistant Vice President - Special Assistant to the Chairman until 2001, Vice President - Treasurer and Acting Chief Financial Officer of URC International until 2003 before she was seconded to DMPI in 2004. Prior to JGSHI, Ms. Denzon had three years working experience as external auditor in Sycip, Gorres, Velayo & Co. She was a Certified Public Accountant Board topnotcher and obtained her Bachelor of Accountancy degree, Magna Cum Laude, from the Polytechnic University of the Philippines.

The members of the Company's board of directors and executive officers can be reached at the address of its registered office at 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, 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

1. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
2. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
3. Mr. Patrick Henry C. Go is the nephew of Mr. John L. Gokongwei, Jr.
4. Mr. Frederick D. Go is the nephew of Mr. John L. Gokongwei, Jr.
5. Mr. Johnson Robert G. Go, Jr. is the nephew of Mr. John L. Gokongwei, Jr.
6. Mr. Vincent Henry C. Go is the nephew of Mr. John L. Gokongwei, Jr.
7. Ms. Anne Patricia C. Go is the niece of Mr. John L. 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 calendar year to the Company's Directors and Executive Officers:

	Estimated - CY2018			Total	Actual	
	Salary	Bonus	Other		CY2017	FY2016
CEO and Four (4) most highly compensated executive officers	₱ 120,151,670	₱1,500,000	₱757,500	₱122,409,170	₱115,286,005	₱103,231,433
All officers and directors as a group unnamed	151,652,149	3,000,000	1,297,500	155,949,649	146,773,330	132,526,548

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 - Cornelio S. Mapa, Jr.;
- and 5. Senior Vice President - Edwin R. Canta.

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 December 31, 2017, URC knows no one who beneficially owns in excess of 5% of URC's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	JGSHI 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City	Same as record owner (See note 1)	Filipino	1,215,223,061	55.13%
Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City	PCD Participants and their clients (See note 2)	Non-Filipino	699,014,732 (See note 3)	31.71%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City	PCD Participants and their clients (See note 2)	Filipino	255,089,258 (See note 3)	11.57%

- 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.
- 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 system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is 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 account, "The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct.," "Deutsche Bank Manila - Clients A/C" and "Citibank N.A." hold for various trust accounts the following shares of the Corporation as of December 31, 2017:

	No. of shares	% to Outstanding
The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct	380,116,928	17.25%
Deutsche Bank Manila - Clients A/C	237,501,662	10.78%
Citibank N.A.	110,145,154	5.00%

Voting instructions may be provided by the beneficial owners of the shares.

(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 ¹					
Common	1. John L. Gokongwei, Jr. ²	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	500,001	Filipino	0.02%
-	4. Cornelio S. Mapa, Jr.	Executive Vice President	-	Filipino	-
-	5. Edwin R. Canta	Senior Vice President	-	Filipino	-
	Sub-Total		<u>2,979,403</u>		<u>0.14%</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	Director (Independent)	1	Filipino	*
Common	11. Pascual S. Guerzon	Director (Independent)	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>3,090,843</u>		<u>0.14%</u>

1. As defined under Part IV (B) (1) (b) of Annex "C" 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 December 31, 2017.
 2. Sum of shares in the name of "John Gokongwei, Jr." for one (1) share and "Elizabeth Y. Gokongwei and/or John Gokongwei, Jr." for 2,479,400 shares.
- * 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, JGSHI and its affiliated companies. See Note 36 (Related Party Disclosures) of the Notes to Consolidated Financial Statements (page 142) in the accompanying Audited Financial Statements filed as part of this Form 17-A.

PART IV - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

- (a) Exhibits - See accompanying Index to Exhibits (page 45)
- (b) Reports on SEC Form 17-C

UNIVERSAL ROBINA CORPORATION
LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS
UNDER SEC FORM 17-C
JULY 1, 2017 TO DECEMBER 31, 2017

Date of Disclosure	Description
August 8, 2017	Press Release “URC’S topline grew by 10% while profitability remained challenged due to major issues in Branded Consumer Foods Group Philippines and Vietnam”.
September 5, 2017	Disclosure on the payment of penalty to the Philippine Stock Exchange.
October 18, 2017	Clarification of news report “URC transmission project given green light by ERC”.
November 7, 2017	Press Release “URC continues to post double-digit topline growth while margins remain muted in the first nine months of 2017”.

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 _____ on _____, 2018.

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:



LANCE Y. GOKONGWEI
President and Chief Executive Officer
Date April 10, 2018



FRANCISCO M. DEL MUNDO
Chief Financial Officer
Date April 10, 2018



ROSALINDA F. RIVERA
Corporate Secretary
Date April 10, 2018

SUBSCRIBED AND SWORN to before me
This _____ day of _____ at Pasig City
APR 10 2018

duy
ATTY. EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS & SAN JUAN
UNTIL DECEMBER 31, 2018
PTR No. 3826099/01-03-2018
LBP No. 019004/12-19-2017/UNTIL 2018
ROLL No. 26683
TIN No. 210-588-191-000
MCLE V-0004493
2nd FLOOR ARMAL BLDG. URBANO
VELASGO AVE., MALINAO, PASIG CITY

DOC. NO. 161
PAGE NO. 34
BOOK NO. CXLIV
SERIES OF 2018

SUBSCRIBED AND SWORN to before me this ____ day of _____, 2018 affiants exhibiting to me his/their Community Tax Certificates, as follows:

NAMES	DOCUMENT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	CTC No. 7809720	01.16.18	Pasig City
Francisco M. Del Mundo	Passport No. EC6738704	02.15.16	Manila
Rosalinda F. Rivera	SSS ID No. 33-2484959-1		

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2018.

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.

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

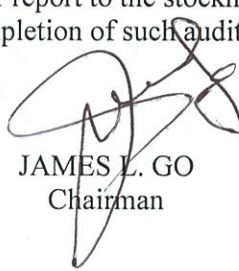
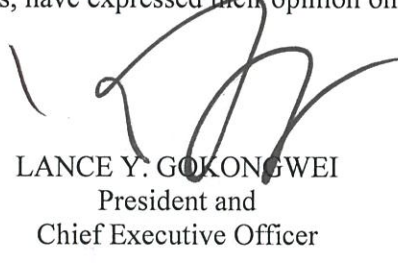
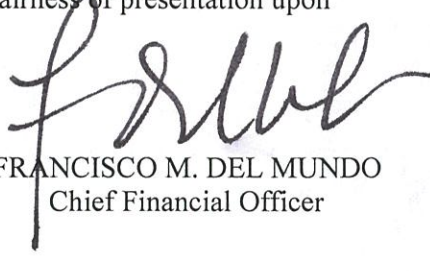
The management of Universal Robina Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the year ended December 31, 2017, three-month period ended December 31, 2016 and the year ended September 30, 2016, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

 JAMES L. GO Chairman	 LANCE Y. GOKONGWEI President and Chief Executive Officer	 FRANCISCO M. DEL MUNDO Chief Financial Officer
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SUBSCRIBED AND SWORN to before me this **APR 10 2018** day of April, 2018 affiant(s) exhibiting to me the following documents as follows:

NAMES	DOCUMENT TYPE	DOCUMENT NUMBER	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	CTC	7809719	01.16.18	Pasig City
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Francisco M. Del Mundo	Passport	EC6738704	02.15.16	Manila

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 Series of 2018

ATTY. RENATO E. DE JESUS
 Notary Public
 Until December 31, 2018
 ROLL NO. 19939
 IBP NO. 017778
 PTR NO. 3826100
 APPOINTMENT NO. 51 (2017-2018)
 MCLE COMPLIANCE NO. 1-0006299 (EXEMPTED)
 TIN NO. 122-860-768-000

- 45 -

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

Opinion

We have audited the consolidated financial statements of Universal Robina Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017, the period October 1, 2016 to December 31, 2016 and the year ended September 30, 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017, the period October 1, 2016 to December 31, 2016 and the year ended September 30, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Intangible Assets

Under PFRSs, the Group is required to annually test the amount of goodwill and intangible assets with indefinite useful lives for impairment. As of December 31, 2017, the Group's goodwill attributable to Consolidated Snacks, Pty. Ltd. and Griffin's Foods Limited amounted to ₱30.4 billion, and goodwill attributable to other acquired entities amounted to ₱0.8 billion. As of December 31, 2017, the Group's intangible assets with indefinite useful lives pertaining to trademarks amounted to ₱9.4 billion, and intangible assets pertaining to product formulation with indefinite useful life amounted to ₱0.4 billion. These items are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, gross margin/profit, operating margin, capital expenditures, discount rate and the long-term growth rate.

The Group's disclosures about goodwill and intangible assets are included in Note 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, gross margin/profit, operating margin, capital expenditures, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aris C. Malantic.

SYCIP GORRES VELAYO & CO.



Aris C. Malantic

Partner

CPA Certificate No. 90190

SEC Accreditation No. 0326-AR-3 (Group A),

May 1, 2015, valid until April 30, 2018

Tax Identification No. 152-884-691

BIR Accreditation No. 08-001998-54-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621284, January 9, 2018, Makati City

April 10, 2018



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱14,497,517,791	₱15,347,701,920
Financial assets at fair value through profit or loss (Note 8)	455,577,705	384,553,269
Receivables (Note 10)	16,116,493,339	14,853,703,708
Inventories (Note 11)	18,465,363,440	18,600,730,912
Biological assets (Note 14)	1,180,266,509	920,226,312
Other current assets (Note 12)	2,987,386,097	2,125,128,600
	53,702,604,881	52,232,044,721
Noncurrent Assets		
Property, plant and equipment (Note 13)	48,254,128,303	45,007,417,749
Biological assets (Note 14)	498,309,880	463,152,936
Goodwill (Note 15)	31,212,075,404	31,212,075,404
Intangible assets (Note 15)	11,810,036,032	11,903,604,901
Investments in joint ventures (Note 16)	552,226,288	301,582,059
Deferred tax assets (Note 32)	216,916,334	366,864,809
Other noncurrent assets (Note 17)	1,394,502,377	1,178,664,341
	93,938,194,618	90,433,362,199
TOTAL ASSETS	₱147,640,799,499	₱142,665,406,920
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 19)	₱21,571,118,556	₱19,981,912,368
Short-term debts (Notes 18 and 22)	2,009,317,911	1,431,890,655
Trust receipts payable (Notes 11 and 22)	3,155,187,680	4,554,101,456
Income tax payable	1,263,938,251	2,137,270,937
	27,999,562,398	28,105,175,416
Noncurrent Liabilities		
Long-term debts (Notes 20 and 22)	33,225,962,388	31,366,592,785
Deferred tax liabilities (Note 32)	4,261,515,625	4,036,341,411
Other noncurrent liabilities (Note 21)	467,746,491	308,042,555
	37,955,224,504	35,710,976,751
	65,954,786,902	63,816,152,167

(Forward)



	December 31	
	2017	2016
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	₱23,083,782,043	₱23,083,782,043
Retained earnings (Note 22)	63,243,842,044	59,298,871,235
Other comprehensive income (Note 23)	492,151,622	1,867,734,216
Equity reserve (Note 22)	(5,075,466,405)	(5,075,466,405)
Treasury shares (Note 22)	(341,137,179)	(341,137,179)
	81,403,172,125	78,833,783,910
Equity attributable to non-controlling interest (Notes 16 and 22)	282,840,472	15,470,843
	81,686,012,597	78,849,254,753
TOTAL LIABILITIES AND EQUITY	₱147,640,799,499	₱142,665,406,920

See accompanying Notes to Consolidated Financial Statements.



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
SALE OF GOODS AND SERVICES (Notes 24 and 34)	₱125,007,824,013	₱30,940,237,745	₱111,631,792,704
COST OF SALES (Notes 24 and 34)	85,693,355,234	21,143,380,393	75,090,958,927
GROSS PROFIT	39,314,468,779	9,796,857,352	36,540,833,777
Selling and distribution costs (Note 25)	(19,250,876,212)	(4,541,783,127)	(15,828,046,092)
General and administrative expenses (Note 26)	(5,111,425,807)	(1,169,103,846)	(3,902,174,623)
OPERATING INCOME	14,952,166,760	4,085,970,379	16,810,613,062
Finance costs (Note 30)	(1,427,329,826)	(338,591,320)	(897,220,964)
Equity in net losses of joint ventures (Note 16)	(280,533,323)	(49,411,584)	(233,998,864)
Finance revenue (Note 29)	225,582,853	49,947,558	213,044,427
Net foreign exchange gains (losses)	154,190,672	(433,863,058)	1,877,597,478
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss – net (Note 8)	71,016,151	(4,514,684)	855,084,609
Provision for credit and impairment losses (Notes 10 and 11)	(21,423,202)	(2,773,188)	(181,097,068)
Other income (loss) - net (Notes 13, 17 and 20)	276,737,549	(89,650,692)	353,482,305
INCOME BEFORE INCOME TAX	13,950,407,634	3,217,113,411	18,797,504,985
PROVISION FOR INCOME TAX (Note 32)	2,797,486,301	767,495,099	3,441,533,005
NET INCOME	₱11,152,921,333	₱2,449,618,312	₱15,355,971,980
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 33)	₱10,888,080,693	₱2,402,116,084	₱15,140,452,205
Non-controlling interests (Note 16)	264,840,640	47,502,228	215,519,775
	₱11,152,921,333	₱2,449,618,312	₱15,355,971,980
EARNINGS PER SHARE (Note 33)			
Basic/diluted, for income attributable to equity holders of the parent	₱4.94	₱1.09	₱6.94

See accompanying Notes to Consolidated Financial Statements.



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
NET INCOME	₱11,152,921,333	₱2,449,618,312	₱15,355,971,980
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Cumulative translation adjustments (Note 23)	(1,392,324,892)	1,200,565,078	(2,759,505,648)
Unrealized gain (loss) on cash flow hedge (Note 9)	(11,359,659)	19,196,810	1,549,023
Unrealized gain on available-for-sale financial assets (Notes 17 and 23)	2,950,000	1,200,000	950,000
	(1,400,734,551)	1,220,961,888	(2,757,006,625)
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on defined benefit plans (Notes 23 and 31)	39,544,208	192,095,316	(79,300,531)
Income tax effect	(11,863,262)	(57,628,595)	23,790,159
	27,680,946	134,466,721	(55,510,372)
OTHER COMPREHENSIVE INCOME (LOSS)	(1,373,053,605)	1,355,428,609	(2,812,516,997)
TOTAL COMPREHENSIVE INCOME	₱9,779,867,728	₱3,805,046,921	₱12,543,454,983
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Equity holders of the parent	₱9,512,498,099	₱3,757,544,693	₱12,326,687,692
Non-controlling interests	267,369,629	47,502,228	216,767,291
	₱9,779,867,728	₱3,805,046,921	₱12,543,454,983

See accompanying Notes to Consolidated Financial Statements.



