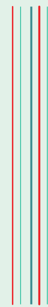
2014 ANNUAL REPORT



UNIVERSAL ROBINA CORPORATION

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CORPORATION

2014 ANNUAL REPORT

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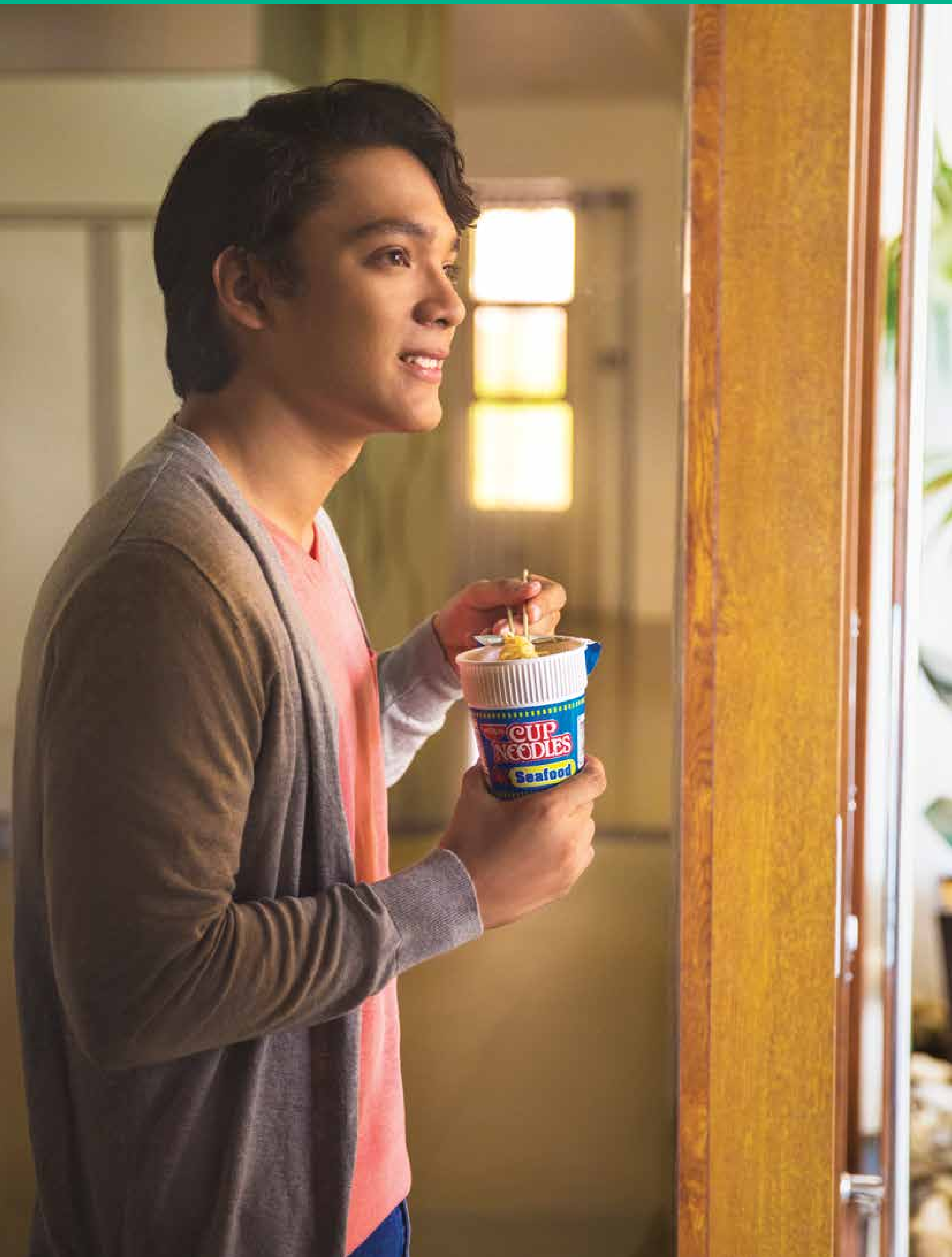
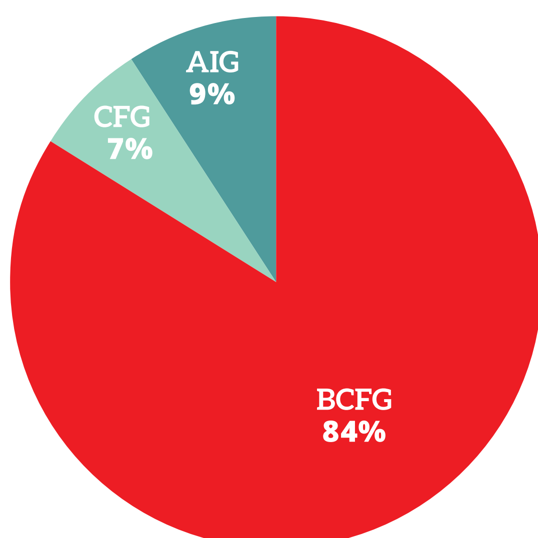

CUP NOODLES
Seafood

Financial Highlights

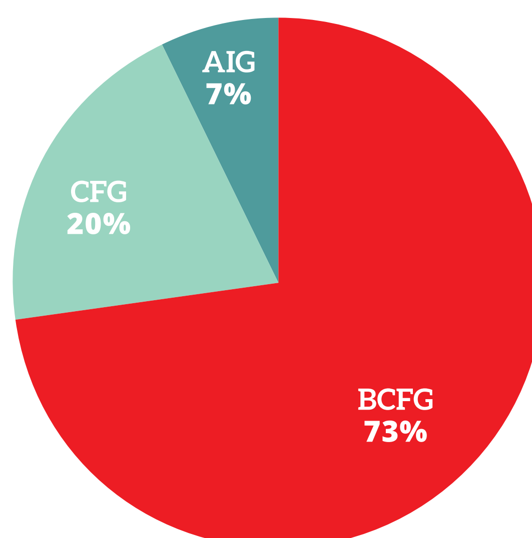
In million Pesos, except per share data

	YEARS ENDED September 30			2014 vs 2013	
	2014	2013	2012	Inc/(Dec)	%growth
Net Sales	92,376	80,995	71,202	11,381	14.05%
Income from Operations	14,119	10,279	7,850	3,840	31.36%
Net Income to Equity Holders	11,559	10,045	7,763	1,514	15.07%
Total Assets	77,921	66,545	70,095	11,376	17.10%
Total Liabilities	21,894	15,715	23,730	6,179	39.32%
Stockholder's Equity	56,027	50,830	46,365	5,197	10.22%
Per Share					
Earnings	5.30	4.60	3.70	0.70	15.22%
Book Value	25.65	23.28	21.24	2.37	10.18%

NET SALES



EBIT



James L. Go
Chairman

Message from the Chairman and the President and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Executive Officer

To our valued shareholders,

Global growth in 2014 marginally improved as many developed nations are still plagued by remnants of the financial crisis. The US economy and the United Kingdom have gained momentum, while there was evidence of Euro-zone recovery. The emerging markets had its fair share of ups and downs, as most were affected by weak external demand, political uncertainties and less dynamic economic activity.

The ASEAN economic performance was stable though the growth of our main markets slowed down, mainly due to weaker export demand further exacerbated by socio-political problems and shifts in macro-economic policies. Thailand's economy was still weak due to the political unrest coupled by the ramifications of previous policies implemented by the government resulting in weaker consumer sentiment. Vietnam's economy stabilized though growth was below historical levels as the economy relied heavily on manufactured exports while domestic demand was weak with FMCG declining due to inflation. Indonesia's macro-economy slowed down brought by the stabilization policy and inflation as a result of the partial removal of oil subsidies and weaker currency.

In contrast, the Philippines remained to be one of the fastest growing economies and managed to grow GDP by 6.1%. This was driven by the growth of agriculture, manufacturing, and the service sector, which is the largest contributor to GDP. The country's resilient consumption, business process outsourcing (BPO) sector, overseas Filipino worker (OFW) remittances and structural reforms implemented by the government to attain sustainable and inclusive growth fuelled the country's performance in 2014 and the preceding years.

URC: Another record year

We are pleased to inform you that despite the tough environment in our international markets, we were able to post another record year. Our sales for fiscal year 2014 was Php 92.4 billion, a growth of 14.1%, driven by fast growth from our Philippine branded foods business. We have also managed to set new records for our operating income, which was at Php 14.1 billion, an increase of 37.4% year on year which resulted in 259 bps margin expansion. Core earnings before tax increased by 26.2%, at Php 14.2 billion, and net income attributable to equity holders of the parent closed at Php 11.6 billion, an increase of 15.1%. The growth was slower than operating income as we booked lower non-recurring gains with the liquidation of most of our bond and equity holdings in the prior year.

Our balance sheet remains strong for fiscal year 2014. We remain in a net cash position in FY2014, with Php 1.8 billion from Php 8.1 billion last year with a financial gearing ratio of 0.16 (vs. 0.09 in FY2013). We paid Php 6.5 billion in cash dividends, which is equivalent to 65% of previous year's reported income. Operating income before depreciation and amortization (EBITDA) was Php 18.0 billion. Capital expenditures for the fiscal year amounted to Php 7.7 billion as we invested in expanding our manufacturing capabilities across the ASEAN branded business and in bioethanol and biomass cogeneration facilities under our non branded business.

Branded Consumer Foods Group:
Double digit topline with significant margin expansion

The Company's largest segment continues to be the Branded Consumer Foods Group (BCFG), which includes our packaging division, as total BCFG contributes 83.6% of revenues. Total Branded Foods revenues grew by 18.1%, with a figure of Php 77.2 billion for fiscal year 2014. Operating income grew faster at 48.2%, with an EBIT of Php 11.1 billion for the year as operating income margins expanded by 292 bps due to increased scale, lower average input costs, and selective price increases.

BCFG Philippines: Outpaced market growth in major categories

BCFG Philippines continued to be the main driver of the group's strong performance. Revenues grew by 24.1% to Php 52.4 billion in FY2014. All segments managed to post growth with beverages as the prime mover driven by our coffee and ready-to-drink (RTD) tea businesses. URC continues to gain market shares as it outpaces market growth in salty snacks, coffee, RTD tea, biscuits, chocolates, and cup noodles.

Operating income for BCFG Philippines managed to grow faster than sales as it registered 57.0% growth for fiscal year 2014. Operating income increased from Php 5.5 billion in fiscal year 2013 to Php 8.6 billion for fiscal year 2014.

BCFG International: Managed to buck the trend in a tough macro environment

BCFG International grew topline by 7.8% versus fiscal year 2013, posting Php 23.8 billion in revenues for fiscal year 2014. In US dollar (US$) terms, sales registered an increase of 2.3% from US$527 million in fiscal 2013 to US$539 million in fiscal 2014.

Thailand grew double digit versus the previous fiscal year despite increased inflation and political turbulence. We managed to post growth as we launched more affordable products (smaller pack sizes for biscuits) as well as implemented continuous promotional campaigns and sampling activities. We also managed to improve the sales force by reorganizing our trade marketing and selling systems, and by appointing a new sales manager.

Vietnam posted modest growth, despite a weakening total Fast Moving Consumer Goods (FMCG) industry and lower consumer confidence index compared to other Asian developing countries. Our growth was driven by our new product offerings in the energy drink, biscuits, and candies markets. We were also able to protect our market share in RTD tea despite aggressive new entrants in the market. C2 continues to be the number one RTD tea brand in Vietnam.

Indonesia continues to show promise with core snack foods growing at 11.0%. Sales of URC's brands such as Piattos and Cloud 9 continued to be robust and we have implemented strategies to improve distribution and coverage with focus on major cities and key accounts.

Malaysia/Singapore registered positive growth driven by chocolates, candies, biscuits, and wafers categories.

China/Hong Kong continued to play a key role in augmenting coffee capacities for the Philippines while sales grew as growth from snacks, cereals, and oats all managed to offset biscuit declines.

BCFG International's operating income grew faster than sales at 22.0% to Php 2.5 billion from Php 2.1 billion last year. In US dollar terms, operating income grew by 15.3% reaching US$57.0 million due to lower input costs and additional scale.

URC Packaging

Sales for the packaging division declined to Php 1.1 billion, a 5.2% decrease versus prior year due to lower sales volume brought about by weak market demand.

Non-Branded Consumer Foods Group:
Stable earnings for Commodity Foods while Farms buoyed up Agro Industrial operating income

Our Non-Branded Consumer Foods Group is composed of the Commodity Foods Group (CFG) and the Agro-Industrial Group (AIG). They accounted for 7.5% and 8.9% of revenues respectively for FY2014.

Commodity Foods Group

The Commodity Foods Group (CFG), composed of Sugar and Flour divisions, had operating income of Php 3.1 billion, which was flat versus the previous fiscal year while revenues for the group declined by 15.4% versus last year, which registered a Php 6.9 billion sales figure. Our flour business managed to post Php 4.1 billion in revenues for FY2014, a growth of 4.8%. The growth in revenues was driven by volume increase. Operating income, on the other hand, grew faster at 9.9%, ending FY2014 with Php 1.1 billion in EBIT due to lower wheat cost.

Revenues for our sugar business declined to Php 2.8 billion for FY2014 from Php 4.3 billion for FY2013, a deceleration of 34.1% as volumes for refined sugar production declined. Operating income for FY2014 was at Php 2.0 billion, a 5.9% decrease versus last year.

Agro-Industrial Group

The Agro-Industrial Group (AIG), consisting of Feeds and Farms divisions, managed to post an 11.0% growth versus last year, with Php 8.2 billion in revenues for FY2014. Operating income grew faster at 62.4%, as EBIT increased to Php 1.1 billion.

Our Feeds business grew revenues by 10.6% due to higher sales volume and average selling price. Operating income was at Php 326 million, a 13.0% decline versus last year due to higher production costs as the feeds formulation was improved and raw materials costs increased.

Our Farms business posted 11.2% top line growth driven by better average selling prices, as well as a growing carcass business, and hotel, restaurants, and institutional account segment. Operating income for the fiscal year was at Php 740 million, a 163.0% growth versus the FY2013.

2015 and Beyond – Changing trends in snacking

New emerging global trends in snacking will be more evident in the markets we operate in as GDP per capita expands evidenced by the rapid urbanization and lifestyle change. The typical ASEAN consumer will demand to eat better in a fast paced, on the go setting and with this change, URC will once again transform its innovation strategy and develop products anchored on indulgence, play plus, authenticity, health, nutrition and wellness. We will continue to offer products in our existing mainstream portfolio given a larger addressable market but will also slowly deploy an affordable premiumisation strategy in specific categories to continue making ourselves relevant to our customers – both the trade and end consumer. Given these trends, we have in the past months announced important initiatives namely:

- Formation of two new joint ventures namely Calbee-URC and Danone Universal Robina Beverage Inc. Calbee is Japan's largest snackfoods company and is the third largest salty snacks company in the world while Danone is a worldwide leader in nutrition, dairy and waters. The first products of these JV's will be introduced in FY2015 and these are our first offering in the higher priced point salty snacks and functional beverages categories which are mostly available in convenience stores and supermarkets. We believe that we can further expand the premium salty snacks market with Calbee's differentiated potato based chips as well as create another game changing RTD beverage segment with Danone.

- Acquisition of New Zealand Snack Foods Holdings Limited, which owns Griffin's Foods, New Zealand's largest snackfoods company with leading market positions in biscuits and wrapped snacks and second largest salty snacks company. The strategic rationale for this acquisition is that it immediately gives URC a platform to launch premium and differentiated products from NZ, a trusted food source known for its stringent quality and authenticity worldwide. Aside from its premium offering in pure chocolate coated biscuits and healthy snacks (nut, muesli and oat bars), Griffin's also gives URC the additional boost in organizational capability in areas such product development, sales and marketing and operations in a developed market setting.

Upcoming ASEAN Economic Integration

2015 will also be a defining year for the ASEAN when the economic integration of ten countries in the region will become a reality. This integration will both present risk and rewards to companies like URC as markets are opened and tariffs lowered/abolished. The competitive landscape will be tougher given the opportunity for companies to tap into a larger addressable consumer segment beyond their home markets as well as their push in building a regional footprint.

URC has prepared for this external reality given that we have started to roll out strategies on regional branding as well as regional sourcing and alignment the past years. We believe that our unit cost to produce is very competitive and our goal of building consistent branding across the region is paying off given the high investments necessary to build scale in branding and access to distribution.

The economic outlook for ASEAN in 2015 is positive as majority of the countries are expected to benefit from lower oil prices, tighter monetary policies, and recovery of global demand that will boost exports. Thailand, an unstable economy for 2014, is expected to rebound as the military announced the implementation of a stimulus package to boost economy. Vietnam's economy is forecasted to recover supported by growth in exports and investments. Indonesia's economy, under the helm of a new government, is projected to slightly accelerate with infrastructure investment and exports as key drivers.

Zooming on the Philippines, the growth trajectory is likely to continue in 2015 due to expected improvements in government fiscal disbursements, strengthening exports in goods and services, and lowered global oil prices. Remittances from Overseas Filipino Workers (OFW) and business process outsourcing industry are expected to grow in 2015, and will still be key growth drivers for the Philippine economy.

As a company, we strive to meet the ever changing business landscape and consumer demand. We anticipate that socio-political and economic instability in the markets we operate in will be the new normal, which in turn would demand us to adapt to these changing and challenging circumstances.

Our answer to the changing consumer landscape: Affordable premiumisation with Griffin's, Calbee, and Danone

The trend towards a changing lifestyle across the ASEAN is now evident with rapid urbanization happening in most markets we operate in and with this, consumers are expected to trade up to more aspirational snack food and beverage products. We are also seeing the proliferation of convenience stores as the channel of choice in sourcing products which is latched on a pattern of on premise and on the go consumption. We believe that our new acquisition and joint ventures will play an important role in addressing this trend and filling in the gap in our portfolio which has been focused mainly for the mainstream market.

We are launching premium potato-based snacks like Jagabee and Pizza Potato under the Calbee Jack 'n Jill brand. The aim is to participate in the premium segment of the salty snacks category and grow this in the coming years. For the JV with Danone, we are launching B'lue, a water-based beverage that has a unique selling proposition centered on enhancing one's personal best, anytime, anywhere. As this product offers a totally new drinking experience in the Philippine market, we are quite excited and believe that this product could potentially create a new segment in the ready-to-drink space.

Griffin's, on the other hand, will provide exciting synergies and opportunities for URC. Griffin's products, which are in the premium segment of the snackfoods market can widen URC's product offerings in its existing categories of biscuits and introduce healthy wrapped snacks in the ASEAN and China. We plan to leverage our existing distribution structure and relationships in modern retail to introduce these products. Conversely, URC can also tap into Griffin's distribution platform and retailer relationships in Australia and New Zealand to introduce URC products in the budget retailer branded or discount branded segments.

We will invest in expanding capacity of the bar line, as we expect demand to strengthen with the re-launch of Nice & Natural, Griffin's wrapped snacks brand which is growing very fast in Australia and will be introduced in the ASEAN next fiscal year. We will also kick-off a project that will focus on a deeper review of URC's portfolio and rationalize our branding strategy across the markets we cover. This will include Griffin's to ensure that we successfully introduce the brand in the ASEAN and China.

Protect the Core business

We have clearly expressed our goal of continuing the double digit topline growth trajectory in the coming years as well as expand our operating margins to a sustainable mid-teens level. As of FY14, we have hit revenues exceeding US$ 2 billion with the bulk coming from our core branded foods. Our megabrands, Jack 'n Jill, C2, and Great Taste continue to give us profitable growth and leading market shares. We will continue driving innovation to protect our core brands and launch new ones with strong appeal to our consumers and the trade. Our non-branded foods business will continue to contribute consistent operating income contribution as we have been very proactive in deploying capital needed to sustain the significance of these businesses.

With lower oil and soft commodity prices, we expect to realize gross margin expansion as we benefit from lower soft commodity prices and lower operating costs in oil-related expenses like freight and handling. The additional margins generated will be used for future growth through brand building investments as well as additional operating costs as we roll out new facilities and absorb higher costs in selling and general and administrative expenses as we build further organizational capabilities in sales and marketing. We will also continue to optimize our supply chain capabilities and roll out a regional sourcing strategy to derive further synergies and alignment in quick-win areas like procurement for economic sourcing of inputs as well as implement a more cohesive approach on how we deploy CAPEX for growth. Our goal is to always maintain the competitiveness of our unit cost of production given the new reality of a single ASEAN market with zero tariffs.

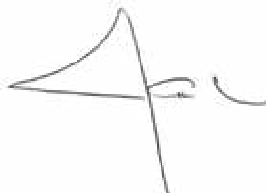
For fiscal 2015, we budgeted US$ 200M in capital expenditures mostly for growth with the expected commissioning of facilities in Central Vietnam and in Myanmar. We also plan to invest in expanding our manufacturing capacities in the ASEAN to include PET, beverage, and snack foods lines as well as finish our projects for biomass cogeneration.

Transforming to be a leading regional consumer company

The success we have enjoyed in FY2014, as well as what we have achieved in almost 65 years would not be possible without the continued confidence and support given to our Company by our Board of Directors, shareholders, trade partners, suppliers, employees and consumers. For this, we would like to extend our heartfelt gratitude.

We also attribute this success to the unwavering entrepreneurial spirit fostered within the organization. We will continue to align our business strategies with the changing environment and ensure our relevance to our target consumers. Together, we will reach our goal of turning our Company into the leading ASEAN and New Zealand snack foods and beverage player.

Maraming salamat po.



James L. Go
Chairman

Lance Y. Gokongwei
President and
Chief Executive Officer

Our Company

Who We Are

Universal Robina Corporation (URC), the “first Philippine multinational”, is one of the largest branded foods companies in the Philippines, and has managed to expand its reach to other Asian markets. Most recently, URC has expanded its reach to New Zealand and Australia through the acquisition of Griffin’s Foods, a leading snacks player in New Zealand, which owns many established brands such as Griffin’s, Cookie Bear, Eta, Huntley & Palmer’s, Nice & Natural, and Chip Off the Old Block.

URC is among the Philippines’ pioneers in the industry, having been in operations since 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig.

URC is engaged in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, hog farming, manufacture of animal feeds, glucose, soya products and veterinary compounds, flour milling and pasta manufacturing, sugar milling and refining, and in renewable energy via the bio-ethanol and biomass cogeneration businesses.

In the Philippines, URC is a dominant player with leading market shares in savory snacks, candies, chocolates, and canned beans and is a significant player in biscuits, with leading positions in cookies and pretzels. It is also the largest player in the RTD tea market, and is a respectable 2nd player in the noodles and coffee. The Company has started building its Jack ‘n Jill and C2 mega-brands across the ASEAN as well with a market leading position in both biscuits and wafers in Thailand and the number one RTD tea brand in Vietnam.

