# C O V E R   S H E E T
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 9 | 1 | 7 | 0 |
|---|---|---|---|

**COMPANY NAME**

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

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

8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17 A | | |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| N/A | 516-9888 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 1,025 | Last Wednesday of May | 9/30 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Mr. Francisco Del Mundo | Pancho.DelMundo@urc.net.ph | (02) 516-9822 | +63 998 840 0429 |

**CONTACT PERSON's ADDRESS**

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

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

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the fiscal year ended **September 30, 2016**

2. SEC Identification Number **9170**

3. BIR Tax Identification No**. 000-400-016-000**

4. Exact name of issuer as specified in its charter **Universal Robina Corporation**

5. **Quezon City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

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

7. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City** — **1110**
   Address of principal office — Postal Code

8. **671-2935; 635-0751; 671-3954**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt |
|---|---|
| **Common Shares, P1.00 Par value** | **2,204,161,868 shares** |

11. Are any or all of these securities listed on the Philippine Stock Exchange.

    Yes [ / ]   No [ ]

12. Check whether the issuer:

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

       Yes [ / ]          No [ ]

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

       Yes [ / ]          No [ ]

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

    The aggregate market value of the voting stock held by non-affiliates is ₱173,019,451,776.

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

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

    **Not Applicable**

## DOCUMENTS INCORPORATED BY REFERENCE

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

a) Any annual report to security holders; **None**

b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b); **None**

c) Any prospectus filed pursuant to SRC Rule 8.1-1 **None**

## TABLE OF CONTENTS

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Universal Robina Corporation (URC) is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational". URC has established a strong presence in ASEAN and has further expanded its reach to the Oceania region through the acquisition of Griffin's Food Limited, the number one snackfoods company in New Zealand. URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and day-old pullets, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Salty Snacks, Candies and Chocolates, and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles, and is a respectable 2nd player in the Coffee business. With the acquisition of Balayan Mill last February 2016, URC Sugar division is now the largest producer in the country based on capacity.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2014-2016) except those mentioned in the succeeding paragraphs. The Company's financial condition has remained solid in the said period.

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

Branded consumer foods (BCF) segment, including our packaging division, is the Company's largest segment contributing about 82.9% of revenues for the fiscal year ended September 30, 2016. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages, instant noodles and pasta, and tomato-based products. The manufacture, distribution, sales, and marketing activities of BCF group are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage, and grocery groups, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC Packaging division to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies. The BOPP plant, located in Batangas, began its commercial operations in June 1998 and holds the distinction of being the only Integrated Management System ISO-certified BOPP plant in the country today, with its Quality ISO 9001:2008 and Environmental ISO 14001:2004 Standards. URC also formed Food Service and Industrial division that supply BCF products in bulk to certain institutions like hotels, restaurants, and schools.

Majority of URC's consumer foods business is conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2014, URC has expanded its reach to the Oceania region through the acquisition of Griffin's Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley & Palmer's, and Nice & Natural. In September 2016, URC completed the acquisition of Consolidated Snacks Pty Ltd., which trades under the company name Snack Brands Australia (SBA), the second largest salty snacks player in Australia with a wide range of chips including the iconic brands like Kettle, Thins, CC's and Cheezels. SBA will be consolidated to URC operations starting October 1, 2016. The international operations contributed about 28.2% of the Company's revenues for the fiscal year ended September 30, 2016.

The Company's agro-industrial products segment operates four segments: (1) Robina Farm-Hogs, (2) Robina Farm-Poultry, (3) the manufacturing and distribution of animal feeds (URC Feeds), and (4) the production and distribution of animal health products (URC Veterinary Drugs). This segment contributed approximately 8.1% of sale of goods and services in fiscal 2016.

The Company's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar division, (2) flour milling and pasta manufacturing through Flour division, and (3) renewable energy development through Distillery and Cogeneration divisions. This segment contributed approximately 9.0% of aggregate sale of goods and services in fiscal 2016.

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

The percentage contribution to the Company's revenues for each of the three years in the period ended September 30, 2014, 2015 and 2016 by each of the Company's principal business segments is as follows:

| | For the fiscal years ended September 30 | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| Branded Consumer Foods Group | 83.6% | 84.2% | 82.9% |
| Agro-Industrial Group | 8.9% | 8.2% | 8.1% |
| Commodity Foods Group | 7.5% | 7.6% | 9.0% |
| | 100.0% | 100.0% | 100.0% |

The geographic percentage distribution of the Company's revenues for each of the three years in the period ended September 30, 2014, 2015 and 2016 is as follows:

| | For the fiscal years ended September 30 | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| Philippines | 74.2% | 69.6% | 71.8% |
| International | 25.8% | 30.4% | 28.2% |
| | 100.0% | 100.0% | 100.0% |

**Customers**

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

*Distribution, Sales and Marketing*

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

URC intends to enlarge its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

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

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

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

*Competition*

The BCF business is highly competitive and competition varies by country and product category. The Company believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed. Generally, the Company faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Manufacturing Corp., Columbia Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Company Inc. and Kraft Foods Inc. Internationally, major competitors include Procter & Gamble, Effem Foods/Mars Inc., Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, Apollo Food, Frito-Lay, Nestlé S.A., Cadbury Schweppes PLC and Kraft Foods International.

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

The Company's commercial feeds segment principal competitive factors are quality, brand equity, credit term and price. It faces competition from local, multinational companies, and even foreign companies in all of its markets. Since the business is highly fragmented, it also faces increasing speed of change in the market particularly customer preferences and lifestyle. The Company's principal competitors are San Miguel Corporation (B-Meg and Integra), UNAHCO (Sarimanok, Thunderbird and GMP), and Aboitiz Inc. (Pilmico). A number of multinationals including Cargil Purina Phils. Inc, CJ and Sun Jun of Korea, and New Hope of China are also key players in the market. The market for commercial drugs is dominated by multinationals and URC AIG is one of the only few Philippine companies in this market. The Company's principal competitors are Pfizer, Inc., UNAHCO (Univet), and Merial Limited, a company jointly owned by Merk and Co., Inc. and Aventis. S.A.

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

*Enhancement and Development of New Products*

The Company intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage, and grocery (instant noodles and tomato-based) products. This fiscal year alone, the Company's Branded Consumer Foods Philippines has introduced 44 new products, which contributed 11% to its total sales.

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

*Raw Materials*

A wide variety of raw materials are required in the manufacture of the Company's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some of which are imported. The Company also obtains a major portion of its raw materials from its agro-industrial and commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while aseptic packaging is purchased entirely from China.

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

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

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

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

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

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

The Company owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of RA 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL). In addition, certain trademarks have been strategically registered in other countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of the Company's product lines. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

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

The Company also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. The Company's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, as well as Hunt's Tomato and Hunt's Pork and Beans among others.

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

*Regulatory Overview*

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

The Company's sugar mills are licensed to operate by the Sugar Regulatory Administration and renew its sugar milling licenses at the start of every crop year. The Company is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

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

Some of the Company's projects, such as the sugar mill and refinery, bioethanol production, biomass power cogeneration and hog and poultry farm operations are registered with the Board of Investments (BOI) which allows the Company certain fiscal and non-fiscal incentives.

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

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

*Research and Development*

The Company develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of the Company's food products. In Philippine operations alone, about ₱87 million was spent for research and development activities for fiscal 2016 and approximately ₱54 million and ₱43 million for fiscals 2015 and 2014, respectively.

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

The Company has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

*Transactions with Related Parties*

The largest shareholder, JG Summit Holdings, Inc., is one of the largest and most diversified conglomerates listed on the Philippine Stock Exchange. JG Summit provides the Company with certain corporate center services including corporate finance, corporate planning, procurement, human resources, legal, and corporate communications. JG Summit also provides the Company with valuable market expertise in the Philippines as well as intra-group synergies. See Note 36 to Consolidated Financial Statements for Related Party Transactions.

*Costs and Effects of Compliance with Environmental Laws*

The operations of the Company are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of September 30, 2016, the Company has invested about ₱222 million in wastewater treatment in its facilities in the Philippines.

*Employees and Labor*

As of September 30, 2016, the number of permanent full time employees engaged in the Company's respective businesses is 13,001 and are deployed as follows:

| **Business** | **Company or Division** | **Number** |
|---|---|---|
| Branded consumer foods | BCF, Packaging Division, CCPI, URCI, URCCCL, NURC, HURC, CURC and DURBI | 10,045 |
| Agro-industrial products | Robina Farms, UCP & Robichem | 870 |
| Commodity food products: | | |
| Sugar | Sugar | 1,180 |
| Flour & pasta | Flour | 317 |
| Bio-ethanol & renewable energy | Distillery and Cogeneration | 153 |
| Corporate | | 436 |
| | | 13,001 |

As at the same date, approximately 16,800 contractual and agency employees are engaged in the Company's businesses. The Company does not anticipate any substantial increase in the number of its employees in fiscal 2017.

For most of the companies and operating divisions, collective bargaining agreements between the relevant representatives of the employees' union and the subsidiary or divisions are in effect. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic provisions of the agreement after three years, and contain provisions for annual salary increases, health and insurance benefits, and closed-shop arrangements. The collective bargaining agreements are with 26 different unions. For fiscal 2016, 4 collective bargaining agreements were signed and concluded with the labor unions which are as follows: URC AIG Robina Farms Antipolo Union (URCEU-FD-ANGLO), URC KSP Admin Union, URC-SURE (Tolong) Supervisory Union (CIO URC Tolong Supervisory Union Chapter-NACUSIP) and URC-SURE (Tolong) Rank and File Union (NACUSIP). The Company believes that good labor relations generally exist throughout the Company's subsidiaries and operating divisions.

The Company has a funded, noncontributory defined benefit retirement plan covering all of the regular employees of URC. The plan provides retirement, separation, disability and death benefits to its members. The Company, however, reserves the right to change the rate and amounts of its contribution at anytime on account of business necessity or adverse economic conditions. The funds of the plan are administered and managed by the trustees. Retirement cost charged to operations, including net interest cost, amounted to ₱152 million, ₱142 million and ₱152 million in fiscals 2016, 2015 and 2014, respectively.

*Risks*

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

*1) Competition*

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

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

*2) Financial Market*

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

*3) Raw Materials*

The Company's production operations depend upon obtaining adequate supplies of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Company's raw material requirements is imported including packaging materials. To mitigate these risks, alternative sources of raw materials are used in the Company's operations.
(See page 4, *Raw Materials*, for more details)

*4) Food Safety Concerns*

The Company's business could be adversely affected by the actual or alleged contamination or deterioration of certain of its flagship products, or of similar products produced by third parties. A risk of contamination or deterioration of its food products exists at each stage of the production cycle, including the purchase and delivery of food raw materials, the processing and packaging of food products, the stocking and delivery of the finished products to its customers, and the storage and display of finished products at the points of final sale. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets for its food business. For its agro-industrial business, its researchers are continually exploring advancements in breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. Moreover, the Company ensures that the products are safe for human consumption, and that the Company conforms to standards and quality measures prescribed by regulatory bodies such as Bureau of Food and Drugs, Sugar Regulatory Administration, Bureau of Animal Industry, and Department of Agriculture.

*5) Mortalities*

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

*6) Intellectual Property Rights*

Approximately 82.9% of the Company's sale of goods and services in fiscal year 2016 were from its branded consumer foods segment. The Company has put considerable efforts to protect the portfolio of intellectual property rights, including trademark registrations. Security measures are continuously taken to protect its patents, licenses and proprietary formulae against infringement and misappropriation.

*7) Weather and Catastrophe*

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

*8) Environmental Laws and Other Regulations*

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

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

## Item 2. Properties

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

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

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

Annual lease payment for rented properties amounted to ₱115 million for fiscal 2016. Lease contracts are renewable annually. Land in Taytay, Rizal, where farm's facilities are located, is owned by an affiliate and is rent-free.

**Item 3. Legal Proceedings**

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

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

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

*Market Information*

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

| | High | Low |
|---|---|---|
| Fiscal Year 2016 | | |
| Oct. to Dec. 2015 | ₱209.00 | ₱175.00 |
| Jan. to Mar. 2016 | 219.00 | 170.00 |
| Apr. to Jun. 2016 | 219.80 | 192.60 |
| Jul. to Sep. 2016 | 208.60 | 177.00 |
| Fiscal Year 2015 | | |
| Oct. to Dec. 2014 | ₱205.00 | ₱166.00 |
| Jan. to Mar. 2015 | 226.60 | 186.60 |
| Apr. to Jun. 2015 | 234.00 | 176.00 |
| Jul. to Sep. 2015 | 203.80 | 173.00 |

As of January 10, 2017, the latest trading date prior to the completion of this annual report, sales price of the common stock is at ₱169.31.

The number of shareholders of record as of September 30, 2016 was approximately 1,025. Common shares outstanding as of September 30, 2016 were 2,204,161,868.