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up Capital (Note 22)		Retained Earnings (Note 22)				Attributable to Equity Holders of the Parent										Attributable to Non-controlling Interest		Total Equity
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Equity Reserve (Note 22)	Other Comprehensive Income (Loss) (Note 23)						Treasury Shares (Note 22)	Total	Total Other Comprehensive Income (Loss)			
								Items to be reclassified to profit or loss in subsequent periods		Remeasurement Losses on Defined Benefit Plans	Total Other Comprehensive Income (Loss)	Item not to be reclassified to profit or loss in subsequent periods							
								Net Unrealized Gain on Available-For-Sale Investment (Note 17)	Unrealized Gain (Loss) on Cash Flow Hedge (Note 9)				Cumulative Translation Adjustments				Total		
Balances as at January 1, 2017	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱56,298,871,235	₱3,000,000,000	₱59,298,871,235	(₱5,075,466,405)	₱2,242,967,597	₱21,310,000	₱19,296,332	₱2,283,573,929	(₱415,839,713)	₱1,867,734,216	(₱341,137,179)	₱78,833,783,910	₱15,470,843	₱78,849,254,753		
Net income for the year	-	-	-	10,888,080,693	-	10,888,080,693	-	-	-	-	-	-	-	-	10,888,080,693	264,840,640	11,152,921,333		
Other comprehensive income (loss)	-	-	-	-	-	-	-	(1,392,324,892)	2,950,000	(11,359,659)	(1,400,734,551)	25,151,957	(1,375,582,594)	-	(1,375,582,594)	2,528,989	(1,373,053,605)		
Total comprehensive income	-	-	-	10,888,080,693	-	10,888,080,693	-	(1,392,324,892)	2,950,000	(11,359,659)	(1,400,734,551)	25,151,957	(1,375,582,594)	-	9,512,498,099	267,369,629	9,779,867,728		
Cash dividends (Note 22)	-	-	-	(6,943,109,884)	-	(6,943,109,884)	-	-	-	-	-	-	-	-	(6,943,109,884)	-	(6,943,109,884)		
Appropriation of retained earnings (Note 22)	-	-	-	(1,500,000,000)	1,500,000,000	-	-	-	-	-	-	-	-	-	-	-	-		
Balances as at December 31, 2017	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱58,743,842,044	₱4,500,000,000	₱63,243,842,044	(₱5,075,466,405)	₱850,642,705	₱24,260,000	₱7,936,673	₱882,839,378	(₱390,687,756)	₱492,151,622	(₱341,137,179)	₱81,403,172,125	₱282,840,472	₱81,686,012,597		
Balances as at October 1, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱53,896,755,151	₱3,000,000,000	₱56,896,755,151	(₱5,075,466,405)	₱1,042,402,519	₱20,110,000	₱99,522	₱1,062,612,041	(₱550,306,434)	₱512,305,607	(₱341,137,179)	₱75,076,239,217	₱195,818,615	₱75,272,057,832		
Net income for the period	-	-	-	2,402,116,084	-	2,402,116,084	-	-	-	-	-	-	-	-	2,402,116,084	47,502,228	2,449,618,312		
Other comprehensive income (loss)	-	-	-	-	-	-	-	1,200,565,078	1,200,000	19,196,810	1,220,961,888	134,466,721	1,355,428,609	-	1,355,428,609	-	1,355,428,609		
Total comprehensive income	-	-	-	2,402,116,084	-	2,402,116,084	-	1,200,565,078	1,200,000	19,196,810	1,220,961,888	134,466,721	1,355,428,609	-	3,757,544,693	47,502,228	3,805,046,921		
Cash dividends (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(227,850,000)	(227,850,000)		
Balances as at December 31, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱56,298,871,235	₱3,000,000,000	₱59,298,871,235	(₱5,075,466,405)	₱2,242,967,597	₱21,310,000	₱19,296,332	₱2,283,573,929	(₱415,839,713)	₱1,867,734,216	(₱341,137,179)	₱78,833,783,910	₱15,470,843	₱78,849,254,753		
Balances as at October 1, 2015	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱46,628,034,035	₱2,000,000,000	₱48,628,034,035	(₱5,075,466,405)	₱3,801,908,167	₱19,160,000	(₱1,449,501)	₱3,819,618,666	(₱493,548,546)	₱3,326,070,120	(₱670,386,034)	₱65,264,936,967	₱94,691,324	₱65,359,628,291		
Net income for the year	-	-	-	15,140,452,205	-	15,140,452,205	-	-	-	-	-	-	-	-	15,140,452,205	215,519,775	15,355,971,980		
Other comprehensive income (loss)	-	-	-	-	-	-	-	(2,759,505,648)	950,000	1,549,023	(2,757,006,625)	(56,757,888)	(2,813,764,513)	-	(2,813,764,513)	1,247,516	(2,812,516,997)		
Total comprehensive income	-	-	-	15,140,452,205	-	15,140,452,205	-	(2,759,505,648)	950,000	1,549,023	(2,757,006,625)	(56,757,888)	(2,813,764,513)	-	12,326,687,692	216,767,291	12,543,454,983		
Cash dividends (Note 22)	-	-	-	(6,871,731,089)	-	(6,871,731,089)	-	-	-	-	-	-	-	-	(6,871,731,089)	(115,640,000)	(6,987,371,089)		
Reissuance of treasury shares (Note 22)	-	4,027,096,792	4,027,096,792	-	-	-	-	-	-	-	-	-	-	329,248,855	4,356,345,647	-	4,356,345,647		
Appropriation of retained earnings (Note 22)	-	-	-	(2,000,000,000)	2,000,000,000	-	-	-	-	-	-	-	-	-	-	-	-		
Reversal of previous appropriations (Note 22)	-	-	-	(1,000,000,000)	(1,000,000,000)	-	-	-	-	-	-	-	-	-	-	-	-		
Balances as at September 30, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱53,896,755,151	₱3,000,000,000	₱56,896,755,151	(₱5,075,466,405)	₱1,042,402,519	₱20,110,000	₱99,522	₱1,062,612,041	(₱550,306,434)	₱512,305,607	(₱341,137,179)	₱75,076,239,217	₱195,818,615	₱75,272,057,832		

See accompanying Notes to Consolidated Financial Statements.



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱13,950,407,634	₱3,217,113,411	₱18,797,504,985
Adjustments for:			
Depreciation and amortization (Note 27)	6,104,063,359	1,506,918,564	5,469,500,328
Finance costs (Note 30)	1,427,329,826	338,591,320	897,220,964
Equity in net loss of joint ventures (Note 16)	280,533,323	49,411,584	233,998,864
Gain on sale/disposals of property, plant and equipment (Note 13)	(239,361,566)	(1,444,132)	(571,706,834)
Finance revenue (Note 29)	(225,582,853)	(49,947,558)	(213,044,427)
Net foreign exchange losses (gains)	(154,190,672)	433,863,058	(1,877,597,478)
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 14)	(118,841,072)	104,648,602	60,797,768
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	(71,016,151)	4,514,684	(855,084,609)
Provision for credit and impairment losses (Notes 10 and 11)	21,423,202	2,773,188	181,097,068
Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Note 20)	-	-	136,324,048
Operating income before working capital changes	20,974,765,030	5,606,442,721	22,259,010,677
Decrease (increase) in:			
Receivables	(933,282,952)	(681,674,910)	(962,354,913)
Inventories	185,447,755	(138,455,495)	(1,872,178,321)
Biological assets	(262,992,645)	6,113,503	(54,093,013)
Other current assets	(874,122,137)	(104,245,020)	(164,259,674)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	1,090,362,231	1,663,345,144	1,925,717,580
Trust receipts payable	(1,390,608,195)	(144,187,482)	(59,570,221)
Net cash generated from operations	18,789,569,087	6,207,338,461	21,072,272,115
Income taxes paid	(3,458,322,291)	(237,863,655)	(3,562,763,414)
Interest paid	(1,308,340,934)	(317,125,531)	(1,014,591,752)
Interest received	230,671,556	9,377,116	224,158,078
Net cash provided by operating activities	14,253,577,418	5,661,726,391	16,719,075,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	(8,129,671,952)	(2,132,474,840)	(6,491,544,182)
Intangible assets (Note 15)	(4,475,330)	(12,651,126)	(23,318,492)
Derivatives designated as accounting hedge (Note 9)	-	(7,470,393)	-
Financial assets at fair value through profit or loss	(8,285)	-	-
Investments in joint ventures (Note 16)	(349,776,367)	(5,000,000)	(103,250,000)
Subsidiary, net of cash acquired (Note 15)	-	-	(21,159,258,285)
Assets that qualified as a business (Note 15)	-	-	(1,600,000,000)
Proceeds from:			
Sale/disposals of:			
Property, plant and equipment	269,369,636	5,962,080	275,404,268
Financial assets at fair value through profit or loss	-	-	394,838
Settlement of derivatives (Note 9)	4,595,140	-	714,542,218

(Forward)



	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
Decrease (increase) in other noncurrent assets	(₱216,545,822)	₱106,550,609	(₱397,515,947)
Dividends received (Note 16)	18,500,000	-	17,499,995
Net cash used in investing activities	(8,408,012,980)	(2,045,083,670)	(28,767,045,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debts (Note 18)	(3,850,000,000)	(4,438,588,016)	(2,000,000,000)
Long-term debts (Notes 15 and 20)	-	-	(10,107,540,087)
Proceeds from reissuance of treasury shares (Note 22)	-	-	4,383,564,426
Proceeds from availments of:			
Short-term debts	4,284,475,807	-	7,006,538,203
Long-term debt	-	-	17,565,382,546
Cash dividends paid (Note 22)	(7,170,959,884)	-	(6,987,371,089)
Increase in other noncurrent liabilities	40,735,510	50,620,673	8,043,662
Net cash provided by (used in) financing activities	(6,695,748,567)	(4,387,967,343)	9,868,617,661
NET DECREASE IN CASH AND CASH EQUIVALENTS	(850,184,129)	(771,324,622)	(2,179,352,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,347,701,920	16,119,026,542	18,298,379,441
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱14,497,517,791	₱15,347,701,920	₱16,119,026,542

See accompanying Notes to Consolidated Financial Statements.



UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Universal Robina Corporation (hereinafter referred to as “the Parent Company” or “URC”) was incorporated on September 28, 1954 and domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company’s corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of JGSHI (“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 strong presence in ASEAN markets. 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, packed cakes, beverages, instant noodles and pasta, 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 and renewable energy development. The Parent Company also engages in consumer product-related packaging business through its packaging divisions which manufacture bi-axially oriented polypropylene (BOPP) film and Flexible Packaging Division, 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 April 29, 2016, the Board of Directors (BOD) approved the Parent Company’s change in accounting period from “Fiscal Year which begins on the first day of October and ends on the last day of September of the following year” to “Calendar Year which shall begin on the first day of January and end on the last day of December of the same year” to be implemented effective January 1, 2017. The Parent Company filed its amended by-laws with the Philippine Securities and Exchange Commission (SEC) in connection with the change in accounting period, which was approved by the Philippine SEC on June 20, 2016 (see Note 2). The Parent Company, likewise, filed the request for change in accounting period with the Bureau of Internal Revenue (BIR), which was approved by the BIR on December 5, 2016.

On January 15, 2016 and March 9, 2016, the BOD and the Stockholders of the Parent Company, respectively, approved the amendment to the Articles of Incorporation (AOI) of the Parent Company to change the principal office address of the Parent Company from 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Metro Manila to 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila. On May 16, 2016, the Philippine SEC approved the amendment to the principal office address.

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 three (3) years to seven (7) years from respective start dates of commercial operations (see Note 35).

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.

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) financial assets and derivative financial instruments that have been measured at fair value, inventories that have been measured at lower of cost or net realizable value (NRV) 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 is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

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

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd. (URC Oceania)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- 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 -
Shantou Peggy 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 - do -	Malaysian Ringgit - do -
URC Foods (Singapore) Pte. Ltd. Acesfood Network Pte. Ltd.	Singapore - do -	Singapore Dollar - do -
Acesfood Holdings Pte. Ltd. Acesfood Distributors Pte. Ltd.	Singapore - do -	Singapore Dollar - do -
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC (Thailand) Co., Ltd. Siam Pattanasin Co., Ltd.	Thailand - do -	Thai Baht - do -
URC (Myanmar) Co. Ltd. URC Vietnam Co., Ltd.	Myanmar Vietnam	Myanmar Kyats Vietnam Dong
URC Hanoi Company Limited URC Central Co. Ltd.	- do - - do -	- do - - do -



Subsidiaries	Country of Incorporation	Functional Currency
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	New Zealand Dollar
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited (Griffin's)	- do -	- do -
Nice and Natural Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Snack Brands Australia Partnership	- do -	- do -

The consolidated financial statements as at December 31, 2016 and for the period October 1 to December 31, 2016 were prepared because of the change in the Group's accounting period (see Note 1).

The amounts presented for the period October 1 to December 31, 2016 in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and the related notes are for the three months, and accordingly, are not comparable to the calendar year ended December 31, 2017 and fiscal year ended September 30, 2016.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries as of December 31, 2017 and 2016.

Subsidiaries	Principal place of business Incorporation	Effective Percentages of Ownership
CFC Clubhouse Property, Inc. (CCPI)	Philippines	100.00
CFC Corporation	- do -	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00
Nissin - URC (NURC)	- do -	51.00
URCPL	British Virgin Islands	100.00
URCICL and Subsidiaries*	- do -	100.00
URCL	Cayman Islands	100.00
URCCCL	China	100.00

* Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, Myanmar, New Zealand and Australia.

Acquisition of CSPL

In September 2016, URCICL, through URC Oceania, its wholly-owned subsidiary, acquired 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia. URC AU HoldCo and URC AU FinCo were also incorporated as subsidiaries of URCICL through URC Oceania (see Note 15).

Additional Subscription of URCICL Unissued Capital Stock

In September 2016, the Parent Company made an additional subscription to the unissued authorized capital stock of URCICL for a total cost of ₱4.4 billion.



Merger of CCPI

On March 10, 2015 and May 27, 2015, the BOD and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with the Parent Company. On April 25, 2017 and June 28, 2017, the BOD and stockholders of the Parent Company, approved the revised Plan of Merger and Articles of Merger between the Company and the Parent Company. As of December 31, 2017, the SEC has yet to approve the merger

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation. Non-controlling interests 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 non-controlling interest'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, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the 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 non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.



If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. 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:

<u>Subsidiaries</u>	<u>Year-end</u>
Bio-resource Power Generation Corporation	September 30
CFC Clubhouse Property, Inc.	-do-
Southern Negros Development Corporation	-do-

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.



If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Combinations of Entities Under Common Control

Business combinations of entities under common control are accounted for following the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected as "Equity Reserves" within equity.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations which are effective for the Group beginning January 1, 2017. The adoption



of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

- *Amendments to PFRS 12, Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 37 to the consolidated financial statements. As allowed under the transition provision of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of amendments.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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



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

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

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

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

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

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, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as derivatives designated as hedging instruments in effective hedge, as appropriate. 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 reporting date.

As of December 31, 2017 and 2016, the Group has no HTM investments and financial liabilities at FVPL.



'Day 1' difference

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' difference) in profit or loss 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' difference 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 financial instruments, or those designated upon initial recognition at FVPL when any of the following criteria are met:

1. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.
2. Derivatives, including separate embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge
3. Financial assets or liabilities may be designated by management on initial recognition as at FVPL 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;
 - 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 profit or loss 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 equity securities and derivative financial instruments (see Note 8).

Derivatives classified as 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 calculated using certain standard valuation methodologies.

Derivatives designated as accounting hedges

For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as 'Unrealized gains (losses) on cash flow hedge' in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income is eventually recycled in profit or loss.

Hedge effectiveness testing

To qualify for hedge accounting, the Group is required that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80 to 125 percent. Any hedge ineffectiveness is recognized in profit or loss.



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.

Current versus noncurrent classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

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 effective interest rate (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. The amortization is included under 'Finance revenue' in the consolidated statement of income. Gains and losses are recognized in profit or loss 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 reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents and receivables (see Notes 7 and 10).

AFS financial assets

AFS financial assets 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 financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported under the 'Unrealized gain on AFS financial assets' 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 profit or loss in the consolidated statement of income. Interest earned on holding AFS financial assets 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 financial assets 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 under 'Provision for Credit and impairment losses' in the consolidated statement of income.

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 18) and long-term debts (see Note 20), accounts payable and other accrued liabilities (see Note 19) 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 the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged to 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.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 as 'Provision for credit and impairment losses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

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 financial assets

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

In the case of equity investments classified as AFS financial assets, 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. 'Significant' is to be evaluated against the original cost of the investment and 'Prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 12 months for quoted equity instruments. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly as part of other comprehensive income.



In the case of debt instruments classified as AFS financial assets, 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 in the consolidated statement of income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

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.

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. The Group assesses that it has a currently enforceable right of offset if



the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories, including goods-in-process, are valued at the lower of cost or 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.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in profit or loss in the consolidated statement of income in the period when the related revenue is recognized.

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

Finished goods, goods-in-process, raw materials, containers and packaging materials

Cost is determined using the weighted average method. Finished goods and goods-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 reporting date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. 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.



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 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 and meats, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

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 are included in the consolidated statement of income in the period in which it arises.

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 initial 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, for the corresponding liability.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the 'Property, plant and equipment' in the consolidated statement of financial position, 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. Cost of repairs and maintenance are expensed when 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.

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 estimated useful life (EUL) of the assets regardless of utilization.

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

	Years
Land improvements	5 to 10
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 periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

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' in the consolidated statement of financial position 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.

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 period 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 loss, if any. Land is carried at cost less any impairment loss, if any. 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 consists solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 17).



The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic useful benefits from items of investment properties.

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 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 or inventories, the cost of property for subsequent accounting is its carrying amount 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.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses, if any. 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).

Where goodwill forms part of a cash-generating unit and part of the operation 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 based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated



amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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 on a straight line basis 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 reporting date. 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:

	EUL	Amortization method used	Internally generated or acquired
Product Formulation	Indefinite	No amortization	Acquired
Trademarks/Brands	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software Costs	Finite (10 years)	Straight line amortization	Acquired
Customer Relationship	Finite (35 years)	Straight line amortization	Acquired

Investment in Joint Ventures

The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties who have joint control over the arrangement have rights to the net assets of the arrangements.

The Group's investment in 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. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.



The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

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 17), investment in joint ventures (see Note 16), goodwill and intangible assets (see Note 15).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting 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 under 'Provision for credit and impairment losses' in the consolidated statement of income.

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

Property, plant and equipment, investment properties, intangible assets with definite useful lives

For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation 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 useful life.

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.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually as of reporting date either individually or at the cash-generating unit level, as appropriate.

Investments in joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize additional impairment losses on the Group's investments in joint ventures. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the joint ventures and the acquisition cost and recognizes the amount under 'Provision for credit and impairment losses' in the consolidated statement of income.

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 Group assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting principal in all of its revenue arrangements.

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

Sale of goods

Revenue from sale of goods is recognized 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 tolling services

Revenue derived from tolling activities 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 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.