VISION AND VALUES

URC's VISION is to be the best Philippine food and beverage company with a powerful presence throughout the ASEAN region, New Zealand, and Australia, carrying a wide portfolio of delightful brands of exceptional quality and value, equipped with efficient systems and motivated people. We are committed in making lives a truly fun experience.

We shall employ these four values: Passion to Win, Dynamism, Integrity and Courage

Passion to Win: We build organizational capability by being entrepreneurial and proactive, driven by a sense of urgency and purpose.

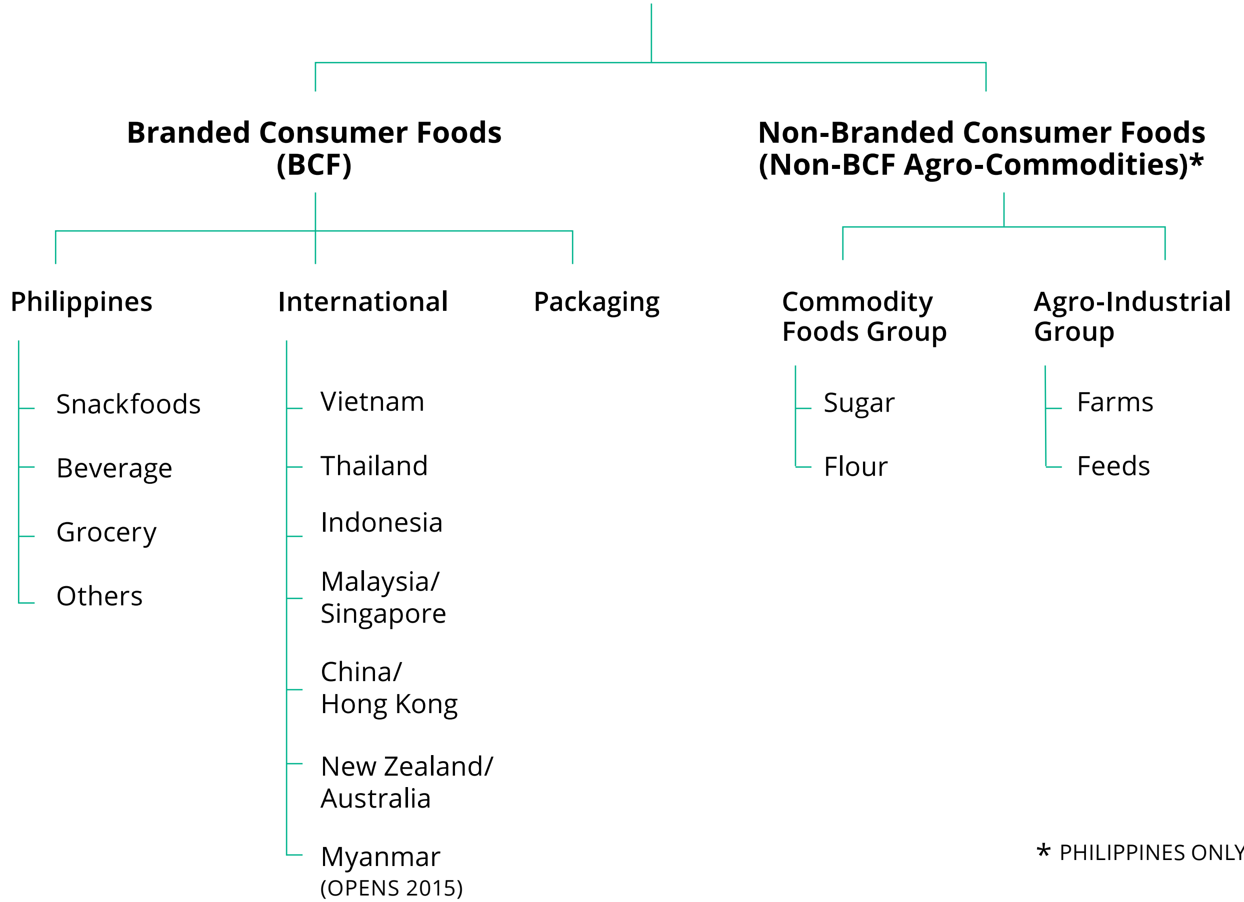
We continuously challenge ourselves to deliver world-class brands and consistently rally our people to strive for excellence.

Dynamism: We cultivate a culture of innovation and productive working relationships. We continuously find ways to improve organizational and people capabilities to meet constantly changing consumer needs.

Integrity: We are guided by transparency, ethics and fairness. We build the business with honor and are committed to good governance. Our processes and products meet the highest standards. We are credible in our dealings with both internal and external stakeholders.

Courage: We seize opportunities in building long-term, sustainable businesses. We make tough people and business decisions to ensure competitive advantage.

UNIVERSAL ROBINA
CORPORATION



Where We Are

Branded Consumer Food Group PHILIPPINES

Universal Robina Corporation (URC), the first "Philippine multinational", is the leading branded snackfood and beverage company in the Philippines, which enjoys a loyal and consistent following from its many delighted customers. URC has consistently grown due to its constant innovations, strong distribution capabilities, and effective marketing campaigns. The company's constant efforts caused URC to have market leadership in salty snacks, candies, chocolates, canned beans, and ready-to-drink tea while maintaining strong positions in coffee, biscuits and noodles.

Snackfoods

URC has been part of the Filipino snacking occasion for more than four decades. Over time, URC brands have transformed into household names due to the unwavering support of our consumers. URC constantly tries to provide value to its loyal consumers by developing new variants of some well-loved brands, and by tapping undiscovered markets by innovating and growing new brands such as Mang Juan, Fun-O, and the "Swakto Packs" price-point.

Holding the largest and most diverse portfolio of snack food products in the Philippines, URC has taken it to heart to continue providing quality, great value, and fun products to its consumers.

SALTY SNACKS

- **URC is the market leader in salty snacks.**

BAKERY

- **Biscuits**
  URC is one of the largest biscuit producers in the country.
- **Packaged Cakes**
  URC is an innovative player in the cakes category.

CONFECTIONERIES

- **Candies**
  URC is the market leader in candies.
- **Chocolates**
  URC is the market leader in chocolates.

Magic moments:

URC's popular cracker brand unleashed streaks of surprise and merriment as it held another wave of Magic Moments activation around the country. In line with its Nothing like Magic TV campaign, URC team together with celebrity endorser John Lloyd Cruz transformed ordinary situations into something magical by surprising lucky individuals with special gifts.

Pick-a-prize

A usual trip to the grocery turned into a magical moment for Charita Tuyogan and 1-year-old son Jehoram Mendigorin when they took part in a pick-a-prize promo at Magic's sampling booth in Centro Supermarket, San Pablo. Thinking it was a joke, the 29-year-old mom laughed out loud when she read her instant prize: "Congratulations! You win a BIG hug from John Lloyd Cruz, NOW NA!" Her laugher turned into wide-eyed disbelief when the Magic man arrived and gave her and Jehoram a warm hug. He also awarded them with a Magic Family Treat worth P50,000, which consists of P30,000 worth of URC products and P20,000 shopping money for the whole family.

Bon Voyage Gift

Overseas Contract Worker Jennifer Daquigan received a bon voyage surprise before boarding her Cebu Pacific flight from Clark to Hong Kong. While waiting for her flight at the Diosdado Macapagal International Airport, a familiar figure sat in front of her. Jennifer could only stare in amazement as John Lloyd started engaging her in friendly conversation. A special Magic Negosyo Starter package with P50,000 worth of URC products was awarded to her. To top it off, she received a hearty hug from Magic's handsome endorser.

Special Delivery

It was an ordinary afternoon for Corazon Ocampo, a stall owner in a public market in Pampanga. But the routine delivery of her stocks of Magic products unfolded into an event that she was not at all expecting. Disguised as a delivery boy, the charming Magic endorser handed her a Magic Vacation Package worth P50,000, enough to give the hard working Mrs. Ocampo a magical break from her daily routine.

Sampler

Karen Almojallas, a high school student, had the surprise of her life when she visited Iloilo Supermart. Together with her mother, she stopped by Magic's sampling booth to collect the free C2 that came with the purchase of her favourite crackers. A few minutes later, the Magic endorser, who was carrying samples of Magic Crackers, appeared out of nowhere. What happened next was something Karen would never have expected. John Lloyd, after meeting her face to face, gave her a Back-to-School Package that included P20,000 worth of Robinsons gift certificates and a laptop worth P30,000.

Old friend

While waiting for her flight in Iloilo National Airport, 12-year-old Micah Seminio was greeted warmly by a seemingly familiar man. In a few seconds, she found herself beside actor John Lloyd Cruz who was talking to her as if they were old friends. Making the moment even more magical, John Lloyd awarded her with P 10,000 worth of URC products and P 40,000 worth of Robinsons gift certificate all of which she happily took home to General Santos City.

Teary-eyed Jenevie Verances received a special Domestic Vacation package from Magic Crackers.

from reel to real

Freebie

Jenevie Verances was almost done shopping in Robinsons Supermarket in Cebu when a sampler from Magic's booth invited her to avail their special promo. The 26-year-old working mom who was carrying her little daughter took the offer and purchased a pack of Magic Flakes to get a free bottle of C2. While waiting for her freebie, she heard screams and giggles that eventually got louder. A few seconds later, John Lloyd Cruz was standing in front of her leaving her speechless and excited. When the Magic Man awarded her with a Magic Domestic package worth P50,000, Jenevie could only burst into happy tears.

Photo booth

Rosa May Roa, Grace Alcovendas, Bob Burton Paglinawan, Exille Dio Golvin and Harold Hope Ariar were having fun posing with a John Lloyd standee in Magic's photo booth when something unexpected happened. They found themselves posing beside the real John Lloyd. Making their magic hour even more memorable, they took home a Magic Rainy day Shopping Spree consisting of P50,000 worth of Robinsons gift certificates.

Basketball

Cheers of students from the Technological Institute of the Philippines Manila (TIP) filled their auditorium during a basketball game. Louder roars took over as John Lloyd arrived and awarded a Semester Starter Surprise to five lucky students who won in the games hosted by Magic team. Ester Policarpio, Jomabel Lascano, Sheryl Limpios, Zyren Tristeza and Paula Sazon received a total of P 50,000 worth of Robinsons gift certificates from the Magic Man.

Making Magic Moments Happen in Real Life and Online.

The Magic Moments campaign gained recognition in the recently concluded Philippine Quill Awards 2014 held March 9, 2014 at the Grand Ballroom of Crowne Plaza Galleria. The campaign earned an Award of Merit under the Communication Skills Division, Special Events (external) category.

In photo (from left): Magic Crackers Brand team Michelle Miranda and Chris Fernandez with video Director Wyncy Ong.

Twelve-year-old Micah Seminio couldn't help but giggle upon receiving a Shopping treat from Jack 'n Jill Magic Crackers and the Magic Man.

From striking a pose with the John Lloyd standee to actually having a photo with the actor himself, five lucky students from University of Cebu experienced a one of a kind treat from Magic Crackers.

Beverages

URC started its successful beverage business with Blend 45 – the first locally manufactured soluble coffee, Great Taste Granules – the first concentrated coffee in the country, and Great Taste 3-in-1 – the first complete coffee mix. A few years ago, URC shook up the market as it introduced C2 Cool & Clean – the first RTD tea entrant in a market significantly dominated by carbonated soft drinks. URC has also expanded its product portfolio by offering juices, water, ready-to-drink coffee, and ready-to-drink chocolate.

URC has tremendously increased its presence in the coffee mixes segment with the unwavering success of Great Taste White. URC aims to keep its leadership in beverages by continuing to innovate and provide game-changer products to the market.

URC participates in strategic segments in the Philippine beverage market that complement its snackfood products.

READY TO DRINK BEVERAGES

- **Tea**
- **Coffee**
- **Juices**
- **Water**
- **Functional Drink**
- **Chocolate**

POWDERED BEVERAGES

- **Creamer**
- **Instant Coffee** (Pure Soluble and 3 in 1 Mixes)

Grocery

In order to provide relief to Filipino consumers with a faster paced lifestyle, URC has launched its grocery products which are centered on convenience with its portable ready-to-eat meals and easy-to-use food ingredients.

URC has made Nissin's famous cup noodles readily available in the country, through its joint venture Nissin Foods Holdings, Co. Ltd. URC's other noodles business, Payless, which offers value-for-money instant noodles with superior quality at affordable prices, was recently consolidated under the Nissin URC joint venture.

URC also has another joint venture under its grocery arm with ConAgra Foods Inc. (U.S.), which manufactures and sells Hunt's Pork & Beans, which enjoys market leadership in canned beans. URC also manufactures and distributes tomato-based culinary sauces, which allows Filipino families with busy schedules to easily cook and prepare dishes.

NISSIN-URC

- **URC manufactures and markets instant noodles in cups and pouches through its joint venture with Nissin Foods Holdings, Co. Ltd:**
- **Nissin-URC also manufactures and markets instant noodles in pouches through the Payless brand.**

HUNTS-URC

- **URC manufactures and markets tomato-based products, through its joint venture with ConAgra Foods Inc (U.S.)**

URC Packaging

URC Packaging Division produces and sells a wide range of Bi-axially Oriented Polypropylene (BOPP) films, primarily used for packaging of various consumer products. This business unit holds the distinction of being the only Integrated Management System ISO-certified BOPP plant in the country today with its Quality ISO 9001:2008 and Environmental ISO 14001:2004 Standards.

JACK 'N JILL CALBEE: Revolutionizing the Snacks Industry

From the leading manufacturers of snacks from Japan and the Philippines comes a partnership like no other. Calbee, Japan's biggest snack maker, known for its innovative flavors and formats, and Jack 'n Jill, the Philippines' market leader in delivering delicious and fun snacks, have decided to merge and bring the Philippine consumers' snacking experience to a whole new level with the launch of the new and much awaited, Jack 'n Jill Calbee brand.

The Jack 'n Jill Calbee partnership brings with it the combined strengths of (Japan's) Calbee in product & technological innovation and of (Philippines') URC Jack 'n Jill's trusted brand and strong distribution network in delivering snack products that ensure utmost consumer satisfaction. Because of such, one can only expect products with a sophisticated taste profile and finer selection of flavors that is sure to deliver a premium snacking experience. Truly, Jack 'n Jill Calbee will stand to be the brand with an exceptional range of snacks for the discerning market.

Out now in the market are 3 big brands in 7 delectable flavors, all under the Jack 'n Jill Calbee brand:

Jack 'n Jill Calbee Potato Chips will take your regular chip snacking experience to a whole new level! The product offers flavors so delightful and stimulatingly delicious. Made from real potatoes and seasoned only with the best flavors, potato chips have never tasted this good. Enjoy your favorite Cheddar & Sour Cream and Classic Salted but be enamored with the wild Wasabi flavored Potato Chips from Jack N' Jill Calbee. These are available in solo and family packs.

Jack 'n Jill Calbee Pizza Potato

As real tasting as pizza made more awesome with melted cheese on top! The new Jack 'n Jill Calbee Pizza Potato will keep you crunching for more with its rich cheesy pizza flavor. Pizza lovers will definitely fall for the right mix of spices and flavors, topped with the rich cheese flavor with every crisp, pizza potato chip found in every bag. Eat it solo or share with someone, Jack 'n Jill Calbee Pizza Potato Chips is as good as the real thing!

Jack 'n Jill Calbee JAGABEE Potato Fries

Brilliant, amazing, remarkable and incredibly good are just some of the ways consumers have been describing Jagabee!

Made from real potatoes, Jagabee is as real tasting as real french fries! Now there's a new and more convenient way of satisfying your french fry cravings. Jagabee is the crunchy french fries that will allow you to enjoy potato fry snacking anytime, anywhere. Conveniently packed in cups or pouches, it will bring your cinema snacking experience from plainly enjoyable to an absurdly fun time!

Enjoy real potato fries packed with a flavorful crunch and crisp for an experience beyond expectations in Cheese, Garlic and Classic Salted flavors.

The Philippines: the Next Big B'LUE Sea

One of the most exciting developments in URC is our long-awaited partnership with Danone, one of the biggest multinational health and nutrition companies in the world, bringing to the company and the country the newest innovation in the beverage industry and further expanding the extensive portfolio of URC beverage products.

The Philippines welcomes B'lue! A new drinking experience designed for the millennial generation, brought to us by Danone Universal Robina Beverages, Inc. (DURBI). Following the footsteps of URC's last true product gamechanger, C2, B'lue will boldly disrupt the beverage market category by giving consumers a holistic experience like no other - the ideal drink that gives them a refreshing, healthy and pleasurable experience that can be consumed anytime.

B'lue comes in three great tasting flavors designed specifically for the Philippines: Orange, Lychee and Calamansi, in a unique, premium packaging. With an affordable SRP at P20 in supermarkets, the 500ml bottle will surely be a hit with its target market.

Branded Consumer Food Group INTERNATIONAL

Griffin's

URC remains to be the Philippine food and beverage company with the widest geographical footprint, with manufacturing facilities in Vietnam, China, Thailand, Malaysia, Indonesia, Myanmar (opens 2015), and most recently, New Zealand. URC also has sales offices in Hong Kong and Singapore.

URC International grew tremendously in the past years and has become a major player in the Southeast Asian region. URC has continued to delight customers in the region with innovative products under its four brands, Jack 'n Jill, C2, Great Taste, Griffin's, and Nice & Natural.

URC believes that this is only the beginning of greater things to come, as it looks forward to a "world without borders."

THAILAND

URC Thailand is a leading Snackfoods player in the country, manufacturing Snacks, Biscuits, Wafers, Candies, and Chocolates.

MALAYSIA and SINGAPORE

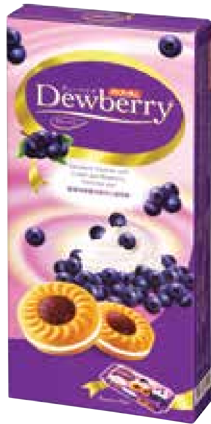
URC produces Snacks, Wafers, and Chocolates in Malaysia and exports some of these products to URC's sales office in Singapore.

INDONESIA

URC's facility in Jakarta manufactures Snacks, Candies, and Chocolates for the most populous country in Southeast Asia

CHINA and HONG KONG

URC has factories in China that serve both the China and HK markets, producing Snacks, Biscuits, and both Cereals and Oats Beverages



VIETNAM

Vietnam manufactures Biscuits, Snacks and Candies, and was the very first URC subsidiary outside the Philippines to manufacture and successfully market C2 Green Tea.

NEW ZEALAND

URC has expanded its footprint to New Zealand by acquiring Griffin's Foods, a leading player in Snackfoods and Biscuits in the country.

MYANMAR

URC's first facility in Myanmar is currently under construction, with commercial operation expected by 2015.

Griffin's: A 150 year tradition continues with URC

When you stop to consider your country's most beloved and iconic brands, what comes to mind? If you've grown up in New Zealand, you might be thinking of Gingernuts, MallowPuffs, ToffeePops, ETA potato chips, or any of the other myriad of products that have come out under the Griffin's Foods umbrella since its inception 150 years ago. Griffin's biggest products have been household names for decades, and Griffin's is as determined as ever to develop innovative ways to delight the public for decades to come.

A CENTURY OF BUILDING AND REBUILDING

"New Zealand's quite a young country, and this is one of its heritage and iconic businesses." says Alison Barrass, CEO of Griffin's Foods. Indeed, Griffin's was founded by John Griffin in 1864, just 23 years after New Zealand was named a Crown Colony to the UK – but the company was much different in those days. It got its start as a flour and cocoa miller in Nelson, in New Zealand's South Island, before taking on biscuit and confectionary production in the 1890s.

UPDATING ICONIC PRODUCTS WITH NEW TECHNOLOGY

Major growth requires major innovations, and Griffin's Foods has made great strides in upgrading its facilities to make that happen. One of the big advances has been in automation in particular the addition of automated slug packing, automated tray filling, and robotic palletizing.

That has added huge productivity improvements. Still, packaging is nothing without product. Griffin's is also working on improving its biscuit-producing capabilities, through looking at double and triple depositing technology and sandwich technology. With upgraded machinery, Griffin's is able to produce new flavours for its MallowPuffs and Cookie Bear lines without sacrificing productivity.

THE FUTURE OF AN ICON

Griffin's is not slowing down any time soon. In the vein of its upgraded biscuit- making capabilities, the brand intends to work on innovations in its ETA chip plant and continue to invest heavily in its plants and opportunities overseas.

Griffin's has also made strides in the field of sustainability, removing 40 tons of plastic trays from its biscuit packages and reducing landfill output by 500 tons through recycling initiatives.

In every way, Griffin's is proving itself as not just an emblem of the past, but of future successes yet to come.

GRIFFIN'S AS PART OF THE URC FAMILY

With its recent acquisition, Griffin's continues this journey under the URC family. URC plans on further growing this business by introducing the products into select ASEAN markets. The addition of Griffin's also expands URC's reach into New Zealand and Australia. The acquisition gives URC two world-class food manufacturing facilities, and a ready premium product portfolio. URC is excited with the possibilities that lie ahead, and aims to further delight customers by introducing them to Griffin's delicious and quality products.

Agro-Industrial Group

URC AIG has four major segments: Commercial Feeds, Commercial Drugs, Robina Farm Hogs and 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 hog segment marked a record high profit in 2014 due to improvement in selling prices and volume. AIG also entered to relatively more stable segments such as hotels, restaurants and institutional accounts (HRI). The Company believes that the principal competitive factors for hogs are quality, reliability of supply, price and proximity to market. Local hog population in the market decreased by 10% in 2014 as compared to 2013 mainly due to high input costs, disease outbreaks and calamities (Glenda, Santi and Yolanda) that lead to decrease in consumer standing on food items and farm closures. The Company's principal competitors are San Miguel Corp. (Monterey) and Foremost Farms, Inc.

For the commercial feeds segment, URC believes the principal competitive factors are quality, brand equity, credit term and price. As of September 30, 2014, there were about 150 registered feed mills in the Philippines, 25% of which sell commercial feeds. The Company's principal competitors are San Miguel Corporation (B-Meg and Integra), UNAHCO (Sarimanok, Thunderbird and GMP) and Pilmico (PMI and Salto). 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 dominated by multinationals and URC AIG is one of only few Philippine companies in this market. The Company's principal competitors are Pfizer, Inc., UNAHCO (Univet), and Merial Limited, a company jointly owned by Merk and Co., Inc. and Aventis. S.A.

AIG Poultry focused in layer farm in 2014. The Company believes that the principal competitive factors of layers are quality, price, egg productivity and disease resistance. The Company's principal competitors are Bounty Farms, Inc., Brookdale Farms, and Heritage Vet Corp. for layer chicks.

Raw Materials

For its Feeds (commercial and internal), 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 Drugs (commercial and internal), 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.