**List of Top 20 Stockholders of Record**
***September 30, 2016***

| | Name of Stockholders | Number of Shares Held | Percent to Total Outstanding |
|---|---|---|---|
| 1 | JG Summit Holdings, Inc. | 1,215,223,061 | 55.13% |
| 2 | PCD Nominee Corporation (Non-Filipino) | 668,758,136 | 30.34% |
| 3 | PCD Nominee Corporation (Filipino) | 307,815,201 | 13.97% |
| 4 | Elizabeth Y. Gokongwei and/or John Gokongwei, Jr. | 2,479,400 | 0.11% |
| 5 | Litton Mills, Inc. | 2,237,434 | 0.10% |
| 6 | Lisa Yu Gokongwei and/or Elizabeth Gokongwei | 575,000 | 0.03% |
| 6 | Faith Gokongwei Ong and/or Elizabeth Gokongwei | 575,000 | 0.03% |
| 6 | Robina Gokongwei Pe and/or Elizabeth Gokongwei | 575,000 | 0.03% |
| 6 | Marcia Gokongwei Sy and/or Elizabeth Gokongwei | 575,000 | 0.03% |
| 6 | Hope Gokongwei Tang and/or Elizabeth Gokongwei | 575,000 | 0.03% |
| 7 | Quality Investments & Securities Corp. | 400,143 | 0.02% |
| 8 | Flora Ng Siu Kheng | 379,500 | 0.02% |
| 9 | Consolidated Robina Capital Corporation | 253,000 | 0.01% |
| 10 | Gilbert U. Du and/or Fe Socorro R. Du | 188,485 | 0.01% |
| 11 | JG Summit Capital Services Corporation | 127,765 | 0.01% |
| 12 | Pedro Sen | 75,900 | 0.00% |
| 13 | Phimco Industries Provident Fund | 72,864 | 0.00% |
| 14 | Joseph Estrada | 72,105 | 0.00% |
| 15 | Gilbert Du | 63,250 | 0.00% |
| 16 | Abacus Securities Corporation | 51,100 | 0.00% |
| 17 | Patrick Y. Tong | 46,299 | 0.00% |
| 18 | Patrick Henry C. Go | 45,540 | 0.00% |
| 18 | Vincent Henry C. Go | 45,540 | 0.00% |
| 19 | Eng Si Co Lim | 45,000 | 0.00% |
| 20 | Margaret Sy Chuachiaco | 43,700 | 0.00% |
| | OTHERS | 2,863,445 | 0.13% |
| | TOTAL | 2,204,161,868 | 100.00% |

*Recent Sales of Unregistered Securities*

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

*Dividends*

The Company paid dividends as follows:

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

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

For fiscal year 2014, a regular cash dividend of ₱1.50 per share and a special dividend of ₱1.50 per share were declared to all stockholders of record as of February 26, 2014 and paid on March 24, 2014.

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

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

***Results of Operations***

*Fiscal Year 2016 Compare to Fiscal Year 2015*

URC generated a consolidated sale of goods and services of ₱111.632 billion for the fiscal year ended September 30, 2016, a 2.4% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱643 million to ₱91.376 billion in fiscal 2016, slightly up from ₱90.733 billion registered in fiscal 2015. BCFG domestic operations posted an increase of 4.0% in net sales from ₱57.600 billion in fiscal 2015 to ₱59.923 billion in fiscal 2016, which was mainly driven by RTD beverages, chocolates and noodles with double-digit growths. Sales was muted due to decline in coffee category as a result of intense competition in the saturated coffee market. Snackfoods category was flattish due to the aggressive low-priced players affecting corn chips and pelletized snacks.

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

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

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

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱9.114 billion in fiscal 2016, a 2.0% increase from ₱8.931 billion recorded in fiscal 2015. Feeds business grew by 21.3% due to increase in sales volume as a result of aggressive sales and marketing strategies while farms business declined by 14.8% due to lower average selling price of live hogs.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱10.003 billion in fiscal 2016 or up by 21.1% from ₱8.259 billion reported in fiscal 2015. Sugar business grew by 20.0% due to incremental sales from the recently acquired Balayan sugar mill and higher prices of raw and refined sugar. On the other hand, flour business declined by 2.3% despite higher volume due to lower average selling price. Sales contribution from renewable energy businesses amounted to ₱2.003 billion in fiscal 2016, compared to ₱824 million last year.

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

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

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.854 billion or 10.4% to ₱19.730 billion in fiscal 2016 from ₱17.876 billion registered in fiscal 2015. This increase resulted primarily from the following factors:

- 17.5% or ₱603 million increase in compensation and benefits to ₱4.047 billion in fiscal 2016 from ₱3.444 billion in fiscal 2015 due to increase in headcount and annual salary adjustments.

- 9.1% or ₱576 million increase in advertising and promotion costs to ₱6.888 billion in fiscal 2016 from ₱6.312 billion in fiscal 2015 due to promotion programs with key accounts and wholesalers, and new product launches.

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

- 62.0% or ₱292 million increase in rent expense to ₱764 million in fiscal 2016 from ₱471 million in fiscal 2015 as a result of business expansion.

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

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

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

- Operating income in URC's agro-industrial segment decreased by ₱119 million to ₱1.051 billion in fiscal 2016 from ₱1.170 billion in fiscal 2015 due to lower prices and volumes of hogs, net of strong performance by feeds business.

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

Market valuation gain on financial instruments at fair value through profit or loss of ₱855 million was reported in fiscal 2016 against the ₱215 million market valuation loss in fiscal 2015 due to fair value changes of derivative instruments and lower decline in market values of equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱64 million to ₱213 million in fiscal 2016 from ₱277 million in fiscal 2015 due to decline in level of financial assets.

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

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

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

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

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

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

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

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

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

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

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.280 billion for fiscal 2016, slightly higher than ₱22.201 billion posted in fiscal 2015.

*Fiscal Year 2015 Compare to Fiscal Year 2014*

URC generated a consolidated sale of goods and services of ₱109.051 billion for the fiscal year ended September 30, 2015, an 18.1% sales growth over previous year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱14.605 billion, or 19.2% to ₱90.733 billion in fiscal 2015 from ₱76.128 billion registered in fiscal 2014. BCFG domestic operations posted a 10.0% increase in net sales from ₱52.352 billion in fiscal 2014 to ₱57.600 billion in fiscal 2015 due to strong performance of its beverage division which grew 12.7% on the back of continued growth of coffee business. Sales for snackfoods division grew by 6.2% due to growth across snacks, biscuits and chocolate segments as the Company defended its market shares and positions in key snackfood categories.

  BCFG international sales increased by 39.4% to ₱33.133 billion in fiscal 2015 against ₱23.776 billion in fiscal 2014. In US dollar (US$) term, sales registered an increase of 36.6% from US$539 million in fiscal 2014 to US$736 million in fiscal 2015. Top-line growth came from Thailand, Indonesia and Vietnam with sales contribution from New Zealand. Sales growth in Thailand was driven by core brands as it continues to be the market leader in biscuits and wafers. Indonesia posted double digit growth with its number one potato chips brand, Piattos, hitting all-time high sales and successful launch of another snack brand, Chiz King. Vietnam continued to grow on the back of robust sales of Rong Do, energy drink brand and C2, which remains to be the number one brand in the RTD tea category in the market. The Group started consolidating Griffin's sales into URC International starting mid-November 2014 upon closing of the acquisition.

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

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

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱8.931 billion in fiscal 2015, an 8.9% increase from ₱8.203 billion recorded in fiscal 2014. Feeds business increased by 21.6% due to higher sales volume as a result of effective sales strategy while farms business remained flat.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱8.259 billion in fiscal 2015 or up by 19.0% from ₱6.939 billion reported in fiscal 2014. Growth came from sugar business which increased by 18.4% due to higher sales volume and sales contribution from distillery and cogeneration businesses while flour business remained flat.

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

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

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱3.624 billion or 25.4% to ₱17.876 billion in fiscal 2015 from ₱14.252 billion registered in fiscal 2014. This increase resulted primarily from the following factors:

- 18.8% or ₱999 million increase in advertising and promotion costs to ₱6.312 billion in fiscal 2015 from ₱5.313 billion in fiscal 2014 due to promotion programs with key accounts and wholesalers, and new product launches.

- 39.6% or ₱977 million increase in compensation and benefits to ₱3.444 billion in fiscal 2015 from ₱2.467 billion in fiscal 2014 due to annual salary adjustments including the effect of consolidating Griffin's accounts starting this fiscal year.

- 16.5% or ₱688 million increase in freight and delivery charges to ₱4.846 billion in fiscal 2015 from ₱4.158 billion in fiscal 2014 due to increase in trucking and shipping costs as a result of increased volume.

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

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

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

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

- Operating income in URC's agro-industrial segment increased by ₱104 million to ₱1.170 billion in fiscal 2015 from ₱1.067 billion in fiscal 2014 due to higher volumes and lower input prices for feeds business.

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

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

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱48 million to ₱277 million in fiscal 2015 from ₱229 million in fiscal 2014 due to increased level of financial assets.

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

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

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

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

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

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

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

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

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

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

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.201 billion for fiscal 2015, 22.5% higher than ₱18.129 billion posted in fiscal 2014.

*Fiscal Year 2014 Compare to Fiscal Year 2013*

URC generated a consolidated sale of goods and services of ₱92.376 billion for the fiscal year ended September 30, 2014, 14.1% sales growth over last year's ₱80.995 billion. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱11.894 billion, or 18.5%, to ₱76.128 billion in fiscal 2014 from ₱64.234 billion registered in fiscal 2013. BCFG domestic operations posted a 24.1% increase in net sales from ₱42.181 billion in fiscal 2013 to ₱52.352 billion in fiscal 2014. All segments managed to post growth with beverage business driving the Philippine operations as it registered a 38.0% growth led by powdered beverage segments, mainly from coffee and complemented by the RTD. Snackfoods business also grew by 16.0% with categories such as snacks, biscuits and chocolates outpacing market growth.

  BCFG international sales increased by 7.8% to ₱23.776 billion in fiscal 2014 against ₱22.054 billion in fiscal 2013. In US dollar (US$) term, sales registered an increase of 2.3% from US$527 million in fiscal 2013 to US$539 million in fiscal 2014. Vietnam and Thailand, our two biggest contributors, accounted for 74.0% of total international sales. Vietnam sales grew despite weak consumer spending, as beverage, biscuits and candies all posted growth. Vietnam was also able to defend its market share in RTD tea from new entrants with its own C2 Oolong product offering. Thailand grew its sales despite increases in inflation and political instability. Growth was driven by improving sales of key biscuit and wafer brands due to promotions and sampling activities, including the strategy of launching 2-baht cookies to address budget-constrained consumers.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 82.4% of total URC consolidated sale of goods and services for fiscal 2014.

  Sale of goods and services in URC's packaging division went down by 5.2% to ₱1.106 billion in fiscal 2014 from ₱1.167 billion recorded in fiscal 2013 due to lower sales volume brought about by weak market demand.

- Sale of goods and services in URC's agro-industrial segment (AIG) increased by 11.0% to ₱8.203 billion in fiscal 2014 from ₱7.393 billion recorded in fiscal 2013. Farm business grew by 11.2% due to better prices, growing hog carcass segment and increasing sales activities to the hotel and restaurant institutions. Feed business grew by 10.6% due to better prices and increase in volume supported by strong sales performance of gamefowl feeds.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱6.939 billion in fiscal 2014 or down by 15.4% from ₱8.201 billion reported in fiscal 2013. Sugar business went down by 34.1% due to lower volumes despite increase in prices due to decline in refined sugar production. Flour business managed to post a 4.8% growth due to higher volumes.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales went up by ₱6.229 billion, or 10.8%, to ₱64.005 billion in fiscal 2014 from ₱57.776 billion recorded in fiscal 2013 due to increases in sales volume.

URC's gross profit for fiscal 2014 amounted to ₱28.371 billion, up by ₱5.152 billion from ₱23.219 billion reported in fiscal 2013. URC's gross profit as a percentage of net sales increased by 200 basis points to 30.7% in fiscal 2014 from 28.7% in fiscal 2013 due to lower input costs.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.312 billion or 10.1% to ₱14.252 billion in fiscal 2014 from ₱12.940 billion registered in fiscal 2013. This increase resulted primarily from the following factors:

- 17.6% or ₱623 million increase in freight and delivery charges to ₱4.158 billion in fiscal 2014 from ₱3.535 billion in fiscal 2013 due to increase in trucking and shipping costs associated with increased volume and port congestion issues.

- 16.5% or ₱350 million increase in compensation and benefits to ₱2.467 billion in fiscal 2014 from ₱2.117 billion in fiscal 2013 due to annual salary adjustments and increase in pension expenses.

- 3.6% or ₱186 million increase in advertising and promotion costs to ₱5.313 billion in fiscal 2014 from ₱5.127 billion in fiscal 2013 to support new product launches and expand sales of existing products.

As a result of the above factors, operating income increased by ₱3.840 billion, or 37.4% to ₱14.119 billion in fiscal 2014 from ₱10.279 billion reported in fiscal 2013. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, increased by ₱3.594 billion to ₱11.162 billion in fiscal 2014 from ₱7.568 billion in fiscal 2013. URC's domestic operations was up by 57.0% to ₱8.648 billion in fiscal 2014 from ₱5.508 billion in fiscal 2013 due to strong volumes that provided economies of scale, in addition to lower costs of major inputs. URC's international operations posted a ₱2.514 billion income, 22.0% higher than ₱2.060 billion posted last year. In US dollar amount, international operations posted an operating income of US$57 million, a 16.3% increase from US$49 million last year.

  URC's packaging division reported a lower operating loss of ₱63 million in fiscal 2014 from operating loss of ₱81 million in fiscal 2013 due to improved margins.

- Operating income in URC's agro-industrial segment increased by ₱410 million to ₱1.067 billion in fiscal 2014 from ₱657 million in fiscal 2013 due to improved hog business, which offset the downturn in feeds business resulting from higher productions costs.

- Operating income in URC's commodity foods segment declined to ₱3.092 billion in fiscal 2014 from ₱3.119 billion in fiscal 2013. Flour division registered a 9.9% increase due to lower wheat prices, offset by 5.9% decline in sugar business.

The Company reported lower market valuation gain on financial instruments at fair value through profit or loss of ₱63 million in fiscal 2014 from ₱473 million in fiscal 2013 due to decline in level of financial assets as a result of disposal of all bond investments and significant portion of equity investments during fiscal 2013.

URC’s finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱301 million or 56.8% to ₱229 million in fiscal 2014 from ₱530 million in fiscal 2013 due decline in level of financial assets resulting from disposal of all bond investments and significant portion of equity investments.

URC’s finance costs consist mainly of interest expense which decreased by ₱116 million or 43.5%, to ₱150 million in fiscal 2014 from ₱266 million recorded in fiscal 2013 due to repayments of short-term debts during fiscal 2014 and settlement of long-term debt in the second quarter of fiscal 2013.

Impairment losses increased to ₱122 million in fiscal 2014 from ₱29 million in fiscal 2013 due to recognition of higher impairment losses on inventories and receivables**.**

Net foreign exchange gain amounted to ₱73 million in fiscal 2014 from ₱157 million net foreign exchange loss reported in fiscal 2013 due to effect of currency translation adjustments on foreign currency-denominated transactions.

Equity in net income of joint ventures amounted to ₱14 million in fiscal 2014 from ₱19 million in fiscal 2013 due to pre-operating expenses of newly established joint ventures, Calbee-URC Inc. and Danone Universal Robina Beverages, Inc.