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 reporting 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 under 'Finance cost' in the consolidated statement of 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 in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Pension Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.



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

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

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

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

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

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 substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting 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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting 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 reporting 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 relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 reporting 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 or assets, even if that right is not explicitly specified in an arrangement.

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 scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as a lessee

A lease is classified at the inception date as finance lease or an operating lease.

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 leased asset 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.

Cost and Expenses

Cost and 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. Cost and expenses are recognized when incurred.



Foreign Currency Translation/Transactions

The functional and presentation currency of the Parent Company and its Philippine 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 and balances

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of 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.

Group companies

As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of 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 as 'Cumulative translation adjustment' under 'Other comprehensive income'. 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

Capital 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 changes in equity.

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.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

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.

Dividends on Common Stocks

Dividends on common shares are recognized as a liability and deducted from equity when approved by 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 attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to equity holders of the Parent Company 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 Reporting Date

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 reporting 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.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption will not have any impact on the 2018 consolidated financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information. The Group is currently assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments*, with *PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. The Group is currently assessing the impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to



retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease,



a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.



Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group 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:

a. 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.

a. Determination of fair values less estimated costs to sell of biological assets

The fair values of biological assets 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 December 31, 2017 and 2016, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.7 billion and ₱1.4 billion, respectively (see Note 14). For the year ended December 31, 2017, the Group recognized gain arising from changes in the fair value less costs to sell of biological assets amounting to ₱118.8 million. For the three-month period ended December 31, 2016 and for the year ended September 30, 2016, the Group recognized losses from fair value changes of ₱104.6 million and ₱60.8 million, respectively (see Note 14). Changes in fair value of biological assets are recognized in the consolidated statement of income.

b. Impairment of goodwill and intangible assets with indefinite useful lives

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. 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 3.40% to 12.67% and 3.43% to 9.97% for the year ended December 31, 2017 and the three-month period ended December 31, 2016, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are 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.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2017 and 2016, the balance of the Group's goodwill and intangible assets with indefinite useful lives, net of accumulated depreciation, amortization and impairment loss follow:

	2017	2016
Goodwill (Note 15)	₱31,212,075,404	₱31,212,075,404
Intangible assets (Note 15)	9,787,936,671	9,787,936,671

c. Assessment of impairment of nonfinancial assets

The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, investment properties, investment in joint venture and intangible assets with finite useful lives) 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:

- 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, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. 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.

For the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13), investment properties (Note 17), goodwill and its other intangible assets (see Note 15).

As of December 31, 2017 and 2016, the balances of the Group's nonfinancial assets, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2017	2016
Property, plant and equipment (Note 13)	₱48,254,128,303	₱45,007,417,749
Intangible assets (Note 15)	2,022,099,361	2,115,668,230
Investment in joint ventures (Note 16)	552,226,288	301,582,059
Investment properties (Note 17)	45,288,139	48,945,925

d. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination

The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 15 to the consolidated financial statements.



e. Estimation of pension and other benefits costs

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 31). 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.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As of December 31, 2017 and 2016, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 31 to the consolidated financial statements.

f. Recognition of deferred tax assets

The Group reviews the carrying amounts of its deferred income taxes at each reporting 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 December 31, 2017 and 2016, the Group recognized net deferred tax assets amounting to ₱216.9 million and ₱366.9 million, respectively (see Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱4.3 billion and ₱4.0 billion as of December 31, 2017 and 2016, respectively (see Note 32).

As of December 31, 2017 and 2016, 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 35).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 32.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets, 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 subsidiaries 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.

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 BODs 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.

The 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.

Corporate Governance Compliance Officer

Compliance with the principles of good corporate governance is also one 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:

- a. Risk-taking personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
- b. 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.
- c. Support. This group includes back office personnel who support the line personnel.
- d. Risk management. This group pertains to the business unit's Management Committee which makes risk mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework

The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

- a. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
- b. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
- c. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
- d. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
- e. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
- f. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
- g. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
- h. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.



Risk management support groups

The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

- a. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
- b. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
- c. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
- d. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
- e. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

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 Accounts Receivable Monitoring Department (CARMD) 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 financial assets and certain derivative financial instruments, 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

With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, receivables, financial assets at FVPL and AFS financial assets, the Group's maximum exposure to credit risk is equal to its carrying amount as of December 31, 2017 and 2016, except for the Group's trade receivables as of December 31, 2017 and 2016 with carrying value of ₱1.1 billion and ₱1.3 billion, respectively, and collateral with fair value amounting to ₱42.5 million as of both dates resulting to net exposure of ₱1.0 billion and ₱1.2 billion, respectively.



The collateral securities related to the Group's trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

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 December 31, 2017 and 2016 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	December 31, 2017						
	Philippines	Asia	New Zealand	United States	Australia	Others	Total
Loans and receivables:							
Cash and cash equivalents* (Note 7)	₱8,349,277,554	₱3,496,585,008	₱1,442,324,015	₱-	₱1,106,004,723	₱-	₱14,394,191,300
Receivables (Note 10):							
Trade receivables	6,214,144,707	4,548,383,778	1,069,665,700	21,092,431	1,804,757,697	25,609,047	13,683,653,360
Due from related parties	309,779,040	611,414,576	-	-	-	475,046,014	1,396,239,630
Advances to officers and employees	99,243,981	15,086,141	-	-	-	-	114,330,122
Interest receivable	42,299,508	-	-	-	-	-	42,299,508
Non-trade and other receivables	742,625,821	120,874,339	16,470,559	-	-	-	879,970,719
Total loans and receivable	15,757,370,611	8,792,343,842	2,528,460,274	21,092,431	2,910,762,420	500,655,061	30,510,684,639
Financial assets at FVPL:							
Equity securities (Note 8)	455,577,705	-	-	-	-	-	455,577,705
Derivative assets designated as accounting hedge (Note 12)	-	-	11,023,146	-	-	-	11,023,146
AFS financial assets:							
Equity securities (Note 17)	45,980,000	-	-	-	-	-	45,980,000
	₱16,258,928,316	₱8,792,343,842	₱2,539,483,420	₱21,092,431	₱2,910,762,420	₱500,655,061	₱31,023,265,490

* Excludes cash on hand

	2016						
	Philippines	Asia	New Zealand	United States	Australia	Others	Total
Loans and receivables:							
Cash and cash equivalents* (Note 7)	₱10,430,413,905	₱3,434,580,824	₱1,201,667,797	₱-	₱157,788,127	₱-	₱15,224,450,653
Receivables (Note 10):							
Trade receivables	5,910,862,957	3,611,283,528	1,290,304,496	15,548,631	1,537,754,387	5,788,705	12,371,542,704
Due from related parties	607,286,379	473,627,143	-	-	-	473,048,024	1,553,961,546
Advances to officers and employees	119,508,626	12,370,453	-	-	-	-	131,879,079
Interest receivable	47,388,211	-	-	-	-	-	47,388,211
Non-trade and other receivables	534,926,847	213,910,555	94,766	-	-	-	748,932,168
Total loans and receivable	17,650,386,925	7,745,772,503	2,492,067,059	15,548,631	1,695,542,514	478,836,729	30,078,154,361
Financial assets at FVPL:							
Equity securities (Note 8)	384,553,269	-	-	-	-	-	384,553,269
Derivative assets designated as accounting hedge (Note 12)	-	-	26,800,472	-	-	-	26,800,472
AFS financial assets:							
Equity securities (Note 17)	43,030,000	-	-	-	-	-	43,030,000
	₱18,077,970,194	₱7,745,772,503	₱2,518,867,531	₱15,548,631	₱1,695,542,514	₱478,836,729	₱30,532,538,102

* Excludes cash on hand



ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2017 and 2016 before taking into account any collateral held or other credit enhancements.

	2017						Total
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	
Loans and receivables:							
Cash and cash equivalents** (Note 7)		₱14,394,191,300		₱-	₱-	₱-	₱14,394,191,300
Receivables (Note 10):							
Trade receivables	13,394,985,650	-	-	-	-	288,667,710	13,683,653,360
Due from related parties	585,335,992	39,861,018	-	-	85,135	770,957,485	1,396,239,630
Advances to officers and employees	88,505,126	-	-	-	-	25,824,996	114,330,122
Interest receivable	35,189,797	7,109,711	-	-	-	-	42,299,508
Non-trade and other receivables	534,611,441	30,477,362	12,221,888	19,548,753	-	283,111,275	879,970,719
Total loans and receivables	14,638,628,006	14,471,639,391	12,221,888	19,548,753	85,135	1,368,561,466	30,510,684,639
Financial assets at FVPL:							
Equity securities (Note 8)	-	-	-	-	48,045	455,529,660	455,577,705
Derivative assets designated as accounting hedge (Note 12)	11,023,146	-	-	-	-	-	11,023,146
AFS financial assets:							
Equity securities (Note 17)	-	-	-	-	45,980,000	-	45,980,000
	₱14,649,651,152	₱14,471,639,391	₱12,221,888	₱19,548,753	₱46,113,180	₱1,824,091,126	₱31,023,265,490

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

**Excludes cash on hand

	2016						Total
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	
Loans and receivables:							
Cash and cash equivalents** (Note 7)		₱15,224,450,653		₱-	₱-	₱-	₱15,224,450,653
Receivables (Note 10):							
Trade receivables	12,175,845,288	-	-	-	-	195,697,416	12,371,542,704
Due from related parties	444,065,380	57,349,048	-	-	-	1,052,547,118	1,553,961,546
Advances to officers and employees	100,688,017	-	-	-	-	31,191,062	131,879,079
Interest receivable	35,137,716	12,250,495	-	-	-	-	47,388,211
Non-trade and other receivables	611,960,933	-	-	12,850,497	-	124,120,738	748,932,168
Total loans and receivables	13,367,697,334	15,294,050,196	-	12,850,497	-	1,403,556,334	30,078,154,361
Financial assets at FVPL:							
Equity securities (Note 8)	-	-	-	-	50,722	384,502,547	384,553,269
Derivative assets designated as accounting hedge (Note 12)	26,800,472	-	-	-	-	-	26,800,472
AFS financial assets:							
Equity securities (Note 17)	-	-	-	-	-	43,030,000	43,030,000
	₱13,394,497,806	₱15,294,050,196	₱-	₱12,850,497	₱50,722	₱1,831,088,881	₱30,532,538,102

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

**Excludes cash on hand

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2017 and 2016, gross of allowance for credit losses:

	2017				Total
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash and cash equivalents* (Note 7)	₱14,394,191,300		₱-	₱-	₱14,394,191,300
Receivables (Note 10):					
Trade receivables	11,564,013,104	-	-	2,287,192,070	13,851,205,174
Due from related parties	1,396,239,630	-	-	-	1,396,239,630
Advances to officers and employees	12,140,446	89,948,384	1,253,952	30,634,022	133,976,804
Interest receivable	7,109,711	-	-	35,189,797	42,299,508
Non-trade and other receivables	458,963,605	126,302,166	-	484,028,642	1,069,294,413
Total loans and receivables	27,832,657,796	216,250,550	1,253,952	2,837,044,531	30,887,206,829
Financial assets at FVPL (Note 8):					
Equity securities (Forward)	455,577,705	-	-	-	455,577,705



	2017					
	Neither Past Due Nor Impaired			Substandard Grade	Past Due or Individually Impaired	Total
	High Grade	Standard Grade				
Derivative assets designated as accounting hedge (Note 12)	11,023,146	–	–	–	11,023,146	
AFS financial assets:						
Equity securities (Note 17)	45,980,000	–	–	–	45,980,000	
	₱28,345,238,647	₱216,250,550	₱1,253,952	₱2,837,044,531	₱31,399,787,680	

*Excludes cash on hand

	2016					
	Neither Past Due Nor Impaired			Substandard Grade	Past Due or Individually Impaired	Total
	High Grade	Standard Grade				
Loans and receivables:						
Cash and cash equivalents* (Note 7)	₱15,224,450,653	₱–	₱–	₱–	₱15,224,450,653	
Receivables (Note 10):						
Trade receivables	10,170,518,470	–	–	2,372,148,660	12,542,667,130	
Due from related parties	1,553,961,546	–	–	–	1,553,961,546	
Advances to officers and employees	35,492,503	92,481,582	159,577	23,392,099	151,525,761	
Interest receivable	47,388,211	–	–	–	47,388,211	
Non-trade and other receivables	471,271,452	69,697,255	–	377,014,333	917,983,040	
Total loans and receivables	27,503,082,835	162,178,837	159,577	2,772,555,092	30,437,976,341	
Financial assets at FVPL (Note 8):						
Equity securities	384,553,269	–	–	–	384,553,269	
Derivative assets designated as accounting hedge (Note 12)	26,800,472	–	–	–	26,800,472	
AFS financial assets:						
Equity securities (Note 17)	43,030,000	–	–	–	43,030,000	
	₱27,957,466,576	₱162,178,837	₱159,577	₱2,772,555,092	₱30,892,360,082	

*Excludes cash on hand

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 December 31, 2017 and 2016 are as follows:

	2017					Total
	Past Due But Not Impaired				Impaired Financial Assets	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	₱1,276,951,666	₱184,160,218	₱43,328,542	₱615,199,830	₱167,551,814	₱2,287,192,070
Advances to officers and employees	2,209,641	385,001	1,604,516	6,788,182	19,646,682	30,634,022
Others	248,823,866	3,790,310	3,531,426	73,749,143	189,323,694	519,218,439
Balances at end of year	₱1,527,985,173	₱188,335,529	₱48,464,484	₱695,737,155	₱376,522,190	₱2,837,044,531



	2016					Impaired Financial Assets	Total
	Past Due But Not Impaired				Over 90 Days		
	Less than 30 Days	30 to 60 Days	60 to 90 Days				
Trade receivables	₱1,296,396,164	₱326,066,743	₱69,782,328	₱508,778,999	₱171,124,426	₱2,372,148,660	
Advances to officers and employees	67,558	1,771,559	93,463	1,812,837	19,646,682	23,392,099	
Others	5,740,874	3,415,769	10,575,413	188,231,405	169,050,872	377,014,333	
Balances at end of year	₱1,302,204,596	₱331,254,071	₱80,451,204	₱698,823,241	₱359,821,980	₱2,772,555,092	

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: (a) specific/individual assessment; and (b) 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 December 31, 2017 and 2016 based on the remaining undiscounted contractual cash flows.

	2017				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	₱4,051,801,978	₱10,470,998,574	₱-	₱-	₱14,522,800,552
Receivables:					
Trade receivables	2,330,645,279	11,520,559,895	-	-	13,851,205,174
Due from related parties	1,396,239,630	-	-	-	1,396,239,630
Advances to officers and employees	33,754,974	100,221,830	-	-	133,976,804
Interest receivable	35,189,797	7,109,711	-	-	42,299,508
Non-trade and other receivables	531,896,109	526,462,907	10,935,397	-	1,069,294,413
Total loans and receivables	8,379,527,767	22,625,352,917	10,935,397	-	31,015,816,081
Financial assets at FVPL					
Equity securities	455,577,705	-	-	-	455,577,705
Derivative assets designated as accounting hedge	-	-	11,023,146	-	11,023,146
AFS financial asset:					
Equity securities	45,980,000	-	-	-	45,980,000
	₱8,881,085,472	₱22,625,352,917	₱21,958,543	₱-	₱31,528,396,932
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	₱7,130,314,295	₱13,051,428,395	₱419,532,782	₱-	₱20,601,275,472
Due to related parties	106,452,798	-	-	-	106,452,798
Short-term debts*	-	-	2,010,859,525	-	2,010,859,525
Trust receipts payable*	-	3,158,622,472	-	-	3,158,622,472
Long-term debts*	-	277,235,968	831,707,904	35,707,074,219	36,816,018,091
	₱7,236,767,093	₱16,487,286,835	₱3,262,100,211	₱35,707,074,219	₱62,693,228,358

*Includes future interest

**Excludes statutory liabilities

	2016				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	₱3,414,468,057	₱11,994,788,429	₱-	₱-	₱15,409,256,486
Receivables:					
Trade receivables	1,863,141,488	10,679,525,642	-	-	12,542,667,130
Due from related parties	1,553,961,546	-	-	-	1,553,961,546
Advances to officers and employees	75,942,530	75,583,231	-	-	151,525,761
Interest receivable	-	47,388,211	-	-	47,388,211
Non-trade and other receivables	352,454,563	553,465,743	12,062,734	-	917,983,040
Total loans and receivables	7,259,968,184	23,350,751,256	12,062,734	-	30,622,782,174
Financial assets at FVPL					
Equity securities	384,553,269	-	-	-	384,553,269
Derivative assets designated as accounting hedge	-	-	26,800,472	-	26,800,472
AFS financial asset:					
Equity securities	43,030,000	-	-	-	43,030,000
	₱7,687,551,453	₱23,350,751,256	₱38,863,206	₱-	₱31,077,165,915

(Forward)



	2016				Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	₱6,325,946,100	₱12,788,151,460	₱200,900,197	₱-	₱19,314,997,757
Due to related parties	75,161,893	-	-	-	75,161,893
Short-term debts*	-	1,434,471,024	-	-	1,434,471,024
Trust receipts payable*	-	4,560,849,337	-	-	4,560,849,337
Long-term debts*	-	173,329,647	1,264,518,560	35,972,977,847	37,410,826,054
	₱6,401,107,993	₱18,956,801,468	₱1,465,418,757	₱35,972,977,847	₱62,796,306,065

*Includes future interest

**Excludes statutory liabilities

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. For the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, approximately 34.3%, 34.2% and 28.2% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 4.3% and 12.2% of the Group's debt is denominated in US Dollars as of December 31, 2017 and 2016, respectively.