The Company's Robina Hogs requires a variety of raw materials, primarily imported breeding stocks or semen. The Company's Robina Poultry purchases the parent stock for its layer chicks from Hendrix Genetics of France and Hyline from USA.The Company purchases vaccines from various suppliers, including Merial, Intervet Philippines, Inc. (through authorized local distributor Castle Marketing and Vetaide Inc.) and Boehringer Ingelheim GmbH and Ceva.

Robina Farms Hogs and Poultry obtain all of the feeds it requires from its UCP division and substantially all of the minerals and antibiotics from its Robichem division as part of the vertical integration. The Company purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

Research and Development

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.

Commodity Foods Group

URC SURE (Sugar and Renewables)

- URC SURE (Sugar and Renewables) is comprised of two major divisions; the URC Sugar Division engage in sugar milling and refining and in biomass power cogeneration; and the URC Distillery engage in the production of fuel-grade anhydrous ethanol suitable for gasoline blending.

- URC's sugar business operates 5 mills and 3 refineries across the country, with a combined capacity of milling 30,000 tons of sugar cane and producing 33,000 bags of refined sugar per day. Ongoing expansion project of TOLONG from 3,000 to 4,000 tons cane per day will increase the combined milling capacity to 30,500 tons of cane per day upon completion in September 2015.

- URC sugar mills and refineries in the Visayas region are: URSUMCO, located in Manjuyod, Negros Oriental; SONEDCO, located in Kabankalan City, Negros Occidental; PASSI mill, located in San Enrique, Iloilo, and; TOLONG mill, located in Sta. Catalina, Negros Oriental. URC also operates a mill and a refinery in North Luzon, CARSUMCO located in Piat, Cagayan Valley.

- URSUMCO, SONEDCO, and CARSUMCO all provide sugar cane milling, refining and tolling services and; trades raw sugar, refined sugar and molasses. PASSI and TOLONG provide sugar cane milling service and trades raw sugar and molasses.

- URC SURE also ventured in renewable energy businesses. It is registered with the Department of Energy as a renewable energy developer of biomass fired power cogeneration plant and as a manufacturer of bio-ethanol.

- The power cogeneration plant is located in SONEDCO, Kabankalan City, Negros Occidental. It will provide 46 megawatts of power to the national grid using bagasse, a by-product of sugar milling, as fuel.

- URC Distillery, located in URSUMCO, Manjuyod, Negros Oriental, will be producing 100,000 liters per day of fuel-grade ethanol. The distillery uses molasses, a joint-product of sugar production, as its primary feedstock. It will also be the first ethanol distillery plant in Southeast Asia to utilize a spent wash incineration boiler, ensuring environmentally safe and hazards free operations.

URC FLOUR DIVISION

- URC Flour Division is one of the top flour millers in the country. With plants in Manila and in Davao, the division has a combined milling capacity of 1,250 MT per day. The state-of-the-art flourmills and blending facilities allow the division to manufacture customized products fit to the specific needs of its customers.

- URC Flour produces and sells Hard and Soft Wheat Flour to both commercial and institutional accounts.URC Hard Flour is marketed under the brands, UNIVERSAL and GLOBE First Class Flour and BLEND 100 Flour. The division also produces Soft flour brands like MY ROSE and SAMPAGUITA.

- URC Flour Division also produces specialty flour. They are distributed under the brands, CONTINENTAL All-Purpose Flour, DAISY Cake Flour, FibrA+ Whole Wheat Flour, NOODELICIOUS Noodle Flour and GALACTIC Specialized Flour. Other product offerings include by-products such as wheat germ, bran and pollard.The division also supplies the local and export flour requirements of the URC Branded Consumer Food Group Philippines and International.

- URC Flour Division also has its own pasta line, commercially sold under the brand name EL REAL. Current variants of EL REAL include spaghetti, macaroni, flat spaghetti and curly macaroni. EL REAL was the first to launch spaghetti noodles with real malunggay and carrot bits under the brand EL REAL HEALTHY Spaghetti. These brands are available in key areas nationwide.

- The division also toll manufactures pasta noodles for one of the leading fast food chains in the country.

URC Starts Operations in the Renewable Energy Business

URC has ventured into the renewable energy business as it invested in two facilities, the bio-ethanol facility and the biomass fired power cogeneration plant.

The bio-ethanol facility will turn molasses, a byproduct of URC's sugar business, into fuel grade ethanol. The investment into the bio-ethanol business was also made in light of Republic Act No. 9367, which mandates blending gasoline with locally-sourced bioethanol. The bio-ethanol facility was commissioned and inaugurated on November 11, 2014, with commercial sales commencing in January 2015.

The biomass cogeneration plant takes advantage of URC's bagasse, which is also a byproduct of the sugar business, by turning the bagasse into renewable energy. This business is further opportunistic as Republic Act No. 9513 mandates priority connections to the grid for electricity generated from renewable energy resources. The energy generated shall be used by URC sugar mills and any excess capacity will be sold to the grid. Phase 1 of the project was already completed, with a capacity of 16 MW. Construction of phase 2, with a capacity of 30 MW, is ongoing and is expected to be completed in May 2015. The Company has already started exporting power to the national grid but is still waiting for the approval of some of the regulatory compliance requirements needed for the feed-in tariff.

URC secures first fuel ethanol order from Flying V

Universal Robina Corp (URC) has received its first fuel ethanol order from Flying V, in a deal that supports the government's push for renewable energy, as well as a sustainable sugar industry.

Under an agreement signed on Dec 8, URC will supply Flying V with fuel-grade anhydrous ethanol suitable for gasoline blending.

Flying V is the Philippines' largest independent fuel company, with over 350 stations nationwide.

Blending gasoline with at least 10 per cent fuel ethanol is in line with the Department of Energy's bioethanol program.

"URC fully supports the government's renewable energy program," said Rene Cabati, general manager of URC's Sugar Business Unit.

He said the fuel ethanol supply agreement between URC and Flying V also reinforces the Sugar Regulatory Administration's drive for a sustainable sugar industry through diversification.

"It doesn't have to be only sugar that we can produce from sugar cane. We can produce fuel ethanol," said Cabati.

He added: "This diversification into a higher-value product from a widely available crop in the Philippines will prepare the local sugar industry for Asean integration."

Tariff on imported sugar across will fall to 5 per cent when Asean's economies are integrated into an "Economic Community" next year.

URC will supply Flying V from its newly inaugurated fuel ethanol plant in Barangay Tamisu, Bais City in Negros Oriental.

The facility has a rated production capacity of 100,000 liters per day of fuel-grade ethanol using sugar molasses generated from three sugar mills in Negros.

It is also the first in South-east Asia to use the "spent wash incineration boiler" that is environmentally safe and hazards-free.

The fuel ethanol plant is one of two projects URC undertook to support the government's renewable energy program and its search for alternative uses for sugarcane.

The company is also commissioning a 46 MW bio-mass cogeneration power plant in Negros Occidental.

"Both projects guarantee that sugarcane planters will have a 'home' for their canes, and sugar farm and sugar mill workers will continue to have jobs, even as we face competition from sugar producers abroad," said Cabati.

Universal Robina Corp (URC) signed on Dec 8 a supply deal with Flying V, the Philippines largest independent fuel company. Under the agreement, URC will provide fuel ethanol suitable for gasoline blending to Flying V's more than 350 stations. Seen here after the signing are: Ramiro Villavicencio, Chief Operating Officer, Lubwell Corp.; Mary Ann Villavicencio-Sy, Flying V CEO; Ann Vi Estorninos, Flying V. Trade & Supply Officer; Lance Gokongwei, President and CEO, Universal Robina Corporation; Engr. John Kervin Sunga, Fuel Ethanol Specialist, Flying V; Rene Cabati, Business Unit General Manager, URC-Sugar and Renewables; Joey Macagga, VP, Fuel and Cargo Operations, Cebu Pacific Air.

URC rejoiced with Kariton Revolution kids during the opening of DTC's newest educational floor

In support of Dynamic Teen Company's (DTC) mission to promote literacy and enrich potentials of future leaders, Universal Robina Corporation (URC) sponsored the construction of a learning center at the second floor of DTC's Red-buil (red building) in Cavite City.

The newly opened URC Learning Center has classrooms fully furnished with chairs, desks, whiteboards, and book shelves for incoming 9th and 10th graders. There is also an office where volunteer educators can prepare their lessons, as well as a laboratory for advance lessons in science. Adding more fun and creativity to these new learning spaces are walls adorned with murals of the nine participating URC brands: Refresh, C2, and Payless Instant Mami; and Jack 'n Jill Knots, Chiz Curls, Magic Flakes, Wafrets, Fun Fries and Roller Coaster.

DTC, an organization headed by pushcart educator and CNN Hero Efren Peñaflorida and his mentor Harnin Manalaysay, has managed several academic programs under their umbrella project, Kariton Revolution –a movement URC has been actively supporting since 2011. "It is an honor to work with Efren Penaflorida and his team. We admire his passion to spark a positive change in the country. Granting free education to out-of-school youths is a truly admirable endeavor, one that we are quite proud to support," said URC Executive Vice-President and Managing Director Nilo Mapa, Jr.

The learning facilities in the newly built floor of the activity center are part of URC's commitment to provide support to DTC and its undertakings. "We greatly appreciate URC's support in our endeavors. The new classrooms they built for us will serve as venues for learning and knowledge," shared Efren Peñaflorida when asked about URC as a partner.

Refresh

Corporate Governance

Universal Robina Corporation (URC) is committed to corporate governance standards. As a publicly listed company in the Philippines, URC is covered by corporate governance rules and regulations of the Philippines Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

Board

The Board has adopted the Revised Corporate Governance Manual in 2010 for the Company. The Manual elaborates on the governance roles and responsibilities of the Board and its Directors. The Board ensures that all material information about the Company is disclosed to the public on a timely manner. The Board likewise is strongly committed to respect and promote the rights of stockholders in accordance with the Revised Corporate Governance Manual, the Company's Articles of Incorporation, and By-Laws.

Composition

- The Board is composed of nine directors (four executive directors, three non-executive directors, and two independent directors) with diverse backgrounds and work experience
- None of the independent directors own more than 2% of the Company's capital stock
- Different persons assume the role of Chairman of the Board and CEO

Role

A Director's Office is one of trust and confidence. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness. He should also exercise leadership, prudence, and integrity in directing the Company towards sustained progress.

A Director should observe the following norms of conduct:

1. Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
3. Act judiciously.
4. Exercise independent judgment.
5. Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
6. Observe confidentiality.
7. Have a working knowledge of the Company's control systems.

Attendance of Directors
October 2013 to September 2014

BOARD	NAME	DATE OF ELECTION	MEETINGS DURING THE YEAR	MEETINGS ATTENDED	%
Member	John L. Gokongwei, Jr.	May 12, 2014	10	10	100%
Chairman	James L. Go	May 12, 2014	10	10	100%
Member	Lance Y. Gokongwei	May 12, 2014	10	10	100%
Member	Patrick Henry C. Go	May 12, 2014	10	10	100%
Member	Frederick D. Go	May 12, 2014	10	10	100%
Member	Johnson Robert G. Go, Jr.	May 12, 2014	10	9	90%
Member	Robert G. Coyiuto, Jr.	May 12, 2014	10	9	90%
Independent	Wilfrido E. Sanchez	May 12, 2014	10	10	100%
Independent	Pascual S. Guerzon	May 12, 2014	10	10	100%

Code of Business Conduct and Ethics

Conflict of Interest
The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion is not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.

Conduct of Business and Fair Dealings
The Company's employees that recommend, endorse, or approve the procurement or / sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.

Receipt of Gifts from Third Parties
The Company allows the acceptance of gift only during the Christmas Season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php 2,000 must be disclosed to the Conflicts of Interest Committee.

Compliance with Laws and Regulations
The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.

Respect for Trade Secrets/Use of Non-public Information
The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after disclosure to the SEC and PSE by the Company's authorized officers.

Use of Company Funds, Assets and Information
Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.

Employment and Labor Laws and Policies
The Company's Human Resources Unit ensures compliance with employment and labor laws and policies.

Disciplinary Action
Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

Whistle Blower
Any employee may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee.

Conflict Resolution
The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. Decision is done by the Executive Committee.

Risk Management

The Company aims to identify measure, analyze, monitor, and control all forms of risks that would affect the Company.

Audit Committee (AC)
The AC reviews the effectiveness of risk management systems employed by the Company.

The AC shall assist the Group's Board of Directors 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 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 Board of Directors is properly assisted in the development of policies that would enhance the risk management and control systems.

Moreover, the Chief Executive Officer and Chief Audit Executive execute annually a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation is presented by the Chief Audit Executive during the Audit Committee meeting.

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.

ERM Framework

The Group's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Group. The Group'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:

1. 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 business unit.
2. Objective Setting - The Group's BOD mandates the Group'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.
3. Event Identification - It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. 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.
5. Risk Response - The Group's BOD, through the oversight role of the ERMG, approves the Group's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
6. 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.
7. 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.
8. Monitoring - The ERMG, Internal Audit Group, and Corporate Governance Office 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 Group and the other business units:

1. Corporate Security and Safety Board (CSSB) - the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
2. 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.
3. Process Risk Management Department (PRMD) - the PRMD is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Planning and Legal Affairs (CORPLAN) - the CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of the business units.
5. 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.

Compliance Officer

The Compliance Officer assists the Board of Directors in complying with the principles of good corporate governance.

He shall be responsible for monitoring 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 Board of Directors, among others.

Role of Stakeholders

Customers' Welfare

The Company has a customer relations policy and procedures to ensure that customers' welfare are protected and questions are addressed.

Supplier/Contractor Selection

We have Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments to the Company.

Environment, Quality and Safety, and Community Interaction

The operations of the Company are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). The Company believes that it has complied with all applicable environmental laws and regulations, an example of which

is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of September 30, 2014, the Company has invested about Php 218 million in wastewater treatment in its facilities in the Philippines.

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 Foods and Drugs, Sugar Regulatory Administration, Bureau of Animal Industry, and Department of Agriculture. The following manufacturing facilities of URC's branded consumer foods group are certified:

The Company also focuses on upliftingthe socio-economic condition of the country through

CERTIFICATION	MANUFACTURING FACILITY/DEPARTMENT
ISO 9001:2008, Quality Management System	Rosario plant, Meat and Canning Division (MCD)Libis plant, BagongIlog plant, Pampanga plant, Tarlac plant, Cavite plant, Nissin-URC plant, Canlubang plant, Calamba plant, Cagayan de Oro plant, Cebu plant, Corporate Engineering/Corporate IE, Supply Chain, Quality Assurance, Technology Department, Procurement Department, BOPP plant, Thailand, Indonesia, Malaysia, Vietnam
ISO 22000:2005, Food Safety Management System	Rosario plant cake line, Pampanga plant C2 and biscuit line, Cavite plant tetra line, Calamba plant C2 line, Vietnam
HACCP Certified Line/Products	Rosario chocolate line (Cloud 9- all variants), Rosario bakery line (Quake overload- all variants), Rosario peanut paste line, Rosario potato ring line (Roller Coaster Ham & Cheese and Cheddar & Cheese), Rosario fabricated line (Piattos- all variants), Rosario SUP line (tomato sauce, BBQ, spaghetti sauce), Rosario Snacks (PRL line), MCD Canning and SUP line (Pork & Beans, Chili and Baked Beans), MCD potato ring line (Roller Coaster- all variants), MCD fabricated line (Piattos- all variants), BagongIlog cookie line (Cream-O biscuit- all variants), Pampanga beverage line (C2- all variants), Pampanga cracker line (Magic plain and creams- all variants), Pampanga cookie line (Dewberry- all variants), Pampanga corn chips line (Chippy- all variants), Pampanga fabricated line (Piattos- all variants), Pampanga multigrain line (Nova- all variants), Calamba beverage line (C2- all variants), Canlubang corn chips line (Chippy- all variants), Cavite cracker line (Magic plain and creams- all variants), Cavite hard candy line (Maxx & XO- all variants), Cavite chocolate line (Chooey- all variants), Cavite tetra line, Nissin-URC noodle cup line (Nissin Cup- all variants), Nissin-URC pouch line (Nissin noodles- all variants), Tarlac noodle line (Payless- all variants), Cebu cracker line (Magic premium and creams- all variants), Cebu noodle line (Mamamee and Payless- all variants), San Pablo bottled water line (Refresh), Thailand, Indonesia, Vietnam, China Shanghai, China Panyu, China Qidong
ISO 17025:2005, PAO Accredited Laboratory	Technology Central Laboratory- Physico-Chem, Micro, Sensory Testing and Calibration
Department of Environment and Natural Resources (DENR) Recognized Laboratory	Technology Central Lab- Water & Waste Water Lab BOPP plant

CERTIFICATION	MANUFACTURING FACILITY/DEPARTMENT
ISO 14001:2004, Environmental Management Systems	Indonesia, Malaysia, Thailand, Vietnam
5S/GMP Department of Health (DOH) Recognized Laboratory	Technology Central Lab- Water Lab

education. The Company partners with organizations that promote education of Filipinos through grants, endowments, scholarships, and educational facilities.

Employees

Performance-enhancing mechanisms for employee participation
The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development or what is commonly known as JG-ILED. JG-ILED is the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

Disclosure and Transparency

Ownership Structure (As of September 30, 2014)

SHAREHOLDER	NO. OF SHARES	PERCENT	BENEFICIAL OWNER
JG Summit Holdings, Inc.	1,215,223,061	55.7%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	720,570,389	33.0%	PCD Participants and their clients
PCD Nominee Corporation (Filipino)	233,105,263	10.7%	PCD Participants and their clients

External Auditor's Fee
Sycip, Gorres, Velayo& Co.: Php 7, 021,000

Company Website
URC updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These information are available on the company's website: www2.urc.com.ph.

Board of Directors & Executive Officers

Board of Directors

John L. Gokongwei, Jr.
Director, Chairman Emeritus

James L. Go
Director, Chairman

Lance Y. Gokongwei
Director, President and
Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

Frederick D. Go
Director

Johnson Robert G. Go, Jr.
Director

Wilfrido E. Sanchez
Director

Robert G. Coyiuto, Jr.
Director

Pascual S. Guerzon
Director

URC Branded Consumer Foods Group

Cornelio S. Mapa, Jr.
Executive Vice-President and Managing Director

David J. Lim
Senior Vice President Manufacturing, Technology, Projects and Engineering

Edwin S. Totanes
Vice President and Group Head,
Marketing

Francis Emmanuel Puno
Senior Vice President and
Regional Director, Singapore,
Indonesia and Malaysia Cluster

Albert Francis S. Fernandez
Vice President,
Corporate Sales

Teofilo B. Eugenio, Jr.
Vice President,
Marketing Snacks

Premchai Navarasuchitr
Business Unit General Manager,
URC Thailand

Yeo Kao Soon
Business Unit General Manager,
URC China

Edwin R. Canta
Business Unit General Manager,
URC Vietnam

Abigail Joan Cosico
Vice President, Exports and
New Markets Development

Joint Ventures

Shinji Haruna
President and
Chief Operating Officer,
Calbee-URC, Inc.

Nadege Paufique
General Manager,
Danone Universal Robina
Beverages, Inc.

Marcia Y. Gokongwei
Business Unit General
Manager, Nissin-Universal
Robina Corporation and
Hunts-Universal Robina
Corporation

Griffin's Foods

Alison Barrass
Chief Executive Officer,
Griffin's Foods

Packaging Division

Patrick Henry C. Go
Executive Vice President and
Senior Managing Director,
Packaging Division (BOPP)
and CFC Flexible Packaging
Division

Ramon C. Agustines
Business Unit General
Manager, Packaging Division
(BOPP) and CFC Flexible
Packaging Division

Commodity Foods Group

Ellison Dean C. Lee
Vice President and Business Unit General Manager, Flour Division

Renato P. Cabati
Vice President and Business Unit General Manager, Sugar and Renewables Group

Agro-Industrial Group

Vincent Henry C. Go
Vice President and Group General Manager, Agro-Industrial Group

Executive Officers

James L. Go
Chairman

Lance Y. Gokongwei
President and
Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

Cornelio S. Mapa, Jr.
Executive Vice President
and Managing Director, URC Branded
Consumer Foods Group

Constante T. Santos
Senior Vice President

Bach Johann M. Sebastian
Senior Vice President

Chona R. Ferrer
First Vice President

Ester T. Ang
Vice President – Treasurer

Anne Patricia C. Go
Vice President

Alan D. Surposa
Vice President

Ma. Victoria M. Reyes- Beltran
Vice President

Michael P. Liwanag
Vice President

Socorro ML. Banting
Assistant Vice President

Rosalinda F. Rivera
Corporate Secretary

Francisco M. del Mundo, Jr.
Chief Finance Officer,
URC BCFG International

Arlene S. Denzon
Compliance Officer

Awards & Recognition

URC has received awards and recognition for its continued strong performance and commitment to excellence. The Company was recognized by regional publications such as FinanceAsia and Asiamoney in areas of company management, corporate governance, dividend policy and investor relations. URC was also awarded the 2014 Company of the Year by the Fund Manager's Association of the Phil, Inc. (FMAP).

URC executives were also recognized by Institutional Investor's 2014 All-Asia Executive Team rankings. Lance Gokongwei, President and CEO, was ranked second in the Best CEO consumer category. Michael Liwanag, Vice President - Corporate Planning & Investor Relations, also ranked second in the Best Investor Relations Professional consumer category.

URC is awarded Overall Best Managed Consumer Company in Asia by Finance Asia

URC is awarded company of the year by the Fund Manager's Association of the Phil, Inc.