Gain on sale of investments decreased from gain of ₱735 million in fiscal 2013 to nil in fiscal 2014. Gain on sale last year resulted from the disposal of all bond investments and significant portion of equity investments.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net increased from ₱35 million other expense in fiscal 2013 to ₱3 million other income in fiscal 2014 mainly due to losses incurred from weather disturbances last year.

The Company recognized provision for income tax of ₱2.572 billion in fiscal 2014, a 79.6% increase from ₱1.432 billion in fiscal 2013 due to higher taxable income and recognition of deferred tax liabilities on realized foreign exchange gain and increase in market value of hogs.

URC's net income for fiscal 2014 amounted to ₱11.655 billion, higher by 15.2% from ₱10.117 billion in fiscal 2013, due to higher operating income, net of lower market valuation gain from financial assets at FVPL, net finance revenue and gain on sale of investments.

URC’s core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for fiscal 2014 amounted to ₱14.214 billion, an increase of 26.2% from ₱11.262 billion recorded for fiscal 2013.

Net income attributable to equity holders of the parent increased by ₱1.514 billion or 15.1% to ₱11.559 billion in fiscal 2014 from ₱10.045 billion in fiscal 2013 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income attributable to non-controlling interest of Nissin-URC, URC's 65.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱73 million in fiscal 2013 to ₱97 million in fiscal 2014.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱18.129 billion for fiscal 2014, 29.5% higher than ₱13.999 billion posted in fiscal 2013.

*Financial Condition*

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.70:1 as of September 30, 2016, lower than the 2.30:1 as of September 30, 2015. Financial debt to equity ratio of 0.57:1 as of September 30, 2016 is within comfortable level. The Company is in a net debt position of ₱26.148 billion this year against ₱8.595 billion last year due to availment of loans to finance SBA acquisition.

Total assets amounted to ₱141.444 billion as of fiscal-end 2016, higher than ₱110.747 billion as of fiscal-end 2015. Book value per share increased to ₱34.06 as of September 30, 2016 from ₱29.92 as of September 30, 2015.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for fiscal year 2016 amounted to ₱16.714 billion. Net cash used in investing activities amounted to ₱28.754 billion which were substantially used for business and fixed asset acquisitions. Net cash provided by financing activities amounted to ₱9.860 billion due to loan availments, net of dividend payment.

The capital expenditures amounting to ₱7.811 billion include site development and building constructions, installation of new wafer and coffee mixing lines, and rehabilitation/upgrade of beverage facilities in Philippines; construction of warehouse and coffee manufacturing facilities in Vietnam; new warehouse, improvements in biscuit and wafer lines and Griffin's packaging conveyor in Thailand; additional Nice n Natural bar line, machine upgrades and building and traffic management improvements in New Zealand; warehouse construction and biscuit line installation in Myanmar.

The Company budgeted about ₱7.200 billion for capital expenditures (including maintenance capex) and investments for calendar year 2017, which substantially consists of the following:

- ₱4.800 billion for expansion of capacities and improvement of handling, distribution and operational efficiencies throughout the branded food business such as new lines for Nips, Conbar and Cannister making; new factory building in Malaysia; new candy plant in Thailand, new biscuit line in Indonesia; bottle-making equipment in Vietnam beverage business; and a mega DC warehouse and new RM/PM warehouse in the Philippines.
- ₱1.450 billion for commodity foods group for flourmill construction, sugar business expansion and maintenance capital expenditures.
- ₱950 million for agro-industrial group for sow level expansion, farm improvements and handling facilities for feeds division.

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

As of September 30, 2016, the Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

*Financial Ratios*

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

| | **September 30, 2016** | September 30, 2015 |
|---|---|---|
| Liquidity: | | |
| Current ratio | **1.70:1** | 2.30:1 |
| Solvency: | | |
| Gearing ratio | **0.57:1** | 0.42:1 |
| Debt to equity ratio | **0.88:1** | 0.69:1 |
| Asset to equity ratio | **1.88:1** | 1.69:1 |
| | **FY 2016** | FY 2015 |
| Profitability: | | |
| Operating margin | **15.1%** | 15.9% |
| Earnings per share | **6.94** | 5.68 |
| Leverage: | | |
| Interest rate coverage ratio | **24.83** | 17.29 |

The Group calculates the ratios as follows:

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

**Material Changes in the 2016 Financial Statements**
**(Increase/Decrease of 5% or more versus 2015)**

Income statements – Year ended September 30, 2016 versus Year ended September 30, 2015

*8.2% increase in selling and distribution costs*
Due to increases in advertising and promotion costs, freight and delivery charges, rental and personnel-related costs

*19.9% increase in general and administrative expenses*
Due to increases in personnel-related costs, depreciation and rent expense

*498.4% increase in market valuation gain on financial instruments at fair value through profit or loss*
Due to fair value changes on derivative instruments and lower decline in market values of equity investments
*23.1% decrease in finance revenue*
Due to decline in level of financial assets

*29.8% decrease in finance costs*
Due to lower level of financial debt resulting from prepayment of a long-term debt

*64.7% increase in impairment losses*
Due to higher inventory write-offs resulting from issues encountered in Vietnam

*808.0% increase in net foreign exchange gains*
Due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly IDR and NZD, and depreciation of Philippine peso against US dollar

*13.3% increase in equity in net losses of joint ventures*
Due to higher net losses of DURBI as a result of continuous brand building

*96.7% increase in other income - net*
Due to gain on sale of a property located in China

*5.8% increase in provision for income tax*
Due to recognition of higher deferred tax liabilities, net of lower taxable income

*77.3% increase in net income attributable to non-controlling interest*
Due to higher net income of Nissin-URC

*193.9% decrease in other comprehensive income*
Due to losses from cumulative translation adjustments and remeasurements on defined benefit plans

Statements of Financial Position - September 30, 2016 versus September 30, 2015

*11.9% decrease in cash and cash equivalents*
Due to business acquisitions, capital expenditures and payments of dividends, net of cash from operations and net availments of long-term debt

*38.1% increase in receivables - net*
Due to increase in trade receivables

*15.6% increase in inventories*
Due to increase in finished goods, supplies and spareparts inventories as a result of business acquisitions

*6.2% decrease in biological assets*
Due to decline in headcount and market prices of hogs

*28.8% increase in other current assets*
Due to increases in input value-added tax and prepaid insurance

*14.6% increase in property, plant and equipment*
Due to various plant expansion projects and business acquisitions

*135.5% increase in goodwill*
Due to acquisition of Snack Brands Australia

*30.0% decrease in investment in joint venture*
Due to equity share in net losses of joint ventures, net of additional investments

*6.8% decrease in investment properties*
Due to depreciation of the properties

*55.2% increase in noncurrent assets*
Due to increases in deferred input taxes and security deposits

*39.8% increase in accounts payable and other accrued liabilities*
Due to increases in trade payables and accrual of various expenses

*594.8% increase in short-term debt*
Due to loan availments during the year to finance business expansion

*11.5% decrease in income tax payable*
Due to payments, net of current provision for income tax for the year

*47.1% increase in long-term debt*
Due to loan availments to finance business acquisitions

*15.3% increase in other noncurrent liabilities*
Due to increase in pension liability, net of decline in derivative liability resulting from settlement

*21.1% increase in paid-in capital*
Due to proceeds in excess of cost from re-issuance of treasury shares

*17.0% increase in retained earnings*
Due to net income during the year, net of dividends declared

*84.6% decrease in other comprehensive income*
Due to significant decline in cumulative translation adjustments

*49.1% decrease in treasury shares*
Due to re-issuance of treasury shares

*106.8% increase in equity attributable to non-controlling interests*
Due to equity share in the net income of Nissin-URC, net of dividends received

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

| **Universal Robina Corporation (Consolidated)** | **FY 2016** | **FY 2015** | **Index** |
|---|---|---|---|
| Revenues | 111,632 | 109,051 | 102 |
| EBIT | 16,811 | 17,373 | 97 |
| EBITDA | 22,280 | 22,083 | 101 |
| Net Income | 15,356 | 12,505 | 123 |
| Total Assets | 141,444 | 110,747 | 128 |

| **URC International Co., Ltd. (Consolidated)** | **FY 2016** | **FY 2015** | **Index** |
|---|---|---|---|
| Revenues | 38,023 | 37,233 | 102 |
| EBIT | 2,973 | 3,639 | 82 |
| EBITDA | 4,991 | 5,435 | 92 |
| Net Income | 4,047 | 1,178 | 344 |
| Total Assets | 82,240 | 52,844 | 156 |

| **Nissin-URC** | **FY 2016** | **FY 2015** | **Index** |
|---|---|---|---|
| Revenues | 4,209 | 3,553 | 118 |
| EBIT | 654 | 421 | 155 |
| EBITDA | 747 | 505 | 148 |
| Net Income | 463 | 304 | 152 |
| Total Assets | 2,097 | 1,612 | 130 |

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

## Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 43) are filed as part of this Form 17-A (pages 47 to 169).

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

None.

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

*Independent Public Accountants*

The Company's independent public accountant is the accounting firm of Sycip Gorres Velayo & Co. The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Company in fiscal year 2015 and is expected to be rotated every five (5) years.

*Audit-Related Fees*

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

| | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|
| Audit and Audit-Related Fees | | | |
| • Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements | ₱7,375,000 | ₱8,349,000 | ₱9,740,000 |
| • Professional fees for due diligence review for bond/shares offering | none | none | none |
| Tax Fees | none | none | none |
| Other Fees | none | none | none |
| Total | ₱7,375,000 | ₱8,349,000 | ₱9,740,000 |

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

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

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

## PART III - CONTROL AND COMPENSATION INFORMATION

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

| | Name | Age | Position | Citizenship |
|---|---|---|---|---|
| 1. | John L. Gokongwei, Jr | 90 | Director, Chairman Emeritus | Filipino |
| 2. | James L. Go | 77 | Director, Chairman | Filipino |
| 3. | Lance Y. Gokongwei | 49 | Director, President and Chief Executive Officer | Filipino |
| 4. | Patrick Henry C. Go | 46 | Director, Vice President | Filipino |
| 5. | Frederick D. Go | 47 | Director | Filipino |
| 6. | Johnson Robert G. Go, Jr | 51 | Director | Filipino |
| 7. | Robert G. Coyiuto, Jr | 65 | Director | Filipino |
| 8. | Wilfrido E. Sanchez | 79 | Director (Independent) | Filipino |
| 9. | Pascual S. Guerzon | 79 | Director (Independent) | Filipino |
| 10. | Cornelio S. Mapa, Jr. | 50 | Executive Vice President | Filipino |
| 11. | Constante T. Santos | 68 | Senior Vice President | Filipino |
| 12. | Bach Johann M. Sebastian | 55 | Senior Vice President | Filipino |
| 13. | David J. Lim, Jr. | 53 | Senior Vice President | Filipino |
| 14. | Edwin R. Canta | 53 | Senior Vice President | Filipino |
| 15. | Francisco M. Del Mundo | 46 | Chief Finacial Officer | Filipino |
| 16. | Chona R. Ferrer | 58 | First Vice President | Filipino |
| 17. | Ester T. Ang | 58 | Vice President - Treasurer | Filipino |
| 18. | Edwin S. Totanes | 59 | Vice President | Filipino |
| 19. | Albert Francis S. Fernandez | 50 | Vice President | Filipino |
| 20. | Teofilo B. Eugenio, Jr. | 51 | Vice President | Filipino |
| 21. | Vincent Henry C. Go | 45 | Vice President | Filipino |
| 22. | Ellison Dean C. Lee | 59 | Vice President | Filipino |
| 23. | Renato P. Cabati | 53 | Vice President | Filipino |
| 24. | Anne Patricia C. Go | 50 | Vice President | Filipino |
| 25. | Alan D. Surposa | 53 | Vice President | Filipino |
| 26. | Ma. Victoria M. Reyes-Beltran | 50 | Vice President | Filipino |
| 27. | Michael P. Liwanag | 42 | Vice President | Filipino |
| 28. | Rosalinda F. Rivera | 46 | Corporate Secretary | Filipino |
| 29. | Socorro ML. Banting | 62 | Assistant Vice President | Filipino |
| 30. | Arlene S. Denzon | 48 | Compliance Officer | Filipino |

All of the above directors and officers have served their respective offices since March 9, 2016. There are no directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of stockholders for any reason whatsoever.

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

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

***John L. Gokongwei, Jr.*** founded URC in 1954 and has been the Chairman Emeritus of URC effective January 1, 2002. He continues to be a member of URC's Board and is the Chairman Emeritus of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the

Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and a director of Cebu Air, Inc., Robinsons Retail Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received his Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

***James L. Go*** is the Chairman of the Board of Directors of URC. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Robinsons Land Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr. and joined URC in 1964.

***Lance Y. Gokongwei*** is the President and Chief Executive Officer of URC. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc. He is also the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. and joined URC in 1988.

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

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

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

***Robert G. Coyiuto, Jr.*** has been a director of URC since 2002. He is the Chairman of the Board and Chief Executive Officer of Prudential Guarantee & Assurance, Inc. and of PGA Sompo Japan Insurance, Inc. He is also Chairman of PGA Cars, Inc., Pioneer Tours Corporation and Coyiuto Foundation. He is the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is Vice Chairman and Director of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is also the President, Chief Operating Officer and Director of Oriental Petroleum and Minerals Corporation. He is a director of Petrogen Insurance Corporation, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange and a Member of the Board of Trustees of San Beda College.

***Wilfrido E. Sanchez*** has been an independent director of URC since 1995. He is a Tax Counsel in Quiason Makalintal Barot Torres & Ibarra Law Offices. He is also a director of Adventure International Tours, Inc., Amon Trading Corporation, Center for Leadership & Change, Inc., EEI Corporation, Eton Properties Philippines, Inc., House of Investments, EMCOR, Inc., J-DEL Investment and Management Corporation, JVR Foundation, Inc., Kawasaki Motor Corp., K Servico, Inc., Magellan Capital Holdings Corporation, LT Group, Inc., Transnational Diversified Corporation, and Transnational Financial Services, Inc. (formerly Transnational Securities, Inc.). He was also appointed as a member of the Board of Trustees of the Asian Institute of Management on September 8, 2016. He received his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

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

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

***Constante T. Santos*** is a Senior Vice President in charge of Corporate Tax Advisory Services and Tax Administration Department. Prior to joining URC in 1986, he practiced public accounting with SyCip, Gorres, Velayo & Co. in the Philippines and Ernst & Whinney in the United States. He is a member of the Philippine Institute of Certified Public Accountants. He obtained his Bachelor of Science degree in Business Administration from the University of the East and attended the Management Development Program at the Asian Institute of Management.