The Group estimates a reasonably possible change of 5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱161.3 million and ₱81.8 million on income before income tax for the years ended December 31, 2017 and 2016, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

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 December 31, 2017 and 2016 are deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱49.93 to US\$1.00 and ₱49.72 to US\$1.00 as of December 31, 2017 and 2016, respectively.

Equity price risk

Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVPL investments due to reasonably possible changes in equity indices:

	2017		2016	
Changes in PSEi	12.33%	(12.33%)	9.97%	(9.97%)
Change in trading gain at equity portfolio	₱21,906,081	(₱21,906,081)	₱16,296,623	(₱16,296,623)
As a percentage of the Parent Company's trading gain for the year	(324.18%)	324.18%	(27.70%)	27.70%



The Group's investment in golf shares designated as AFS financial assets are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group's estimates an increase of 1.00% would have an impact of approximately ₱0.5 million and ₱0.4 million on equity for the year ended December 31, 2017 and 2016, respectively. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.



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

2017									
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
<i>Floating rate</i>									
Australian Dollar loans	AU\$13,251,758	AU\$13,179,542	AU\$13,215,650	AU\$494,081,575	AU\$-	AU\$533,728,525	₱18,772,656,535	₱250,622,686	₱18,522,033,849
Interest rate:									
BBSY Bid+1.60%									
New Zealand Dollar loans	NZ\$16,205,992	NZ\$435,180,958	NZ\$-	NZ\$-	NZ\$-	NZ\$451,386,950	14,808,699,804	104,771,265	14,703,928,539
Interest rate:									
NZ BKBM+1.60%									
							₱33,581,356,339	₱355,393,951	₱33,225,962,388
2016									
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
<i>Floating rate</i>									
Australian Dollar loans	AU\$14,720,410	AU\$14,720,410	AU\$14,720,410	AU\$14,720,410	AU\$495,264,307	AU\$554,145,947	₱17,344,296,112	₱289,381,090	₱17,054,915,022
Interest rate:									
BBSY Bid+1.60%									
New Zealand Dollar loans	NZ\$22,344,000	NZ\$22,344,000	NZ\$438,620,000	NZ\$-	NZ\$-	NZ\$483,308,000	14,466,505,047	154,827,284	14,311,677,763
Interest rate:									
NZ BKBM+1.60%									
							₱31,810,801,159	₱444,208,374	₱31,366,592,785



The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the long-term debts. With all other variables held constant, the Group's income before tax is affected through the impact on floating rate borrowings, as follows:

	Change in basis points	Effect on income before tax
2017	+100	(P323,797,776)
	-100	323,797,776
2016	+100	(P79,527,003)
	-100	79,527,003

5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability 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 debts and trust receipts 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, derivatives and AFS investments

Fair values of quoted equity securities are based on quoted prices published in markets.

Biological assets

Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. 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 Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Investment properties

Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.



Long-term debts

The fair value of long-term debts are based on the discounted value of future cash flows (interests and principal) using market rates plus a certain spread.

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 8):					
Quoted equity securities	₱455,577,705	₱455,577,705	₱-	₱-	₱455,577,705
Derivative assets designated as accounting hedge (Note 12)	11,023,146	11,023,146	-	-	11,023,146
AFS financial assets					
Quoted equity securities (Note 17)	45,980,000	-	45,980,000	-	45,980,000
	₱512,580,851	₱466,600,851	₱45,980,000	₱-	₱512,580,851
Non-financial assets					
Biological assets (Note 14)	₱1,678,576,389	₱-	₱477,232,582	₱1,201,343,807	₱1,678,576,389
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱45,288,139	₱-	₱-	₱337,579,000	₱337,579,000
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	₱33,225,962,388	₱-	₱-	₱33,402,588,509	₱33,402,588,509

	December 31, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 8):					
Quoted equity securities	₱384,553,269	₱384,553,269	₱-	₱-	₱384,553,269
Derivative assets designated as accounting hedge (Note 12)	26,800,472	26,800,472	-	-	26,800,472
AFS financial assets					
Quoted equity securities (Note 17)	43,030,000	-	43,030,000	-	43,030,000
	₱454,383,741	₱411,353,741	₱43,030,000	₱-	₱454,383,741
Non-financial assets					
Biological assets (Note 14)	₱1,383,379,248	₱-	₱140,714,789	₱1,242,664,459	₱1,383,379,248
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱48,945,925	₱-	₱-	₱232,236,000	₱232,236,000
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	₱31,366,592,785	₱-	₱-	₱26,994,056,033	₱26,994,056,033

For the year ended December 31, 2017 and for the three-month period ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.



Descriptions of significant unobservable inputs to valuation of biological assets and investment properties under level 3 of the fair value category follow:

Account	Valuation Technique	Significant Unobservable Inputs
Biological assets	Cost plus reasonable profit margin	Reasonable profit margin
Investment properties	Market data approach and Cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Replacement cost	Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials.
Depreciation	Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.
Reasonable profit Margin	Mark up of biological assets at different stages of development.



6. Business Segment Information

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 (4) 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 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 and renewable energy. 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 gains or 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 PFRSs except for Earnings before interest, income taxes and depreciation/amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016.



The Group's business segment information follows:

	As of and for the year ended December 31, 2017					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱103,095,968	₱10,110,653	₱11,801,203	₱-	₱-	₱125,007,824
Inter-segment	15,303,639	122,304	6,189,868	-	(21,615,811)	-
	₱118,399,607	₱10,232,957	₱17,991,071	₱-	(₱21,615,811)	₱125,007,824
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱16,608,493	₱2,178,990	₱3,930,971	(₱1,662,224)	₱-	₱21,056,230
Depreciation and amortization (Note 27)	(4,480,403)	(398,721)	(1,014,338)	(210,601)	-	(6,104,063)
Earnings before interest and income tax (EBIT)	₱12,128,090	₱1,780,269	₱2,916,633	(1,872,825)	₱-	14,952,167
Finance revenue (Note 29)	₱108,162	₱179	₱11,469	₱105,773	₱-	225,583
Finance costs (Note 30)	(₱1,298,675)	(₱44,056)	(₱51,249)	(₱33,350)	₱-	(1,427,330)
Equity in net loss of joint ventures (Note 16)	₱-	₱-	₱-	(₱280,533)	₱-	(280,533)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱-	₱-	₱-	₱71,016	₱-	71,016
Provision for credit and impairment losses (Notes 10 and 11)	(₱21,423)	₱-	₱-	₱-	₱-	(21,423)
Other expenses*						430,927
Income before income tax						13,950,407
Provision for income tax (Note 32)						(2,797,486)
Net income						₱11,152,921
Other Information						
Total assets	₱112,007,686	₱6,558,891	₱18,536,399	₱10,537,823	₱-	₱147,640,799
Total liabilities	₱57,021,889	₱3,225,428	₱4,420,186	₱1,287,284	₱-	₱65,954,787
Capital expenditures	₱4,436,763	₱761,141	₱2,630,024	₱301,744	₱-	₱8,129,672
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	(₱18,553)	₱-	₱-	₱-	₱-	(₱18,553)
Inventories (Note 11)	(2,870)	-	-	-	-	(2,870)
	(₱21,423)	₱-	₱-	₱-	₱-	(₱21,423)

* Include net foreign exchange losses and other revenues (expenses).



As of and for the three-month period ended December 31, 2016

	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
(In Thousands)						
Sale of Goods and Services						
Third party	₱25,725,086	₱2,373,929	₱2,841,223	₱-	₱-	₱30,940,238
Inter-segment	3,958,902	30,504	1,535,214	-	(5,524,620)	-
	₱29,683,988	₱2,404,433	₱4,376,437	₱-	(₱5,524,620)	₱30,940,238
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱4,565,914	₱284,008	₱1,176,762	(₱433,796)	₱-	₱5,592,888
Depreciation and amortization (Note 27)	(1,092,811)	(101,319)	(256,427)	(56,361)	-	(1,506,918)
Earnings before interest and income tax (EBIT)	₱3,473,103	₱182,689	₱920,335	(490,157)	₱-	4,085,970
Finance revenue (Note 29)	₱17,690	₱65	₱16	₱32,177	₱-	49,948
Finance costs (Note 30)	(₱316,702)	(₱7,809)	(₱10,305)	(₱3,775)	₱-	(338,591)
Equity in net loss of joint ventures (Note 16)	₱-	₱-	₱-	(₱49,412)	₱-	(49,412)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱-	₱-	₱-	(₱4,515)	₱-	(4,515)
Provision for credit and impairment losses (Notes 10 and 11)	(₱2,773)	₱-	₱-	₱-	₱-	(2,773)
Other expenses*						(523,514)
Income before income tax						3,217,113
Provision for income tax (Note 32)						(767,495)
Net income						₱2,449,618
Other Information						
Total assets	₱107,420,050	₱5,484,690	₱16,888,975	₱12,871,692	₱-	₱142,665,407
Total liabilities	₱54,849,692	₱3,528,691	₱4,192,196	₱1,245,573	₱-	₱63,816,152
Capital expenditures	₱1,752,007	₱105,356	₱245,653	₱29,459	₱-	₱2,132,475
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	₱2,102	₱-	₱-	₱-	₱-	₱2,102
Inventories (Note 11)	671	-	-	-	-	671
	₱2,773	₱-	₱-	₱-	₱-	₱2,773

* Include net foreign exchange losses and other revenues (expenses).



As of and for the year ended September 30, 2016

	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
(In Thousands)						
Sale of Goods and Services						
Third party	₱2,514,853	₱9,114,167	₱10,002,773	₱-	₱-	₱111,631,793
Inter-segment	13,072,475	118,541	7,069,570	-	(20,260,586)	-
	₱105,587,328	₱9,232,708	₱17,072,343	₱-	(₱20,260,586)	₱111,631,793
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱17,911,086	₱1,444,364	₱4,359,581	(₱1,434,918)	₱-	₱22,280,113
Depreciation and amortization (Note 27)	(3,865,622)	(393,310)	(1,019,875)	(190,693)	-	(5,469,500)
Earnings before interest and income tax (EBIT)	₱14,045,464	₱1,051,054	₱3,339,706	(₱1,625,611)	₱-	16,810,613
Finance revenue (Note 29)	₱67,081	₱160	₱422	₱145,381	₱-	213,044
Finance costs (Note 30)	(₱816,846)	(₱24,216)	(₱35,603)	(₱20,556)	₱-	(897,221)
Equity in net loss of joint ventures (Note 16)	₱-	₱-	₱-	(₱233,999)	₱-	(233,999)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱-	₱-	₱-	₱855,085	₱-	855,085
Provision for credit and impairment losses (Notes 10 and 11)	(₱177,972)	₱-	(₱3,125)	₱-	₱-	(181,097)
Other expenses*						2,231,080
Income before income tax						18,797,505
Provision for income tax (Note 32)						(3,441,533)
Net income						₱15,355,972
Other Information						
Total assets	₱107,145,840	₱5,566,632	₱15,991,491	₱13,969,643	₱-	₱142,673,606
Total liabilities	₱54,939,413	₱3,150,660	₱4,010,534	₱5,300,941	₱-	₱67,401,548
Capital expenditures	₱4,791,720	₱530,536	₱2,163,352	₱329,527	₱-	₱7,815,135
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	₱8,058	₱-	₱85	₱-	₱-	₱8,143
Inventories (Note 11)	169,914	-	3,040	-	-	172,954
	₱177,972	₱-	₱3,125	₱-	₱-	₱181,097



Inter-segment Revenues

Inter-segment 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 gains and 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 debts 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, Vietnam, Myanmar, New Zealand and Australia.

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:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
		(In Thousands)	
Domestic	₱82,137,541	₱20,372,269	₱80,179,132
Foreign	42,870,283	10,567,969	31,452,661
	₱125,007,824	₱30,940,238	₱111,631,793

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:

	December 31, 2017	December 31, 2016	September 30, 2016
		(In Thousands)	
Domestic	₱30,500,080	₱27,795,757	₱27,320,872
Foreign	63,175,218	62,227,710	62,624,581
	₱93,675,298	₱90,023,467	₱89,945,453



7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱103,326,491	₱123,251,267
Cash in banks (Note 34)	3,948,475,487	3,291,216,790
Short-term investments (Note 34)	10,445,715,813	11,933,233,863
	₱14,497,517,791	₱15,347,701,920

Cash in banks earn 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 0.05% to 6.50%, from 0.01% to 6.50% and from 0.05% to 6.50% for foreign currency-denominated money market placements for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 1.20% to 3.40%, from 1.10% to 2.75% and from 1.10% to 1.75% for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

Interest earned on cash and cash equivalents amounted to ₱212.7 million, ₱49.9 million and ₱200.1 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively (see Note 29).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱455.6 million and ₱384.6 million as of December 31, 2017 and 2016, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic entities.

Market valuation gains (losses) on financial instruments at fair value through profit and loss is broken down as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Equity securities	₱71,016,151	(₱4,514,684)	(₱12,238,811)
Derivatives (Note 9)	-	-	867,323,420
	₱71,016,151	(₱4,514,684)	₱855,084,609

9. Derivative Financial Instruments

Derivative not designated as accounting hedge

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

In 2016, the Group settled its existing foreign currency forward arrangement with notional amount of NZ\$322.3 million (₱9.6 billion) when its carrying value amounted to NZ\$22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZ\$27.2 million (₱847.0 million) (see Note 8).



Derivatives designated as accounting hedge

As part of its asset and liability management, the Group uses derivatives, particularly currency option, as cash flow hedges in order to reduce its exposure to market risks.

The Group entered into currency options with a total notional amount of NZ\$28.2 million and initial fair value of ₱7.5 million. The Group recognized unrealized loss (presented under ‘Other comprehensive income’) amounting to ₱11.4 million for the year ended December 31, 2017, unrealized gain of ₱19.2 million for the three-month period ended December 31, 2016, and unrealized gain of ₱1.5 million for the year ended September 30, 2016 (see Note 23). The Group made a settlement of ₱4.6 million during the year for the related derivatives.

The Group recognized gain (presented under ‘Market valuation gain on financial assets and liabilities at fair value through profit or loss’) amounting to ₱20.3 million for the year ended September 30, 2016 (see Note 8).

The Group’s currency options have a positive fair value of ₱11.0 million and ₱26.8 million as of December 31, 2017 and 2016, respectively (see Note 12).

10. Receivables

This account consists of:

	2017	2016
Trade receivables (Note 34)	₱13,851,205,174	₱12,542,667,130
Due from related parties (Note 34)	1,396,239,630	1,553,961,546
Non-trade receivables	871,056,230	521,870,925
Advances to officers and employees	133,976,804	151,525,761
Interest receivable (Note 34)	42,299,508	47,388,211
Others	198,238,183	396,112,115
	16,493,015,529	15,213,525,688
Less allowance for credit losses	376,522,190	359,821,980
	₱16,116,493,339	₱14,853,703,708

Others include receivable related to disposal of certain properties located in Jiading, China amounting to nil and ₱96.5 million as of December 31, 2017 and 2016, respectively (see Notes 13 and 37).

Allowance for Credit Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	2017			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱157,563,135	₱188,697,554	₱13,561,291	₱359,821,980
Provision for credit losses	18,553,155	-	-	18,553,155
Others	(22,125,767)	20,272,822	-	(1,852,945)
Balances at end of the period	₱153,990,523	₱208,970,376	₱13,561,291	₱376,522,190



	2016			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱154,547,046	₱188,697,554	₱13,561,291	₱356,805,891
Provision for credit losses	2,102,569	–	–	2,102,569
Others	913,520	–	–	913,520
Balances at end of the period	₱157,563,135	₱188,697,554	₱13,561,291	₱359,821,980

Allowance for credit losses on other receivables includes credit losses on advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2017 and 2016. Allowance for credit losses on other receivables amounted to ₱189.3 million and ₱169.1 million as of December 31, 2017 and 2016.

11. Inventories

This account consists of inventories at cost as follows:

	2017	2016
Raw materials	₱6,639,193,504	₱7,233,694,668
Finished goods	5,247,036,948	5,294,092,403
Goods in-process	888,498,415	892,137,325
Containers and packaging materials	1,969,926,603	2,052,245,776
Spare parts and supplies	3,720,707,970	3,128,560,740
	₱18,465,363,440	₱18,600,730,912

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3.2 billion and ₱4.6 billion as of December 31, 2017 and 2016, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusted merchandise or their sales proceeds.