URC Directory (Philippines)

UNIVERSAL ROBINA CORPORATION
110 E. Rodriguez Avenue, Bagumbayan
Quezon City, Metro Manila
T: (632) 633-7631 to 40 / (632) 240-8801
F: (632) 633-9207 / (632) 240-9106
URC Hotline: 559-8URC (872)
Toll Free Hotline: 1800-10URCCARE (8722273)
http://www2.urc.com.ph

BRANDED CONSUMER FOODS GROUP
CFC Administration Building
13 E. Rodriguez, Jr. Avenue
Bagong Ilog, Pasig City
T: (632) 671-2935 to 42 / 46 / 47

UNIVERSAL CORN PRODUCTS
UCP Compound
16 Santiago Street, Bagong Ilog, Pasig City
T: (632) 671-8184 / (632) 671-8140
T/F: (632) 671-0575

ROBINA FARMS
GBF Technical Training Center
Litton Mills Compound
Amang Rodriguez Avenue
Rosario, Pasig City
T: (632) 395-1142 to 45 / (632) 395-1200
F: (632) 395-1200 loc 22

URC FLOUR DIVISION
Pasig Boulevard
Bagong Ilog, Pasig City
T: (632) 672-1578 to 80
F: (632) 672-1581 / (632) 672-1574

URC SUGAR DIVISION
22nd Floor Robinsons Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
T: (632) 673-5398 / (632) 637-5021
F: (632) 637-3654

STOCK TRANSFER AND DIVIDEND PAYING AGENT
BDO UNIBANK, INC.
Trust and Investment Group
15th Floor South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City

INDEPENDENT PUBLIC ACCOUNTANTS
SYCIP GORRES VELAYO & CO
6760 Ayala Avenue
Makati City

INVESTOR RELATIONS
40th Floor Robinsons Equitable Tower
No. 4 ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
Philippines
T: (632) 671-2935 loc. 230
F: (632) 671-5917
IR@urc.com.ph

Financial Statements

UNIVERSAL ROBINA
CORPORATION

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Universal Robina Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended September 30, 2014 and 2013, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

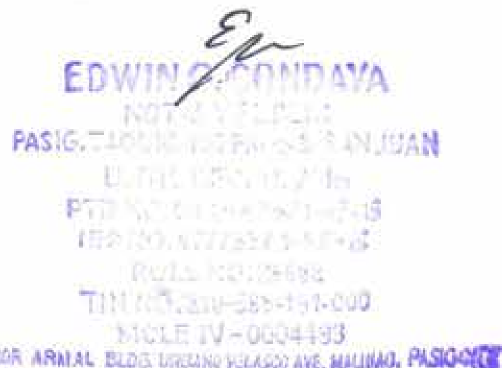
JAMES L. GO Chairman	LANCE Y. GOKONGWEI President and Chief Executive Officer	CONSTANTE T. SANTOS SVP - Corporate Controller

JAN 13 2015

SUBSCRIBED AND SWORN to before me this ___ day of January, 2015 affiant(s) exhibiting to me his/their Community Tax Certificates as follows:

NAMES	C.T. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	27977247	01.20.14	Pasig City
Lance Y. Gokongwei	27977246	01.20.14	Pasig City
Constante T. Santos	06359910	03.10.14	Pasig City

Doc No. 111
Page No. 24
Book No. xx
Series of 2015



A JG Summit Company

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

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Universal Robina Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

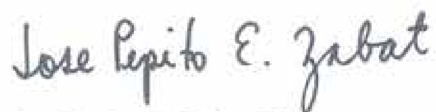
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as at September 30, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751344, January 5, 2015, Makati City

January 9, 2015

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱10,076,223,083**	₱12,033,308,581
Financial assets at fair value through profit or loss (Note 8)	**476,260,026**	413,732,312
Available-for-sale financial assets (Note 13)	**21,720,000**	21,720,000
Receivables (Notes 9 and 34)	**9,319,201,703**	8,522,417,589
Inventories (Note 10)	**15,129,022,837**	10,987,221,052
Biological assets (Note 14)	**1,278,304,318**	1,081,035,283
Other current assets (Note 11)	**3,976,999,288**	368,103,771
Total Current Assets	**40,277,731,255**	33,427,538,588
Noncurrent Assets		
Property, plant and equipment (Note 12)	**34,407,755,976**	30,180,400,059
Biological assets (Note 14)	**455,817,612**	483,025,181
Goodwill (Note 15)	**793,415,185**	798,627,776
Intangible assets (Note 15)	**475,000,000**	475,000,000
Investment in joint ventures (Note 16)	**441,223,735**	85,384,000
Investment properties (Note 17)	**57,175,938**	60,833,725
Deferred tax assets (Note 32)	**404,393,056**	559,311,176
Other noncurrent assets (Note 18)	**608,694,233**	474,847,025
Total Noncurrent Assets	**37,643,475,735**	33,117,428,942
TOTAL ASSETS	**₱77,921,206,990**	₱66,544,967,530
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Notes 20 and 34)	**₱11,246,038,503**	₱9,513,514,990
Short-term debt (Notes 19 and 22)	**4,327,990,825**	1,945,430,681
Trust receipts and acceptances payable (Notes 10 and 22)	**4,412,695,949**	2,384,316,199
Income tax payable	**1,181,335,804**	875,934,133
Total Current Liabilities	**21,168,061,081**	14,719,196,003
Noncurrent Liabilities		
Deferred tax liabilities (Note 32)	**463,982,054**	391,324,334
Net pension liability (Note 31)	**262,167,555**	604,417,551
Total Noncurrent Liabilities	**726,149,609**	995,741,885
Total Liabilities	**21,894,210,690**	15,714,937,888

(Forward)

	September 30	
	2014	2013
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	**₱19,056,685,251**	₱19,056,685,251
Retained earnings (Note 22)	**42,789,191,854**	37,774,987,907
Other comprehensive income (Note 23)	**330,447,069**	174,469,201
Equity reserve (Note 22)	**(5,556,531,939)**	(5,556,531,939)
Treasury shares (Note 22)	**(670,386,034)**	(670,386,034)
	55,949,406,201	50,779,224,386
Equity attributable to non-controlling interests	**77,590,099**	50,805,256
Total Equity	**56,026,996,300**	50,830,029,642
TOTAL LIABILITIES AND EQUITY	**₱77,921,206,990**	₱66,544,967,530

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30		
	2014	2013	2012
SALE OF GOODS AND SERVICES (Notes 6 and 34)	**₱92,376,296,512**	₱80,995,215,642	₱71,201,677,779
COST OF SALES (Notes 24 and 34)	**64,005,377,917**	57,776,004,285	52,730,554,394
GROSS PROFIT	**28,370,918,595**	23,219,211,357	18,471,123,385
Selling and distribution costs (Note 25)	**(11,731,419,823)**	(10,646,381,015)	(8,696,876,368)
General and administrative expenses (Notes 26 and 34)	**(2,520,327,424)**	(2,293,782,850)	(1,924,695,851)
OPERATING INCOME	**14,119,171,348**	10,279,047,492	7,849,551,166
Finance revenue (Notes 6, 8 and 29)	**228,860,833**	529,639,680	1,229,729,268
Net foreign exchange gain (losses)	**72,777,508**	(156,974,222)	(634,390,049)
Market valuation gain on financial assets at fair value through profit or loss (Notes 6 and 8)	**62,525,954**	473,300,902	1,548,491,547
Equity in net income of joint ventures (Note 16)	**14,089,730**	19,244,938	31,172,102
Gain (loss) on sale of investments (Notes 8 and 13)	**–**	735,172,736	(29,907,211)
Impairment losses (Notes 6, 9, and 15)	**(122,272,279)**	(28,900,348)	(197,874,576)
Finance costs (Notes 6, 19, 21 and 30)	**(150,409,978)**	(266,033,395)	(693,273,870)
Other income (expenses) - net	**2,772,817**	(34,726,375)	82,531,936
INCOME BEFORE INCOME TAX	**14,227,515,933**	11,549,771,408	9,186,030,313
PROVISION FOR INCOME TAX (Note 32)	**2,572,223,919**	1,432,441,798	1,000,982,214
NET INCOME	**₱11,655,292,014**	₱10,117,329,610	₱8,185,048,099
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 33)	**₱11,558,709,746**	₱10,044,555,499	₱7,762,879,616
Non-controlling interests	**96,582,268**	72,774,111	422,168,483
	₱11,655,292,014	₱10,117,329,610	₱8,185,048,099
EARNINGS PER SHARE (Note 33)			
Basic/diluted, for income attributable to equity holders of the parent	**₱5.30**	₱4.60	₱3.70

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended September 30		
	2014	2013	2012
NET INCOME	**₱11,655,292,014**	₱10,117,329,610	₱8,185,048,099
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments (Note 23)	**218,282,351**	458,152,713	(181,758,621)
Unrealized gain (loss) on available-for-sale financial assets (Notes 13 and 23)	–	(650,504,738)	393,466,028
	218,282,351	(192,352,025)	211,707,407
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans (Notes 23 and 31)	**(88,717,012)**	(239,816,807)	(282,415,496)
Income tax effect	**26,615,104**	71,945,042	84,724,648
	(62,101,908)	(167,871,765)	(197,690,848)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**156,180,443**	(360,223,790)	14,016,559
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱11,811,472,457**	₱9,757,105,820	₱8,199,064,658
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱11,714,687,614**	₱9,684,980,972	₱7,778,459,426
Non-controlling interests	**96,784,843**	72,124,848	420,605,232
	₱11,811,472,457	₱9,757,105,820	₱8,199,064,658

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

	Attributable to Equity Holders of the Parent															
	Paid-up Capital (Note 22)			Retained Earnings (Note 22)				Other Comprehensive Income (Loss)								
								Items to be reclassified to profit or loss in subsequent periods			Item not to be reclassified to profit or loss in subsequent periods					
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Equity Reserve (Note 22)	Cumulative Translation Adjustments (Note 23)	Net Unrealized Gain (Loss) on Available-For-Sale Investments (Notes 13 and 23)	Total	Remeasurement Losses on Defined BenefitPlans	Total Other Comprehensive Income (Loss) (Note 23)	Treasury Shares (Note 22)	Total	Attributable to Non-controlling Interests (Note 16)	Total Equity
Balances as at October 1, 2013	**₱2,227,638,933**	**₱16,829,046,318**	**₱19,056,685,251**	**₱37,774,987,907**	**₱–**	**₱37,774,987,907**	**(₱5,556,531,939)**	**₱601,100,078**	**₱–**	**₱601,100,078**	**(₱426,630,877)**	**₱174,469,201**	**(₱670,386,034)**	**₱50,779,224,386**	**₱50,805,256**	**₱50,830,029,642**
Net income for the year	–	–	–	**11,558,709,746**	–	**11,558,709,746**	–	–	–	–	–	–	–	**11,558,709,746**	**96,582,268**	**11,655,292,014**
Other comprehensive income	–	–	–	–	–	–	–	**218,282,351**	–	**218,282,351**	**(62,304,483)**	**155,977,868**	–	**155,977,868**	**202,575**	**156,180,443**
Total comprehensive income	–	–	–	**11,558,709,746**	–	**11,558,709,746**	–	**218,282,351**	–	**218,282,351**	**(62,304,483)**	**155,977,868**	–	**11,714,687,614**	**96,784,843**	**11,811,472,457**
Cash dividends (Note 22)	–	–	–	**(6,544,505,799)**	–	**(6,544,505,799)**	–	–	–	–	–	–	–	**(6,544,505,799)**	**(70,000,000)**	**(6,614,505,799)**
Balances as at September 30, 2014	**₱2,227,638,933**	**₱16,829,046,318**	**₱19,056,685,251**	**₱42,789,191,854**	**₱–**	**₱42,789,191,854**	**(₱5,556,531,939)**	**₱819,382,429**	**₱–**	**₱819,382,429**	**(₱488,935,360)**	**₱330,447,069**	**(₱670,386,034)**	**₱55,949,406,201**	**₱77,590,099**	**₱56,026,996,300**
Balances as at October 1, 2012	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱27,966,037,047	₱5,000,000,000	₱32,966,037,047	(₱5,556,531,939)	₱142,947,365	₱650,504,738	₱793,452,103	(₱259,408,375)	₱534,043,728	(₱670,386,034)	₱46,329,848,053	₱34,680,408	₱46,364,528,461
Net income for the year	–	–	–	10,044,555,499	–	10,044,555,499	–	–	–	–	–	–	–	10,044,555,499	72,774,111	10,117,329,610
Other comprehensive income	–	–	–	–	–	–	–	458,152,713	(650,504,738)	(192,352,025)	(167,222,502)	(359,574,527)	–	(359,574,527)	(649,263)	(360,223,790)
Total comprehensive income	–	–	–	10,044,555,499	–	10,044,555,499	–	458,152,713	(650,504,738)	(192,352,025)	(167,222,502)	(359,574,527)	–	9,684,980,972	72,124,848	9,757,105,820
Appropriation of retained earnings	–	–	–	(6,000,000,000)	6,000,000,000	–	–	–	–	–	–	–	–	–	–	–
Reversal of previous appropriations	–	–	–	11,000,000,000	(11,000,000,000)	–	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 22)	–	–	–	(5,235,604,639)	–	(5,235,604,639)	–	–	–	–	–	–	–	(5,235,604,639)	(56,000,000)	(5,291,604,639)
Balances as at September 30, 2013	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱37,774,987,907	₱–	₱37,774,987,907	(₱5,556,531,939)	₱601,100,078	₱–	₱601,100,078	(₱426,630,877)	₱174,469,201	(₱670,386,034)	₱50,779,224,386	₱50,805,256	₱50,830,029,642
Balances as at October 1, 2011	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱24,120,011,103	₱5,000,000,000	₱29,120,011,103	₱–	₱324,705,986	₱257,038,710	₱581,744,696	(₱63,280,778)	₱518,463,918	(₱2,414,026,153)	₱40,680,006,238	₱1,265,011,119	₱41,945,017,357
Net income for the year	–	–	–	7,762,879,616	–	7,762,879,616	–	–	–	–	–	–	–	7,762,879,616	422,168,483	8,185,048,099
Other comprehensive income	–	–	–	–	–	–	–	(181,758,621)	393,466,028	211,707,407	(196,127,597)	15,579,810	–	15,579,810	(1,563,251)	14,016,559
Total comprehensive income	–	–	–	7,762,879,616	–	7,762,879,616	–	(181,758,621)	393,466,028	211,707,407	(196,127,597)	15,579,810	–	7,778,459,426	420,605,232	8,199,064,658
Sale of treasury shares (Note 22)	–	5,601,127,881	5,601,127,881	–	–	–	–	–	–	–	–	–	1,743,640,119	7,344,768,000	–	7,344,768,000
Purchase of non-controlling interest (Note 22)	–	–	–	–	–	–	(5,556,531,939)	–	–	–	–	–	–	(5,556,531,939)	(1,650,935,943)	(7,207,467,882)
Cash dividends (Note 22)	–	–	–	(3,916,853,672)	–	(3,916,853,672)	–	–	–	–	–	–	–	(3,916,853,672)	–	(3,916,853,672)
Balances as at September 30, 2012	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱27,966,037,047	₱5,000,000,000	₱32,966,037,047	(₱5,556,531,939)	₱142,947,365	₱650,504,738	₱793,452,103	(₱259,408,375)	₱534,043,728	(₱670,386,034)	₱46,329,848,053	₱34,680,408	₱46,364,528,461

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱14,227,515,933**	₱11,549,771,408	₱9,186,030,313
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 12)	**3,881,652,509**	3,617,945,589	3,415,369,881
Investment properties (Note 17)	**3,657,787**	3,657,787	3,657,795
Finance costs (Note 30)	**150,409,978**	266,033,395	693,273,870
Impairment losses on:			
Inventories (Note 10)	**103,876,120**	28,694,879	–
Receivables (Note 9)	**13,183,568**	205,469	–
Goodwill (Note 15)	**5,212,591**	–	–
Intangible assets (Note 15)	**–**	–	190,223,400
Property, plant and equipment (Note 12)	**–**	–	7,651,176
Loss (gain) on sale of:			
Property, plant and equipment	**(27,798,362)**	(38,805,967)	(27,681,325)
Available-for-sale investments (Note 13)	**–**	(680,679,297)	(55,192,209)
Financial assets at fair value through profit or loss (Note 8)	**–**	(54,493,439)	85,099,420
Amortization of debt issuance costs	**–**	9,544,074	9,396,636
Market valuation gain on derivative transactions (Note 8)	**–**	–	(12,226,523)
Equity in net income of joint ventures (Note 16)	**(14,089,730)**	(19,244,938)	(31,172,102)
Market valuation gain on financial assets at fair value through profit or loss (Note 8)	**(62,525,954)**	(473,300,902)	(1,548,491,547)
Net foreign exchange losses (gain)	**(72,777,508)**	156,974,222	634,390,049
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 14)	**(182,987,646)**	(69,895,371)	15,524,660
Finance revenue (Note 29)	**(228,860,833)**	(529,639,680)	(1,229,729,268)
Operating income before working capital changes	**17,796,468,453**	13,766,767,229	11,336,124,226
Decrease (increase) in:			
Receivables	**(810,206,171)**	(1,279,188,548)	(1,034,436,932)
Inventories	**(4,250,625,060)**	(1,256,581,779)	(34,549,496)
Biological assets	**12,926,180**	(8,195,844)	(131,175,092)
Other current assets	**(3,608,895,517)**	86,038,931	197,214,436
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**1,578,474,391**	2,251,269,839	992,207,318
Trust receipts and acceptances payable	**1,935,765,149**	(1,165,118,202)	2,188,947,980
Net cash generated from operations	**12,653,907,425**	12,394,991,626	13,514,332,440
Interest received	**225,873,189**	749,040,000	1,227,580,030
Interest paid	**(119,368,035)**	(287,053,995)	(814,934,229)
Income taxes paid	**(2,012,631,304)**	(1,182,136,997)	(898,940,139)
Net cash provided by operating activities	**10,747,781,275**	11,674,840,634	13,028,038,102

(Forward)

	Years Ended September 30		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 12 and 37)	**(₱7,696,948,774)**	(₱5,545,756,692)	(₱5,129,191,994)
Investments in joint venture (Note 16)	**(360,250,000)**	–	–
Financial assets at fair value through profit or loss	**(1,760)**	–	(1,976,898,466)
Non-controlling interest (Note 22)	**–**	–	(7,200,000,000)
Proceeds from the sale of:			
Property, plant and equipment	**39,145,112**	84,818,228	63,908,741
Financial assets at fair value through profit or loss (Note 8)	**–**	10,713,882,489	2,740,543,903
Available-for-sale investments (Note 13)	**–**	4,717,681,000	954,610,881
Decrease (increase) in:			
Other noncurrent assets	**(133,847,208)**	(48,923,388)	(72,725,477)
Net pension liability	**(339,518,483)**	(6,495,846)	(52,389,622)
Dividends received (Note 16)	**18,499,995**	29,999,991	24,999,993
Net cash provided by (used in) investing activities	**(8,472,921,118)**	9,945,205,782	(10,647,142,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debt	**(1,113,740,856)**	(8,586,397,274)	(5,749,632,635)
Long-term debt (Note 21)	**–**	(3,000,000,000)	(7,848,762,768)
Proceeds from:			
Availment of short-term debt	**3,496,301,000**	1,945,430,681	8,588,536,884
Sale of treasury shares, net of transaction costs (Note 22)	**–**	–	7,344,768,000
Cash dividends paid (Note 22)	**(6,614,505,799)**	(5,291,604,639)	(3,916,853,672)
Net cash used in financing activities	**(4,231,945,655)**	(14,932,571,232)	(1,581,944,191)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,957,085,498)**	6,687,475,184	798,951,870
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12,033,308,581**	5,345,833,397	4,546,881,527
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱10,076,223,083**	₱12,033,308,581	₱5,345,833,397

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") is incorporated and domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. The registered office address of the Parent Company is at 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines.

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

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

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

Also, on November 26, 2012, the BOD and Stockholders approved the amendment to the AOI of the Parent Company to include in its secondary purpose the business of power generation either for use of the Parent Company and its division and/or for sale. On March 21, 2013, the SEC approved the amendment to the secondary purpose.

On October 29, 2012, CCPI transferred its pet bottle operations to the Parent Company.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of four (4) years to six (6) years from respective start dates of commercial operations (see Note 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 to the consolidated financial statements.

2. Summary of Significant Accounting Policies

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

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso.

Except for certain foreign subsidiaries of the Parent Company, which are disclosed below, the functional currency of other consolidated foreign subsidiaries is the US dollar (USD).

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

Subsidiaries	Country of Incorporation	Functional Currency
Universal Robina (Cayman), Limited (URCL)	Cayman Islands	US Dollar
URC Philippines, Limited (URCPL)	British Virgin Islands	- do -
URC Asean Brands Co. Ltd. (UABCL)	- do -	- do -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- 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 -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Continental Milling Co. Ltd.	- do -	- do -
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -

Statement of Compliance

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

Basis of Consolidation

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

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership		
		2014	2013	2012
CCPI	Philippines	**100.00**	100.00	100.00
CFC Corporation	- do -	**100.00**	100.00	100.00
Bio-Resource Power Generation Corporation and a Subsidiary	- do -	**100.00**	100.00	100.00
Nissin-URC (NURC)	- do -	**65.00**	65.00	65.00
URCPL	British Virgin Islands	**100.00**	100.00	100.00
URCICL and Subsidiaries*	- do -	**100.00**	100.00	100.00
URCL	Cayman Islands	**100.00**	100.00	100.00
URCCCL	China	**100.00**	100.00	100.00

** Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, British Virgin Islands, and New Zealand.*

In 2014, URC Oceania Company Ltd., URC New Zealand Holding Company Ltd. (URCNZHCL), and URC New Zealand Hodling Finance Company Ltd. (URC NZ FinCo) were incorporated under URCICL.

In August 2012, the BOD approved the acquisition by the Parent Company of 23.00% of the capital stock of URCICL owned by a minority shareholder, International Horizons Investments Ltd., for ₱7.2 billion. The acquisition of the shares allowed the Parent Company to consolidate 100.00% of the earnings of URCICL after the date of acquisition (see Note 22).

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. Control is achieved where the Parent Company is exposed, or has the rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Where 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.

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

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

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

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at acquisition date and the amount of any non-controlling interest (NCI) in the acquiree. Acquisition-related costs are recognized in the consolidated statements of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any NCI.

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

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

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

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; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Under PFRS 10, Consolidated Financial Statements, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if it is impracticable for the management to prepare financial statements with the same accounting period with that of the Parent Company and the difference is not more than three months.

Any significant transactions or events that occur between the date of the fiscal subsidiaries' financial statements and the date of the Parent Company's financial statements are adjusted in the consolidated financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective for the Group beginning October 1, 2013. The adoption of the new and amended standards and interpretations did not have any effect on the consolidated financial statements of the Group. They did, however, give rise to additional disclosures.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32.

  The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar arrangement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instrumentst that do not meet some or all of the following criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.
  The additional disclosures required by the amendments are presented in Note 4 to the financial statements.

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

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using equity method. Management made an assessment and concluded that its joint arrangements meet the definition of joint venture and therefore continue to be accounted for under the equity method.

- PFRS 12, *Disclosure of Interest in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously in PAS 31, and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The required disclosures are presented in Note 16.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance. The required disclosures are presented in Note 5.

The following new and amended PFRS, Philippine Interpretations and PAS did not have any impact on the financial position or performance of the Group:

- PAS 27 (as revised in 2011)
- PAS 28 (as revised in 2011)
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements to PFRS* (2009-2011 cycle)
  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  - PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  - PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  - PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

On October 1, 2013, the Group early adopted the following new and amended accounting standards and interpretations which are mandatory for the Group for the fiscal year beginning October 1, 2014.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The additional disclosures required by the amendments are presented in Note 15 to the Group's consolidated financial statements.

- *Annual Improvements to PFRS* (2010-2012 cycle)
  In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The additional disclosures required by the annual improvements are presented in Note 5 to the Group's consolidated financial statements.