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

***David J. Lim, Jr.*** is Senior Vice President for Manufacturing, Technology and Projects & Engineering of URC's Branded Consumer Foods Group Philippines and International. He was the Assistant Technical Director for JG Summit Holdings, Inc. prior to joining URC in December of 2008. He earned his Bachelor of Science degree in Aeronautical Engineering from Imperial College, London, England and obtained his Master of Science degree in Civil Structural Engineering from the University of California at Beverly, USA as well as his Masters in Engineering from the Massachusetts Institute of Technology, USA.

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

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

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

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

***Edwin S. Totanes*** is Vice President for Strategic Brand and Portfolio Development of URC's Branded Consumer Foods Group. He was formerly the General Manager of URC BCFG - Beverage Division and served as Group Head of Marketing of URC BCFG. He served as the General Manager of PT URC Indonesia from 2006 to 2008. He joined URC in 2003 as Vice President and General Manager of URC's Grocery Division. Prior to joining URC, he has assumed general management positions in Swift Foods, Inc. and Coca-Cola Bottlers Phils. He obtained his Bachelor of Arts degree in Economics, Cum Laude, from the Ateneo de Manila University and attended the Advanced Management Program at the Harvard Business School.

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

***Teofilo B. Eugenio, Jr.*** is Vice President for Snacks Marketing of the URC Branded Consumer Foods Group. He served as General Manager of Calbee-URC, Inc. until April 2016. He was the Marketing Director for biscuits, cakes and chocolates of the URC Branded Consumer Foods Group and started as Group Product Manager of biscuits. Prior to joining URC, he was Senior Product Manager for Ovaltine at Novartis Nutrition Philippines, Inc. He has more than 20 years experience in the field of marketing. He earned his Bachelor of Science degree in Industrial Management Engineering, Minor in Mechanical Engineering, from the De La Salle University, Manila and obtained his Masters in Business Administration from Strathclyde Graduate Business School, Strathclyde University, United Kingdom.

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

***Ellison Dean C. Lee*** is a Vice President of URC and the Business Unit General Manager of URC's Flour Division. He started his career with the Philippine Appliance Corporation as Manager, Special Accounts, under the Office of the Chairman and President. He then moved to PHINMA Group of Companies and occupied the positions of Assistant Vice President and Vice President for Marketing. He also joined Inglenook Foods Corporation as Vice President for Sales. Prior to joining

URC in 2001, he was a Vice President of Golden Gate Marketing Corporation, a marketing arm of APO Cement Corporation, and Vice President for Sales and Marketing of Blue Circle Philippines, Inc. He graduated with a Bachelor of Science in Business Management from the Ateneo De Manila University. He also attended the Management Program at the Asian Institute of Management.

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

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

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

***Ma. Victoria M. Reyes-Beltran*** is Vice President and General Legal Counsel - Corporate Legal II of URC. She served as the Corporate Secretary of Bio-Resource Power Generation Corporation, Chic Centre Corporation, Express Holdings, Inc., Itech Global Business Solutions Inc., Interactive Technology Solutions Inc., Mark Electronics Corporation, Robinsons Inn, Incorporated, Robinsons Realty & Management Corp., Southern Negros Development Corp., Summit Publishing Company, Inc. and Unicon Insurance Brokers Corp. until June 2016. Prior to joining URC in 1994, she was a Legal Counsel at Del Rosario & Del Rosario Law Offices. She graduated Bachelor of Laws from San Beda College of Law, Manila and has completed the course on Structuring and International Joint Venture at the University of California, School of Law (Davis Campus), USA. She was admitted to the Philippine Bar in 1993.

***Michael P. Liwanag*** is the Vice President of Corporate Planning & Investor Relations of URC. Prior to joining the Company in 2001, he worked in different capacities in the fields of strategy and business analytics in Digital Telecommunications Phils., Inc., Global Crossings and Philippine Global Communications, Inc. He studied Industrial Engineering at the University of the Philippines and attended the Certified Management Accounting Program.

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

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

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

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

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

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

*Family Relationships*

1. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
2. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
3. Mr. Patrick Henry C. Go is the nephew of Mr. John L. Gokongwei, Jr.
4. Mr. Frederick D. Go is the nephew of Mr. John L. Gokongwei, Jr.
5. Mr. Johnson Robert G. Go, Jr. is the nephew of Mr. John L. Gokongwei, Jr.
6. Mr. Vincent Henry C. Go is the nephew of Mr. John L. Gokongwei, Jr.
7. Ms. Anne Patricia C. Go is the niece of Mr. John L. Gokongwei, Jr.

**Item 11. Executive Compensation**

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

| | Estimated - FY2017 | | | | Actual | |
|---|---|---|---|---|---|---|
| | Salary | Bonus | Other | Total | 2016 | 2015 |
| CEO and Four (4) most highly compensated executive officers | ₱106,899,445 | ₱1,500,000 | ₱247,500 | ₱108,646,945 | ₱103,231,433 | ₱97,213,294 |
| All officers and directors as a group unnamed | 141,208,832 | 3,000,000 | 427,500 | 144,636,332 | 132,526,548 | 117,576,453 |

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

*Standard Arrangements*

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

*Other Arrangements*

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

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

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

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

*Warrants and Options Outstanding*

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

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

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

As of September 30, 2016, URC knows no one who beneficially owns in excess of 5% of URC's common stock except as set forth in the table below.

| Title of Class | Names and addresses of record owners and relationship with the Corporation | Name of beneficial owner and relationship with record owner | Citizenship | No. of Shares Held | % to Total Outstanding |
|---|---|---|---|---|---|
| Common | JG Summit Holdings, Inc.<br>43/F Robinsons Equitable Tower, ADB Avenue corner<br>Poveda Street, Ortigas Center, Pasig City<br>(stockholder) | Same as record owner<br>(See note 1) | Filipino | 1,215,223,061 | 55.13 % |
| Common | PCD Nominee Corporation (Non-Filipino)<br>G/F Makati Stock Exchange Bldg.<br>6767 Ayala Ave., Makati City<br>(stockholder) | PCD Participants and their clients<br>(See note 2) | Non-Filipino | 668,758,136<br>(See note 3) | 30.34% |
| Common | PCD Nominee Corporation (Filipino)<br>G/F Makati Stock Exchange Bldg.<br>6767 Ayala Ave., Makati City<br>(stockholder) | PCD Participants and their clients<br>(See note 2) | Filipino | 307,815,201 | 13.97% |

1. The Chairman and the President are both empowered under the By-Laws of JGSHI to vote any and all shares owned by JGSHI, except as otherwise directed by the Board of Directors. The incumbent Chairman and Chief Executive Officer and President and Chief Operating Officer of JGSHI are Mr. James L. Go and Mr. Lance Y. Gokongwei, respectively.

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

3. Out of the PCD Nominee Corporation (Non-Filipino) account, "Deutsche Bank Manila - Clients A/C" and "The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct." hold for various trust accounts the following shares of the Corporation as of September 30, 2016:

| | No. of shares | % to Outstanding |
|---|---|---|
| Deutsche Bank Manila - Clients A/C | 224,921,014 | 10.20% |
| The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct. | 223,863,729 | 10.16% |

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

## (2) Security Ownership of Management

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

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of September 30, 2016.
2. Sum of shares in the name of "John Gokongwei, Jr." for one (1) share and "Elizabeth Y. Gokongwei and/or John Gokongwei, Jr." for 2,479,400 shares.

* less than 0.01%

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

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

## Item 13. Certain Relationships and Related Transactions

The Company, in its regular conduct of business, had engaged in transactions with its major stockholder, JG Summit Holdings, Inc. and its affiliated companies. See Note 36 (Related Party Disclosures) of the Notes to Consolidated Financial Statements (page 144) in the accompanying Audited Financial Statements filed as part of this Form 17-A.

## PART IV - EXHIBITS AND SCHEDULES

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

(a) Exhibits - See accompanying Index to Exhibits (page 43)

(b) Reports on SEC Form 17-C

**UNIVERSAL ROBINA CORPORATION**
**LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS**
**UNDER SEC FORM 17-C**
**APRIL 1, 2016 TO SEPTEMBER 30, 2016**

| Date of Disclosure | Description |
|---|---|
| May 2, 2016 | Board approval of amendments to By-Laws and change in fiscal year |
| May 12, 2016 | Press Release "URC posted 1H topline growth of 5.2% but managed to maintain healthy operating income margin at 16.0% mainly driven by branded foods and contribution from renewables business" |
| May 23, 2016 | SEC approval of amendment to Articles of Incorporation for change in principal office address |
| May 25, 2016 | Change in business address |
| May 31, 2016 | Clarification of news report "URC lowers outlook on 'tougher market" |
| June 13, 2016 | Clarification of news report "Gokongwei: URC Vietnam can recover from food safety issues" |
| June 29, 2016 | SEC approval of amendments to By-Laws |
| August 15, 2016 | Press Release "URC managed to grow topline by 4%, and sustained EBIT margins at 15.7% despite challenges encountered in Vietnam" |
| August 17, 2016 | Acquisition by URC, through a wholly-owned subsidiary, of 100% direct shareholding in Consolidated Snacks Pty Ltd. |

## SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of PASIG CITY on JAN 12 2017, 2017.

**UNIVERSAL ROBINA CORPORATION**
Issuer

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

By:

LANCE Y. GOKONGWEI
President and Chief Executive Officer
Date 01.11.2017

FRANCISCO M. DEL MUNDO
Chief Financial Officer
Date 01.11.2017

ROSALINDA F. RIVERA
Corporate Secretary
Date 01.11.2017

DOC NO 3
PAGE NO 2
BOOK NO LXVIII
SERIES OF 2017

ATTY. RENATO E. DE JESUS
Notary Public
Until December 31, 2018
ROLL NO. 19939
IBP NO. 1051062
PTR NO. 2506579
APPOINTMENT NO. ... 2017-2018)
MCLE COMPLIANCE ... (EXEMPTED)
TIN ...

SUBSCRIBED AND SWORN to before me this ____JAN day 1 of 2 2017______, 2017 affiants exhibiting to me his/their Community Tax Certificates, as follows:

| NAMES | DOCUMENT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Lance Y. Gokongwei | CTC No. 16679360 | 01.26.16 | Pasig City |
| Francisco M. Del Mundo | Passport No. EC6738704 | 02.15.16 | Manila |
| Rosalinda F. Rivera | SSS ID No. 33-2484959-1 | | |

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2017.

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17- A, Item 7**



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

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

Universal Robina

## 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, 2016 and 2015, including the additional components attached therein, 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 Group 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 | LANCE Y. GOKONGWEI | FRANCISCO M. DEL MUNDO |
| Chairman | President and Chief Executive Officer | Chief Financial Officer |

SUBSCRIBED AND SWORN to before me this JAN 12 2017 day of January, 2017 affiant(s) exhibiting to me the following documents as follows:

| NAMES | DOCUMENT TYPE | DOCUMENT NUMBER | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|---|
| James L. Go | CTC | 16679362 | 01.26.16 | Pasig City |
| Lance Y. Gokongwei | CTC | 16679360 | 01.26.16 | Pasig City |
| Francisco M. Del Mundo | Passport | EC6738704 | 02.15.16 | Manila |

ATTY. RENATO E. DE JESUS
Notary Public
Until December 31, 2018
ROLL NO. 19939
IBP NO. [illegible]
PTR NO. [illegible]
APPOINTMENT NO. [illegible]
MCLE COMPLIANCE [illegible]
TIN NO. [illegible]

Doc No. 4
Page No. 2
Book No. LXVIII
Series of 2017

SGV
Building a better working world

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 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018



**INDEPENDENT AUDITORS' REPORT**

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

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, 2016 and 2015, 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, 2016, and a summary of significant accounting policies and other explanatory information.