Inventory obsolescence, market decline and mark down, included in 'Cost of sales', amounted to ₱638.4 million, ₱185.2 million and ₱760.5 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

The Group recognized impairment losses on its inventories amounting to ₱2.9 million, ₱0.7 million and ₱173.0 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.



12. Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	₱1,266,652,930	₱922,727,411
Input value-added tax (VAT)	1,249,413,458	749,298,360
Prepaid insurance	204,878,838	168,189,499
Prepaid taxes	85,055,881	33,857,215
Prepaid rent	51,421,481	65,579,063
Derivatives designated as accounting hedge (Note 9)	11,023,146	26,800,472
Other prepaid expenses	118,940,363	158,676,580
	₱2,987,386,097	₱2,125,128,600

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to construction activities. These are applied against progress billings which occur within one year from the date the advances arose.

Other prepaid expenses include prepayments of advertising and office supplies.



13. Property, Plant and Equipment

The rollforward of this account follows:

	As of and for the year ended December 31, 2017				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,431,016,024	₱1,640,367,292	₱15,715,575,721	₱66,093,113,234	₱86,880,072,271
Additions	214,731,551	49,404,956	471,575,891	2,131,770,696	2,867,483,094
Disposals, reclassifications and other adjustments	81,963,780	15,046,935	418,603,191	1,478,127,011	1,993,740,917
Balance at end of year	3,727,711,355	1,704,819,183	16,605,754,803	69,703,010,941	91,741,296,282
Accumulated Depreciation and Amortization					
Balance at beginning of year	—	578,902,619	6,514,023,632	42,194,166,937	49,287,093,188
Depreciation and amortization	—	84,419,460	751,947,125	4,408,672,415	5,245,039,000
Disposals, reclassifications and other adjustments	—	7,394,939	250,038,337	(138,340,441)	119,092,835
Balance at end of year	—	670,717,018	7,516,009,094	46,464,498,911	54,651,225,023
Net Book Value	₱3,727,711,355	₱1,034,102,165	₱9,089,745,709	₱23,238,512,030	₱37,090,071,259

	As of and for the year ended December 31, 2017				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,370,685,859	₱4,089,123,064	₱3,504,041,899	₱1,794,350,119	₱98,638,273,212
Additions	134,481,808	691,914,896	2,785,889,642	1,531,857,139	8,011,626,579
Disposals, reclassifications and other adjustments	(28,579,064)	87,895,116	(407,802,754)	(156,384,630)	1,488,869,585
Balance at end of the year	2,476,588,603	4,868,933,076	5,882,128,787	3,169,822,628	108,138,769,376
Accumulated Depreciation and Amortization					
Balance at beginning of year	1,637,136,526	2,706,625,749	—	—	53,630,855,463
Depreciation and amortization	196,356,912	475,586,168	—	—	5,916,982,080
Disposals, reclassifications and other adjustments	(1,692,603)	219,403,298	—	—	336,803,530
Balance at end of year	1,831,800,835	3,401,615,215	—	—	59,884,641,073
Net Book Value	₱644,787,768	₱1,467,317,861	₱5,882,128,787	₱3,169,822,628	₱48,254,128,303



As of and for the three-month period ended December 31, 2016					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of period	₱3,387,503,701	₱1,919,544,212	₱15,228,130,072	₱65,726,805,560	₱86,261,983,545
Additions	49,934,683	7,681,751	263,349,891	906,306,594	1,227,272,919
Disposals, reclassifications and other adjustments	(6,422,360)	(286,858,671)	224,095,758	(539,998,920)	(609,184,193)
Balance at end of period	3,431,016,024	1,640,367,292	15,715,575,721	66,093,113,234	86,880,072,271
Accumulated Depreciation and Amortization					
Balance at beginning of period	–	544,063,851	5,843,971,179	42,369,804,995	48,757,840,025
Depreciation and amortization	–	50,847,892	151,621,356	1,002,072,578	1,204,541,826
Disposals, reclassifications and other adjustments	–	(16,009,124)	518,431,097	(1,177,710,636)	(675,288,663)
Balance at end of period	–	578,902,619	6,514,023,632	42,194,166,937	49,287,093,188
Net Book Value	₱3,431,016,024	₱1,061,464,673	₱9,201,552,089	₱23,898,946,297	₱37,592,979,083

As of and for the three-month period ended December 31, 2016					
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of period	₱2,358,024,006	₱4,092,350,306	₱3,210,102,736	₱1,563,139,188	₱97,485,599,781
Additions	17,061,619	177,735,084	829,043,158	302,525,426	2,553,638,206
Disposals, reclassifications and other adjustments	(4,399,766)	(180,962,326)	(535,103,995)	(71,314,495)	(1,400,964,775)
Balance at end of the period	2,370,685,859	4,089,123,064	3,504,041,899	1,794,350,119	98,638,273,212
Accumulated Depreciation and Amortization					
Balance at beginning of period	1,551,769,683	2,298,232,885	–	–	52,607,842,593
Depreciation and amortization	50,737,996	199,377,978	–	–	1,454,657,800
Disposals, reclassifications and other adjustments	34,628,847	209,014,886	–	–	(431,644,930)
Balance at end of period	1,637,136,526	2,706,625,749	–	–	53,630,855,463
Net Book Value	₱733,549,333	₱1,382,497,315	₱3,504,041,899	₱1,794,350,119	₱45,007,417,749



In May 2017, Century Pacific Food Inc. (CNPF) entered into an asset purchase agreement with the Parent Company to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. As of date of sale, the net book value of these assets amounted to ₱28.1 million. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (loss) - net' in the consolidated statements of income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with the Parent Company to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million which the Group recognized in the consolidated statements of income.

In January 2017, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of income.

In July 2016, certain properties of the Group located in Jiading, China with a net book value of CNY30.5 million (₱219.0 million) were disposed as part of the relocation plan in the area. The Group recognized the related gain, net of expenses, under 'Other income (loss) - net' in the consolidated statements of income.

In 2017, payments include net settlement of property and equipment acquired on account amounting to ₱118.7 million while for the three-month period ended December 31, 2016, additions include acquisition on account amounting to ₱421.2 million.

Borrowing Costs

For the year ended December 31, 2017, the three-month period ended December 31, 2016 and the year ended September 30, 2016, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation

The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Note 24)	₱5,270,962,412	₱1,300,783,837	₱4,837,053,762
Selling and distribution costs (Note 25)	162,600,854	37,436,876	124,126,308
General and administrative expenses (Note 26)	483,418,814	116,437,087	343,411,603
	₱5,916,982,080	₱1,454,657,800	₱5,304,591,673

Collateral

As of December 31, 2017 and 2016, the Group has no property and equipment that are pledged as collateral.



14. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2017	2016
Current portion	₱1,180,266,509	₱920,226,312
Noncurrent portion	498,309,880	463,152,936
	₱1,678,576,389	₱1,383,379,248

These biological assets consist of:

	2017	2016
Swine livestock		
Commercial	₱1,137,959,568	₱897,048,298
Breeder	435,698,306	411,356,528
Poultry livestock		
Commercial	42,306,941	23,178,014
Breeder	62,611,574	51,796,408
	₱1,678,576,389	₱1,383,379,248

The rollforward analysis of this account follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Balance at beginning of period	₱1,383,379,248	₱1,520,982,540
Additions	3,115,220,274	773,673,176
Disposals	(2,938,864,205)	(806,627,866)
Gain (loss) arising from changes in fair value less estimated costs to sell	118,841,072	(104,648,602)
Balance at end of period	₱1,678,576,389	₱1,383,379,248

The Group has about 239,438 and 229,582 heads of swine livestock and about 435,946 and 443,635 heads of poultry livestock as of December 31, 2017 and 2016, respectively.

15. Goodwill and Intangible Assets

The movements of goodwill follow:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Cost		
Balance at beginning and end of period	₱31,460,215,108	₱31,460,215,108
Accumulated impairment losses		
Balance at beginning and end of period	248,139,704	248,139,704
Net book value at end of period	₱31,212,075,404	₱31,212,075,404



The Group's goodwill pertains to: (a) the acquisition of CSPL in September 2016, (b) acquisition of Balayan Sugar Mill in February 2016, (c) acquisition of NZSFHL in November 2014, (d) acquisition of Advanson in December 2007 and (e) 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 and Advanson was translated at the applicable year-end exchange rate.

Acquisition of Snack Brands Australia

On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccata Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name SBA, one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is AU\$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of CSPL. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the final purchase price allocation. The fair values of the identifiable assets and liabilities of CSPL at the date of acquisition follow:

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash and cash equivalents	419,944,622
Receivables	1,608,193,555
Inventories	369,121,737
Property, plant and equipment	2,371,469,678
Intangible assets	4,681,269,034
Deferred tax assets	310,964,989
Other current assets	68,764,464
Total Assets	9,829,728,079
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	3,103,596,275
Deferred tax liabilities	1,514,713,029
Other noncurrent liabilities	125,070,200
Total Liabilities	4,743,379,504
Total fair value of identifiable net assets	5,086,348,575
Goodwill	₱16,492,854,332

Goodwill arising from the acquisition of CSPL is allocated entirely to the operations of SBA and is mainly attributed to the synergies formed between URC and CSPL. None of the goodwill recognized is expected to be deductible for income tax purposes. If the business combination had taken place on October 1, 2015, net sales and net income attributable to equity holders of the Parent Company for the fiscal year ended September 30, 2016 would have been ₱121.6 billion and ₱15.4 billion, respectively.

Acquisition of Balayan Sugar Mill

On February 4, 2016, the Parent Company entered into an Asset Purchase Agreement with Batangas Sugar Central, Inc. (BSCI), a corporation duly organized in accordance with the Philippine laws, for the acquisition of Balayan Sugar Mill for a total consideration of ₱1.6 billion. The Parent Company engaged the services of a third party valuer to conduct the final purchase price allocation.



The fair values of the identifiable assets at the date of acquisition follow:

Purchase consideration transferred	₱1,600,000,000
Fair value of identifiable assets acquired	
Property, plant and equipment	1,323,590,374
Inventories	264,000,000
Total fair value of assets acquired	1,587,590,374
Goodwill	₱12,409,626

Goodwill arising from acquisition of Balayan is allocated entirely to the operations of the sugar mill and is mainly attributed to the synergies formed between URC and Balayan.

From the date of acquisition, the Balayan Sugar Mill has contributed net sales of ₱504.0 million and net income of ₱68.7 million to the Group in fiscal year 2016. If the business combination had taken place on October 1, 2015, net sales and net income attributable to equity holders of the Parent Company for fiscal year ended September 30, 2016 would have been ₱111.8 billion and ₱15.2 billion, respectively.

Acquisition of Griffin's

In July 2014, URC NZ FinCo, a wholly-owned subsidiary of URCICL, entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited (Griffin's), the leading snack food company in New Zealand. The total consideration of the acquisition amounted to NZ\$233.7 million (approximately ₱8.2 billion), including the initial deposit of NZ\$100.0 million (₱3.5 billion) which was held in escrow and the balance upon completion.

The transaction resulted in a goodwill amounting to ₱13.9 billion which is allocated entirely to the operations of Griffin's and is mainly attributed to the synergies formed between URC and NZSFHL. None of the goodwill recognized is expected to be deductible for income tax purposes.

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2017				Total
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	
Cost					
Balances at beginning of period	₱9,564,461,252	₱425,000,000	₱73,812,234	₱2,201,281,173	₱12,264,554,659
Additions	-	-	4,475,330	-	4,475,330
Disposal/others	-	-	1,668,017	-	1,668,017
	9,564,461,252	425,000,000	79,955,581	2,201,281,173	12,270,698,006
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	201,524,581	-	40,904,256	118,520,921	360,949,758
Amortization during the period	-	-	19,404,935	77,381,982	96,786,917
Disposal/others	-	-	591,205	2,334,094	2,925,299
	201,524,581	-	60,900,396	198,236,997	460,661,974
Net Book Value at End of Period	₱9,362,936,671	₱425,000,000	₱19,055,185	₱2,003,044,176	₱11,810,036,032



As of and for the three-month period ended December 31, 2016					
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of year	₱9,564,461,252	₱425,000,000	₱62,548,030	₱2,201,281,173	₱12,253,290,455
Additions	-	-	12,651,126	-	12,651,126
Disposal/others	-	-	(1,386,922)	-	(1,386,922)
	9,564,461,252	425,000,000	73,812,234	2,201,281,173	12,264,554,659
Accumulated Amortization and Impairment Losses					
Balances at beginning of year	201,524,581	-	36,053,207	102,302,470	339,880,258
Amortization during the period	-	-	5,746,269	18,758,863	24,505,132
Disposal/others	-	-	(895,220)	(2,540,412)	(3,435,632)
	201,524,581	-	40,904,256	118,520,921	360,949,758
Net Book Value at End of Year	₱9,362,936,671	₱425,000,000	₱32,907,978	₱2,082,760,252	₱11,903,604,901

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and NZSFHL in fiscal years 2016 and 2015 were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2017 and 2016. The recoverable amounts of goodwill and other 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 3.40% to 12.67% and 3.43% to 9.97% for the year ended December 31, 2017 and the three-month period ended December 31, 2016, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.0% to 12.1% as of December 31, 2017 and 2016.

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.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.



16. Investments in Joint Ventures

The rollforward analysis of this account follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Acquisition Cost		
Balance at beginning of period	₱746,250,000	₱741,250,000
Additional investments	401,293,071	5,000,000
Balance at end of period	1,147,543,071	746,250,000
Accumulated Equity in Net Earnings		
Balance at beginning of period	(444,667,941)	(395,256,357)
Equity in net losses during the period	(132,954,610)	(49,411,584)
Dividends received	(18,500,000)	-
Cumulative translation adjustments	805,768	-
Balance at end of period	(595,316,783)	(444,667,941)
Net Book Value at End of Period	₱552,226,288	₱301,582,059

Proper Snack Foods Ltd.

On June 30, 2017, Griffins purchased 50.1% of the shares in Proper Snack Foods Ltd. (a Nelson based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ\$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ\$1.5 million (₱51.5 million) recorded in the consolidated statement of financial position.

Vitasoy-URC, Inc.

On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form Vitasoy - URC (VURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Vitasoy” brand name, which is under exclusive license to VURCI in the Philippines.

On May 31, 2017, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 12,600,000 common shares for a total cost of ₱126.0 million.

Danone Universal Robina Beverages, Inc.

On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

Equity in net losses in the 2017 statement of income amounting to ₱280.5 million includes the excess of the share in net loss over the investment in DURBI amounting to ₱147.6 million presented in ‘Other noncurrent liabilities.’



Calbee-URC, Inc.

On January 17, 2014, the Parent Company entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines.

Hunt-Universal Robina Corporation

The Parent Company has an equity interest in Hunt-Universal Robina Corporation (HURC), a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the “Hunt’s” brand name, which is under exclusive license to HURC in the Philippines.

In 2017, the Parent Company entered into certain agreements with CNPF to sell its rights, title and interest in the assets used in manufacturing the hunt’s business, as well as pre-termination of the right to manufacture, sell and distribute Hunt’s products (see Note 13). Subsequent to the sale, HURC remains to exist as a jointly controlled entity.

On January 11, 2017, HURC’s BOD declared cash dividends amounting to ₱13.20 per share to stockholders of record as of September 30, 2016. Total dividends declared amounted to ₱37.0 million, which was paid on the third quarter of calendar year 2017.

On January 8, 2016, HURC’s BOD declared cash dividends amounting to ₱12.50 per share to stockholders of record as of September 30, 2015. Total dividends declared amounted to ₱35.0 million, which was paid in the third quarter of fiscal year 2016.

As of December 31, 2017 and 2016, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets are summarized below:

	Place of Business	Percentage of Ownership	Equity in Net Assets (In Millions)	
			2017	2016
HURC	Philippines	50.00	₱56.8	₱93.4
CURCI	-do-	50.00	184.2	231.1
DURBI	-do-	50.00	–	(28.0)
VURCI	-do-	50.00	31.6	–
PSFL	New Zealand	50.10	279.6	–

Summarized financial information in respect of the Group’s joint ventures as of December 31, 2017 and 2016 are presented below.

	HURC		CURCI		DURBI		VURCI		PSFL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(In Thousands)									
Current assets	₱326,815	₱438,300	₱513,301	₱493,258	₱248,267	₱407,899	₱255,324	₱–	₱83,147	₱–
Noncurrent assets	7,221	358	141,918	160,325	13,022	15,417	3,692	–	107,035	–
Current liabilities	218,504	251,834	285,425	191,319	555,490	477,373	195,816	–	46,160	–
Noncurrent liabilities	1,932	–	1,394	–	2,271	1,867	–	–	41,028	–
Revenue	406,496	226,005	227,322	60,993	665,620	139,226	203,453	–	261,343	–
Costs and expenses	444,998	211,458	330,374	87,854	904,293	224,677	403,949	–	240,617	–
Net income (loss)	(36,159)	14,547	(93,891)	(28,896)	(239,234)	(84,474)	(198,798)	–	11,998	–

The summarized financial information presented above represents amounts shown in the joint ventures’ financial statements prepared in accordance with PFRSs.