The following new and amended PFRS, Philippine Interpretations and PAS that have been early adopted did not have any impact on the financial position or performance of the Group:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
- Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27)
- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
- *Annual Improvements to PFRS* (2011-2013 cycle)
  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS.*

Significant Accounting Policies

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

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

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

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

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

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

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

<u>Cash and Cash Equivalents</u>
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.

<u>Recognition of Financial Instruments</u>
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 and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

'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 profit) in the consolidated statement of income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount.

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

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

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

The Group's financial assets at FVPL consist of equity securities only (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 based on quotes obtained from counterparties.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.
Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

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

This accounting policy applies primarily to the Group's cash in bank and cash equivalents, and trade and other receivables (see Notes 7 and 9).

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 effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, from reported earnings and are reported under the 'Unrealized gain (loss) on available-for-sale 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 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 in the consolidated statement of income.

AFS financial assets held by the Group consist of equity securities only (see Note 13).

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 19) and long-term debt (see Note 21), accounts payable and other accrued liabilities (see Note 20) and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities or income tax payable).

Fair Value

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position 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 by 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.

Debt Issuance Costs

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

Classification of Financial Instruments Between Debt and Equity

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

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

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

Reclassification of Financial Assets

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

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

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment of Financial Assets

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

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of income. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

The Group performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group (see Note 9).

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

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 through in the consolidated statement of income.

For 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. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the 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 the other comprehensive income.

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Offsetting Financial Instruments

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

Inventories

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

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

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

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

Materials in-transit
Cost is determined using the specific identification basis.

Spare parts and supplies
Cost is determined using the weighted average method.

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

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

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

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

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

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

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

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

Biological assets carried at fair values less estimated costs to sell
Swine livestock are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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

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

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

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

Initial and subsequent measurement
Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

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

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

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

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

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

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

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

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

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

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

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

	Years
Land improvements	10
Buildings and building improvements	10 to 30

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

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

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

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets. Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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 managmenet 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. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of Nonfinancial Assets).

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

Intangible Assets

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

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

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

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

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

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

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

Investment in Joint Ventures
The Group has intressts 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.

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 12), investment properties (see Note 17), investment in joint ventures (see Note 16), goodwill (see Note 15), intangible assets (see Note 15) and biological assets at cost (see Note 14).

The Group assesses at each statement of financial position date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses are recognized in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

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 in the profit or loss in the consolidated statement of comprehensive income.

Provisions

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

Contingencies

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

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

Pension Costs

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, 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.

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the statement of financial position date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate. Borrowing costs which do not qualify for capitalization are expensed as incurred.

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

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

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

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

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

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

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 that 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 ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of 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 the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their respective statements of 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 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
Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as ‘Additional paid-in capital’ in the consolidated statement of 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 PFRS.

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 Shares

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

Earnings Per Share (EPS)

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

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

Segment Reporting

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

Events after the Reporting Period

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

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2014

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

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

- PAS 19, *Employee Benefits- Defined Benefit Plans: Employee Contributions (Amendments)*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that adoption of the amendments in PAS 19 will have material financial impact in future financial statements.

Annual Improvements to PFRS (2010-2012 cycle)

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

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

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

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

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

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

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

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

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

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

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

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

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

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

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's statement of financial position or statement of income.

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

Effective subsequent to September 30, 2015

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

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

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge

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

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Going concern

The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared under the going concern basis.

Classification of financial instruments

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

Determination of fair values of financial instruments

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

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

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

Classification of leases

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

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

Finance lease commitments - Group as 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.

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

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

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

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

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

Assets held for sale
The Group classifies a subsidiary as a disposal group held for sale if it meets the following conditions at the reporting date:
- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

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

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

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

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

The Group did not recognize any impairment loss on AFS equity investments in 2014, 2013 and 2012. As of September 30, 2014 and 2013, the carrying value of AFS equity investments amounted to ₱21.7 million (see Note 13).

Estimation of allowance for impairment losses on receivables
The Group maintains allowances for impairment losses on its trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible.

The Group reviews its finance receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the profit or loss in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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

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

Provision for impairment losses on receivables (included under ‘Impairment losses’ in the consolidated statements of income) amounted to ₱13.2 million in 2014, ₱0.2 million in 2013 and nil in 2012. The Group recovered impaired receivables amounting to nil and ₱0.6 million in 2014 and 2013, respectively. Total receivables, net of allowance for impairment losses, amounted to ₱9.3 billion and ₱8.5 billion as of September 30, 2014 and 2013, respectively (see Note 9).

Determination of NRV of inventories
The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories.

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

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

Inventory written down as expense (included under the ‘Cost of sales’ in the consolidated statements of income) amounted to ₱377.6 million, ₱726.1 million and ₱640.4 million in 2014, 2013 and 2012, respectively (see Note 10).

The Group recognized impairment losses on its inventories amounting to ₱103.9 million, ₱28.7 million and nil in 2014, 2013 and 2012, respectively. The Group’s inventories, net of inventory obsolescence and market decline, amounted to ₱15.1 billion and ₱11.0 billion for September 30, 2014 and 2013, respectively (see Note 10).

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

As of September 30, 2014 and 2013, the balances of the Group's depreciable property, plant and equipment, biological assets and investment properties follow:

	2014	2013
Property, plant and equipment - net (Note 12)	**₱24,936,586,545**	₱23,379,269,976
Biological assets - breeders (Note 14)	**455,817,612**	483,025,181
Investment properties - net (Note 17)	**57,175,938**	60,833,725

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

As of September 30, 2014 and 2013, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.6 billion and ₱1.4 billion, respectively (see Note 14). Gains arising from changes in the fair market value of biological assets amounted to ₱183.0 million, and ₱69.9 million in 2014 and, 2013, respectively (see Note 14). Losses arising from changes in the fair market value of biological assets amounted to ₱15.5 million in 2012.

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

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

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

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

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

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

In 2014 and 2013, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 12) and its trademark (see Note 15). In 2014 and 2013, the Group recognized impairment losses on its goodwill (included under 'Impairment losses' on the consolidated statements of income) amounting to ₱5.2 million and nil, respectively (see Note 15).

As of September 30, 2014 and 2013, the balances of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment losses follow:

	2014	2013
Property, plant and equipment (Note 12)	**₱34,407,755,976**	₱30,180,400,059
Goodwill (Note 15)	**793,415,185**	798,627,776
Intangible assets (Note 15)	**475,000,000**	475,000,000
Biological assets at cost (Note 14)	**122,829,660**	172,262,355
Investment in a joint venture (Note 16)	**441,223,735**	85,384,000
Investment properties (Note 17)	**57,175,938**	60,833,725

Estimation of pension and other benefits costs
The cost of defined benefit pension plans and other post employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. As of September 30, 2014 and 2013, the balances of the Group's net pension liability and other employee benefits follow:

	2014	2013	2012
Net pension liability (Note 31)	**₱262,167,555**	₱604,417,551	₱371,096,589
Other employee benefits (Note 28)	**1,100,013,481**	844,508,937	856,708,522

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

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. Further details about the assumptions used are provided in Note 31.

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

As of September 30, 2014 and 2013, the Group recognized deferred tax assets amounting to ₱549.4 million and ₱652.3 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 ₱59.6 million as of September 30, 2014. Net deferred tax assets amounted to ₱168.0 million as of September 30, 2013 (see Note 32).

As of September 30, 2014 and 2013, 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).

As of September 30, 2014 and 2013, the total amount of unrecognized deferred tax assets of the Group amounted to ₱63.3 million and ₱153.1 million, respectively (see Note 32).

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, financial assets at FVPL, AFS 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, as well as for trading purposes.

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

Risk Management Structure

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

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

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

AC

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

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)

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

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

Corporate Governance Compliance Officer

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

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

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

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:

1. 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.
2. 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.
3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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:

1. 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.
2. 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.
3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
5. 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 Corporate 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 investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk (including derivatives) of the Group as of September 30, 2014 and 2013, without considering the effects of collaterals and other credit risk mitigation techniques.

	2014	2013
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand amounting to ₱50.4 million and ₱46.0 million as of September 30, 2014 and 2013, respectively, see Note 7)	**₱10,025,858,152**	₱11,987,351,393
Receivables (Note 9):		
Trade receivables	**6,516,260,902**	5,643,670,497
Due from related parties	**1,447,647,173**	1,347,791,547
Advances to officers, employees and suppliers	**1,011,990,095**	927,354,662
Interest receivable	**8,026,469**	5,038,825
Other receivables	**335,277,064**	598,562,058
Total loans and receivables	**19,345,059,855**	20,509,768,982
Financial assets at FVPL (Note 8):		
Held-for-trading:		
Equity securities	**476,260,026**	413,732,312
AFS financial assets (Note 13):		
Equity securities:		
Quoted	**21,720,000**	21,720,000
	₱19,843,039,881	₱20,945,221,294

b. Risk concentrations of the maximum exposure to credit risk

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

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

i. Concentration by geographical location

The Group's credit risk exposures as of September 30, 2014 and 2013 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2014					
	Philippines	**Asia**	**United States**	**Europe**	**Others***	**Total**
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand, see Note 7)	**₱8,250,268,799**	**₱1,775,589,353**	**₱–**	**₱–**	**₱–**	**₱10,025,858,152**
Receivables (Note 9):						
Trade receivables	**3,835,384,742**	**2,657,848,738**	**12,833,312**	**–**	**10,194,110**	**6,516,260,902**
Due from related parties	**1,447,647,173**	**–**	**–**	**–**	**–**	**1,447,647,173**
Advances to officers, employees and suppliers	**684,164,665**	**327,825,430**	**–**	**–**	**–**	**1,011,990,095**
Interest receivable	**8,026,469**	**–**	**–**	**–**	**–**	**8,026,469**
Other receivables	**230,508,793**	**104,768,271**	**–**	**–**	**–**	**335,277,064**
Total loans and receivable	**14,456,000,641**	**4,866,031,792**	**12,833,312**	**–**	**10,194,110**	**19,345,059,855**
Financial assets at FVPL:						
Equity securities (Note 8):	**476,260,026**	**–**	**–**	**–**	**–**	**476,260,026**
AFS financial assets:						
Equity securities(Note 13)	**21,720,000**	**–**	**–**	**–**	**–**	**21,720,000**
	₱14,953,980,667	**₱4,866,031,792**	**₱12,833,312**	**₱–**	**₱10,194,110**	**₱19,843,039,881**

**Includes Brazil and Mexico.*

	2013					
	Philippines	Asia	United States	Europe	Others*	Total
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand, see Note 7)	₱8,692,822,250	₱3,294,529,143	₱–	₱–	₱–	₱11,987,351,393
Receivables (Note 9):						
Trade receivables	3,683,006,593	1,934,902,011	13,566,679	989,804	11,205,410	5,643,670,497
Due from related parties	1,347,791,547	–	–	–	–	1,347,791,547
Advances to officers, employees and suppliers	403,780,628	523,574,034	–	–	–	927,354,662
Interest receivable	5,038,825	–	–	–	–	5,038,825
Other receivables	504,501,899	94,060,159	–	–	–	598,562,058
Total loans and receivable	14,636,941,742	5,847,065,347	13,566,679	989,804	11,205,410	20,509,768,982
Financial assets at FVPL:						
Equity securities (Note 8):	413,732,312	–	–	–	–	413,732,312
AFS financial assets:						
Equity securities(Note 13)	21,720,000	–	–	–	–	21,720,000
	₱15,072,394,054	₱5,847,065,347	₱13,566,679	₱989,804	₱11,205,410	₱20,945,221,294

**Includes Brazil and Mexico.*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of September 30, 2014 and 2013 before taking into account any collateral held or other credit enhancements.

	2014						
	Manufacturing	**Financial Intermediaries**	**Petrochemicals**	**Tele-Communication**	**Mining**	**Others***	**Total**
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand, see Note 7)	**₱–**	**₱10,025,858,152**	**₱–**	**₱–**	**₱–**	**₱–**	**₱10,025,858,152**
Receivables (Note 9):							
Trade receivables	**5,728,663,120**	**–**	**448,364,902**	**–**	**–**	**339,232,880**	**6,516,260,902**
Due from related parties	**319,429,680**	**37,778,902**	**–**	**–**	**–**	**1,090,438,591**	**1,447,647,173**
Advances to officers, employees and suppliers	**935,090,459**	**–**	**–**	**–**	**–**	**76,899,636**	**1,011,990,095**
Interest receivable	**380,245**	**7,646,224**	**–**	**–**	**–**	**–**	**8,026,469**
Other receivables	**220,803,816**	**153,855**	**–**	**13,567,446**	**–**	**100,751,947**	**335,277,064**
Total loans and receivables	**7,204,367,320**	**10,071,437,133**	**448,364,902**	**13,567,446**	**–**	**1,607,323,054**	**19,345,059,855**
Financial assets at FVPL:							
Equity securities (Note 8)	**–**	**–**	**–**	**–**	**646,817**	**475,613,209**	**476,260,026**
AFS financial assets:							
Equity securities (Note 13)	**–**	**–**	**–**	**–**	**–**	**21,720,000**	**21,720,000**
	₱7,204,367,320	**₱10,071,437,133**	**₱448,364,902**	**₱13,567,446**	**₱646,817**	**₱2,104,656,263**	**₱19,843,039,881**

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

	2013						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand, see Note 7)	₱–	₱11,987,351,393	₱–	₱–	₱–	₱–	₱11,987,351,393
Receivables (Note 9):							
Trade receivables	4,926,743,091	39,597,965	464,450,260	–	–	212,879,181	5,643,670,497
Due from related parties	96,011,405	37,068,898	–	–	–	1,214,711,244	1,347,791,547
Advances to officers, employees and suppliers	900,689,123	–	–	–	–	26,665,539	927,354,662
Interest receivable	–	146,890	–	–	–	4,891,935	5,038,825
Other receivables	483,609,782	–	–	37,093,724	–	77,858,552	598,562,058
Total loans and receivables	6,407,053,401	12,064,165,146	464,450,260	37,093,724	–	1,537,006,451	20,509,768,982
Financial assets at FVPL:							
Equity securities (see Note 8)	–	–	–	–	788,040	412,944,272	413,732,312
AFS financial assets:							
Equity securities (see Note 13)	–	–	–	–	–	21,720,000	21,720,000
	₱6,407,053,401	₱12,064,165,146	₱464,450,260	₱37,093,724	₱788,040	₱1,971,670,723	₱20,945,221,294

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

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of September 30, 2014 and 2013, gross of allowance for impairment losses:

	2014				
	Neither Past Due Nor Impaired			**Past Due or Individually Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand, see Note 7)	**10,025,858,152**	**–**	**–**	**–**	**10,025,858,152**
Receivables (Note 9):					
Trade receivables	**5,237,156,542**	**532,153,576**	**144,403,370**	**790,105,136**	**6,703,818,624**
Due from related parties	**1,447,647,173**	**–**	**–**	**–**	**1,447,647,173**
Advances to officers, employees and suppliers	**347,674,299**	**602,085,823**	**8,822,306**	**73,054,349**	**1,031,636,777**
Interest receivable	**8,026,469**	**–**	**–**	**–**	**8,026,469**
Other receivables	**72,312,328**	**115,916,485**	**75,748,013**	**240,383,014**	**504,359,840**
Total loans and receivables	**17,138,674,963**	**1,250,155,884**	**228,973,689**	**1,103,542,499**	**19,721,347,035**
Financial assets at FVPL (Note 8):					
Equity securities	**476,260,026**	**–**	**–**	**–**	**476,260,026**
AFS financial assets:					
Equity securities (Note 13)	**21,720,000**	**–**	**–**	**–**	**21,720,000**
	17,636,654,989	**1,250,155,884**	**228,973,689**	**1,103,542,499**	**20,219,327,061**

	2013				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand, see Note 7)	₱11,987,351,393	₱–	₱–	₱–	₱11,987,351,393
Receivables (Note 9):					
Trade receivables	4,154,442,985	897,563,794	62,446,954	735,828,551	5,850,282,284
Due from related parties	1,347,791,547	–	–	–	1,347,791,547
Advances to officers, employees and suppliers	110,703,457	759,862,080	19,070,761	57,365,046	947,001,344
Interest receivable	4,891,935	146,890	–	–	5,038,825
Other receivables	150,708,647	230,935,264	64,812,207	321,188,716	767,644,834
Total loans and receivables	17,755,889,964	1,888,508,028	146,329,922	1,114,382,313	20,905,110,227
Financial assets at FVPL (Note 8):					
Equity securities	413,732,312	–	–	–	413,732,312
AFS financial assets:					
Equity securities (Note 13)	21,720,000	–	–	–	21,720,000
	₱18,191,342,276	₱1,888,508,028	₱146,329,922	₱1,114,382,313	₱21,340,562,539

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

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

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of September 30, 2014 and 2013 are as follows:

As of September 30, 2014

	Past Due Nor Impaired				**Impaired**	
	Less than 30 Days	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Trade receivables	**₱137,298,058**	**₱92,711,054**	**₱40,910,530**	**₱331,627,772**	**₱187,557,722**	**₱790,105,136**
Advances to officers, employees and suppliers	**7,409,140**	**4,445,031**	**202,818**	**41,350,678**	**19,646,682**	**73,054,349**
Others	**42,942,969**	**8,884,823**	**192,570**	**19,279,876**	**169,082,776**	**240,383,014**
Balances at end of year	**₱187,650,167**	**₱106,040,908**	**₱41,305,918**	**₱392,258,326**	**₱376,287,180**	**₱1,103,542,499**

As of September 30, 2013

	Past Due Nor Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	₱87,682,883	₱154,927,342	₱28,443,268	₱258,163,271	₱206,611,787	₱735,828,551
Advances to officers, employees and suppliers	3,351,773	7,179,896	1,755,990	25,430,705	19,646,682	57,365,046
Others	27,260,128	1,060,321	822,733	122,962,758	169,082,776	321,188,716
Balances at end of year	₱118,294,784	₱163,167,559	₱31,021,991	₱406,556,734	₱395,341,245	₱1,114,382,313

e. Impairment assessment

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

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

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

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

The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

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

Liquidity risk

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

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2014 and 2013 based on the remaining undiscounted contractual cash flows.

	2014				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱1,444,986,811**	**₱8,636,726,908**	**₱–**	**₱–**	**₱ 10,081,713,719**
Receivables:					
Trade receivables	**3,329,329,384**	**3,186,931,518**	**–**	**–**	**6,516,260,902**
Due from related parties	**1,447,647,173**	**–**	**–**	**–**	**1,447,647,173**
Advances to officers, employees and suppliers	**268,953,399**	**674,403,930**	**68,632,766**	**–**	**1,011,990,095**
Interest receivable	**–**	**8,026,469**	**–**	**–**	**8,026,469**
Other receivables	**247,470,102**	**50,333,552**	**37,473,410**	**–**	**335,277,064**
Total loans and receivables	**6,738,386,869**	**12,556,422,377**	**106,106,176**	**–**	**19,400,915,422**

(Forward)

	2014				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial assets at FVPL:					
Equity securities	**₱476,260,026**	**₱–**	**₱–**	**₱–**	**₱476,260,026**
AFS financial assets:					
Equity securities	**21,720,000**	**–**	**–**	**–**	**21,720,000**
	₱7,236,366,895	**₱12,556,422,377**	**₱106,106,176**	**₱–**	**₱19,898,895,448**
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	**₱5,001,928,540**	**₱5,773,851,880**	**₱151,496,789**	**₱–**	**₱10,927,277,209**
Due to related parties	**69,385,015**	**–**	**–**	**–**	**69,385,015**
Short-term debt	**–**	**4,348,431,109**	**–**	**–**	**4,348,431,109**
Trust receipts and acceptances payable	**75,291,275**	**2,255,008,961**	**2,107,074,035**	**–**	**4,437,374,271**
	₱5,146,604,830	**₱12,377,291,950**	**₱2,258,570,824**	**₱–**	**₱19,782,467,604**

	2013				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,856,784,313	₱10,183,805,492	₱–	₱–	₱12,040,589,805
Receivables:					
Trade receivables	2,054,658,145	3,339,189,516	249,822,836	–	5,643,670,497
Due from related parties	1,347,791,547	–	–	–	1,347,791,547
Advances to officers, employees and suppliers	287,082,528	571,453,796	68,818,338	–	927,354,662
Interest receivable	–	5,038,825	–	–	5,038,825
Other receivables	338,452,701	215,271,086	44,838,271	–	598,562,058
Total loans and receivables	5,884,769,234	14,314,758,715	363,479,445	–	20,563,007,394
Financial assets at FVPL:					
Equity securities	413,732,312	–	–	–	413,732,312
AFS financial assets:					
Equity securities	21,720,000	–	–	–	21,720,000
	₱6,320,221,546	₱14,314,758,715	₱363,479,445	₱–	₱20,998,459,706
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	₱1,855,159,258	₱2,901,282,490	₱4,530,569,828	₱–	₱9,287,011,576
Due to related parties	74,913,134	–	–	–	74,913,134
Short-term debt	–	1,954,185,467	–	–	1,954,185,467
Trust receipts and acceptances payable	–	–	2,401,045,486	–	2,401,045,486
	₱1,930,072,392	₱4,855,467,957	₱6,931,615,314	₱–	₱13,717,155,663

Market risk

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

Foreign currency risk

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

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of September 30, 2014, 2013 and 2012, approximately 25.7%, 27.2% and 28.3% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 50.48% and 55.07% of the Group's debt is denominated in US Dollar as of September 30, 2014 and 2013, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

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

	2014			
	NZ Dollar	**US Dollar**	**Other**	**Total**
Assets				
Cash and cash equivalents	**₱–**	**₱4,162,931,749**	**₱–**	**₱4,162,931,749**
Receivables	**–**	**307,058,458**	**–**	**307,058,458**
	–	**4,469,990,207**	**–**	**4,469,990,207**
Liabilities				
Accounts payable and other accrued liabilities	**–**	**–**	**32,292,224**	**32,292,224**
Short-term debt	**3,496,301,000**	**–**	**831,689,825**	**4,327,990,825**
Trust Receipts	**–**	**4,412,695,949**	**–**	**4,412,695,949**
	3,496,301,000	**4,412,695,949**	**863,982,049**	**8,772,978,998**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱3,496,301,000)**	**₱57,294,258**	**(₱863,982,049)**	**(₱4,302,988,791)**

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

	2013			
	Euro	US Dollar	Other	Total
Assets				
Cash and cash equivalents	₱–	₱3,417,796,152	₱2,156,333,865	₱5,574,130,017
Receivables	–	777,001,047	2,576,985,750	3,353,986,797
	–	4,194,797,199	4,733,319,615	8,928,116,814
Liabilities				
Accounts payable and other accrued liabilities	–	–	3,896,868,645	3,896,868,645
Short-term debt	–	–	1,945,430,681	1,945,430,681
Trust Receipts	–	2,384,316,199	–	2,384,316,199
	–	2,384,316,199	5,842,299,326	8,226,615,525
Net Foreign Currency-Denominated Assets (Liabilities)	₱–	₱1,810,481,000	(₱1,108,979,711)	₱701,501,289

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

The following tables set forth the impact of the range of reasonably possible changes in the US Dollar and Euro - Philippine Peso exchange rate on the Group's income before income tax as of September 30, 2014 and 2013:

	2014	
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	**US Dollar**	**NZ Dollar**
₱5.00	**₱6,383,761**	**(₱499,999,870)**
(5.00)	**(6,383,761)**	**499,999,870**

	2013	
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱207,910,083	₱–
(5.00)	(207,910,083)	–

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of September 30, 2014 and 2013 are deemed immaterial. As of September 30, 2014 and 2013, the impact of the changes in the exchange rates on the Group's cumulative translation adjustments in the statements of comprehensive income is also deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱44.88 to US$1.00 and ₱43.54 to US$1.00 as of September 30, 2014 and 2013, respectively. The exchange rates used to restate the NZ dollar-denominated financial liabilities were ₱34.96 to NZ$1.00 as of September 30, 2014.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. In 2014, 2013 and 2012, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱4.8 million, ₱4.1 million and ₱20.2 million, respectively, if equity prices will increase by 1%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on equity by ₱0.2 million as of September 30, 2014 and 2013. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk

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

As of September 30, 2014 and 2013, 100.00% of the Group's borrowings are at a fixed rate of interest.