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

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as at September 30, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2016 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908720, January 3, 2017, Makati City

January 11, 2017

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

| | September 30 | |
|---|---|---|
| | **2016** | 2015 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 7) | **₱16,119,026,542** | ₱18,298,379,441 |
| Financial assets at fair value through profit or loss (Note 8) | **389,206,130** | 401,701,602 |
| Receivables (Notes 10 and 36) | **14,961,248,061** | 10,833,224,194 |
| Inventories (Note 11) | **18,534,335,800** | 16,034,613,897 |
| Biological assets (Note 15) | **1,083,205,513** | 1,177,607,861 |
| Other current assets (Note 12) | **1,076,227,367** | 835,739,493 |
| | **52,163,249,413** | 47,581,266,488 |
| **Noncurrent Assets** | | |
| Property, plant and equipment (Note 13) | **44,505,927,879** | 38,831,973,783 |
| Available-for-sale financial assets (Note 14) | **41,830,000** | 40,880,000 |
| Biological assets (Note 15) | **437,777,027** | 444,722,865 |
| Goodwill (Note 16) | **34,638,665,017** | 14,706,811,446 |
| Intangible assets (Note 16) | **7,232,141,163** | 7,281,943,040 |
| Investments in joint ventures (Note 17) | **345,993,643** | 494,242,502 |
| Investment properties (Note 18) | **49,860,370** | 53,518,151 |
| Deferred tax assets (Note 34) | **919,804,608** | 597,598,936 |
| Other noncurrent assets (Note 19) | **1,108,578,743** | 714,124,310 |
| | **89,280,578,450** | 63,165,815,033 |
| **TOTAL ASSETS** | **₱141,443,827,863** | ₱110,747,081,521 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other accrued liabilities (Notes 21 and 36) | **₱18,408,005,250** | ₱13,166,618,909 |
| Short-term debts (Notes 20 and 24) | **5,873,208,671** | 845,285,468 |
| Trust receipts payable (Notes 11 and 24) | **4,645,224,001** | 4,620,725,913 |
| Income tax payable | **1,839,895,025** | 2,079,280,260 |
| | **30,766,332,947** | 20,711,910,550 |
| **Noncurrent Liabilities** | | |
| Long-term debts (Notes 22 and 24) | **32,179,158,737** | 21,869,680,961 |
| Deferred tax liabilities (Note 34) | **2,769,132,311** | 2,409,483,361 |
| Other noncurrent liabilities (Notes 23) | **457,146,036** | 396,378,358 |
| | **35,405,437,084** | 24,675,542,680 |
| | **66,171,770,031** | 45,387,453,230 |

(Forward)

| | September 30 | |
|---|---|---|
| | **2016** | 2015 |
| **Equity** | | |
| Equity attributable to equity holders of the parent | | |
| Paid-up capital (Note 24) | **₱23,083,782,043** | ₱19,056,685,251 |
| Retained earnings (Note 24) | **56,896,755,151** | 48,628,034,035 |
| Other comprehensive income (Note 25) | **512,305,607** | 3,326,070,120 |
| Equity reserve (Note 24) | **(5,075,466,405)** | (5,075,466,405) |
| Treasury shares (Note 24) | **(341,137,179)** | (670,386,034) |
| | **75,076,239,217** | 65,264,936,967 |
| Equity attributable to non-controlling interests | | |
| (Notes 17 and 24) | **195,818,615** | 94,691,324 |
| | **75,272,057,832** | 65,359,628,291 |
| **TOTAL LIABILITIES AND EQUITY** | **₱141,443,827,863** | ₱110,747,081,521 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended September 30 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **SALE OF GOODS AND SERVICES** (Notes 6 and 36) | **₱111,631,792,704** | ₱109,051,029,911 | ₱92,376,296,512 |
| **COST OF SALES** (Notes 26 and 36) | **75,090,958,927** | 73,801,435,482 | 64,005,377,917 |
| **GROSS PROFIT** | **36,540,833,777** | 35,249,594,429 | 28,370,918,595 |
| Selling and distribution costs (Note 27) | **(15,828,046,092)** | (14,622,882,337) | (11,731,419,823) |
| General and administrative expenses (Notes 28 and 36) | **(3,902,174,623)** | (3,253,291,465) | (2,520,327,424) |
| **OPERATING INCOME** | **16,810,613,062** | 17,373,420,627 | 14,119,171,348 |
| Net foreign exchange gains (losses) | **1,877,597,478** | (265,211,087) | 72,777,508 |
| Finance costs (Notes 6, 20, 22, 32 and 33) | **(897,220,964)** | (1,277,553,002) | (150,409,978) |
| Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 8) | **855,084,609** | (214,624,256) | 62,525,954 |
| Equity in net income (loss) of joint ventures (Note 17) | **(233,998,864)** | (206,481,238) | 14,089,730 |
| Finance revenue (Notes 6, 7, 8, 12 and 31) | **213,044,427** | 277,180,388 | 228,860,833 |
| Impairment losses (Notes 6, 10, 11 and 16) | **(181,097,068)** | (109,938,204) | (122,272,279) |
| Other income - net (Notes 13, 18 and 22) | **353,482,305** | 179,676,001 | 2,772,817 |
| **INCOME BEFORE INCOME TAX** | **18,797,504,985** | 15,756,469,229 | 14,227,515,933 |
| **PROVISION FOR INCOME TAX** (Note 34) | **3,441,533,005** | 3,251,547,641 | 2,572,223,919 |
| **NET INCOME** | **₱15,355,971,980** | ₱12,504,921,588 | ₱11,655,292,014 |
| **NET INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent (Note 35) | **₱15,140,452,205** | ₱12,383,347,980 | ₱11,558,709,746 |
| Non-controlling interests (Note 17) | **215,519,775** | 121,573,608 | 96,582,268 |
| | **₱15,355,971,980** | ₱12,504,921,588 | ₱11,655,292,014 |
| **EARNINGS PER SHARE** (Note 35) | | | |
| Basic/diluted, for income attributable to equity holders of the parent | **₱6.94** | ₱5.68 | ₱5.30 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended September 30 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **NET INCOME** | **₱15,355,971,980** | ₱12,504,921,588 | ₱11,655,292,014 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items to be reclassified to profit or loss in subsequent periods*: | | | |
| Cumulative translation adjustments (Note 25) | **2,759,505,648** | 2,982,525,738 | 218,282,351 |
| Unrealized gain (loss) on cash flow hedge (Note 9) | **1,549,023** | (1,449,501) | – |
| Unrealized gain on available-for-sale financial assets (Notes 14 and 25) | **950,000** | 19,160,000 | – |
| | **(2,757,006,625)** | 3,000,236,237 | 218,282,351 |
| *Item not to be reclassified to profit or loss in subsequent periods:* | | | |
| Remeasurement losses on defined benefit plans (Notes 25 and 33) | **(79,300,531)** | (8,330,068) | (88,717,012) |
| Income tax effect | **23,790,159** | 2,499,020 | 26,615,104 |
| | **(55,510,372)** | (5,831,048) | (62,101,908) |
| **OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | **(2,812,516,997)** | 2,994,405,189 | 156,180,443 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **₱12,543,454,983** | ₱15,499,326,777 | ₱11,811,472,457 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent | **₱12,326,687,692** | ₱15,378,971,031 | ₱11,714,687,614 |
| Non-controlling interests | **216,767,291** | 120,355,746 | 96,784,843 |
| | **₱12,543,454,983** | ₱15,499,326,777 | ₱11,811,472,457 |

*See accompanying Notes to Consolidated Financial Statements.*

# UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Paid-up Capital** (Note 24) | | | **Retained Earnings** (Note 24) | | | | **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 24) | **Cumulative Translation Adjustments** (Note 25) | **Net Unrealized Gain on Available-For-Sale Investments** (Notes 14 and 25) | **Unrealized Gain (Loss) on Cash Flow Hedge** | **Total** | **Remeasurement Losses on Defined Benefit Plans** | **Total Other Comprehensive Income (Loss)** (Note 25) | **Treasury Shares** (Note 24) | **Total** | **Attributable to Non-controlling Interests** (Notes 17 and 24) | **Total Equity** |
| Balances as at October 1, 2015 | **₱2,227,638,933** | **₱16,829,046,318** | **₱19,056,685,251** | **₱46,628,034,035** | **₱2,000,000,000** | **₱48,628,034,035** | **(₱5,075,466,405)** | **₱3,801,908,167** | **₱19,160,000** | **(₱1,449,501)** | **₱3,819,618,666** | **(₱493,548,546)** | **₱3,326,070,120** | **(₱670,386,034)** | **₱65,264,936,967** | **₱94,691,324** | **₱65,359,628,291** |
| Net income for the year | – | – | – | **15,140,452,205** | – | **15,140,452,205** | – | – | – | – | – | – | – | – | **15,140,452,205** | **215,519,775** | **15,355,971,980** |
| Other comprehensive income (loss) | – | – | – | – | – | – | – | **(2,759,505,648)** | **950,000** | **1,549,023** | **(2,757,006,625)** | **(56,757,888)** | **(2,813,764,513)** | – | **(2,813,764,513)** | **1,247,516** | **(2,812,516,997)** |
| **Total comprehensive income** | – | – | – | **15,140,452,205** | – | **15,140,452,205** | – | **(2,759,505,648)** | **950,000** | **1,549,023** | **(2,757,006,625)** | **(56,757,888)** | **(2,813,764,513)** | – | **12,326,687,692** | **216,767,291** | **12,543,454,983** |
| Cash dividends (Note 24) | – | – | – | **(6,871,731,089)** | – | **(6,871,731,089)** | – | – | – | – | – | | – | – | **(6,871,731,089)** | **(115,640,000)** | **(6,987,371,089)** |
| Reissuance of treasury shares | – | **4,027,096,792** | **4,027,096,792** | – | – | – | – | – | – | – | – | – | – | **329,248,855** | **4,356,345,647** | – | **4,356,345,647** |
| Appropriation of retained earnings | – | – | – | **(2,000,000,000)** | **2,000,000,000** | – | – | – | – | – | – | – | – | – | – | – | – |
| Reversal of previous appropriations | – | – | – | **1,000,000,000** | **(1,000,000,000)** | – | – | – | – | – | – | – | – | – | – | – | – |
| **Balances as at September 30, 2016** | **₱2,227,638,933** | **₱20,856,143,110** | **₱23,083,782,043** | **₱53,896,755,151** | **₱3,000,000,000** | **₱56,896,755,151** | **(₱5,075,466,405)** | **₱1,042,402,519** | **₱20,110,000** | **₱99,522** | **₱1,062,612,041** | **(₱550,306,434)** | **₱512,305,607** | **(₱341,137,179)** | **₱75,076,239,217** | **₱195,818,615** | **₱75,272,057,832** |
| Balances as at October 1, 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 |
| Net income for the year | – | – | – | 12,383,347,980 | – | 12,383,347,980 | – | – | – | – | – | – | – | – | 12,383,347,980 | 121,573,608 | 12,504,921,588 |
| Other comprehensive income (loss) | – | – | – | – | – | – | – | 2,982,525,738 | 19,160,000 | (1,449,501) | 3,000,236,237 | (4,613,186) | 2,995,623,051 | – | 2,995,623,051 | (1,217,862) | 2,994,405,189 |
| Total comprehensive income | – | – | – | 12,383,347,980 | – | 12,383,347,980 | – | 2,982,525,738 | 19,160,000 | (1,449,501) | 3,000,236,237 | (4,613,186) | 2,995,623,051 | – | 15,378,971,031 | 120,355,746 | 15,499,326,777 |
| Cash dividends (Note 24) | – | – | – | (6,544,505,799) | – | (6,544,505,799) | – | – | – | – | – | | – | – | (6,544,505,799) | (128,839,987) | (6,673,345,786) |
| Sale of equity interest in a subsidiary | – | – | – | – | – | – | 481,065,534 | – | – | – | – | – | – | – | 481,065,534 | 25,585,466 | 506,651,000 |
| Appropriation of retained earnings | – | – | – | (2,000,000,000) | 2,000,000,000 | – | – | – | – | – | – | – | – | – | – | – | – |
| Balances as at September 30, 2015 | ₱2,227,638,933 | ₱16,829,046,318 | ₱19,056,685,251 | ₱46,628,034,035 | ₱2,000,000,000 | ₱48,628,034,035 | (₱5,075,466,405) | ₱3,801,908,167 | ₱19,160,000 | (₱1,449,501) | ₱3,819,618,666 | (₱493,548,546) | ₱3,326,070,120 | (₱670,386,034) | ₱65,264,936,967 | ₱94,691,324 | ₱65,359,628,291 |
| 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 (loss) | – | – | – | – | – | – | – | 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 24) | – | – | – | (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 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended September 30 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱18,797,504,985** | ₱15,756,469,229 | ₱14,227,515,933 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 13, 15, 16 and 18) | **5,469,500,328** | 4,827,185,306 | 4,009,619,388 |
| Finance costs (Note 32) | **868,915,137** | 1,214,762,881 | 150,409,978 |
| Finance revenue (Note 31) | **(213,044,427)** | (277,180,388) | (228,860,833) |
| Net foreign exchange losses (gains) | **(1,877,597,478)** | 265,211,087 | (72,777,508) |
| Impairment losses on: | | | |
| Inventories (Note 11) | **172,954,452** | 104,636,876 | 103,876,120 |
| Receivables (Note 10) | **8,142,616** | 5,301,328 | 13,183,568 |
| Goodwill (Note 16) | **–** | – | 5,212,591 |
| Market valuation loss (gain) on financial assets and derivative financial instruments at fair value through profit or loss (Note 8) | **(855,084,609)** | 214,624,256 | (62,525,954) |
| Equity in net loss (income) of joint ventures (Note 17) | **233,998,864** | 206,481,238 | (14,089,730) |
| Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 15) | **60,797,768** | (109,218,243) | (182,987,646) |
| Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Note 22) | **136,324,048** | – | – |
| Loss (gain) on sale/disposals of property, plant and equipment (Note 13) | **(571,706,834)** | (14,228,864) | (27,798,362) |
| Amortization of debt issuance costs (Note 22) | **28,305,827** | 62,790,121 | – |
| Operating income before working capital changes | **22,259,010,677** | 22,256,834,827 | 17,920,777,545 |
| Decrease (increase) in: | | | |
| Receivables | **(962,354,913)** | 98,628,970 | (810,206,171) |
| Inventories | **(1,872,178,321)** | 174,560,135 | (4,250,625,060) |
| Biological assets | **(54,093,013)** | 103,797,808 | (111,382,912) |
| Other current assets | **(164,259,674)** | 3,106,013,166 | (3,608,895,517) |
| Increase (decrease) in: | | | |
| Accounts payable and other accrued liabilities | **1,920,253,079** | 1,340,239,038 | 1,578,474,391 |
| Trust receipts payable | **(59,570,221)** | 107,762,356 | 1,935,765,149 |
| Net cash generated from operations | **21,066,807,614** | 27,187,836,300 | 12,653,907,425 |
| Income taxes paid | **(3,562,763,414)** | (2,542,293,369) | (2,012,631,304) |
| Interest paid | **(1,014,591,752)** | (1,028,916,550) | (119,368,035) |
| Interest received | **224,158,078** | 267,275,437 | 225,873,189 |
| Net cash provided by operating activities | **16,713,610,526** | 23,883,901,818 | 10,747,781,275 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Subsidiary, net of cash acquired (Note 16) | **(21,159,258,285)** | (7,086,181,154) | – |
| Property, plant and equipment (Notes 13 and 38) | **(6,491,544,182)** | (6,515,922,687) | (7,696,948,774) |
| Assets that qualified as a business (Note 13) | **(1,594,535,499)** | – | – |
| Investments in joint ventures (Note 17) | **(103,250,000)** | (276,500,000) | (360,250,000) |
| Intangible assets | **(23,318,492)** | – | – |
| Financial assets at fair value through profit or loss | **–** | (68,471) | (1,760) |
| Proceeds from: | | | |
| Settlement of derivatives (Note 9) | **714,542,218** | – | – |
| Sale/disposals of: | | | |
| Property, plant and equipment | **275,404,268** | 14,228,864 | 39,145,112 |
| Financial assets at fair value through profit or loss (Note 8) | **394,838** | – | – |