HURC, CURCI, DURBI, VURCI and PSFL are private companies and there are no quoted prices available for their shares.

The Group received dividends from its joint ventures amounting to ₱18.5 million, nil and ₱17.5 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

As of December 31, 2017 and 2016, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

Investments in Subsidiaries

The summarized financial information (before inter-company eliminations) of NURC, a subsidiary with material non-controlling interest follows:

	2017	2016
	(In Thousands)	
Current assets	₱1,712,589	₱1,409,870
Noncurrent assets	973,148	871,263
Current liabilities	1,789,532	1,946,472
Noncurrent liabilities	14,488	18,290
Revenue	5,102,875	1,160,691
Costs and expenses	4,334,291	969,874
Net income	559,264	133,050

The equity interest held by non-controlling interest in NURC, a subsidiary with material non-controlling interest is 49.0% as of December 31, 2017 and 2016.

The accumulated non-controlling interest as of December 31, 2017 and 2016 amounted to ₱282.8 million and ₱15.5 million, respectively.

The profit allocated to non-controlling interest for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016 amounted to ₱264.8 million, ₱47.5 million and ₱215.5 million, respectively.

17. Other Noncurrent Assets

This account consists of:

	2017	2016
Input VAT	₱666,011,121	₱566,913,500
Deposits	576,377,057	500,889,384
AFS financial assets	45,980,000	43,030,000
Investment properties	45,288,139	48,945,925
Others	60,846,060	18,885,532
	₱1,394,502,377	₱1,178,664,341



Input VAT

Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Deposits

Deposits pertain to the Group's deposits made in connection with the installation of power water meters, deposits on returnable containers and security deposits for operating leases of plants, warehouses and office buildings.

AFS Financial Assets

As of December 31, 2017 and 2016, AFS financial assets consists of equity securities with the following movement:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Balance at beginning of period	₱43,030,000	₱41,830,000
Changes in fair value during the period	2,950,000	1,200,000
Balance at end of period	₱45,980,000	₱43,030,000

Fair value changes of AFS financial assets are presented as components of 'Other comprehensive income' in Equity (see Note 23).

Investment Properties

The rollforward analysis of investment properties follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Cost		
Balance at beginning and end of period	₱107,947,364	₱107,947,364
Accumulated depreciation		
Balance at beginning of period	59,001,439	58,086,994
Depreciation (Notes 26 and 27)	3,657,786	914,445
Balance at end of period	62,659,225	59,001,439
Net book value at end of period	₱45,288,139	₱48,945,925

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 34 and 36).

Total rental income earned from investment properties (included under 'Other income (loss) - net' in the consolidated statements of income) amounted to ₱57.9 million, ₱19.2 million and ₱61.1 million for year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016 respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million, nil and ₱0.8 million for the year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.



Collateral

As of December 31, 2017 and 2016, the Group has no investment properties that are pledged as collateral.

18. Short-term Debts

This account consists of:

	2017	2016
Thai Baht denominated loans - unsecured with interest ranging from 2.10% to 2.25% for the year and three-month period ended December 31, 2017 and 2016	₱1,629,389,107	₱1,343,243,452
Malaysian Ringgit denominated loan - unsecured with interest at 4.43% and 4.39% for the year and three-month period ended December 31, 2017 and 2016	379,928,804	88,647,203
	₱2,009,317,911	₱1,431,890,655

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱2.4 million and ₱1.9 million as of December 31, 2017 and 2016, respectively (see Note 19). Interest expense from the short-term debts amounted to ₱66.6 million, ₱14.0 million and ₱44.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively (see Note 30).

19. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2017	2016
Trade payables (Note 34)	₱12,344,609,082	₱11,116,646,478
Accrued expenses	7,532,671,219	6,812,560,987
VAT payable	680,883,835	459,294,296
Customers' deposits	398,004,745	855,447,883
Advances from stockholders (Note 34)	243,600,509	231,051,185
Withholding taxes payable	186,762,222	116,028,949
Due to related parties (Note 34)	106,452,798	75,161,893
Dividends payable	-	227,850,000
Others	78,134,146	87,870,697
	₱21,571,118,556	₱19,981,912,368

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.



The accrued expenses account consists of:

	2017	2016
Advertising and promotions	₱4,656,850,277	₱3,931,458,406
Personnel costs	1,006,743,561	816,530,735
Contracted services	384,401,569	428,970,087
Rent	366,344,003	317,645,030
Utilities	296,217,865	242,829,850
Freight and handling costs	251,248,221	303,189,747
Interest expense (Note 18 and 20)	71,387,248	69,060,326
Others	499,478,475	702,876,806
	₱7,532,671,219	₱6,812,560,987

Others include accruals for taxes and licenses, professional and legal fees and other benefits.

20. Long-term Debts

This account consists of:

	2017			2016		
	Principal	Unamortized debt issuance cost	Net	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	₱18,772,656,535	₱250,622,686	₱18,522,033,849	₱17,344,295,963	₱289,381,090	₱17,054,914,873
URC NZ FinCo Loan	14,808,699,804	104,771,265	14,703,928,539	14,466,505,196	154,827,284	14,311,677,912
	₱33,581,356,339	₱355,393,951	₱33,225,962,388	₱31,810,801,159	₱444,208,374	₱31,366,592,785

URC NZ FinCo NZ\$420 Million Term Loan due 2019

On November 13, 2014, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

URC AU FinCo Loan due 2021

On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU\$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC Oceania NZ\$322 Million Term Loan due 2019

On November 13, 2014, URC Oceania entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ\$326.0 million (approximately ₱10.1 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US\$2.9 million (approximately ₱136.3 million) as



expense presented under 'Other income (loss) - net' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For the URC NZ Finco and URC AU Finco loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of December 31, 2017 and 2016.

21. Other Noncurrent Liabilities

This account consists of:

	2017	2016
Net pension liability (Note 31)	₱170,807,825	₱167,663,057
Miscellaneous (Note 16)	296,938,666	140,379,498
	₱467,746,491	₱308,042,555

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices of CSPL at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

As of December 31, 2017 and 2016, the carrying value of asset retirement obligation amounted to ₱94.7 million and ₱84.3 million, respectively. The amortization of this asset retirement obligation (included under 'Selling and distribution costs' in the consolidated statement of income) amounted to ₱0.2 million and ₱0.5 million for the year ended December 31, 2017 and three months ended December 31, 2016.

22. Equity

The details of the Parent Company's common stock as of December 31, 2017 and 2016 follows:

Authorized shares	2,998,000,000
Par value per share	₱1.00
Issued shares:	
Balance at beginning and end of year	2,227,638,933
Outstanding shares	2,204,161,868

The paid-up capital of the Parent Company consists of the following:

Common stock	₱2,227,638,933
Additional paid-in capital	20,856,143,110
Total paid-up capital	₱23,083,782,043



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:

	December 31, 2017	December 31, 2016	September 30, 2016
(a) Short-term debts (Note 18)	₱2,009,317,911	₱1,431,890,655	₱5,873,208,671
Trust receipts payable (Note 11)	3,155,187,680	4,554,101,456	4,645,224,001
Long-term debts (Note 20)	33,225,962,388	31,366,592,785	32,179,158,737
	₱38,390,467,979	₱37,352,584,896	₱42,697,591,409
(b) Capital	₱81,686,012,597	₱78,849,254,753	₱75,272,057,832
(c) Debt-to-capital ratio (a/b)	0.47:1	0.47:1	0.57:1

The Group's policy is to not exceed a debt-to-capital ratio of 2:1. 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 December 31, 2017 and 2016.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries

A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱49.9 billion and ₱45.4 billion as of December 31, 2017 and 2016, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

Dividends

Details of the Group's dividend declarations follow:

Parent Company

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2017	February 15, 2017	₱3.15	₱6.9 billion	March 1, 2017	March 27, 2017
2016	February 9, 2016	₱3.15	₱6.9 billion	February 29, 2016	March 28, 2016
2015	February 6, 2015	₱3.00	₱6.5 billion	February 26, 2015	March 24, 2015



On February 5, 2018, the Parent Company's BOD declared cash dividends amounting to ₱3.15 per share to stockholders of record as of February 26, 2018. Total dividends declared amounted to ₱6.9 billion, which was paid on March 22, 2018.

NURC

There were no dividend declarations and dividend payments to stockholders of NURC for the year ended December 31, 2017. For the year ended December 31, 2016:

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2016	December 22, 2016	₱1.06	₱200.0 million	September 30, 2016	March 30, 2017
2016	December 22, 2016	₱1.40	₱265.0 million	September 30, 2016	September 30, 2017

On March 23, 2018, NURC's BOD approved the declaration of cash dividends amounting to ₱690.00 million (₱3.65 per share) to stockholders of record as of December 31, 2017 payable on or before September 30, 2018.

CCPI

In September 2015, the BOD of CCPI approved the declaration of cash dividends to the stockholders amounting to ₱376.1 million, which was paid on February 26, 2016.

There were no dividend declaration and dividend payments to stockholders of CCPI for the year ended December 31, 2017, three months ended December 31, 2016 and for the fiscal year ended September 30, 2016.

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

On December 15, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1.5 billion for capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded consumer food operations, which are expected to be completed within the next two years.

On September 27, 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.0 billion, which was used to fund the completion of various snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

Treasury Shares

On September 27, 2016, the Parent Company's BOD approved the sale of 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total gross selling proceeds amounting to ₱4.4 billion. The net cash proceeds amounting to ₱4.4 billion is net of transaction costs incurred amounting to ₱27.2 million. The proceeds of the said sale will be used in relation to the acquisition of CSPL. The excess of the total consideration received over the cost amounting to ₱4.1 billion was treated as additional paid-in capital.



The Parent Company has outstanding treasury shares of 23.5 million shares (₱341.1 million) as of December 31, 2017 and 2016, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under “Equity reserve” in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented 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 charged equity reserve from the acquisition amounting to about ₱5.6 billion presented under “Equity reserve” in the consolidated statements of financial position.



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
September 30, 2016	Sale of treasury shares	—	—	—	—	22,659,935
						2,204,161,868



The table below provides information regarding the number of stockholders of the Parent Company:

	December 31, 2017	December 31, 2016	September 30, 2016
Common shares	1,017	1,026	1,025

23. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
<i>Items to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Cumulative translation adjustments	₱850,642,705	₱2,242,967,597	₱1,042,402,519
Net unrealized gain on AFS financial assets			
Balance at beginning of period	21,310,000	20,110,000	19,160,000
Change in fair value during the period (Note 17)	2,950,000	1,200,000	950,000
Balance at end of period	24,260,000	21,310,000	20,110,000
Net unrealized gain (loss) on cash flow hedges:			
Balance at beginning of period	19,296,332	99,522	(1,449,501)
Change in fair value during the period (Note 9)	(11,359,659)	19,196,810	1,549,023
Balance at end of period	7,936,673	19,296,332	99,522
	882,839,378	2,283,573,929	1,062,612,041
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement losses on defined benefit Plans, gross of tax:			
Balance at beginning of period	(594,056,733)	(786,152,049)	(705,069,352)
Remeasurement gains (losses) on defined benefit plans during the period (Note 31)	35,931,367	192,095,316	(81,082,697)
Balance at end of period	(558,125,366)	(594,056,733)	(786,152,049)
Income tax effect	167,437,610	178,217,020	235,845,615
	(390,687,756)	(415,839,713)	(550,306,434)
	₱492,151,622	₱1,867,734,216	₱512,305,607

The Group does not recognize income tax on cumulative translation adjustments.



The breakdown and movement of other comprehensive income attributable to non-controlling interests follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement losses on defined benefit			
Plans, gross of tax:			
Balance at beginning of period	(₱4,566,566)	(₱4,566,566)	(₱6,348,732)
Remeasurement gain on defined benefit plans during the period (Note 31)	3,612,841	-	1,782,166
Balance at end of period	(953,725)	(4,566,566)	(4,566,566)
Income tax effect	286,118	1,369,970	1,369,970
	(₱667,607)	(₱3,196,596)	(₱3,196,596)

24. Sale of Goods and Services/ Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱179.8 million, ₱35.6 million and ₱184.8 million for the year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

Cost of Sales account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Raw materials used	₱58,991,536,243	₱14,179,507,687	₱52,405,077,910
Direct labor	5,788,350,160	1,298,162,777	4,518,257,097
Overhead costs	20,862,774,466	5,495,527,685	19,358,437,252
Total manufacturing costs	85,642,660,869	20,973,198,149	76,281,772,259
Goods in-process	3,638,910	25,170,993	(55,146,074)
Cost of goods manufactured	85,646,299,779	20,998,369,142	76,226,626,185
Finished goods	47,055,455	145,011,251	(1,135,667,258)
	₱85,693,355,234	₱21,143,380,393	₱75,090,958,927

The Group's raw materials used include raw materials and container and packaging materials inventory.

Overhead costs are broken down as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Utilities	₱7,576,345,534	₱2,143,711,872	₱7,283,943,454
Depreciation and amortization (Note 27)	5,377,003,923	1,333,371,293	4,948,452,404
Personnel expenses (Note 28)	3,112,919,756	693,833,436	2,153,478,163
Repairs and maintenance	2,548,246,214	767,279,515	2,605,000,433
Security and other contracted services	649,866,606	152,542,298	571,026,260
Rental expense (Note 36)	513,373,944	123,876,139	957,912,584
Insurance	198,832,730	53,887,701	139,740,141
Handling and delivery charges	185,825,028	43,430,837	140,245,627
Research and development	82,323,639	23,745,975	64,506,823
Others	618,037,092	159,848,619	494,131,363
	₱20,862,774,466	₱5,495,527,685	₱19,358,437,252



25. Selling and Distribution Costs

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Freight and other selling expenses	₱8,836,677,237	₱2,030,121,733	₱6,788,061,793
Advertising and promotions	7,602,693,478	1,793,559,907	6,888,424,028
Personnel expenses (Note 28)	2,333,202,923	593,189,775	1,807,948,482
Depreciation and amortization (Note 27)	239,982,836	56,195,739	173,978,540
Repairs and maintenance	96,269,637	28,527,609	69,357,902
Others	142,050,101	40,188,364	100,275,347
	₱19,250,876,212	₱4,541,783,127	₱15,828,046,092

26. General and Administrative Expenses

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Personnel expenses (Note 28)	₱2,946,018,579	₱626,564,581	₱2,238,678,371
Depreciation and amortization (Note 27)	487,076,600	117,351,532	347,069,384
Security and contractual services	263,010,037	30,137,131	103,238,552
Taxes, licenses and fees	245,171,407	30,797,104	163,149,877
Rental expense (Note 36)	214,483,196	68,745,299	201,639,875
Professional and legal fees	201,415,585	93,634,485	132,402,125
Travel and transportation	160,850,872	35,127,969	136,064,647
Repairs and maintenance	142,522,762	51,275,075	163,878,373
Communication	140,911,147	25,701,864	100,938,306
Utilities	57,251,993	17,512,494	73,227,679
Stationery and office supplies	29,591,597	8,955,946	27,917,591
Donations and contributions	7,233,729	2,009,503	1,068,305
Others	215,888,303	61,290,863	212,901,538
	₱5,111,425,807	₱1,169,103,846	₱3,902,174,623

Others expenses include insurance, memberships and representation and entertainment related to general and administrative functions.

27. Depreciation and Amortization

The breakdown of consolidated depreciation and amortization follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Notes 13, 15 and 24)	₱5,377,003,923	₱1,333,371,293	₱4,948,452,404
Selling and distribution costs (Notes 13, 15 and 25)	239,982,836	56,195,739	173,978,540
General and administrative expenses (Notes 13, 15, 17, and 26)	487,076,600	117,351,532	347,069,384
	₱6,104,063,359	₱1,506,918,564	₱5,469,500,328



28. Personnel Expenses

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Salaries and wages	₱5,902,127,792	₱1,391,539,768	₱4,421,277,217
Other employee benefits	2,322,941,873	476,834,683	1,637,159,230
Pension expense (Note 31)	167,071,593	45,213,341	141,668,569
	₱8,392,141,258	₱1,913,587,792	₱6,200,105,016

The breakdown of personnel expenses follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Note 24)	₱3,112,919,756	₱693,833,436	₱2,153,478,163
Selling and distribution costs (Note 25)	2,333,202,923	593,189,775	1,807,948,482
General and administrative expenses (Note 26)	2,946,018,579	626,564,581	2,238,678,371
	₱8,392,141,258	₱1,913,587,792	₱6,200,105,016

29. Finance Revenue

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Bank interest income (Note 7)	₱212,661,705	₱49,947,558	₱200,123,280
Dividend income	12,921,148	-	12,921,147
	₱225,582,853	₱49,947,558	₱213,044,427

30. Finance Costs

This account consists of finance costs arising from:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Long-term debts (Note 20)	₱1,239,928,198	₱274,309,463	₱753,459,715
Short-term debts (Note 18)	66,560,687	13,967,106	44,086,561
Net interest on net pension liability (Note 31)	9,068,871	3,285,987	10,512,148
Others	111,772,070	47,028,764	89,162,540
	₱1,427,329,826	₱338,591,320	₱897,220,964

In 2017, the Group availed and paid short-term loans with interest ranging from 2.60% to 3.00% amounting to ₱4.3 billion and ₱3.9 billion, respectively.