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

2014

	<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:									
Fixed rate:									
New Zealand Dollar Loan	**NZD100,000,000**	**NZD–**	**NZD–**	**NZD–**	**NZD–**	**NZD100,000,000**	**3,496,301,000**	**–**	**3,496,301,000**
Interest rate	**4.75%**								
Thailand Baht loans	**THB600,800,000**	**THB–**	**THB–**	**THB–**	**THB–**	**THB600,800,000**	**831,689,825**	**–**	**831,689,825**
Interest rate	**2.62%**								
Trust receipt and acceptances payable	**USD98,333,057**	**USD–**	**USD–**	**USD–**	**USD–**	**USD98,333,057**	**4,412,695,949**	**–**	**4,412,695,949**
Interest rate	**0.925% to 1.003%**								
							8,740,686,774	**–**	**8,740,686,774**

2013

	<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:									
Fixed rate:									
Thailand Baht loans	THB1,192,800,000	THB–	THB–	THB–	THB–	THB1,192,800,000	1,660,865,476	–	1,660,865,476
Interest rate	3.03% to 3.85%								
Chinese Yuan loans	CNY40,000,000	CNY–	CNY–	CNY–	CNY–	CNY40,000,000	284,565,205	–	284,565,205
Interest rate	4.80%								
Trust receipt and acceptances payable	$54,761,511	$–	$–	$–	$–	$54,761,511	2,384,316,199	–	2,384,316,199
Interest rate	0.980% to 0.983%								
							4,329,746,880	–	4,329,746,880

The following tables set forth the estimated change in the Group's income before income tax and equity due to a reasonably possible change in interest rates and market prices of quoted bonds classified under financial assets at FVPL and AFS investments in 2014, 2013 and 2012:

	2014			
	Reasonably Possible Changes in:			
	Interest rates		**Market prices**	
Changes in:	**1.5%**	**(1.5%)**	**1.5%**	**(1.5%)**
Income Before Income Tax	–	–	₱–	₱–
Equity	–	–	–	–

	2013			
	Reasonably Possible Changes in:			
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	–	–	₱–	₱–
Equity	–	–	–	–

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

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 debt, and trust receipts and acceptances payable
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

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

Biological assets
Swine livestock are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Investment properties

Fair value of investment properties are based on cost method. Under this approach, an estimate is made of the current Cost of Replacement, New of the buildings and other land improvements in accordance with prevailing market prices for materials, labor, and contractor's overhead, profit, and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional, and economic obsolescence based on personal inspection of the buildings and other land improvements and in comparison with similar new properties.

The fair values of the Group's investment properties have been determined by appraisers, including independent external appraisers, based on the analysis of the buildings and other land improvements by breaking them down into major components such as foundation, columns, beams, floorings, wall, roofing, and others using workable units as lineal meter, square meter, and other appropriate basic unit. Equally given importance are the interior finishes. Bills of quantities for each building component using the appropriate basic unit are prepared and related to the unit cost for each component developed based on current market prices.

The Group has determined that the highest and best use of the building and building improvement classified as investment properties is its current use.

Fair Value Hierarchy

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

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

	2014				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets at FVPL:					
Quoted equity securities	**₱476,260,026**	**₱476,260,026**	**₱–**	**₱–**	**₱476,260,026**
AFS financial assets					
Quoted equity securities	**21,720,000**	**21,720,000**	**–**	**–**	**21,720,000**
Biological assets	**1,611,292,270**	**–**	**1,611,292,270**	**–**	**1,611,292,270**
Assets for which fair values are disclosed					
Investment properties	**57,175,938**	**–**	**–**	**232,236,000**	**232,236,000**
	₱2,166,448,234	**₱497,980,026**	**₱1,611,292,270**	**₱232,236,000**	**₱2,341,508,296**

	2013				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets at FVPL:					
Quoted equity securities	₱413,732,312	₱413,732,312	–	–	₱413,732,312
AFS financial assets					
Quoted equity securities	21,720,000	21,720,000	–	–	21,720,000
Biological assets	1,391,798,109	–	1,391,798,109	–	1,391,798,109
Assets for which fair values are disclosed					
Investment properties	60,833,725	–	–	192,365,000	192,365,000
	₱1,888,084,146	₱435,452,312	₱1,391,798,109	₱192,365,000	₱2,019,615,421

In 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Investment properties	Cost method	Replacement cost and depreciation for improvements

Significant increases (decreases) in adjustments for replacement cost and depreciation for improvements would result in a significantly higher (lower) fair value of the properties.

Significant Unobservable Inputs

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.

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 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. 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 PFRS except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the period ended September 30, 2014, 2013, and 2012.

The Group's business segment information follows:

	2014					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱77,233,787	₱8,203,015	₱6,939,495	₱–	₱–	₱92,376,297
Inter-segment	9,350,272	4,152,627	6,007,458		(19,510,357)	–
	₱86,584,059	₱12,355,642	₱12,946,953	₱–	(₱19,510,357)	₱92,376,297
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱13,999,723	₱1,355,412	₱3,713,909	(₱1,064,563)	₱–	₱18,004,481
Depreciation and amortization (Note 27)	(2,901,342)	(288,632)	(622,207)	(73,129)	–	(3,885,310)
Earnings before interest and income tax (EBIT)	₱11,098,381	₱1,066,780	₱3,091,702	(₱1,137,692)	₱–	₱14,119,171
Finance revenue (Note 29)	₱80,939	₱103	₱1,766	₱146,053	₱–	228,861
Finance costs (Notes 19, 21 and 30)	(₱86,234)	(₱9,595)	(₱27,861)	(₱26,720)	₱–	(150,410)
Equity in net income of a joint venture (Note 16)	₱–	₱–	₱–	₱14,090	₱–	14,090
Market valuation gain on financial assets at FVPL (Note 8)	₱–	₱–	₱–	₱62,526	₱–	62,526
Impairment losses and others						(122,272)
Other expenses*						75,550
Income before income tax						14,227,516
Provision for income tax (Note 32)						(2,572,224)
Net income						₱11,655,292
Other Information						
Total assets	48,682,573	5,621,741	11,171,001	12,445,892	–	77,921,207
Total liabilities	10,465,748	2,896,084	4,185,517	4,346,862	–	21,894,211
Capital expenditures (Note 12)	4,302,565	292,088	2,823,549	278,747	–	7,696,949
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 9)	₱7,216	₱1,296	₱–	₱4,671	₱–	₱13,183
Inventories (Note 10)	97,608	–	6,268	–	–	103,876
Goodwill (Note 15)	5,213	–	–	–	–	5,213
	₱110,037	₱1,296	₱6,268	₱4,671	₱–	₱122,272

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

	2013					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱65,400,934	₱7,392,911	₱8,201,371	₱–	₱–	₱80,995,216
Inter-segment	6,653,676	3,524,393	5,178,254	–	(15,356,323)	–
	₱72,054,610	₱10,917,304	₱13,379,625	₱–	(₱15,356,323)	₱80,995,216
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱10,129,027	₱967,947	₱3,745,033	(₱941,357)	₱–	₱13,900,650
Depreciation and amortization (Note 27)	(2,642,218)	(311,198)	(626,118)	(42,069)	–	(3,621,603)
Earnings before interest and income tax (EBIT)	₱7,486,809	₱656,749	₱3,118,915	(₱983,426)	₱–	10,279,047
Finance revenue (Note 29)	₱48,067	₱173	₱2,221	₱479,179	₱–	529,640
Finance costs (Notes 19, 21 and 30)	(₱41,649)	(₱11,187)	(₱41,999)	(₱171,198)	₱–	(266,033)
Equity in net income of a joint venture (Note 16)	₱–	₱–	₱–	₱19,245	₱–	19,245
Market valuation gain on financial assets at FVPL (Note 8)	₱–	₱–	₱–	₱473,301	₱–	473,301
Impairment losses and others						(28,900)
Other expenses*						543,472
Income before income tax						11,549,772
Provision for income tax (Note 32)						(1,432,442)
Net income						₱10,117,330
Other Information						
Total assets	₱39,343,253	₱4,734,422	₱8,632,824	₱13,834,469	₱–	₱66,544,968
Total liabilities	₱10,619,062	₱1,147,858	₱3,546,414	₱401,604	₱–	₱15,714,938
Capital expenditures (Note 12)	₱3,640,111	₱250,218	₱1,583,005	₱72,423	₱–	₱5,545,757
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 9)	₱–	₱–	₱205	₱–	₱–	₱205
Inventories (Note 10)	8,341	5,413	14,941	–	–	28,695
	₱8,341	₱5,413	₱15,146	₱–	₱–	₱28,900

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

	2012					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱56,256,548	₱7,370,321	₱7,574,809	₱–	₱–	₱71,201,678
Inter-segment	5,563,871	3,414,758	3,899,486	–	(12,878,115)	–
	₱61,820,419	₱10,785,079	₱11,474,295	₱–	(₱12,878,115)	₱71,201,678
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱8,121,136	₱607,241	₱3,353,584	(₱813,382)	₱–	₱11,268,579
Depreciation and amortization (Note 27)	(2,586,532)	(248,212)	(553,528)	(30,756)	–	(3,419,028)
Earnings before interest and income tax (EBIT)	₱5,534,604	₱359,029	₱2,800,056	(₱844,138)	₱–	7,849,551
Finance revenue (Note 29)	₱32,443	₱179	₱1,007	₱1,196,100	₱–	1,229,729
Finance costs (Notes 19, 21 and 30)	(₱22,258)	(₱45,766)	(₱82,400)	(₱542,850)	₱–	(693,274)
Equity in net income of a joint venture (Note 16)	₱–	₱–	₱–	₱31,172	₱–	31,172
Market valuation gain on financial assets at FVPL (Note 8)	₱–	₱–	₱–	₱1,548,492	₱–	1,548,492
Impairment losses and others						(197,875)
Other expenses*						(581,765)
Income before income tax						9,186,030
Provision for income tax (Note 32)						(1,000,982)
Net income						₱8,185,048
Other Information						
Total assets	₱34,677,492	₱4,979,679	₱8,160,809	₱22,277,345	₱–	₱70,095,325
Total liabilities	₱7,150,761	₱2,287,383	₱3,848,986	₱10,443,667	₱–	₱23,730,797
Capital expenditures (Note 12)	₱4,382,421	₱208,149	₱516,056	₱22,566	₱–	₱5,129,192
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Property, Plant and Equipment (Note 12)	₱7,651	₱–	₱–	₱–	₱–	₱7,651
Other intangibles assets (Note 15)	190,224	–	–	–	–	190,224
	₱197,875	₱–	₱–	₱–	₱–	₱197,875

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

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 losses and other revenues and expenses which are not allocated to operating segments.

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

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

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

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

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

	2014	2013	2012
		(In Thousands)	
Domestic	**₱68,600,627**	₱58,941,454	₱51,044,862
Foreign	**23,775,670**	22,053,762	20,156,816
	₱92,376,297	₱80,995,216	₱71,201,678

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:

	2014	2013	2012
		(In Thousands)	
Domestic	**₱24,686,271**	₱21,429,562	₱20,583,499
Foreign	**12,552,812**	11,128,556	9,624,279
	₱37,239,083	₱32,558,118	₱30,207,778

7. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱50,364,931**	₱45,957,188
Cash in banks	**1,394,733,314**	1,810,827,125
Short-term investments	**8,631,124,838**	10,176,524,268
	₱10,076,223,083	₱12,033,308,581

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 1.0% to 4.0%, 1.4% to 2.1%, and 1.2% to 3.9% in 2014, 2013 and 2012, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱476.3 million and ₱413.7 million in 2014 and 2013, respectively. Investments held-for-trading consists of quoted equity securities issued by certain domestic and foreign entities.

The Group reported net market valuation gains on financial assets at FVPL of ₱62.5 million, ₱473.3 million and ₱1.5 billion in 2014, 2013, and 2012, respectively. Breakdown of the market valuation gains per class of investment follows:

	2014	2013	2012
Equity securities	**₱62,525,954**	₱226,425,612	₱669,815,481
Private bonds	–	241,882,525	855,860,481
Government securities	–	4,992,765	22,815,585
	₱62,525,954	₱473,300,902	₱1,548,491,547

Interest income earned from private bonds amounted to nil, ₱170.5 million and ₱531.0 million in 2014, 2013, and 2012, respectively. Interest income from government securities amounted to nil, ₱3.7 million and ₱11.0 million in 2014, 2013, and 2012, respectively (see Note 29).

In 2013, the Group sold all of its debt securities and significant portion of its equity securities for a total consideration of ₱10.7 billion. Gain arising from the sale of FVPL investments amounted to ₱54.5 million.

9. Receivables

	2014	2013
Trade receivables (Note 34)	**₱6,703,818,624**	₱5,850,282,284
Due from related parties (Note 34)	**1,447,647,173**	1,347,791,547
Advances to officers, employees and suppliers	**1,031,636,777**	947,001,344
Interest receivable	**8,026,469**	5,038,825
Others	**504,359,840**	767,644,834
	9,695,488,883	8,917,758,834
Less allowance for impairment losses	**376,287,180**	395,341,245
	₱9,319,201,703	₱8,522,417,589

Others include receivables from URC Retirement Plan amounting to ₱55.9 million and ₱492.0 million as of September 30, 2014 and 2013, respectively (see Note 31).

Allowance for Impairment Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	2014			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of year	**₱193,050,496**	**₱188,729,458**	**₱13,561,291**	**₱395,341,245**
Provision for impairment losses	**13,183,568**	**–**	**–**	**13,183,568**
Recovery/accounts written-off	**(32,237,633)**	**–**	**–**	**(32,237,633)**
Balances at end of year	**₱173,996,431**	**₱188,729,458**	**₱13,561,291**	**₱376,287,180**

	2013			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱195,602,093	₱188,729,458	₱13,561,291	₱397,892,842
Provision for impairment losses	205,469	–	–	205,469
Recovery/accounts written-off	(2,757,066)	–	–	(2,757,066)
Balances at end of year	₱193,050,496	₱188,729,458	₱13,561,291	₱395,341,245

Allowance for impairment losses on other receivables includes impairment losses for advances to officers, employees and suppliers and other receivables, amounting to ₱19.6 million and ₱169.1 million respectively, as of September 30, 2014 and 2013.

10. **Inventories**

	2014	2013
At cost:		
Raw materials	**₱8,157,810,158**	₱5,503,790,724
Finished goods	**2,992,767,154**	2,145,519,999
	11,150,577,312	7,649,310,723
At NRV:		
Goods in-process	**720,606,320**	506,118,859
Containers and packaging materials	**1,610,001,186**	1,510,714,463
Spare parts and supplies	**1,647,838,019**	1,321,077,007
	3,978,445,525	3,337,910,329
	₱15,129,022,837	₱10,987,221,052

Under the terms of the agreements covering liabilities under trust receipts totaling ₱4.4 billion and ₱2.4 billion as of September 30, 2014 and 2013, respectively, certain inventories have been released to the Group in trust for the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory obsolescence, market decline and mark down amounted to ₱377.6 million, ₱726.1 million and ₱640.4 million in 2014, 2013 and 2012, respectively.

The Group recognized impairment losses on its inventories amounting to ₱103.9 million, ₱28.7 million and nil in 2014, 2013 and 2012, respectively. The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱15.1 billion and ₱11.0 billion for September 30, 2014 and 2013, respectively.

The Group's raw materials used, which include raw materials and container and packaging materials inventory, (presented under the 'Cost of sales' in the consolidated statements of income), amounted to ₱46.8 billion, ₱43.8 billion, and ₱40.2 billion in 2014, 2013, and 2012, respectively (see Note 24).

11. Other Current Assets

	2014	2013
Deposit held in escrow	**₱3,516,223,391**	₱–
Input value-added tax (VAT)	**253,243,925**	194,290,841
Prepaid expenses	**207,531,972**	173,812,930
	₱3,976,999,288	₱368,103,771

Deposit held in escrow pertains to the NZ$100.0 million initial deposit for the purchase of New Zealand Snack Food Holdings Limited (NZSFHL) as specified under the terms of the Sale and Purchase Agreement (SPA) (see Note 38). Subject to the terms and conditions of the SPA, the deposit will be released to the seller upon completion date. This also includes interest income amounting to ₱20.5 million (see Note 29).

Prepaid expenses include prepaid insurance amounting to ₱110.2 million and ₱77.9 million in 2014 and 2013, respectively, and prepaid rent amounting to ₱23.6 million and ₱38.1 million in 2014 and 2013, respectively.

12. Property, Plant and Equipment

	2014				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balances at beginning of year	₱2,595,932,120	₱1,501,394,337	₱11,121,880,789	₱41,601,335,738	₱56,820,542,984
Additions (Note 6)	184,605,447	186,155,820	554,505,944	2,035,803,201	2,961,070,412
Disposals, reclassifications and other adjustments	59,161,369	(137,103,939)	(974,155,900)	2,901,155,720	1,849,057,250
Balances at end of year	2,839,698,936	1,550,446,218	10,702,230,833	46,538,294,659	61,630,670,646
Accumulated Depreciation, Amortization and Impairment Losses					
Balances at beginning of year	–	537,293,236	4,739,023,663	27,260,614,161	32,536,931,060
Depreciation and amortization (Note 6)	–	65,113,676	533,520,120	2,919,887,547	3,518,521,343
Disposals, reclassifications and other adjustments	–	(194,618,576)	(1,072,202,873)	1,045,054,996	(221,766,453)
Balances at end of year	–	407,788,336	4,200,340,910	31,225,556,704	35,833,685,950
Net Book Value	₱2,839,698,936	₱1,142,657,882	₱6,501,889,923	₱15,312,737,955	₱25,796,984,696

	2014				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balances at beginning of year	₱2,196,774,715	₱2,172,567,195	₱3,059,979,173	₱1,145,218,790	₱65,395,082,857
Additions (Note 6)	78,840,899	218,112,392	3,505,954,893	932,970,178	7,696,948,774
Disposals, reclassifications and other adjustments	(449,037,223)	288,393,432	(2,423,574,712)	410,922,173	(324,239,080)
Balances at end of year	1,826,578,391	2,679,073,019	4,142,359,354	2,489,111,141	72,767,792,551
Accumulated Depreciation, Amortization and Impairment Losses					
Balances at beginning of year	1,470,171,400	1,207,580,338	–	–	35,214,682,798
Depreciation and amortization (Note 6)	127,834,024	235,297,142	–	–	3,881,652,509
Disposals, reclassifications and other adjustments	(307,109,018)	(207,423,261)	–	–	(736,298,732)
Balances at end of year	1,290,896,406	1,235,454,219	–	–	38,360,036,575
Net Book Value	₱535,681,985	₱1,443,618,800	₱4,142,359,354	₱2,489,111,141	₱34,407,755,976

	2013				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balances at beginning of year	₱2,090,133,466	₱1,448,008,955	₱10,528,699,755	₱39,219,426,997	₱53,286,269,173
Additions (Note 6)	535,799,480	20,942,709	357,285,283	1,511,645,402	2,425,672,874
Disposals, reclassifications and other adjustments	(30,000,826)	32,442,673	235,895,751	870,263,339	1,108,600,937
Balances at end of year	2,595,932,120	1,501,394,337	11,121,880,789	41,601,335,738	56,820,542,984
Accumulated Depreciation, Amortization and Impairment Losses					
Balances at beginning of year	–	507,379,091	4,263,061,873	25,111,339,305	29,881,780,269
Depreciation and amortization (Note 6)	–	41,262,412	571,311,336	2,710,926,286	3,323,500,034
Disposals, reclassifications and other adjustments	–	(11,348,267)	(95,349,546)	(561,651,430)	(668,349,243)
Balances at end of year	–	537,293,236	4,739,023,663	27,260,614,161	32,536,931,060
Net Book Value	₱2,595,932,120	₱964,101,101	₱6,382,857,126	₱14,340,721,577	₱24,283,611,924

	2013				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balances at beginning of year	₱2,075,340,337	₱2,002,813,911	₱2,274,868,875	₱598,954,245	₱60,238,246,541
Additions (Note 6)	74,936,332	124,880,194	1,707,613,321	1,212,653,971	5,545,756,692
Disposals, reclassifications and other adjustments	46,498,046	44,873,090	(922,503,023)	(666,389,426)	(388,920,376)
Balances at end of year	2,196,774,715	2,172,567,195	3,059,979,173	1,145,218,790	65,395,082,857
Accumulated Depreciation, Amortization and Impairment Losses					
Balances at beginning of year	1,379,710,056	1,058,121,762	–	–	32,319,612,087
Depreciation and amortization (Note 6)	121,320,555	173,125,000	–	–	3,617,945,589
Disposals, reclassifications and other adjustments	(30,859,211)	(23,666,424)	–	–	(722,874,878)
Balances at end of year	1,470,171,400	1,207,580,338	–	–	35,214,682,798
Net Book Value	₱726,603,315	₱964,986,857	₱3,059,979,173	₱1,145,218,790	₱30,180,400,059

On October 1, 2012, the Group purchased from Herminio Teves & Company, Inc. (HTCI), land, building and improvement, and machinery and equipment, located in Barangay Caranoche, Santa Catalina, Negros Oriental for a consideration of ₱600.0 million.

In 2014 and 2013, the Group did not recognize any impairment losses on its machinery and equipment. In 2012, the Group recognized impairment losses on its machinery and equipment amounting to ₱7.7 million (included under 'Impairment losses' in the consolidated statements of income).