(Forward)

| | Years Ended September 30 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Decrease (increase) in: | | | |
| Other noncurrent assets | **(₱397,515,947)** | (₱107,666,268) | (₱133,847,208) |
| Net pension liability | **8,043,662** | (25,765,981) | (339,518,483) |
| Dividends received (Note 17) | **17,499,995** | 16,999,995 | 18,499,995 |
| Net cash used in investing activities | **(28,753,537,424)** | (13,980,875,702) | (8,472,921,118) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from reissuance of treasury shares | **4,383,564,426** | – | – |
| Repayments of: | | | |
| Short-term debts | **(2,000,000,000)** | (3,496,301,000) | (1,113,740,856) |
| Long-term debts (Notes 16 and 22) | **(10,107,540,087)** | (16,387,274,619) | – |
| Proceeds from availments of: | | | |
| Short-term debts | **7,006,538,203** | 13,595,643 | 3,496,301,000 |
| Long-term debt | **17,565,382,546** | 24,355,805,004 | – |
| Proceeds from the sale of equity share in a subsidiary (Note 24) | **–** | 506,651,000 | – |
| Cash dividends paid (Note 24) | **(6,987,371,089)** | (6,673,345,786) | (6,614,505,799) |
| Net cash provided by (used in) financing activities | **9,860,573,999** | (1,680,869,758) | (4,231,945,655) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(2,179,352,899)** | 8,222,156,358 | (1,957,085,498) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **18,298,379,441** | 10,076,223,083 | 12,033,308,581 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **₱16,119,026,542** | ₱18,298,379,441 | ₱10,076,223,083 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Corporate Information

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954 and domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of 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 and renewable energy development. 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 April 29, 2016, the Board of Directors (BOD) approved the Parent Company's change in accounting period from fiscal year ending September 30 to calendar year ending December 31. The Parent Company filed its amended by-laws with the Philippine Securities and Exchange Commission (SEC) in connection with the change in accounting period, which was approved by the Philippine SEC on June 20, 2016. The Parent Company, likewise, filed the request for change in accounting period with the Bureau of Internal Revenue (BIR), subject to approval.

On January 15, 2016 and March 9, 2016, the BOD and the Stockholders of the Parent Company, respectively, approved the amendment to the Articles of Incorporation (AOI) of the Parent Company to change the principal office address of the Parent Company from 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Metro Manila to 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C-5) Ugong Norte, Quezon City, Metro Manila. On May 16, 2016, the Philippine SEC approved the amendment to the principal office address.

On May 27, 2015, the BOD and Stockholders of the Parent Company approved the amendment to the AOI of the Parent Company to include in its secondary purpose the transportation of all kinds of materials and products and for the Parent Company to engage in such activity. On June 25, 2015, the SEC approved the amendment to the secondary purpose.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 37). 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, inventories that have been measured at lower of cost or net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

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 - |
| URC Oceania Co. Ltd. (URC Oceania) | - do - | - do - |
| Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy) | China | Chinese Renminbi |
| URC China Commercial Co. Ltd. (URCCCL) | - do - | - do - |
| Xiamen Tongan Pacific Food Co., Ltd. | - do - | - do - |
| Guangzhou Peggy Foods Co., Ltd. | - do - | - do - |
| Shantou SEZ Shanfu Foods Co., Ltd. | - do - | - do - |
| Jiangsu Acesfood Industrial Co., Ltd. | - do - | - do - |
| Shantou Peggy Co. Ltd. | - do - | - do - |
| URC Hong Kong Company Limited | Hong Kong | Hong Kong Dollar |
| PT URC Indonesia | Indonesia | Indonesian Rupiah |
| URC Snack Foods (Malaysia) Sdn. Bhd. | Malaysia | Malaysian Ringgit |
| Ricellent Sdn. Bhd. | - do - | - do - |
| URC Foods (Singapore) Pte. Ltd. | Singapore | Singapore Dollar |
| Acesfood Network Pte. Ltd. | - do - | - do - |

(Forward)

| Subsidiaries | Country of Incorporation | Functional Currency |
|---|---|---|
| Acesfood Holdings Pte. Ltd. | - do - | - do - |
| Acesfood Distributors Pte. Ltd. | - do - | - do - |
| Advanson International Pte. Ltd. (Advanson) | - do - | - do - |
| URC (Thailand) Co., Ltd. | Thailand | Thai Baht |
| 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 - |
| URC New Zealand Holding Co. Ltd. (URC NZ HoldCo) | New Zealand | Kiwi |
| URC New Zealand Finance Co. Ltd. (URC NZ FinCo) | - do - | - do - |
| Griffin's Food Limited | - do - | - do - |
| Nice and Natural Limited | - do - | - do - |
| URC Australia Holding Company Ltd. (URC AU HoldCo) | Australia | Australian Dollar |
| URC Australia Finance Company Ltd. (URC AU FinCo) | - do - | - do - |
| Consolidated Snacks Pty Ltd. (CSPL) | - do - | - do - |
| Consolidated Snacks Finance Pty Ltd. | - do - | - do - |
| Snack Foods Pty. Limited | - do - | - do - |
| The Kettle Chips Co. Pty. Limited | - do - | - do - |
| Lips Chips Pty. Limited | - do - | - do - |
| Snack Brands Industries Pty Limited | - do - | - do - |
| Snack Brands Foods Pty Limited | - do - | - do - |
| Snack Brands Australia Partnership | - do - | - do - |
| Colvan Snack Foods Pty Limited | - do - | - do - |
| The Real McCoy Snackfood Co Pty Limited | - do - | - do - |
| Australian Natural Snack Company Pty. Limited | - do - | - do - |
| Windsor Chips Pty. Ltd. | - do - | - do - |

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with 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 | | |
|---|---|---|---|---|
| | | **2016** | 2015 | 2014 |
| 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 - | **51.00** | 51.00 | 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, Myanmar, New Zealand and Australia.*

*Acquisition of CSPL*
In September 2016, URCICL, through its wholly-owned subsidiary, acquired 100% equity interest in CSPL, which trades under the company name Snack Brands Australia, one of the leading snack food companies in Australia (see Note 16).

In 2016, URC AU HoldCo and URC AU FinCo were incorporated under URCICL.

*Additional Subscription of URCICL Unissued Capital Stock*
On September 27, 2016, the BOD of the Parent Company approved the additional subscription of the Parent Company to the unissued capital stock of URCICL for AU$ 120.0 million (₱4.4 billion).

*Acquisition of New Zealand Snack Foods Holding Limited (NZSFHL)*
In November 2015, URCICL, through its wholly-owned subsidiary, acquired 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand (see Note 16).

In 2014, URC Oceania, URC NZ HoldCo, and URC NZ FinCo were incorporated under URCICL.

*Merger of CCPI*
On March 10, 2015 and May 27, 2015, the BOD and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with the Parent Company. As of September 30, 2016, the SEC has yet to approve the merger.

*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 ownership interest of URC, Nissin and Mitsubishi Corporation changed from 65%, 25% and 10% to 51%, 49% and nil, respectively.

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Some of the Group's subsidiaries have a local statutory accounting reference date of December 31 and June 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

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

| 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 | -do- |
| URC Oceania | -do- |
| URC NZ HoldCo | -do- |
| URC NZ FinCo | -do- |
| URC AU HoldCo | June 30 |
| URC AU FinCo | -do- |

Business Combinations

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

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

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

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

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

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

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

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

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

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

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

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, 2015. 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.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
  PAS 19 required an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify

that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

- *Annual Improvements to PFRS (2010-2012 cycle)*
  The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have material impact to the Group, unless otherwise stated. They include:

  - PFRS 2, *Share-based Payments - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    - A performance condition must contain a service condition;
    - A performance target must be met while the counterparty is rendering service;
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
    - A performance condition may be a market or non-market condition;
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.

  - PFRS 8, *Operating Segment - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    The amendments are applied retrospectively and clarify that:

    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segment are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  - PAS 16, *Property and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
    The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- *Annual Improvements to PFRS (2011-2013 cycle)*
  The Annual Improvements to PFRS (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group, unless otherwise stated. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

  - PAS 40, *Investment Property*
    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is a purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

**Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

<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, loans and receivables or as derivatives designated as hedging instruments in effective hedge, as appropriate.  The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

*'Day 1' difference*
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss in the consolidated statement of comprehensive 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 profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

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

1. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

2. Derivatives, including separate embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge

3. Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

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

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in profit or loss in the consolidated statement of comprehensive 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.

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

The fair values of the Group's derivative instruments are calculated using certain standard valuation methodologies.

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

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

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

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

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

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

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

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

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

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

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

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

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

This accounting policy applies primarily to the Group’s cash and cash equivalents and receivables.

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported under the 'Unrealized gain on AFS financial assets' section of the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

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

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

A financial asset that would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition) may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

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

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

a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortized cost*
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of income as 'Impairment losses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

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

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

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

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

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through in the consolidated statement of 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

*Finished goods, 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) |

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 carried at fair values less estimated costs to sell*
Biological assets 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 are included in the consolidated statement of income in the period in which it arises.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any, for the corresponding liability.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the ‘Property, plant and equipment’, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of repairs and maintenance are expensed when incurred.

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

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

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

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

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

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

Construction-in-progress is stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress are transferred to the related 'Property, plant and equipment' when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

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

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

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

Investment Properties

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

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

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

| | Years |
|---|---|
| Land improvements | 10 |
| Buildings and building improvements | 30 |

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

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

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

For a transfer from investment property to owner-occupied property 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 management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the in the period in which the expenditure is incurred.

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets). 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.

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

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

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

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

The Group’s investment in joint venture is accounted for using the equity method of accounting.

Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share in the net assets of the joint venture. The consolidated statement of income reflects the Group’s share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees’ equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

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

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group’s property, plant and equipment (see Note 13), investment properties (see Note 18), investment in joint ventures (see Note 17), goodwill (see Note 16) and intangible assets (see Note 16).

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

Impairment losses are recognized under 'Impairment losses' in the consolidated statement of income.

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

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

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Group assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting principal in all of its revenue arrangements.

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

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

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

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

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

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but disclosed 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, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

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

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

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;

c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

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

*Group as a lessee*
A lease is classified at the inception date as finance lease or an operating lease.

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

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

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

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

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

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

*Transactions and balances*
Transactions in foreign currencies are initially recorded in the functional currency rate 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 reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are

translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

*Group companies*
As of reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as 'Cumulative translation adjustment' under 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with 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 Stocks
Dividends on common shares are recognized as a liability and deducted from equity when approved by BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

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

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

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

Standards issued but not yet effective
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 2016 for adoption in fiscal year ending September 30, 2017*

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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

PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- *Annual Improvements to PFRS (2012-2014 cycle)*
  The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*
  In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement impairment, and hedging accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information in not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

*Effective January 1, 2019*

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognized interest on the lease liabilities, in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of IFRS 16. When adopting IFRS 16, an entity is permitted to use either a full retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16.

*Deferred*

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (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:

*a. 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.

b. *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 consolidated statements of income and consolidated statements of comprehensive income.

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.

c. *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*
Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considers, among others, the following:

- the 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 asset being leased.

Accordingly, the Group accounted for the leases as operating lease.

*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.

*d.* *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.

*e.* *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:

- 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);
- the currency in which funds from financing activities are generated; and
- 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.

*f.* *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

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

a. *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% and 'prolonged' as 12 months 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 financial assets in 2016, 2015 and 2014.

b. *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 collectability 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 reporting date to assess whether an impairment loss should be recorded in the consolidated statement of 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 ₱8.1 million, ₱5.3 million and ₱13.2 million in 2016, 2015 and 2014, respectively. Total receivables, net of allowance for impairment losses, amounted to ₱15.0 billion and ₱10.8 billion as of September 30, 2016 and 2015, respectively (see Note 10).

c. *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 ₱760.5 million, ₱578.6 million and ₱377.6 million in 2016, 2015 and 2014, respectively (see Note 11).

The Group recognized impairment losses on its inventories amounting to ₱173.0 million, ₱104.6 million and ₱103.9 million in 2016, 2015 and 2014, respectively. The Group’s inventories, net of inventory obsolescence and market decline, amounted to ₱18.5 billion and ₱16.0 billion as of September 30, 2016 and 2015, respectively (see Note 11).

d. *EUL of property, plant and equipment, investment properties and intangible assets with finite life*
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.

The Group estimates the useful lives of intangible assets with finite life based on the expected pattern of consumption of future economic benefits embodied in the asset.

As of September 30, 2016 and 2015, the carrying amounts of the Group’s depreciable assets follow:

| | **2016** | 2015 |
|---|---|---|
| Property, plant and equipment - net (Note 13) | **₱36,341,194,739** | ₱29,687,805,109 |
| Software costs and customer relationship (Note 16) | **1,810,164,453** | 1,859,966,330 |
| Investment properties - net (Note 18) | **49,860,370** | 53,518,151 |

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

As of September 30, 2016 and 2015, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.5 billion and ₱1.6 billion, respectively (see Note 15). In 2016, the Group recognized losses arising from changes in the fair market value of biological assets amounting to ₱60.8 million. In 2015 and 2014, the Group recognized gains arising from changes in the fair market value of biological assets amounting to ₱109.2 million and ₱183.0 million, respectively (see Note 15).

f. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, investment properties, investment in a joint venture, 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 2016, 2015 and 2014, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13) and its other intangible assets (see Note 16). In 2016, 2015 and 2014, the Group recognized impairment losses on its goodwill (included under 'Impairment losses' on the consolidated statements of income) amounting to nil, nil and ₱5.2 million, respectively.