Others include interest incurred on liabilities under trust receipts and other financing charges.



31. Pension Costs

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, 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 plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

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



Changes in net defined benefit liability of funded funds of the Group are as follows:

2017												
Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							
	January 1, 2017	Current service cost (Note 28)	Finance cost (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	December 31, 2017
Present value of defined benefit obligation	₱2,268,007,023	₱167,071,593	₱114,314,355	₱281,385,948	(₱269,870,853)	₱-	₱30,095,758	₱29,621,518	(₱89,206,635)	(₱29,489,359)	₱-	₱2,250,032,759
Fair value of plan assets	(2,100,343,966)	-	(105,245,484)	(105,245,484)	269,870,853	(10,054,849)	-	-	-	(10,054,849)	(133,451,488)	(2,079,224,934)
	₱167,663,057	₱167,071,593	₱9,068,871	₱176,140,464	₱-	(₱10,054,849)	₱30,095,758	₱29,621,518	(₱89,206,635)	(₱39,544,208)	(₱133,451,488)	₱170,807,825

2016												
Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							
	October 1, 2016	Current service cost (Note 28)	Finance cost (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	December 31, 2016
Present value of defined benefit obligation	₱2,424,224,864	₱45,213,341	₱25,454,923	₱70,668,264	(₱29,248,407)	₱-	(₱47,227,037)	₱-	(₱150,410,661)	(₱197,637,698)	₱-	₱2,268,007,023
Fair value of plan assets	(2,092,149,028)	-	(22,168,936)	(22,168,936)	29,248,407	5,542,382	-	-	-	5,542,382	(20,816,791)	(2,100,343,966)
	₱332,075,836	₱45,213,341	₱3,285,987	₱48,499,328	₱-	₱5,542,382	(₱47,227,037)	₱-	(₱150,410,661)	(₱192,095,316)	(₱20,816,791)	₱167,663,057



The fair value of net plan assets of the Group by each classes as at the end of the reporting period are as follows:

	2017	2016
Assets		
Cash and cash equivalents (Note 34)	₱661,849,930	₱1,795,818,887
Due from related party (Note 34)	-	31,588,500
AFS investments	379,861,432	68,578,131
HTM investments	887,146,600	108,687,441
Interest receivable	7,135,297	4,212,817
Prepaid taxes	197,391	179,905
Land	143,201,000	91,448,525
	2,079,391,650	2,100,514,206
Liabilities		
Accrued trust and management fees	166,716	170,240
	₱2,079,224,934	₱2,100,343,966

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC		CCPI	
	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
Discount rate	5.71%	5.26%	5.76%	5.45%	5.23%	5.60%
Salary increase	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Parent Company		NURC		CCPI	
		December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
Discount rate	1.00% (1.00%)	(₱167,993,526) 194,071,843	(₱166,915,583) 192,109,716	(₱2,635,011) 3,078,561	(₱3,202,071) 3,824,602	(₱2,836,472) 3,446,967	(₱3,568,268) 4,448,743
Salary increase	1.00% (1.00%)	206,528,263 (181,862,773)	203,482,763 (179,962,591)	3,246,644 (2,824,060)	3,953,076 (3,362,539)	3,564,423 (2,982,661)	4,575,692 (3,726,551)

The Group expects to contribute ₱181.51 million in the pension fund in calendar year 2018.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2017	2016
Less than one year	₱200,075,413	₱199,410,883
More than one year to five years	815,130,976	788,163,676
More than five years to 10 years	1,452,708,067	1,441,450,284
More than 10 years to 15 years	1,523,945,706	1,393,733,067
More than 15 years to 20 years	1,662,775,069	1,524,435,908
More than 20 years	4,718,097,211	3,350,302,574



Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2017	2016
	(Years)	
Parent Company	18	16
NURC	17	21
CCPI	23	27

32. Income Taxes

Provision for income tax consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Current	₱2,584,562,832	₱533,905,331	₱3,334,622,290
Deferred	212,923,469	233,589,768	106,910,715
	₱2,797,486,301	₱767,495,099	₱3,441,533,005

Components of the Group's net deferred tax assets and liabilities follow:

	Net deferred tax assets		Net deferred tax liabilities	
	2017	2016	2017	2016
Deferred tax assets on:				
Net unrealized foreign exchange loss	₱21,534,393	₱156,099,182	₱-	₱6,107,867
Pension liabilities	67,546,081	76,325,874	128,290,055	123,327,647
Nondeductible accruals	-	-	219,029,961	102,945,279
Leases	-	-	13,857,605	3,536,545
Impairment losses on trade receivables and property and equipment	100,852,134	107,153,187	-	304,510
Past service cost	75,505,520	88,586,598	-	-
Inventory write-downs	27,377,429	29,630,274	4,634,232	4,159,005
Foreign subsidiaries	33,866,361	26,971,658	15,900,394	1,152,524
Unearned revenue	-	-	22,726,694	22,726,694
NOLCO	41,745,235	1,862,902	-	-
Others	4,242,256	3,218,640	12,083,956	7,266,069
	372,669,409	489,848,315	416,522,897	271,526,140
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	151,215,472	115,563,150	-	-
Borrowing costs	4,537,603	7,420,356	-	-
Accelerated depreciation	-	-	543,986,501	434,349,328
Intangibles	-	-	2,987,529,285	3,222,461,373
Undistributed income of foreign subsidiaries	-	-	651,315,255	606,682,516
Foreign subsidiaries	-	-	495,207,481	44,374,334
	155,753,075	122,983,506	4,678,038,522	4,307,867,551
Net deferred tax assets (liabilities)	₱216,916,334	₱366,864,809	(₱4,261,515,625)	(₱4,036,341,411)



As of December 31, 2017 and 2016, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱434.6 million and ₱168.0 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.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Statutory income tax rate	30.00%	30.00%	30.00%
Increase (decrease) in tax rate resulting from			
Income exempt from tax	(1.42)	(1.96)	(1.02)
Interest income subjected to final tax	(0.23)	(0.30)	(0.21)
Nondeductible interest expense	0.09	0.12	0.09
Equity in net income of a joint venture	(0.60)	(0.46)	(0.37)
Net income of subsidiaries with different tax rate	(8.95)	(5.57)	(11.39)
Change in value of financial assets at FVPL	(0.15)	0.04	0.02
Others	1.31	1.99	1.19
Effective income tax rate	20.05%	23.86%	18.31%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.0% for peso deposits and 7.5% for foreign currency deposits on gross interest income from bank deposits and short-term investments.

Current tax regulations provide that the RCIT rate shall be 30.0% and interest allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax beginning January 1, 2009.

Current tax regulations also provide for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Current tax regulations further provides that an OSD equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set 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 1.0% 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. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱61.9 million, ₱15.0 million



and ₱41.6 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

MCIT

An MCIT of 2.0% 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.

33. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Net income attributable to equity holders of the parent	₱10,888,080,693	₱2,402,116,084	₱15,140,452,205
Weighted average number of common shares	2,204,161,868	2,204,161,868	2,181,564,015
Basic/dilutive EPS	₱4.94	₱1.09	₱6.94

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 for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016.

34. 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, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.



Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

December 31, 2017							
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non- trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱-	₱-	₱-	₱439,409,131	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	177,081,208	-	-	-		
Entity under common control	Due from related parties	-	-	-	956,830,499	On demand; non-interest bearing	Unsecured; no impairment
	Sales	995,485,756	-	77,348,339	-	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	37,966,278	-	-	-		
	Engineering services	17,420,461	-	-	-		
	Contracted services	103,675,870	-	-	-		
	Due to related parties	-	-	-	(106,452,798)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	(205,215,801)	190,577,503	-	-	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,512,724,554	4,048,044,786	-	-	Interest-bearing at prevailing market rate; due from 2 to 40 days; with interest ranging from 1.2% to 3.4%	Unsecured; no impairment
	Interest income	30,148,933	-	3,401,689	-	Due from 2 to 40 days	Unsecured; no impairment
Subsidiaries	Due from related parties						
	Sales	630,964,853	-	30,023,194	-	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	17,126,605	-	-	-		
Due to related parties	Purchases	5,102,874,725	-	(339,334,405)	-	On demand	Unsecured
Joint Venture	Purchases	1,384,805,724	-	(69,986,122)	-	1 to 30 days;	Unsecured
	Sales	158,109,871	-	187,398,912	-	non-interest bearing	



December 31, 2016

Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non- trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱-	₱-	₱-	₱833,498,102	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	43,019,661	-	-	-		
Entity under common control							
Due from related parties	Advances	-	-	-	720,463,444	On demand; non-interest bearing	Unsecured; no impairment
	Sales	172,923,852	-	154,694,305	-	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	6,349,804	-	-	-		
	Engineering services	3,354,945	-	-	-		
Due to related parties		-	-	-	(75,161,893)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	206,671,389	395,793,304	-	-	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,952,052,684	2,535,320,232	-	-	Interest-bearing at prevailing market rate; due from 3 to 87 days; with interest ranging from 1.5% to 2.0%	Unsecured; no impairment
	Interest receivable	2,524,928	-	3,254,609	-	Due from 3 to 87 days	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	172,923,852	-	69,830,184	-	On demand; non-interest bearing	Unsecured; no impairment
	Dividend income	237,150,000	-	237,150,000	-		
	Rental income	3,973,435	-	-	-		
Due to related parties	Purchases	1,231,915,708	-	-	(310,594,994)	On demand	Unsecured
Joint Venture							
	Purchases	1,474,555,268	-	-	(249,252,030)	1 to 30 days; non-interest bearing	Unsecured
	Sales	176,928,503	-	347,307,329	-		



September 30, 2016

Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non- trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱-	₱-	₱-	₱668,840,732	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	166,503,507	-	-	-		
Entity under common control							
Due from related parties	Advances	-	-	-	635,051,546	On demand; non-interest bearing	Unsecured; no impairment
	Sales	750,450,211	-	98,977,506	-	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	36,266,793	-	-	-		
	Engineering services	13,954,644	-	-	-		
Due to related parties		-	-	-	(62,168,584)		
Cash and cash equivalents	Cash in bank	68,191,352	189,240,903	-	-	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	(2,127,907,997)	583,267,548	-	-	2 to 85 days; Interest bearing with interest ranging from 1.5% to 1.7%	Unsecured; no impairment
	Interest receivable	729,681	-	729,681	-	Due from 3 to 87 days	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	779,003,898	-	52,172,016	-	On demand	Unsecured
	Rental income	15,804,927	-	-	-		
Due to related parties	Purchases	5,108,848,460	-	-	(243,352,735)	On demand	Unsecured
Joint Venture	Purchases	1,246,984,793	-	-	(51,348,490)	1 to 30 days;	Unsecured
	Sales	578,203,973	-	264,476,332	-	non-interest bearing	



The Group's significant transactions with related parties follow:

- (a) The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earns interest at the prevailing bank deposit rates.
- (b) As of December 31, 2017 and 2016, the Group has advances from stockholders amounting to ₱243.6 million and ₱231.1 million, respectively (see Note 19). These advances are non-interest bearing and payable on demand.

Transactions with the retirement plan

The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱25.3 million and ₱6.3 million for the year ended December 31, 2017 and for the three-month period ended December 31, 2016, respectively. Terms are unsecured, noninterest-bearing and payable on demand.

Included in the Parent Company's retirement plan assets are special savings deposits with RBC. In December 31, 2017 and 2016, special savings deposit with RBC amounting to ₱657.5 million and ₱1.0 billion bears annual interest rates ranging from 1.00% to 3.50% and 1.25% to 2.25%, respectively.

Compensation of Key Management Personnel

The compensation of the Group's key management personnel by benefit type follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Short-term employee benefits	₱256,914,335	₱55,934,152	₱230,582,981
Post-employment benefits	70,445,960	17,611,490	67,025,015
	₱327,360,295	₱73,545,642	₱297,607,996

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.

35. 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.

Sugar Millsite - Tulong

On January 14, 2015, Sugar Millsite Tulong was registered with the BOI as an expanding producer of raw sugar.

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from February 2015 (as an expanding producer raw sugar) or actual start of commercial operations, whichever is earlier but in case earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order (EO) No. 70 and its implementing rules and regulations for a period of five (5) years reckoned from the date its



registration or until the expiration of EO No. 70 whichever is earlier; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) year from date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to posting of re-export bond; (e) tax credit equivalent to 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; (f) exemption from wharfage dues, and any export tax, duty, impost and fee for period of ten (10) years from the date of registration; (g) employment of foreign nationals; (h) simplifications of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Cogeneration

On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years at which the RE Plant generated the first kilowatt-hour energy after commissioning or testing, or two months from date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery

On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the



year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10.0% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry

On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. On 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 nonpioneer 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 70.0% 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 70.0% 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 (RF) - 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 nonpioneer 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.

36. Commitments and Contingencies

Operating Lease Commitments - Group as a Lessor

The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and building where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱63.7 million, ₱76.7 million and ₱61.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively.

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' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱425.5 million, ₱95.8 million and ₱395.6 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Within one year	₱302,978,419	₱170,551,153	₱183,546,225
After one year but not more than five years	425,325,347	713,553,406	734,184,901
Five (5) years or more	312,745,257	416,925,061	520,915,202
	₱1,041,049,023	₱1,301,029,620	₱1,438,646,328

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 income) amounted to ₱36.4 million, ₱8.5 million and ₱34.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, 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.

37. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cumulative translation adjustment (Note 23)	(₱1,392,324,892)	₱1,200,565,078	(₱2,759,505,648)
Accrued earn-out of PSFL (Note 16)	(51,516,704)	-	-
Disposal of property, plant and equipment (Note 10)	-	-	687,174,800

The table below provides for the changes in liabilities arising from financing activities:

	Short-term debt	Long-term debt	Total Liabilities from Financing Activities
January 1, 2017	₱1,431,890,655	₱31,366,592,785	₱32,798,483,440
Cash flows from availment	4,284,475,807	-	4,284,475,807
Cash flows from settlement	(3,850,000,000)	-	(3,850,000,000)
Foreign exchange movement	-	116,661,970	116,661,970
Others	142,951,449	1,742,707,633	1,885,659,082
December 31, 2017	₱2,009,317,911	₱33,225,962,388	₱35,235,280,299

38. 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 April 10, 2018.



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at December 31, 2017 and 2016 and for the year ended December 31, 2017, the period October 1, 2016 to December 31, 2016 and the year ended September 30, 2016, included in this Form 17-A and have issued our report thereon dated April 10, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Aris C. Malantic

Partner

CPA Certificate No. 90190

SEC Accreditation No. 0326-AR-3 (Group A),

May 1, 2015, valid until April 30, 2018

Tax Identification No. 152-884-691

BIR Accreditation No. 08-001998-54-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621284, January 9, 2018, Makati City

April 10, 2018

SGVFS029176

Universal Robina Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2017

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 / Equity Securities		₱455,577,705	₱455,577,705	₱12,921,148

See Note 8 of the Consolidated Financial Statements.



Universal Robina Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders (Other than Related Parties)
December 31, 2017

Name of Debtor	Balance at Beginning of Period	Additions	Collections	Balance at End of Period		
				Current	Non-Current	Total
Advances to officers and employees	₱132,306,662		₱- (₱22,074,836)	₱110,231,826	₱-	₱110,231,826

See Note 10 of the Consolidated Financial Statements.



Universal Robina Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties Which are Eliminated
During the Consolidation of Financial Statements
December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Balance at End of Period		
					Current	Non-Current	Total
CFC Corporation	₱48,013,300	₱123,186,293	₱-	₱-	₱171,199,593	₱-	₱171,199,593
CFC Clubhouse Property, Inc.	219,012,474	-	(468,985,926)	-	(249,973,452)	-	(249,973,452)
URC International Company, Ltd. and its Subsidiaries	6,068,453,074	-	(2,459,400,549)	-	3,609,052,525	-	3,609,052,525
Nissin - Universal Robina Corporation	60,245,904	84,276,890	-	-	144,522,794	-	144,522,794
	₱6,395,724,752	₱207,463,183	₱2,928,386,475	₱-	₱3,674,801,460	₱-	₱3,674,801,460



Universal Robina Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2017

Description	Beginning Balance	Additions at Cost	Deductions / Amortizations		Other Charges— Additions (Deductions)	Ending Balance
			Charged to cost and Expenses	Charged to Other Accounts		
Goodwill	₱31,212,075,404	₱—	₱—	₱—	₱—	₱31,212,075,404
Trademark	9,362,936,671	—	—	—	—	9,362,936,671
Customer relationship	2,082,760,252	—	(77,318,982)	—	(2,334,094)	2,003,044,176
Product formulation	425,000,000	—	—	—	—	425,000,000
Software costs	32,907,978	4,475,330	(19,404,935)	—	1,076,812	19,055,185
Intangible Assets	₱43,115,680,305	₱4,475,330	(₱96,786,917)	₱—	(₱1,257,282)	₱43,022,111,436

See Note 15 of the Consolidated Financial Statements.