Borrowing Costs
No borrowing costs have been capitalized as property, plant and equipment under construction as of 2014 and 2013.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows (see Note 27):

	2014	2013	2012
Cost of sales (Notes 24 and 27)	**₱3,574,535,758**	₱3,395,233,450	₱3,216,808,941
Selling and distribution costs (Notes 25 and 27)	**90,656,884**	83,892,540	86,640,875
General and administrative expenses (Notes 26 and 27)	**216,459,871**	138,819,599	111,920,065
	₱3,881,652,513	₱3,617,945,589	₱3,415,369,881

Collateral
As of September 30, 2014 and 203, the Group has no property and equipment that are pledged as collateral.

13. Available-for-Sale Financial Assets

This account consists of equity securities amounting to ₱21.7 million as of September 30, 2014 and 2013.

Interest income recognized from private bonds amounted to nil, ₱58.1 million and ₱202.6 million in 2014, 2013 and 2012, respectively. Interest income from government bonds amounted to nil, ₱36.7 million and ₱130.7 million in 2014, 2013 and 2012, respectively (see Note 29).

In 2014, no unrealized gain or loss was recognized on these securities as the carrying amounts approximate their fair values. In 2013, movements in the net unrealized gain on AFS financial assets follow:

Balance at beginning of year	₱650,504,738
Net changes shown in other comprehensive income (Note 23):	
Fair value changes during the period	110,370,180
Fair value changes taken to profit and loss upon sale of AFS investments	(760,874,918)
	(650,504,738)
Balance at end of year	₱–

In 2013, the Group sold all of its debt securities and significant portion of its equity securities for a total consideration of ₱4.7 billion. Gain arising from the sale of AFS financial assets amounted to ₱680.7 million.

14. **Biological Assets**

	2014						
	Swine (At Fair Value Less Estimated Costs to Sell)			**Poultry (At Cost)**			
	Breeder	**Commercial**	**Sub-total**	**Breeder**	**Commercial**	**Sub-total**	**Total**
Cost							
Balances at beginning of year	**₱464,201,910**	**₱1,001,731,932**	**₱1,465,933,842**	**₱185,254,463**	**₱79,303,351**	**₱264,557,814**	**₱1,730,491,656**
Additions	**162,192,202**	**2,781,511,798**	**2,943,704,000**	**168,931,820**	**56,633,538**	**225,565,358**	**3,169,269,358**
Disposal	**(169,709,436)**	**(2,726,636,231)**	**(2,896,345,667)**	**(224,060,712)**	**(88,628,526)**	**(312,689,238)**	**(3,209,034,905)**
Balances at end of year	**456,684,676**	**1,056,607,499**	**1,513,292,175**	**130,125,571**	**47,308,363**	**177,433,934**	**1,690,726,109**
Accumulated Depreciation							
Balances at beginning of year	**74,135,733**	**–**	**74,135,733**	**92,295,459**	**–**	**92,295,459**	**166,431,192**
Depreciation	**49,757,535**	**–**	**49,757,535**	**104,620,603**	**–**	**104,620,603**	**154,378,138**
Disposal	**(38,905,717)**	**–**	**(38,905,717)**	**(142,311,788)**	**–**	**(142,311,788)**	**(181,217,505)**
Balances at end of year	**84,987,551**	**–**	**84,987,551**	**54,604,274**	**–**	**54,604,274**	**139,591,825**
Gains arising from changes in fair value less estimated costs to sell	**8,599,190**	**174,388,456**	**182,987,646**	**–**	**–**	**–**	**182,987,646**
Net Book Value at End of Year	**₱380,296,315**	**₱1,230,995,955**	**₱1,611,292,270**	**₱75,521,297**	**₱47,308,363**	**₱122,829,660**	**₱1,734,121,930**

	2013						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	Total
Cost							
Balances at beginning of year	₱405,775,162	₱954,545,605	₱1,360,320,767	₱178,199,767	₱102,462,053	₱280,661,820	₱1,640,982,587
Additions	404,941,993	1,969,284,233	2,374,226,226	182,490,212	618,616,695	801,106,907	3,175,333,133
Disposal	(335,182,939)	(2,003,325,583)	(2,338,508,522)	(175,435,516)	(641,775,397)	(817,210,913)	(3,155,719,435)
Balances at end of year	475,534,216	920,504,255	1,396,038,471	185,254,463	79,303,351	264,557,814	1,660,596,285
Accumulated Depreciation							
Balances at beginning of year	57,055,871	–	57,055,871	97,957,467	–	97,957,467	155,013,338
Depreciation	47,420,646	–	47,420,646	142,424,452	–	142,424,452	189,845,098
Disposal	(30,340,784)	–	(30,340,784)	(148,086,460)	–	(148,086,460)	(178,427,244)
Balances at end of year	74,135,733	–	74,135,733	92,295,459	–	92,295,459	166,431,192
Gains (losses) arising from changes in fair value less estimated costs to sell	(11,332,306)	81,227,677	69,895,371	–	–	–	69,895,371
Net Book Value at End of Year	₱390,066,177	₱1,001,731,932	₱1,391,798,109	₱92,959,004	₱79,303,351	₱172,262,355	₱1,564,060,464

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

	2014	2013
Current portion	**₱1,278,304,318**	₱1,081,035,283
Noncurrent portion	**455,817,612**	483,025,181
	₱1,734,121,930	₱1,564,060,464

The Group has about 259,117 and 240,579 heads of swine as of September 30, 2014 and 2013, respectively, and about 466,342 and 602,773 heads of poultry as of September 30, 2014 and 2013, respectively.

15. Goodwill and Intangible Assets

The composition and movements of goodwill follow:

	2014	2013
Cost		
Balances at beginning of year	**₱1,046,767,480**	₱1,046,767,480
Amounts written off	**(5,212,591)**	–
Balances at end of year	**1,041,554,889**	1,046,767,480
Accumulated Impairment Losses		
Balances at beginning and end of year	**248,139,704**	248,139,704
Net Book Value at End of Year	**₱793,415,185**	₱798,627,776

The Group's goodwill pertains to: (a) the acquisition of Advanson in December 2007 and (b) 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.

The composition of and movements of intangible assets follow:

	2014		
	Trademark	**Product Formulation**	**Total**
Cost			
Balances at beginning and end of year	**₱251,524,581**	**₱425,000,000**	**₱676,524,581**
Accumulated Amortization and Impairment Losses			
Balances at beginning and end of year	**201,524,581**	–	**201,524,581**
Net Book Value at End of Year	**₱50,000,000**	**₱425,000,000**	**₱475,000,000**

	2013		
	Trademark	Product Formulation	Total
Cost			
Balances at beginning and end of year	₱251,524,581	₱425,000,000	₱676,524,581
Accumulated Amortization and Impairment Losses			
Balances at beginning and end of year	201,524,581	–	201,524,581
Net Book Value at End of Year	₱50,000,000	₱425,000,000	₱475,000,000

Trademarks and product formulation were acquired from General Milling Corporation in 2008.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of September 30, 2014. The recoverable amounts of good will 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 9.3% to 10.0%. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

In 2012, the Group recognized impairment loss of ₱190.2 million (included under 'Impairment losses' in the consolidated statement of income) on trademark attributed to Shanghai Peggy, a wholly owned subsidiary of HCFCL. Shanghai Peggy manufactures branded consumer foods such as oats, biscuits and cereals.

16. Investment in Joint Ventures

This account consists of:

	2014	2013
Acquisition Cost		
Balances at beginning of year	**₱1,250,000**	₱1,250,000
Additional investments	**360,250,000**	–
Balances at end of year	**361,500,000**	1,250,000
Accumulated Equity in Net Earnings		
Balances at beginning of year	**84,134,000**	94,889,053
Equity in net income during the year	**14,089,730**	19,244,938
Dividends received	**(18,499,995)**	(29,999,991)
Balances at end of year	**79,723,735**	84,134,000
Net Book Value at End of Year	**₱441,223,735**	₱85,384,000

Hunt-Universal Robina Corporation
The Parent Company has an equity interest in Hunt-Universal Robina Corporatin (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.

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.

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.

The Parent Company’s percentage of ownership in its joint ventues and its related equity in the net assets are summarized below:

	Percentage of Ownership		Equity in Net Assets	
	2014	2013	**2014**	2013
			(In Millions)	
HURC	**50.0**	50.0	**₱84.3**	₱85.4
CURCI	**50.0**	−	**325.1**	−
DURBI	**50.0**	−	**31.8**	−

Summarized financial information in respect of the Group’s joint ventures as of September 30, 2014 and 2013 are presented below.

	HURC		CURCI		DURBI	
	2014	2013	**2014**	2013	**2014**	2013
			(Thousands)			
Current assets	**₱384,320**	₱494,373	**₱650,393**	₱−	**₱66,546**	₱−
Noncurrent assets	**1,467**	1,833	**−**	−	−	−
Current liabilities	**315,703**	424,188	**151**	−	**2,992**	−
Noncurrent liabilities	**529**	426	**−**	−	−	−
Revenue	**720,066**	662,500	**1,218**	−	**57**	−
Costs and expenses	**(673,644)**	(613,855)	**(4,975)**	−	**(3,003)**	−
Net income (loss)	**34,883**	40,847	**(3,758)**	−	**(2,946)**	−

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

Investments in Subsidiaries
As of September 30, 2014 and 2013, the Parent Company has the following percentage of ownership of shares in its wholly owned and partially owned subsidiaries as follows:

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership	
		2014	2013
CCPI	Philippines	**100.00**	100.00
CFC Corporation	- do -	**100.00**	100.00
Bio-Resource Power Generation Corporation	- do -	**100.00**	100.00
NURC	- do -	**65.00**	65.00
URCPL	British Virgin Islands	**100.00**	100.00
URCICL and Subsidiaries*	- do -	**100.00**	100.00
URCL	Cayman Islands	**100.00**	100.00
URCCCL	China	**100.00**	100.00

The summarized financial information of subsidiaries with material non-controlling interest is provided below. This information is based on amounts before inter-company eliminations:

	2014	2013
	(In Thousands)	
Current assets	**₱1,083,215**	₱790,556
Noncurrent assets	**323,974**	308,757
Current liabilities	**907,181**	700,451
Noncurrent liabilities	**921,191**	713,052
Revenue	**2,433,507**	1,850,917
Costs and expenses	**(2,018,550)**	(1,560,458)
Net income	**299,157**	209,256

The percentage of equity interest held by non-controlling interest in subsidiaries with material non-controlling interest follows:

Name of Subsidiary	Country of incorporation and operation	**2014**	2013
NURC	Philippines	**65.00**	65.00

The accumulated non-controlling interest of the above subsidiary as of September 30, 2014 and 2013 amounted to ₱77.6 million and ₱50.8 million, respectively.

The profit or loss allocated to non-controlling interest of the above subsidiary for the year ended September 30, 2014, 2013 and 2012 amounted to ₱96.6 million ₱72.8 million, and ₱422.2 million, respectively.

17. **Investment Properties**

	2014	2013
Cost		
Balances at beginning and end of year	**₱107,947,364**	₱107,947,364
Accumulated Depreciation		
Balances at beginning of year	**47,113,639**	43,455,852
Depreciation	**3,657,787**	3,657,787
Balances at end of year	**50,771,426**	47,113,639
Net Book Value at End of Year	**₱57,175,938**	₱60,833,725

The investment properties consist of building, plant, and other land improvements which are made available for lease to certain related parties (see Note 34).

The aggregate fair value of the Group’s investment properties amounted to ₱232.2 million and ₱192.4 million as of September 30, 2014 and 2013, respectively. The fair values of investment properties have been determined by qualified independent appraisers. The fair value represents 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 current use of the investment properties represents its highest and best use.

Total rental income earned from investment properties (included under ‘Other income’ in the consolidated statements of income) amounted to ₱58.1 million, ₱59.7 million and ₱64.7 million in 2014, 2013 and 2012, respectively.

Direct operating expenses (included under ‘General and administrative expenses’ in the consolidated statements of income) arising from investment properties amounted to ₱0.9 million in 2014 and 2013, and ₱2.6 million in 2012.

Collateral
As of September 30, 2014 and 2013, the Group has no investment properties that are pledged as collateral.

18. **Other Noncurrent Assets**

	2014	2013
Input VAT	**₱272,121,814**	₱151,342,665
Deposits	**311,834,172**	282,471,618
Others	**24,738,247**	41,032,742
	₱608,694,233	₱474,847,025

19. **Short-term Debt**

	2014	2013
New Zealand Dollar denominated loan - with interest rate of 4.75% in 2014	**₱3,496,301,000**	₱–
Thai Baht denominated loans - with interest rates of 2.62% in 2014 and 3.03% to 3.85% in 2013	**831,689,825**	1,660,865,476
Chinese Yuan denominated loans - with interest rate of 4.80% in 2013	**–**	284,565,205
	₱4,327,990,825	₱1,945,430,681

Interest is based on prevailing market rates. Accrued interest payable on the Group’s short-term debt (included under ‘Accounts payable and other accrued liabilities’ in the consolidated statements of financial position) amounted to ₱34.3 million and ₱3.2 million as of September 30, 2014 and 2013, respectively (see Note 20). Interest expense from the short-term debt amounted to ₱83.9 million, ₱81.3 million and ₱431.5 million in 2014, 2013 and 2012, respectively (see Note 30).

20. Accounts Payable and Other Accrued Liabilities

	2014	2013
Trade payables (Note 34)	**₱6,708,603,921**	₱6,554,240,441
Accrued expenses	**3,633,042,909**	2,247,821,024
Due to related parties (Note 34)	**69,385,015**	74,913,134
Customers' deposits	**370,977,913**	218,393,909
Advances from stockholders (Note 34)	**231,950,035**	229,985,437
Others	**232,078,710**	188,161,045
	₱11,246,038,503	₱9,513,514,990

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.

As of September 30, 2014 and 2013, others include withholding taxes payable amounting to ₱130.4 million and ₱114.6 million, respectively.

The accrued expenses account consists of:

	2014	2013
Advertising and promotions	**₱2,647,344,022**	₱1,839,496,110
Freight and handling costs	**283,175,644**	136,011,568
Contracted services	**61,878,175**	42,052,442
Interest payable	**34,275,977**	3,234,034
Others	**606,369,091**	227,026,870
	₱3,633,042,909	₱2,247,821,024

As of September 30, 2014 and 2013, others include accrued utilities amounting to ₱215.9 million and ₱152.0 million, respectively.

21. Long-term Debt

URC ₱3.0 Billion 8.75% Fixed Corporate Notes Due 2014

On March 24, 2009, URC issued fixed corporate notes amounting to ₱3.0 billion to various financial institutions for capital expenditures and general corporate purposes. The notes bear a fixed interest rate of 8.75%, payable semi-annually in arrears, and have a term of five (5) years, maturing on March 27, 2014.

The notes contain negative covenants that, among others, prohibit merger or consolidation with other entities if it is not the surviving entity, nor shall it create or form another corporation or subsidiary when a material adverse effect will result. The notes also contain affirmative covenants which include among others maintenance of a debt to equity ratio of not greater than 2.0 to 1.0 and interest coverage ratio of not lesser than 2.0 to 1.0.

On February 28, 2013, URC redeemed the loan under Section 3.07 of the Loan Agreement "Redemption Due to Taxation". Total payment amounted to ₱3.1 billion, including interest.

URCPL 8.25% Guaranteed Notes Due 2012
On January 14, 2005, URCPL issued US$200.0 million 8.25% notes due 2012 guaranteed by the Parent Company (the guarantor). Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest on January 20, 2012. These corporate notes contain negative covenants which include among others maintenance of the guarantor of a debt to equity ratio of not greater than 2.0 to 1.0.

On October 29, 2008, the Group reacquired a portion of its bonds payable with a face value of ₱241.7 million (US$5.0 million) for a total proceeds of ₱228.0 million (US$4.5 million). The Group recognized gain on reacquisition of bonds amounting to ₱20.8 million (included under 'Other expenses' in the 2009 consolidated statements of income).

On February 20, 2010, the Group made a partial principal repayment on its bonds payable with a face value of ₱342.8 million (US$7.4 million). In January 2012, URCPL fully settled the said guaranteed notes with a total payment of ₱8.4 billion, including interest.

22. Equity

The details of the Parent Company's common stock follow:

	2014	2013	2012
Authorized shares	**2,998,000,000**	2,998,000,000	2,998,000,000
Par value per share	**₱1.00**	₱1.00	₱1.00
Issued shares:			
Balances at beginning and end of year	**2,227,638,933**	2,227,638,933	2,227,638,933
Outstanding shares	**2,181,501,933**	2,181,501,933	2,181,501,933

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio as of September 30, 2014 and 2013:

	2014	2013	2012
(a) Short-term debt (Note 19)	**₱4,327,990,825**	₱1,945,430,681	₱8,588,536,884
Trust receipts payable (Note 10)	**4,412,695,949**	2,384,316,199	3,464,360,214
Long-term debt (Note 21)	**–**	–	2,990,455,926
	₱8,740,686,774	₱4,329,746,880	₱15,043,353,024
(b) Capital	**₱56,026,996,300**	₱50,830,029,642	₱46,364,528,461
(c) Debt-to-capital ratio (a/b)	**0.16:1**	0.09:1	0.32:1

The Group's policy is to not to exceed a debt-to-capital ratio of 2:1 level. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2014 and 2013.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries and associates

A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱77.6 million and ₱50.8 million in September 30, 2014 and 2013, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Dividends

Details of the Group's dividend declarations follow:

	2014	2013	2012
Date of declaration	**February 6, 2014**	April 18, 2013	April 18, 2012
Dividend per share	**₱3.00**	₱2.40	₱1.90
Total dividends	**₱6.5 billion**	₱5.2 billion	₱3.9 billion
Date of record	**February 26, 2014**	May 10, 2013	May 8, 2012
Date of payment	**March 24, 2014**	June 6, 2013	June 1, 2012

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 February 11, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱5.0 billion. On the same date, the BOD approved the appropriation of retained earnings amounting to ₱6.0 billion for the purposes of the Group's plant expansion. On September 18, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱6.0 billion.

Treasury Shares
On June 14, 2012, the Parent Company's BOD approved the sale of 120 million common shares previously held as treasury shares through a placement to institutional investors at a selling price of ₱62 per share, with a total gross selling proceeds amounting to ₱7.4 billion. On June 19, 2012, the Parent Company received the net cash proceeds amounting to ₱7.3 billion, net of the transactions costs incurred amounting to ₱95.2 million. The proceeds of the said sale will be used for potential acquisition and general corporate purposes. CLSA Limited acted as a sole book-runner and sole placing agent for the sale.

The details of the treasury shares follow:

	2014	2013	2012
Balances at beginning of year	**₱670,386,034**	₱670,386,034	₱2,414,026,153
Sale during the year	−	−	(1,743,640,119)
Balances at end of year	**₱670,386,034**	₱670,386,034	₱670,386,034

The Parent Company has outstanding treasury shares of 46.1 million as of September 30, 2014, 2013 and 2012. The Parent Company is restricted from declaring an equivalent amount of the treasury shares from the unappropriated retained earnings as dividends.

Equity Reserve
In August 2012, the Parent Company has acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represents the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included in "Equity Reserve" in the 2012 consolidated statements of changes in equity. The equity reserve from the acquisition will only be recycled in the consolidated statement of income in the event that the Group will lose its control over URCICL.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of Shares	Issued and Outstanding Shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	₱–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	1.00	1.00	–	929,890,908
	New common shares	309,963,636	1.00	21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of Shares	Issued and Outstanding Shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
						2,181,501,933

The table below provides information regarding the number of stockholders of the Parent Company as of September 30, 2014, 2013 and 2012:

	2014	2013	2012
Common shares	**1,066**	1,085	1,110

23. Components of Other Comprehensive Income

	2014	2013	2012
Items to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**₱819,382,429**	₱601,100,078	₱142,947,365
Net unrealized gain on AFS financial assets (Note 13):			
Balances at beginning of year	–	650,504,738	257,038,710
Change in fair value during the period	–	110,370,180	446,319,850
Reclassification adjustment included in the profit or loss arising from disposal of AFS financial assets	–	(760,874,918)	(52,853,822)
Balances at end of year	–	–	650,504,738
	819,382,429	601,100,078	793,452,103
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans:			
Balances at beginning of year	**(609,472,681)**	(370,583,392)	(90,401,111)
Remeasurement losses on defined benefit plans during the year	**(89,006,406)**	(238,889,289)	(280,182,281)
Balances at end of year	**(698,479,087)**	(609,472,681)	(370,583,392)
Income tax effect	**209,543,727**	182,841,804	111,175,017
	(488,935,360)	(426,630,877)	(259,408,375)
	₱330,447,069	₱174,469,201	₱534,043,728

The Group does not recognize income tax on cumulative translation adjustments and net unrealized gains on AFS investments.