As of September 30, 2016 and 2015, the balances of the Group's nonfinancial assets, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

| | **2016** | 2015 |
|---|---|---|
| Property, plant and equipment (Note 13) | **₱44,505,927,879** | ₱38,831,973,783 |
| Goodwill (Note 16) | **34,638,665,017** | 14,706,811,446 |
| Intangible assets (Note 16) | **7,232,141,163** | 7,281,943,040 |
| Investment in joint ventures (Note 17) | **345,993,643** | 494,242,502 |
| Investment properties (Note 18) | **49,860,370** | 53,518,151 |

g. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 33). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

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

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

As of September 30, 2016, 2015 and 2014, the balances of the Group's net pension liability and other employee benefits follow:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Net pension liability (Note 33) | **₱332,075,836** | ₱244,731,643 | ₱262,167,555 |
| Other employee benefits (Note 30) | **1,637,159,230** | 1,419,785,105 | 1,100,013,481 |

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 33.

h. *Provision for asset retirement obligation*
The Group is contractually required to restore its manufacturing sites, warehouses and offices at the end of the respective lease terms. Significant estimates and assumptions are made in determining the provision for asset retirement obligation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of restoration activities, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in site asset retirement obligation would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future asset retirement obligation required. Assumptions used to compute the restoration costs are reviewed and updated annually. Details of the provision for asset retirement obligation are disclosed in Note 23.

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

As of September 30, 2016 and 2015, the Group recognized net deferred tax assets amounting to ₱0.9 billion and ₱0.6 billion, respectively (see Note 34), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱2.8 billion and ₱2.4 billion as of September 30, 2016 and 2015, respectively (see Note 34).

As of September 30, 2016 and 2015, 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 37).

As of September 30, 2016 and 2015, the total amount of unrecognized deferred tax assets of the Group amounted to ₱79.9 million and ₱148.7 million, respectively (see Note 34).

## 4. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

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

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

*AC*

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

The AC also aims to ensure that:

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

*Enterprise Risk Management Group (ERMG)*

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

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

*Corporate Governance Compliance Officer*

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

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

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

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

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

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

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

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

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

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

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

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, receivables, financial assets at FVPL and AFS financial assets, the Group's maximum exposure to credit risk is equal to its carrying amount as of September 30, 2016 and 2015, except for the Group's trade receivables as of September 30, 2016 and 2016 with carrying value of ₱1.4 billion and ₱1.3 billion, respectively, and collateral with fair value amounting to ₱0.1 billion and ₱0.1 billion, respectively resulting to net exposure of ₱1.3 billion and ₱1.2 billion, respectively.

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

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the

Group’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

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

i. Concentration by geographical location

The Group’s credit risk exposures as of September 30, 2016 and 2015 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

| | **2016** | | | | | |
|---|---|---|---|---|---|---|
| | **Philippines** | **Asia** | **New Zealand** | **United States** | **Others** | **Total** |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents* (Note 7) | **₱11,649,709,771** | **₱3,184,283,275** | **₱749,547,227** | **₱–** | **₱441,371,583** | **₱16,024,911,856** |
| Receivables (Note 10): | | | | | | |
| Trade receivables | **5,504,387,191** | **3,073,687,310** | **1,427,865,220** | **17,102,268** | **1,620,103,828** | **11,643,145,817** |
| Due from related parties | **397,384,948** | **445,066,679** | **–** | **–** | **461,440,651** | **1,303,892,278** |
| Advances to officers, employees and suppliers | **724,001,761** | **302,096,748** | **–** | **–** | **–** | **1,026,098,509** |
| Interest receivable | **6,817,769** | **–** | **–** | **–** | **–** | **6,817,769** |
| Other receivables | **148,363,126** | **829,595,508** | **–** | **–** | **3,335,054** | **981,293,688** |
| Total loans and receivable | **18,430,664,566** | **7,834,729,520** | **2,177,412,447** | **17,102,268** | **2,526,251,116** | **30,986,159,917** |
| Financial assets at FVPL: | | | | | | |
| Equity securities (Note 8) | **389,067,953** | **–** | **–** | **–** | **–** | **389,067,953** |
| Derivative assets | **–** | **–** | **138,177** | **–** | **–** | **138,177** |
| AFS financial assets: | | | | | | |
| Equity securities (Note 14) | **41,830,000** | **–** | **–** | **–** | **–** | **41,830,000** |
| | **₱18,861,562,519** | **₱7,834,729,520** | **₱2,177,550,624** | **₱17,102,268** | **₱2,526,251,116** | **₱31,417,196,047** |

** Excludes cash on hand*

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Philippines | Asia | New Zealand | United States | Others | Total |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents* (Note 7) | ₱14,586,246,064 | ₱2,982,435,008 | ₱637,419,508 | ₱– | ₱– | ₱18,206,100,580 |
| Receivables (Note 10): | | | | | | |
| Trade receivables | 4,578,660,481 | 2,328,449,736 | 1,127,044,518 | 23,839,533 | 14,366,392 | 8,072,360,660 |
| Due from related parties | 1,564,936,668 | – | – | – | – | 1,564,936,668 |
| Advances to officers, employees and suppliers | 649,890,023 | 412,986,349 | – | – | – | 1,062,876,372 |
| Interest receivable | 17,931,420 | – | – | – | – | 17,931,420 |
| Other receivables | 28,709,343 | 86,233,150 | – | – | 176,581 | 115,119,074 |
| Total loans and receivable | 21,426,373,999 | 5,810,104,243 | 1,764,464,026 | 23,839,533 | 14,542,973 | 29,039,324,774 |
| Financial assets at FVPL: | | | | | | |
| Equity securities (Note 8) | 401,701,602 | – | – | – | – | 401,701,602 |
| AFS financial assets: | | | | | | |
| Equity securities (Note 14) | 40,880,000 | – | – | – | – | 40,880,000 |
| | ₱21,868,955,601 | ₱5,810,104,243 | ₱1,764,464,026 | ₱23,839,533 | ₱14,542,973 | ₱29,481,906,376 |

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of September 30, 2016 and 2015 before taking into account any collateral held or other credit enhancements.

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Manufacturing** | **Financial Intermediaries** | **Petrochemicals** | **Tele-Communication** | **Mining** | **Others*** | **Total** |
| Loans and receivables: | | | | | | | |
| Cash and cash equivalents** (Note 7) | **₱–** | **₱16,024,911,856** | **₱–** | **₱–** | **₱–** | **₱–** | **₱16,024,911,856** |
| Receivables (Note 10): | | | | | | | |
| Trade receivables | **11,297,206,000** | **–** | **20,342,644** | **–** | **–** | **325,597,173** | **11,643,145,817** |
| Due from related parties | **415,131,579** | **56,721,923** | **–** | **–** | **–** | **832,038,776** | **1,303,892,278** |
| Advances to officers, employees and suppliers | **864,856,340** | **–** | **–** | **–** | **–** | **161,242,169** | **1,026,098,509** |
| Interest receivable | **101,072** | **6,716,697** | **–** | **–** | **–** | **–** | **6,817,769** |
| Other receivables | **698,570,986** | **–** | **–** | **10,827,177** | **–** | **271,895,525** | **981,293,688** |
| Total loans and receivables | **13,275,865,977** | **16,088,350,476** | **20,342,644** | **10,827,177** | **–** | **1,590,773,643** | **30,986,159,917** |
| Financial assets at FVPL: | | | | | | | |
| Equity securities (Note 8) | **–** | **–** | **–** | **–** | **50,204** | **389,017,749** | **389,067,953** |
| Derivative assets | **138,177** | **–** | **–** | **–** | **–** | **–** | **138,177** |
| AFS financial assets: | | | | | | | |
| Equity securities (Note 14) | **–** | **–** | **–** | **–** | **–** | **41,830,000** | **41,830,000** |
| | **₱13,276,004,154** | **₱16,088,350,476** | **₱20,342,644** | **₱10,827,177** | **₱50,204** | **₱2,021,621,392** | **₱31,417,196,047** |

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Manufacturing | Financial Intermediaries | Petrochemicals | Tele-Communication | Mining | Others* | Total |
| Loans and receivables: | | | | | | | |
| Cash and cash equivalents** (Note 7) | ₱– | ₱18,206,100,580 | ₱– | ₱– | ₱– | ₱– | ₱18,206,100,580 |
| Receivables (Note 10): | | | | | | | |
| Trade receivables | 7,279,822,819 | – | 450,809,157 | – | – | 341,728,684 | 8,072,360,660 |
| Due from related parties | 393,739,248 | 47,311,992 | – | – | – | 1,123,885,428 | 1,564,936,668 |
| Advances to officers, employees and suppliers | 1,004,436,262 | – | – | – | – | 58,440,110 | 1,062,876,372 |
| Interest receivable | 159,128 | 17,772,292 | – | – | – | – | 17,931,420 |
| Other receivables | 74,924,648 | – | – | 12,851,097 | – | 27,343,329 | 115,119,074 |
| Total loans and receivables | 8,753,082,105 | 18,271,184,864 | 450,809,157 | 12,851,097 | – | 1,551,397,551 | 29,039,324,774 |
| Financial assets at FVPL: | | | | | | | |
| Equity securities (Note 8) | – | – | – | – | 400,273 | 401,301,329 | 401,701,602 |
| AFS financial assets: | | | | | | | |
| Equity securities (Note 14) | – | – | – | – | – | 40,880,000 | 40,880,000 |
| | ₱8,753,082,105 | ₱18,271,184,864 | ₱450,809,157 | ₱12,851,097 | ₱400,273 | ₱1,993,578,880 | ₱29,481,906,376 |

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of September 30, 2016 and 2015, gross of allowance for impairment losses:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **Neither Past Due Nor Impaired** | | | | |
| | **High Grade** | **Standard Grade** | **Substandard Grade** | **Past Due or Individually Impaired** | **Total** |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* (Note 7) | **₱16,024,911,856** | **₱–** | **₱–** | **₱–** | **₱16,024,911,856** |
| Receivables (Note 10): | | | | | |
| Trade receivables | **9,720,474,070** | **208,324,139** | **–** | **1,882,455,945** | **11,811,254,154** |
| Due from related parties | **1,303,892,278** | **–** | **–** | **–** | **1,303,892,278** |
| Advances to officers, employees and suppliers | **514,754,831** | **359,742,576** | **104,238,164** | **67,009,620** | **1,045,745,191** |
| Interest receivable | **6,817,769** | **–** | **–** | **–** | **6,817,769** |
| Other receivables | **62,483,879** | **120,574,998** | **–** | **967,285,683** | **1,150,344,560** |
| Total loans and receivables | **27,633,334,683** | **688,641,713** | **104,238,164** | **2,916,751,248** | **31,342,965,808** |
| Financial assets at FVPL (Note 8): | | | | | |
| Equity securities | **389,067,953** | **–** | **–** | **–** | **389,067,953** |
| Derivative assets | **138,177** | **–** | **–** | **–** | **138,177** |
| AFS financial assets: | | | | | |
| Equity securities (Note 14) | **41,830,000** | **–** | **–** | **–** | **41,830,000** |
| | **₱28,064,370,813** | **₱688,641,713** | **₱104,238,164** | **₱2,916,751,248** | **₱31,774,001,938** |

**Excludes cash on hand*

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | Past Due or Individually Impaired | |
| | High Grade | Standard Grade | Substandard Grade | | Total |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* (Note 7) | ₱18,206,100,580 | ₱– | ₱– | ₱– | ₱18,206,100,580 |
| Receivables (Note 10): | | | | | |
| Trade receivables | 5,866,721,181 | 488,520,367 | 280,878,532 | 1,622,249,772 | 8,258,369,852 |
| Due from related parties | 1,564,936,668 | – | – | – | 1,564,936,668 |
| Advances to officers, employees and suppliers | 624,914,441 | 289,074,210 | 77,453,777 | 91,080,626 | 1,082,523,054 |
| Interest receivable | 17,931,420 | – | – | – | 17,931,420 |
| Other receivables | 45,743,090 | 19,116,776 | – | 219,310,080 | 284,169,946 |
| Total loans and receivables | 26,326,347,380 | 796,711,353 | 358,332,309 | 1,932,640,478 | 29,414,031,520 |
| Financial assets at FVPL (Note 8): | | | | | |
| Equity securities | 401,701,602 | – | – | – | 401,701,602 |
| AFS financial assets: | | | | | |
| Equity securities (Note 14) | 40,880,000 | – | – | – | 40,880,000 |
| | ₱26,768,928,982 | ₱796,711,353 | ₱358,332,309 | ₱1,932,640,478 | ₱29,856,613,122 |

**Excludes cash on hand*

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

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of September 30, 2016 and 2015 are as follows:

| | **2016** | | | | | |
|---|---|---|---|---|---|---|
| | **Past Due But Not Impaired** | | | | **Impaired Financial Assets** | |
| | **Less than 30 Days** | **30 to 60 Days** | **60 to 90 Days** | **Over 90 Days** | | **Total** |
| **Trade receivables** | **₱943,389,939** | **₱262,269,894** | **₱24,209,794** | **₱ 484,477,981** | **₱168,108,337** | **₱1,882,455,945** |
| **Advances to officers, employees and suppliers** | **925,934** | **2,539,587** | **21,910,923** | **21,986,494** | **19,646,682** | **67,009,620** |
| **Others** | **149,501,373** | **169,527,646** | **278,065,756** | **201,140,036** | **169,050,872** | **967,285,683** |
| **Balances at end of year** | **₱1,093,817,246** | **₱434,337,127** | **₱324,186,473** | **₱707,604,511** | **₱356,805,891** | **₱2,916,751,248** |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Past Due But Not Impaired | | | | Impaired Financial Assets | |
| | Less than 30 Days | 30 to 60 Days | 60 to 90 Days | Over 90 Days | | Total |
| Trade receivables | ₱881,105,294 | ₱112,050,855 | ₱3,505,102 | ₱439,579,329 | ₱186,009,192 | ₱1,622,249,772 |
| Advances to officers, employees and suppliers | 11,178,630 | 1,478,201 | 3,331,515 | 55,445,598 | 19,646,682 | 91,080,626 |
| Others | 10,001,961 | 5,339,953 | 25,396,246 | 9,521,048 | 169,050,872 | 219,310,080 |
| Balances at end of year | ₱902,285,885 | ₱118,869,009 | ₱32,232,863 | ₱504,545,975 | ₱374,706,746 | ₱1,932,640,478 |

e. Impairment assessment

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

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

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

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

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

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

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

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2016 and 2015 based on the remaining undiscounted contractual cash flows.