Universal Robina Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2017

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Various foreign banks	Not applicable	₱-	₱33,225,962,388	₱33,225,962,388

See Note 20 of the Consolidated Financial Statements



Universal Robina Corporation and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2017

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
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NONE TO REPORT



Universal Robina Corporation and Subsidiaries
Schedule G - Guarantees of Securities and Other Issuers
December 31, 2017

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
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NONE TO REPORT



Universal Robina Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2017

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	2,204,161,868	-	1,217,841,260	14,790,843	971,529,765

See Note 22 of the Consolidated Financial Statements.



**SCHEDULE OF ALL THE EFFECTIVE STANDARDS
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2017**

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRSs and Philippine Accounting Standards (PAS)] effective as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs	✓		
	Amendments to PFRS 1: Meaning of Effective PFRS	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets	✓		
PFRS 9	PFRS 9, Financial Instruments		✓	
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 10 <i>(cont'd)</i>	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓

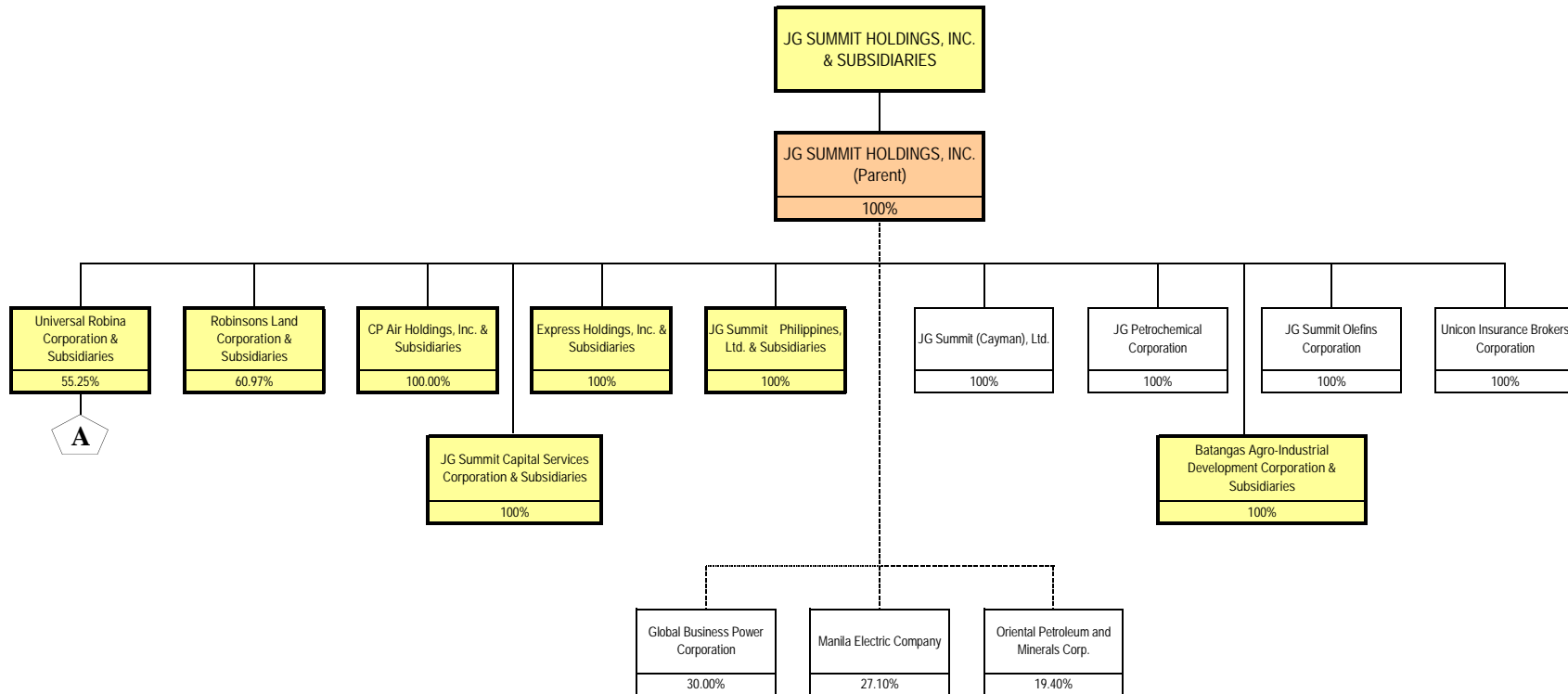
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Regional Market Issue regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 28 (Amended) <i>(cont'd)</i>	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
	Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization		✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions		✓	
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 39 <i>(cont'd)</i>	Amendment to PAS 39: Eligible Hedged Items		✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture	✓		
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

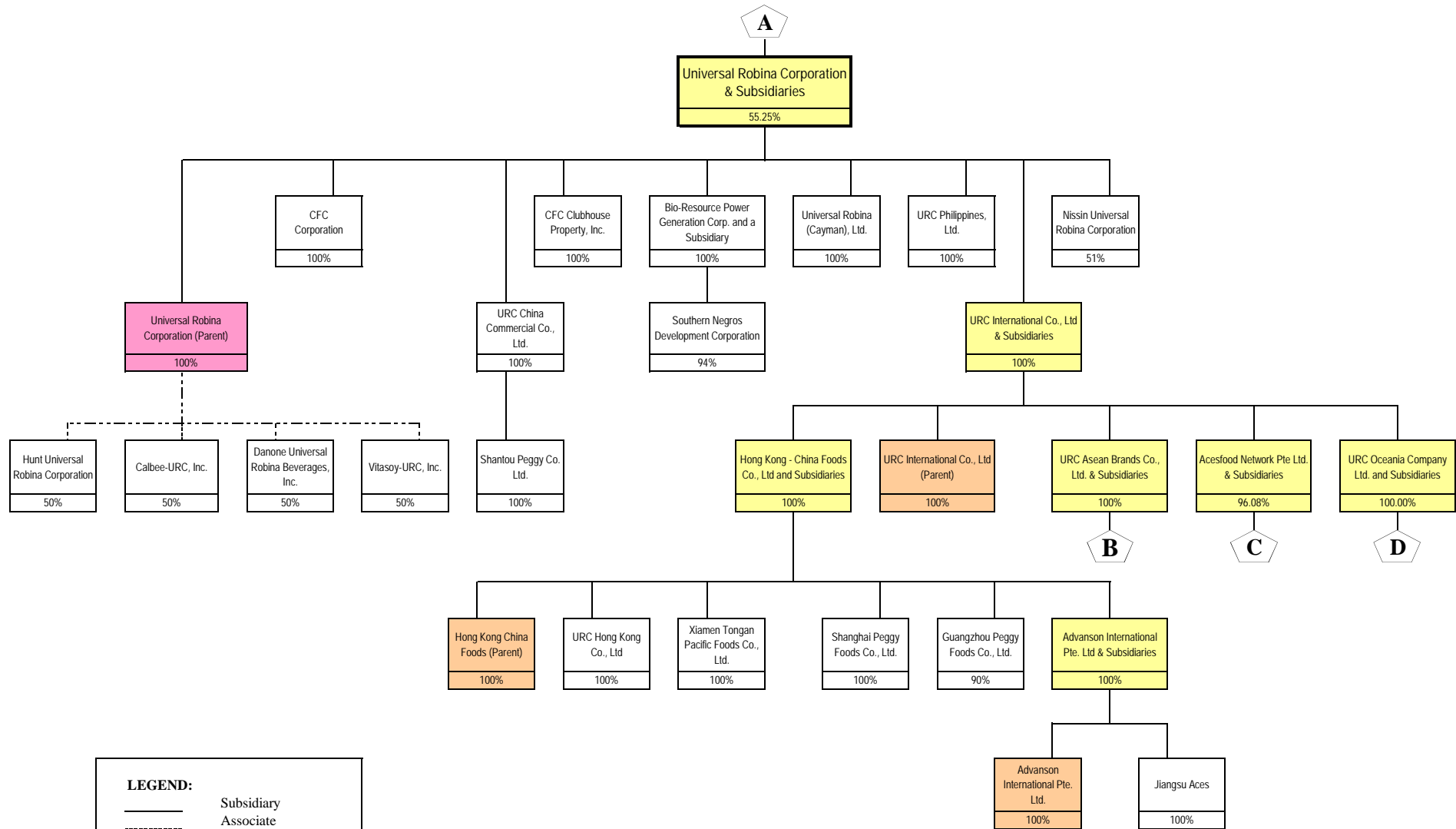
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC-23	Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

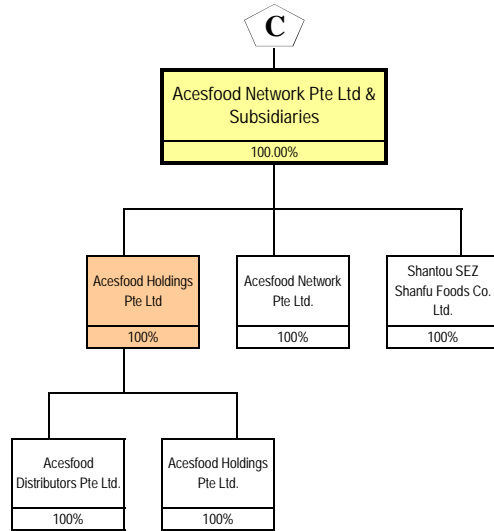
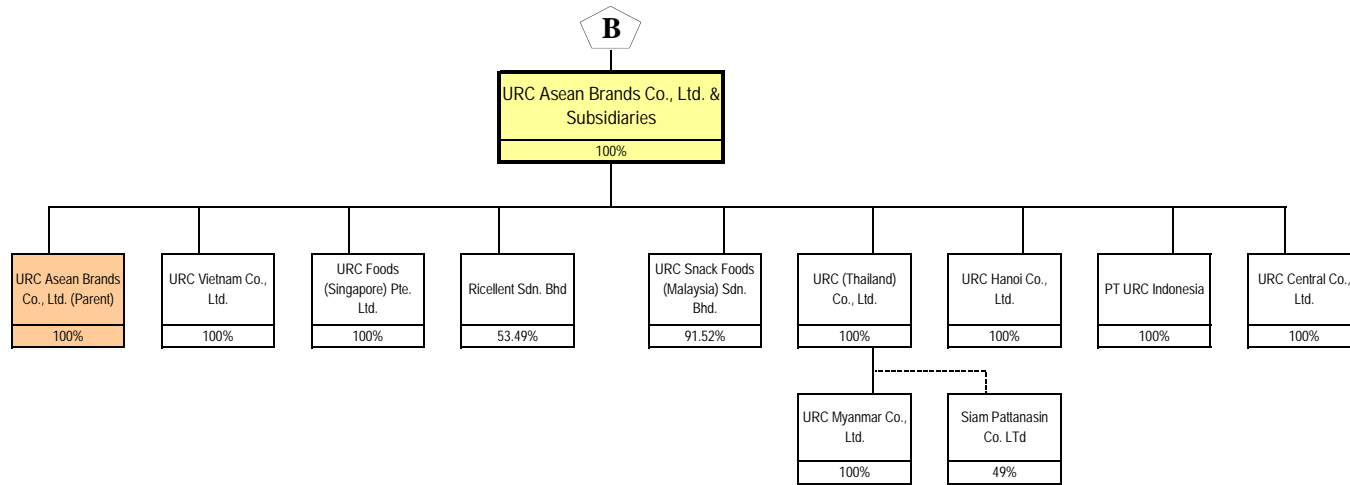


LEGEND:

- Subsidiary
- Associate
- - - - - Joint Venture

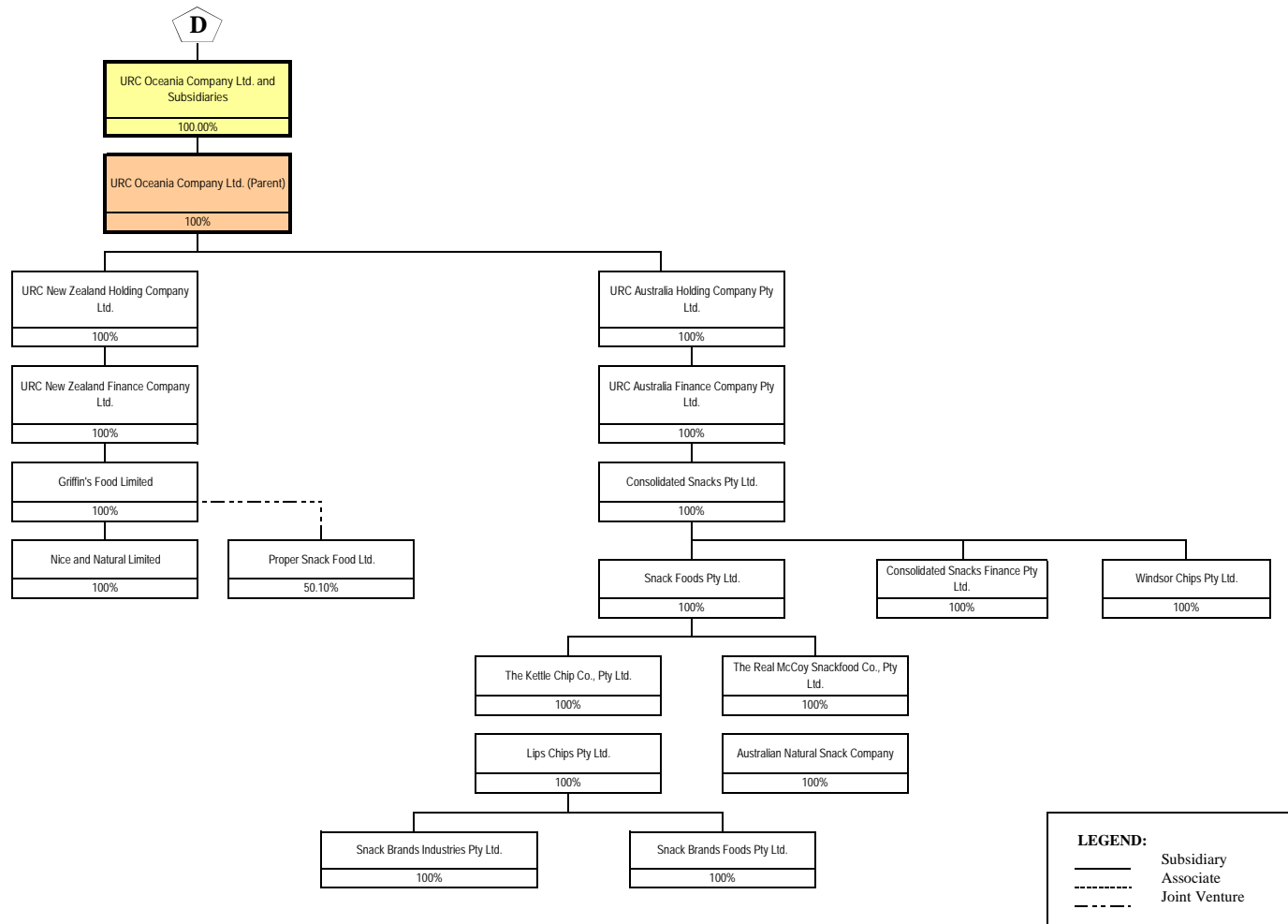


LEGEND:
 ————— Subsidiary
 - - - - - Associate
 Joint Venture



LEGEND:

- Subsidiary
- Associate
- .-.-.-.- Joint Venture



UNIVERSAL ROBINA CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

The table below present the retained earnings available for dividend declaration as at December 31, 2017:

Unappropriated retained earnings as at December 31, 2016		₱10,906,965,963
Adjustments:		
Fair value adjustment on financial assets at FVPL	319,896,008	
Fair value less estimated cost to sell adjustment on biological assets	(104,648,602)	
Deferred tax assets, excluding those arose from remeasurements	116,912,600	332,160,006
Unappropriated retained earnings, as adjusted as at December 31, 2016		10,574,805,957
Net income actually earned /realized during the period		
Net income during the period	6,365,686,707	
Less: Non-actual/unrealized income		
Gain arising from changes in fair value less estimated costs to sell of swine stocks	(118,841,072)	
Unrealized gain on fair value adjustment on financial assets at FVPL	(71,016,151)	6,175,829,484
Sub-total		16,750,635,441
Less: Dividend declarations during the year		(6,943,109,884)
Appropriations during the period		(1,500,000,000)
Treasury shares		(341,137,179)
Total retained earnings available for dividend declaration as at December 31, 2017		₱7,966,388,378