24. Cost of Sales

	2014	2013	2012
Raw materials used	**₱46,770,621,016**	₱43,817,028,459	₱40,177,314,934
Direct labor	**2,442,500,703**	2,063,484,958	2,028,691,748
Overhead costs	**15,853,990,814**	12,010,027,750	10,519,225,055
Total manufacturing costs	**65,067,112,533**	57,890,541,167	52,725,231,737
Goods in-process	**(214,487,461)**	(141,609,230)	87,162,924
Cost of goods manufactured	**64,852,625,072**	57,748,931,937	52,812,394,661
Finished goods	**(847,247,155)**	27,072,348	(81,840,267)
	₱64,005,377,917	₱57,776,004,285	₱52,730,554,394

Overhead costs are broken down as follows:

	2014	2013	2012
Utilities	**₱7,617,555,083**	₱5,204,472,840	₱4,138,653,789
Depreciation and amortization (Note 27)	**3,574,535,758**	3,395,233,450	3,216,808,941
Repairs and maintenance	**2,004,020,427**	1,462,403,873	1,445,307,713
Personnel expenses (Note 28)	**1,466,686,047**	1,321,879,981	1,213,493,075
Rental expense (Note 36)	**881,496,776**	393,609,271	221,551,914
Handling and delivery charges	**73,878,521**	56,480,317	58,187,875
Research and development	**73,139,925**	82,871,021	81,251,615
Others	**162,678,277**	93,076,997	143,970,133
	₱15,853,990,814	₱12,010,027,750	₱10,519,225,055

25. **Selling and Distribution Costs**

	2014	2013	2012
Advertising and promotions	**₱5,313,458,212**	₱5,127,544,573	₱4,001,355,991
Freight and other selling expenses	**4,992,463,143**	4,239,618,811	3,540,336,732
Personnel expenses (Note 28)	**1,108,922,133**	1,052,919,667	911,511,275
Repairs and maintenance	**94,303,151**	76,707,620	74,768,318
Depreciation and amortization (Note 27)	**90,656,884**	83,892,540	86,640,875
Other selling and distribution costs	**131,616,300**	65,697,804	82,263,177
	₱11,731,419,823	₱10,646,381,015	₱8,696,876,368

26. **General and Administrative Expenses**

	2014	2013	2012
Personnel expenses (Note 28)	**₱1,357,827,433**	₱1,063,694,395	₱991,808,246
Depreciation and amortization (Note 27)	**220,117,658**	142,477,386	115,577,860
Travel and transportation	**172,462,015**	270,853,622	232,534,644
Taxes, licenses and fees	**105,078,199**	110,542,170	84,868,260
Repairs and maintenance	**102,176,650**	94,336,606	33,161,801
Professional and legal fees	**84,146,493**	58,901,602	44,610,145
Security and contractual services	**64,308,796**	65,520,711	56,038,408
Utilities	**54,713,246**	47,490,740	43,696,135
Rental expense (Note 36)	**46,920,062**	48,774,294	33,839,986
Communication	**46,895,114**	45,289,786	41,513,708
Stationery and office supplies	**28,008,290**	29,185,129	26,052,378
Donations and contributions	**3,734,332**	101,705,353	4,319,541
Other expenses	**233,939,136**	215,011,056	216,674,739
	₱2,520,327,424	₱2,293,782,850	₱1,924,695,851

27. **Depreciation and Amortization**

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization on property, plant and equipment, investment in properties and intangible assets follows:

	2014	2013	2012
Cost of sales (Notes 12 and 24)	**₱3,574,535,758**	₱3,395,233,450	₱3,216,808,941
Selling and distribution costs (Notes 12 and 25)	**90,656,884**	83,892,540	86,640,875
General and administrative expenses (Notes 12, 15, 17, and 26)	**220,117,658**	142,477,386	115,577,860
	₱3,885,310,300	₱3,621,603,376	₱3,419,027,676

28. **Personnel Expenses**

	2014	2013	2012
Salaries and wages	**₱2,708,604,158**	₱2,491,067,248	₱2,180,367,474
Other employee benefits	**1,100,013,481**	844,508,937	856,708,522
Pension expense (Note 31)	**124,817,974**	102,917,858	79,736,600
	₱3,933,435,613	₱3,438,494,043	₱3,116,812,596

The breakdown of personnel expenses follows:

	2014	2013	2012
Cost of sales (Note 24)	**₱1,466,686,047**	₱1,321,879,981	₱1,213,493,075
Selling and distribution costs (Note 25)	**1,108,922,133**	1,052,919,667	911,511,275
General and administrative expenses (Note 26)	**1,357,827,433**	1,063,694,395	991,808,246
	₱3,933,435,613	₱3,438,494,043	₱3,116,812,596

29. **Finance Revenue**

	2014	2013	2012
Bank interest income	**₱191,054,204**	₱157,384,222	₱148,266,086
Interest income from an escrow fund (Note 11)	**20,466,995**	–	–
Dividend income	**16,151,434**	100,954,333	204,844,077
Interest income from investments in financial assets at FVPL (Note 8)	–	174,184,912	542,013,555
Interest income from AFS financial assets (Note 13)	–	94,805,348	333,262,515
Others	**1,188,200**	2,310,865	1,343,035
	₱228,860,833	₱529,639,680	₱1,229,729,268

30. **Finance Costs**

This account consists of finance costs arising from:

	2014	2013	2012
Short-term debt (Note 19)	**₱83,913,655**	₱81,339,791	₱431,509,913
Net interest on net defined liability (Note 31)	**27,684,710**	20,895,270	10,223,875
Long-term debt (Note 21)	–	129,907,337	205,774,105
Others	**38,811,613**	33,890,997	45,765,977
	₱150,409,978	₱266,033,395	₱693,273,870

31. **Pension Costs**

The Parent Company 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 Parent Company, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The latest actuarial valuation was made on September 30, 2014.

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

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

2014

		Net benefit cost in consolidated statements of income				**Remeasurements in other comprehensive income**						
	1 October 2013	**Current service cost**	**Net interest (Note 30)**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contribution by employer**	**30 September 2014**
Present value of defined benefit obligation	**₱2,000,367,577**	**₱120,714,565**	**₱91,216,762**	**₱211,931,327**	**(₱92,798,368)**	**₱–**	**₱120,590,546**	**₱–**	**(₱62,880,988)**	**₱57,709,558**	**₱–**	**₱2,177,210,094**
Fair value of plan assets	**(1,414,420,070)**	**–**	**(64,497,555)**	**(64,497,555)**	**92,798,368**	**31,688,507**	**–**	**–**	**–**	**31,688,507**	**(583,469,692)**	**(1,937,900,442)**
	₱585,947,507	**₱120,714,565**	**₱26,719,207**	**₱147,433,772**	**₱–**	**₱31,688,507**	**₱120,590,546**	**₱–**	**(₱62,880,988)**	**₱89,398,065**	**(₱583,469,692)**	**₱239,309,652**

2013

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	1 October 2012	Current service cost	Net interest (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	30 September 2013
Present value of defined benefit obligation	₱1,738,830,510	₱99,685,477	₱97,374,509	₱197,059,986	(₱142,995,906)	₱–	(₱257,847,445)	₱–	₱465,320,432	₱207,472,987	₱–	₱2,000,367,577
Fair value of plan assets	(1,389,545,391)	–	(77,814,542)	(77,814,542)	142,995,906	29,189,401	–	–	–	29,189,401	(119,245,444)	(1,414,420,070)
	₱349,285,119	₱99,685,477	₱19,559,967	₱119,245,444	₱–	₱29,189,401	(₱257,847,445)	₱–	₱465,320,432	₱236,662,388	(₱119,245,444)	₱585,947,507

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

	2014	2013
Assets		
Cash and cash equivalents	**₱169,563,983**	₱234,003,697
Short-term notes receivable	**1,626,914,603**	1,638,936,627
Held-to-maturity investments	**103,777,014**	31,246,599
Interest receivable	**2,109,749**	2,276,406
Land	**91,448,525**	–
	1,993,813,874	1,906,463,329
Liabilities		
Accrued trust and management fees	**23,456**	22,092
Due to related party (Note 34)	**55,889,976**	492,021,167
	55,913,432	492,043,259
	₱1,937,900,442	₱1,414,420,070

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:

	2014	2013
Discount rate	**4.93%**	4.56%
Salary increase rate	**5.50%**	5.50%

The overall expected rate of retun 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)	Effect on defined benefit obligation
Discount rates	1.00%	(₱2,020,622,687)
	(1.00%)	2,359,216,529
Salary increase rate	1.00%	₱2,348,177,773
	(1.00%)	(2,026,795,708)

Shown below is the maturity analysis of the Parent Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱534,846,492
More than one year to five years	533,562,984
More than five years to 10 years	962,047,964
More than 10 years to 15 years	1,360,307,258
More than 15 years to 20 years	1,303,349,350
More than 20 years	2,690,106,921

The average duration of the defined benefit obligation at the end of the reporting period is 15.80 years.

The Group's subsidiaries have both a funded, defined retirement contribution plan and an unfunded, noncontributory defined benefit plan covering all its regular employees. Both plans provide for retirement, separation, disability and death benefits to its members. Pension expense from the defined retirement contribution plan is based on the amount of contributions paid by the subsidiaries during the year.

Pension expense from defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation was made on September 30, 2014.

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

2014

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	1 October 2013	Current service cost	Net interest (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	30 September 2014
Present value of defined benefit obligation	**₱29,803,972**	**₱4,103,409**	**₱1,557,219**	**₱5,660,628**	**₱–**	**₱–**	**(₱1,296,368)**	**₱–**	**₱386,043**	**(₱910,325)**	**₱–**	**₱34,554,275**
Fair value of plan assets	**(11,333,928)**	**–**	**(591,716)**	**(591,716)**	**–**	**229,272**	**–**	**–**	**–**	**229,272**	**–**	**(11,696,372)**
	₱18,470,044	**₱4,103,409**	**₱965,503**	**₱5,068,912**	**₱–**	**₱229,272**	**(₱1,296,368)**	**₱–**	**₱386,043**	**(₱681,053)**	**₱–**	**₱22,857,903**

2013

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	1 October 2012	Current service cost	Net interest (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	30 September 2013
Present value of defined benefit obligation	₱21,811,470	₱3,232,381	₱1,335,303	₱4,567,684	₱–	₱–	(₱597,883)	₱–	₱4,022,701	₱3,424,818	₱–	₱29,803,972
Fair value of plan assets	–	–	–	–	–	(270,399)	–	–	–	(270,399)	(11,063,529)	(11,333,928)
	₱21,811,470	₱3,232,381	₱1,335,303	₱4,567,684	₱–	(₱270,399)	(₱597,883)	₱–	₱4,022,701	₱3,154,419	(₱11,063,529)	₱18,470,044

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

	2014	2013
Assets		
Cash and cash equivalents	**₱6,685,941**	₱8,890,602
Held-to-maturity investments	**4,957,202**	2,380,184
Interest receivable	**54,204**	64,086
	11,697,347	11,334,872
Liability		
Accrued trust and management fees	**975**	944
	₱11,696,372	₱11,333,928

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 of the subsidiaries are as follows:

	2014	2013
Discount rate	**5.19% to 5.29%**	4.97% to 5.78%
Salary increase rate	**5.50%**	5.50%

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 if all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱29,357,362)
	(1.00%)	40,961,810
Salary increase rate	1.00%	₱40,674,952
	(1.00%)	(29,470,226)

Shown below is the maturity analysis of the Group's subsidiaries undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱416,879
More than one year to five years	3,231,477
More than five years to 10 years	13,483,093
More than 10 years to 15 years	40,346,387
More than 15 years to 20 years	59,047,261
More than 20 years	337,279,267

The average duration of the defined benefit obligation of the subsidiaries at the end of the reporting period ranges from 20.82 years to 27.54 years.

32. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2014	2013	2012
Current	**₱2,318,032,975**	₱1,631,297,901	₱918,424,497
Deferred	**254,190,944**	(198,856,103)	82,557,717
	₱2,572,223,919	₱1,432,441,798	₱1,000,982,214

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

	2014	2013
Deferred tax assets on:		
Net unrealized foreign exchange loss	**₱150,079,185**	₱280,743,855
Impairment losses on trade receivables and property and equipment	**114,236,832**	119,906,090
Pension liabilities	**108,768,378**	206,900,071
Past service cost	**118,060,354**	–
Foreign subsidiaries	**24,343,386**	23,619,190
Inventory write-downs	**33,518,687**	20,749,965
MCIT	**355,351**	355,351
NOLCO	**59,532**	–
	549,421,705	652,274,522
Deferred tax liabilities on:		
Undistributed income of foreign subsidiaries	**431,331,183**	360,186,378
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**132,431,588**	77,535,294
Foreign subsidiaries	**33,215,171**	32,227,045
Borrowing costs	**12,032,761**	14,338,963
	609,010,703	484,287,680
Net deferred tax assets (liabilities)	**(₱59,588,998)**	₱167,986,842

As of September 30, 2014 and 2013, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱63.3 million and ₱153.1 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized. The temporary difference wherein no deferred tax assets were recognized were from the NOLCO of the Group's subsidiaries. NOLCO of the Group's subsidiaries amounted to ₱98.7 million and ₱509.7 million in 2014 and 2013, respectively.

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

	2014	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible interest expense	**0.08**	0.12	0.15
Equity in net income of a joint venture	**0.03**	0.05	0.10
Income exempt from tax	–	(0.32)	(0.08)
Market valuation gain on financial assets at FVPL	**(0.13)**	(0.18)	(5.06)
Interest income subjected to final tax	**(0.28)**	(0.31)	(0.38)
Net income of subsidiaries for which no tax was provided	**(12.91)**	(19.68)	(10.86)
Others	**1.29**	2.72	(2.97)
Effective income tax rate	**18.08%**	12.40%	10.90%

RA No. 9337

RA No. 9337 was enacted into law which amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA were the reduction in the regular corporate income tax rate from 35% to 30% beginning January 1, 2009; and the reduction of nondeductible interest expense from 42% of interest income subjected to final tax to 33% beginning January 1, 2009.

Entertainment, Amusement and Recreation (EAR) Expenses

Revenue Regulation No. 10-2002 defines expenses to be classified as EAR expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. EAR expenses amounted to ₱36.4 million, ₱33.5 million and ₱36.8 million in 2014, 2013 and 2012, respectively.

MCIT

An MCIT of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In 2013, CFC Corporation has excess MCIT over RCIT amounting to ₱0.4 million for which deferred tax asset was recognized.

33. **Earnings Per Share**

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

	2014	2013	2012
Net income attributable to equity holders of the parent	**₱11,558,709,746**	₱10,044,555,499	₱7,762,879,616
Weighted average number of common shares	**2,181,501,933**	2,181,501,933	2,096,501,933
Basic/dilutive EPS	**₱5.30**	₱4.60	₱3.70

The weighted average number of common shares takes into account the treasury shares at year end. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares in 2014, 2013, and 2012.

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.

Intercompany transactions are eliminated in the accompanying consolidated financial statements. Related party transactions not eliminated are as follows:

			2014				
			Outstanding Balance in Statement of Financial Position				
Related Party	**Category/ Transaction**	**Amount/ Volume**	**Cash and Cash Equivalents** (Note 7)	**Trade Receivable (Payable) -net** (Notes 9 and 20)	**Non- trade Receivable (Payable) - net** (Notes 9 and 20)	**Terms**	**Conditions**
Ultimate Parent Company	Advances	**₱183,304**	**₱–**	**₱–**	**₱815,929,379**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental expense	**122,152,062**	–	–	–		
	Other expense	**(8,939,602)**	–	–	–		
Entity under common control							
Due from related parties	Advances	**31,143,140**	–	–	**631,717,794**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Sales	**287,074,160**	–	**558,543,657**	–	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental income	**16,558,539**	–	–	–		
	Engineering services	**9,457,541**	–	–	–		
Due to related parties		–	–	–	**(69,385,015)**		
Cash and cash equivalents	Cash in bank	**10,094,953**	**159,289,558**	–	–	**Interest-bearing at prevailing market rate; due and demandable**	**Unsecured; no impairment**
	Money market placements	**25,694,057**	**1,935,495,348**	–	–	**Interest-bearing at prevailing market rate; due and demandable**	**Unsecured; no impairment**
Joint Venture	Purchases	**718,840,162**	–	**(63,909,449)**	–	**1-30 days; non-interest bearing**	**Unsecured**

2013

Related Party	Category/ Transaction	Amount/ Volume	Outstanding Balance in Statement of Financial Position: Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) -net (Notes 9 and 20)	Non- trade Receivable (Payable) - net (Notes 9 and 20)	Terms	Conditions
Ultimate Parent Company	Advances	(₱99,709,183)	₱–	₱–	₱782,865,639	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	118,795,519	–	–	–		
	Other expense	39,451,744	–	–	–		
Entity under common control							
Due from related parties	Advances	766,695,828	–	–	564,925,908	On demand; non-interest bearing	Unsecured; no impairment
	Sales	341,388,699	–	584,628,149	–	On demand; non-interest bearing	Unsecured; no impairment
	Purchases	84,863,450	–	–	–		
	Rental income	10,822,935	–	–	–		
	Engineering services	10,034,801	–	–	–		
Due to related parties		–	–	–	(74,913,134)		
Cash and cash equivalents	Cash in bank	114,767,969	149,194,605	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	850,840,627	1,909,801,291	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
Joint Venture	Purchases	662,499,617	–	(19,009,350)	–	1-30 days; non-interest bearing	Unsecured
	Rental income	1,130,917	–	–	–		

2012		
Related Party	Category/ Transaction	Volume/ Amount
Ultimate Parent Company	Rent expense	₱113,362,515
	Other expense	44,995,992
Entities under common control	Sales	305,571,992
	Purchases	92,856,909
	Rental income	25,513,943
	Engineering services	10,446,646
	Management fees	3,360,000
Joint Venture	Purchases	650,234,298
	Rental income	1,028,104

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) In 2013, the Group sold majority of its debt and equity securities classified as financial assets at FVPL and AFS financial assets to JG Summit Philippines Limited, Inc. for a total consideration of ₱15.2 billion. Realized gain arising from these transactions amounted to ₱717.2 million (see Notes 8 and 13).

(c) As of September 30, 2014 and 2013, the Group has advances from stockholders amounting to ₱232.0 million and ₱230.0 million, respectively.

Transactions with the retirement plan
The retirement fund of the Group's employee amounted to ₱1.9 billion and ₱1.4 billion as of September 30, 2014 and 2013, respectively (see Note 31). The fund is being managed by JG Summit Multi-Employer Retirement Plan, a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

	Year	Category/ Transaction	Volume/ Amount	Balance	Terms	Conditions
Due from retirement plan (Note 31)	**2014**	**Advances**	**₱55,889,976**	**₱55,889,976**	On demand; non-interestbearing	Unsecured; Not impaired
	2013	-do-	118,110,859	492,021,167	-do-	-do-

The Group's plan assets also include amounts due from JGSHI totaling ₱1.9 billion (see Note 31).

<u>Compensation of Key Management Personnel</u>
The compensation of the Group's key management personnel by benefit type follows:

	2014	2013	2012
Short-term employee benefits	**₱189,069,686**	₱149,124,896	₱135,360,688
Post-employment benefits	**63,361,947**	60,495,875	52,813,232
	₱252,431,633	₱209,620,771	₱188,173,920

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.

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% 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 domestic capital equipment, parts, and services.

Robina Farms - Poultry (RF - Poultry)
On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. In June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on rawmaterials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations;

(e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms - Hogs (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 non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Bio-Resource Power Generation Corporation (BRPGC)
BRPGC is registered with the BOI as pioneer status under the Omnibus Investments Code of 1987 otherwise known as Executive Order No. 226.

Under the terms of its registration, BRPGC shall be entitled to certain incentives such as (a) additional deduction from taxable income of fifty percent (50%) on wages subject to certain terms and conditions; (b) employment of foreign nationals; (c) importation of consigned equipment for a period of ten (10) years from date of registration subject to certain terms and conditions; (d) exemption from taxes and duties on imported spare parts and suppliers for certain producers; and (e) other non-fiscal incentives that may be applicable.

SONEDCO
In November 2005, SONEDCO was registered with the BOI under the Omnibus Investments Code of 1987 as a new producer of refined sugar and its by-product (molasses) on a pioneer status and as expanding producer of raw sugar and its by-product (molasses) on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, SONEDCO is entitled to certain fiscal and non-fiscal incentives which were transferred to the Parent Company, on account of the transfer of its sugar milling operations: (a) ITH for a period of six years from November 2006; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for 10 years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations provided firm exports at least 70% of production output; (g) exemption from wharfage dues and any export tax, duty, impost and fees; (h) importation of consigned equipment for a period of 10 years from date of registration; and (i) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with CBMW exporting at least 70% of production.

CCPI

In July 2010, the CCPI was registered with BOI as new export producer of printed flexible packaging materials.

Under the terms of the registration and subject to certain requirements and CSR guidelines, CCPI is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four years starting October 2011; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (d) Importation of consigned equipment for a period of ten years from the date of registration; (e) employment of foreign nationals; (f) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for ten years from start of commercial operations; (f) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) access to customs bonded manufacturing warehouse (CBMW) subject to Customs rules and regulations provided the firm exports at least 70% of production output; (h) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with CBMW exporting at least 70% of production; and (i) exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from the date of registration. As of September 30, 2014 and 2013, CCPI did not avail of the ITH incentive.

36. Commitments and Contingencies

Operating Lease Commitments - Group as a Lessor

The Group has entered into a (1) one-year renewable, noncancellable lease with various related parties covering certain land and building where office spaces are located.

Future minimum rentals receivable under noncancellable operating leases amounted to ₱56.8 million, ₱61.6 million and ₱65.3 million in 2014, 2013 and 2012, 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 ₱161.1 million, ₱117.3 million and ₱104.5 million in 2014, 2013 and 2012, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2014	2013	2012
Within one year	**₱71,984,748**	₱68,556,903	₱70,670,008
After one year but not more than five years	**287,938,993**	274,227,612	282,680,032
	₱359,923,741	₱342,784,515	₱353,350,040

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 ₱23.3 million, ₱11.8 million and ₱3.8 million, in 2014, 2013 and 2012, 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 pertain to the movement of the cumulative translation adjustment account and the depreciation of biological assets (breeders) that are capitalized as part of the cost of new born biological assets (sucklings).

	2014	2013	2012
Biological assets	**₱49,757,535**	₱47,681,054	₱37,531,997
Cumulative translation adjustment	**218,760,416**	458,152,713	181,758,621
Land contributed to plan assets	**91,448,525**	–	–

38. Events After the Reporting Date

The following non-adjusting events happened subsequent to the respective reporting dates of the Parent Company and its subsidiaries:

Acquisition of NZSFHL

URC NZ FinCo, a newly formed 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, the leading snack food company in New Zealand, subject to the approval of New Zealand's Overseas Investment Office (OIO) as required by Overseas Investment Act 2005 and Overseas Investment Regulation of

2005. The total consideration of the acquisition is NZ$700.0 million (approximately ₱24.5 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) and the balance upon completion (see Note 11).

On October 29, 2014, New Zealand's OIO granted its consent on the application for the acquisition of NZSFHL. On November 14, 2014, following the approval from OIO, the transaction was completed and the remaining balance of the consideration was settled.

The Group engaged a third party valuer to conduct a purchase price allocation. The accounting for the business combination will be completed based on further valuations and studies carried out within twelve months from completion date.

The following table represents the unaudited pro forma income statement of the Group and the acquired NZFHL portfolios as of September 30, 2014 have the acquisition been made as of October 1, 2013:

	Pro Forma* *(Unaudited)*
Total sale of goods and services	₱102,866,560,099
Net income attributable to the equity holders of the parent	11,621,905,411
Basic/diluted earnings per share	5.33

**The pro-forma financial results assume that the acquisition of NZSFHL occurred on October 1, 2013 and are not necessarily indicative of the actual results that would have occurred had those transactions been completed on that date*

Change in Ownership Structure of NURC through Share Purchase Agreement
In December 2014, the Parent Company and Mitsubishi Corporation (Mitsubishi) entered into a share purchase agreement with Nissin Foods (Asia) Pte, Ltd. (Nissin) to sell 14% and 10%, respectively, of their equity interests in NURC. As a result, the joint venture share of URC, Nissin and Mitsubishi Corporation changed from 65%, 25% and 10% to 51%, 49% and nil, respectively.

Sale of Noodle Line Assets through Asset Purchase Agreement
In December 2014, NURC entered into an asset purchase agreement with the Parent Company to acquire the latter's noodle line assets for an initial consideration of ₱367.1 million.

39. Approval for the Release of the Financial Statements

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on January 9, 2015.