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **1 to 3 Months** | **3 to 12 Months** | **1 to 5 Years** | **Total** |
| **Financial Assets** | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* | **₱8,492,785,911** | **₱7,652,603,460** | **₱–** | **₱–** | **₱16,145,389,371** |
| Receivables: | | | | | |
| Trade receivables | **1,156,793,011** | **10,654,461,143** | **–** | **–** | **11,811,254,154** |
| Due from related parties | **1,303,892,278** | **–** | **–** | **–** | **1,303,892,278** |
| Advances to officers, employees and suppliers | **607,097,257** | **189,625,975** | **249,021,959** | **–** | **1,045,745,191** |
| Interest receivable | **–** | **6,716,697** | **101,072** | **–** | **6,817,769** |
| Other receivables | **301,122,429** | **357,077,525** | **492,144,606** | **–** | **1,150,344,560** |
| Total loans and receivables | **11,861,690,886** | **18,860,484,800** | **741,267,637** | **–** | **31,463,443,323** |
| Financial assets at FVPL | | | | | |
| Equity securities | **389,067,953** | **–** | **–** | **–** | **389,067,953** |
| Derivative assets designated as accounting hedge | **–** | **–** | **138,177** | **–** | **138,177** |
| AFS financial asset: | | | | | |
| Equity securities | **41,830,000** | **–** | **–** | **–** | **41,830,000** |
| | **₱12,292,588,839** | **₱18,860,484,800** | **₱741,405,814** | **₱–** | **₱31,894,479,453** |
| | | | | | |
| **Financial Liabilities** | | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Accounts payable and other accrued liabilities: | | | | | |
| Trade payable and accrued expenses** | **₱5,322,148,135** | **₱12,269,414,985** | **₱160,061,717** | **₱–** | **₱17,751,624,837** |
| Due to related parties | **62,168,584** | **–** | **–** | **–** | **62,168,584** |
| Short-term debts* | **–** | **5,874,023,943** | **–** | **–** | **5,874,023,943** |
| Trust receipts payable* | **–** | **4,651,198,285** | **–** | **–** | **4,651,198,285** |
| Long-term debts* | **–** | **372,121,941** | **1,104,231,412** | **37,402,236,207** | **38,878,589,560** |
| | **₱5,384,316,719** | **₱23,166,759,154** | **₱1,264,293,129** | **₱37,402,236,207** | **₱67,217,605,209** |

**Includes future interest*
***Excludes statutory liabilities*

| | 2015 | | | | |
|---|---|---|---|---|---|
| | On Demand | 1 to 3 Months | 3 to 12 Months | 1 to 5 Years | Total |
| Financial Assets | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* | ₱3,299,290,307 | ₱16,155,180,317 | ₱– | ₱– | ₱19,454,470,624 |
| Receivables: | | | | | |
| Trade receivables | 2,759,747,340 | 5,498,622,512 | – | – | 8,258,369,852 |
| Due from related parties | 836,828,025 | – | 728,108,643 | – | 1,564,936,668 |
| Advances to officers, employees and suppliers | 732,027,113 | 215,995,236 | 134,500,705 | – | 1,082,523,054 |
| Interest receivable | 20,389 | 17,911,031 | – | – | 17,931,420 |
| Other receivables | 211,886,403 | 65,866,307 | 22,644,962 | – | 300,397,672 |
| Total loans and receivables | 7,839,799,577 | 21,953,575,403 | 885,254,310 | – | 30,678,629,290 |
| Financial assets at FVPL | | | | | |
| Equity securities | 401,701,602 | – | – | – | 401,701,602 |
| AFS financial asset: | | | | | |
| Equity securities | 40,880,000 | – | – | – | 40,880,000 |
| | ₱8,282,381,179 | ₱21,953,575,403 | ₱885,254,310 | ₱– | ₱31,121,210,892 |
| Financial Liabilities | | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Accounts payable and other accrued liabilities: | | | | | |
| Trade payable and accrued expenses** | ₱4,099,883,080 | ₱7,930,853,797 | ₱432,028,780 | ₱– | ₱12,462,765,657 |
| Due to related parties | 73,127,178 | – | – | – | 73,127,178 |
| Short-term debts | – | 846,831,629 | – | – | 846,831,629 |
| Trust receipts payable | – | 4,648,167,574 | – | – | 4,648,167,574 |
| Long-term debts | – | 252,754,218 | 758,262,656 | 25,461,518,207 | 26,472,535,081 |
| Derivative liability | – | – | – | 151,646,715 | 151,646,715 |
| | ₱4,173,010,258 | ₱13,678,607,218 | ₱1,190,291,436 | ₱25,613,164,922 | ₱44,655,073,834 |

*Includes future interest
***Excludes statutory liabilities*

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

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

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of September 30, 2016, 2015 and 2014, approximately 28.2%, 30.4% and 25.7% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 20.31% and 16.90% of the Group's debt is denominated in US Dollars as of September 30, 2016 and 2015, respectively.

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

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **NZ Dollar** | **US Dollar** | **AU Dollar** | **Others*** | **Total** |
| **Assets** | | | | | |
| **Cash and cash equivalents** | **₱749,735,776** | **₱7,752,520,314** | **₱441,371,583** | **₱2,560,181** | **₱8,946,187,854** |
| **Receivables** | **1,427,865,220** | **67,276,955** | **1,608,193,555** | **4,193,832,335** | **7,297,168,065** |
| | **2,177,600,996** | **7,819,797,269** | **2,049,565,138** | **4,196,392,516** | **16,243,355,919** |
| **Liabilities** | | | | | |
| **Accounts payable and other accrued liabilities** | **1,708,227,232** | **1,913,575,179** | **2,393,976,491** | **5,664,057,560** | **11,679,836,462** |
| **Short-term debts** | **–** | **4,413,500,000** | **–** | **3,357,319,789** | **7,770,819,789** |
| **Trust receipts** | **–** | **4,645,224,001** | **–** | **–** | **4,645,224,001** |
| **Long-term debts** | **14,613,782,108** | **–** | **17,565,376,629** | **–** | **32,179,158,737** |
| | **16,322,009,340** | **10,972,299,180** | **19,959,353,120** | **9,021,377,349** | **56,275,038,989** |
| **Net Foreign Currency-Denominated Assets (Liabilities)** | **(₱14,144,408,344)** | **(₱3,152,501,911)** | **(₱17,909,787,982)** | **(₱4,824,984,833)** | **(₱40,031,683,070)** |

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

| | 2015 | | | | |
|---|---|---|---|---|---|
| | NZ Dollar | US Dollar | AU Dollar | Others* | Total |
| Assets | | | | | |
| Cash and cash equivalents | ₱637,513,689 | ₱7,884,807,309 | ₱– | ₱26,319,675 | ₱8,548,640,673 |
| Receivables | 1,127,044,518 | 118,367,571 | – | 2,794,813,085 | 4,040,225,174 |
| | 1,764,558,207 | 8,003,174,880 | – | 2,821,132,760 | 12,588,865,847 |
| Liabilities | | | | | |
| Accounts payable and other accrued liabilities | 1,444,315,824 | 1,243,590,375 | – | 4,791,729,058 | 7,479,635,257 |
| Short-term debts | – | – | – | 845,285,468 | 845,285,468 |
| Trust receipts | – | 4,620,725,913 | – | – | 4,620,725,913 |
| Long-term debts | 21,869,680,961 | – | – | – | 21,869,680,961 |
| | 23,313,996,785 | 5,864,316,288 | – | 5,637,014,526 | 34,815,327,599 |
| Net Foreign Currency-Denominated Assets (Liabilities) | (₱21,549,438,578) | ₱2,138,858,592 | ₱– | (₱2,815,881,766) | (₱22,226,461,752) |

**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, NZ Dollar and AU Dollar - Philippine Peso exchange rate on the Group's income before income tax as of September 30, 2016 and 2015:

| | **2016** | | |
|---|---|---|---|
| Reasonably possible change in unit of Philippine peso for every unit of foreign currency | **US Dollar** | **NZ Dollar** | **AU Dollar** |
| ₱5.00 | **(₱325,000,197)** | **(₱2,009,089,268)** | **(₱2,425,391,437)** |
| (5.00) | **325,000,197** | **2,009,089,268** | **2,425,391,437** |

| | 2015 | | |
|---|---|---|---|
| Reasonably possible change in unit of Philippine peso for every unit of foreign currency | US Dollar | NZ Dollar | AU Dollar |
| ₱5.00 | (₱228,803,872) | (₱3,606,274,676) | ₱– |
| (5.00) | 228,803,872 | 3,606,274,676 | – |

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, 2016 and 2015 are deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱48.50 to US$1.00 and ₱46.74 to US$1.00 as of September 30, 2016 and 2015, respectively. The exchange rates used to restate the NZ dollar-denominated financial liabilities were ₱35.20 to NZ$1.00 and ₱29.90 to NZ$1.00 as of September 30, 2016 and 2015, respectively.

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

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

| | **2016** | | 2015 | |
|---|---|---|---|---|
| Changes in PSEi | **17.03%** | **(17.03%)** | 14.43% | (14.43%) |
| Change in trading gain at equity portfolio | **(29,593,299)** | **29,593,299** | 50,248,367 | (₱50,248,367) |
| As a percentage of the Parent Company's trading gain for the year | **41.36%** | **(41.36%)** | (148.53%) | 148.53% |

The Group's investment in golf shares designated as AFS financial assets are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group's estimates an increase of 17.03% and 14.43% in 2016 and 2015 would have an impact of approximately ₱29.6 million and ₱27.5 million on equity, respectively. An equal change in the opposite direction would have decreased equity by the same amount.

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

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

| | **2016** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **<1 year** | **>1-<2 years** | **>2-<3 years** | **>3-<4 years** | **>4-<5 years** | **Total** | **Total (in Philippine Peso)** | **Debt Issuance Costs (in Philippine Peso)** | **Carrying Value (in Philippine Peso)** |
| Liabilities: | | | | | | | | | |
| Foreign currencies: | | | | | | | | | |
| *Floating rate* | | | | | | | | | |
| Australian Dollar loans | **AU$21,886,925** | **AU$21,886,925** | **AU$21,886,925** | **AU$21,946,889** | **AU$506,110,925** | **AU$593,718,588** | **₱17,878,245,915** | **₱312,869,303** | **₱17,565,376,612** |
| Interest rate: | | | | | | | | | |
| BBSY Bid+1.60% | | | | | | | | | |
| New Zealand Dollar loans | **NZ$18,984,000** | **NZ$18,984,000** | **NZ$18,984,000** | **NZ$424,785,008** | **NZ$–** | **NZ$481,737,008** | **14,784,438,907** | **170,656,782** | **14,613,782,125** |
| Interest rate: | | | | | | | | | |
| NZ BKBM+1.60% | | | | | | | | | |
| | | | | | | | **₱32,662,684,822** | **₱483,526,085** | **₱32,179,158,737** |

| | 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | <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: | | | | | | | | | |
| *Floating rate* | | | | | | | | | |
| New Zealand Dollar loans | NZ$33,808,466 | NZ$33,552,823 | NZ$33,552,823 | NZ$33,552,823 | NZ$750,776,244 | NZ$885,243,179 | ₱22,198,497,235 | ₱328,816,274 | ₱21,869,680,961 |
| Interest rate: | | | | | | | | | |
| NZ BKBM+1.60% | | | | | | | | | |
| | | | | | | | ₱22,198,497,235 | ₱328,816,274 | ₱21,869,680,961 |

The following table demonstrates the sensitivity of the fair value of the Group's long-term debts to reasonably possible change in interest rates with all other variables held constant:

| | Change in basis points | Sensitivity of fair value |
|---|---|---|
| **2016** | **+100** | **₱2,568,313,028** |
| | **-100** | **(2,568,313,028)** |
| 2015 | +100 | 1,936,760,994 |
| | -100 | (1,936,760,994) |

## 5. Fair Value Measurement

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

*Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable.* Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

*Financial assets at FVPL 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*
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

*Investment properties*
The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

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

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

*Long-term debts*
The carrying amounts of floating-rate long-term debts approximate their fair values.

*Derivative liability*
The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards.

Fair Value Measurement Hierarchy for Assets and Liabilities as of September 30, 2016

| | **2016** | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total Fair value** |
| *Assets measured at fair value* | | | | | |
| Financial assets at FVPL: | | | | | |
| Quoted equity securities (Note 8) | **₱389,206,130** | **₱389,206,130** | **₱–** | **₱–** | **₱389,206,130** |
| AFS financial assets | | | | | |
| Quoted equity securities (Note 14) | **41,830,000** | **41,830,000** | **–** | **–** | **41,830,000** |
| Biological assets | **1,520,982,540** | **–** | **581,236,069** | **939,746,471** | **1,520,982,540** |
| *Assets for which fair values are disclosed* | | | | | |
| Investment properties (Note 18) | **49,860,370** | **–** | **–** | **232,236,000** | **232,236,000** |
| | **₱2,001,879,040** | **₱431,036,130** | **₱581,236,069** | **₱1,171,982,471** | **₱2,184,254,670** |
| *Liabilities for which fair values are disclosed* | | | | | |
| Long-term debts (Note 22) | **₱32,179,158,737** | **₱–** | **₱–** | **₱32,179,158,737** | **₱32,179,158,737** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair value |
| *Assets measured at fair value* | | | | | |
| Financial assets at FVPL: | | | | | |
| Quoted equity securities (Note 8) | ₱401,701,602 | ₱401,701,602 | ₱– | ₱– | ₱401,701,602 |
| AFS financial assets | | | | | |
| Quoted equity securities (Note 14) | 40,880,000 | 40,880,000 | – | – | 40,880,000 |
| Biological assets | 1,622,330,726 | – | 645,183,575 | 977,147,151 | 1,622,330,726 |
| *Assets for which fair values are disclosed* | | | | | |
| Investment properties (Note 18) | 53,518,151 | – | – | 232,236,000 | 232,236,000 |
| | ₱2,118,430,479 | ₱442,581,602 | ₱645,183,575 | ₱1,209,383,151 | ₱2,297,148,328 |
| *Liabilities measured at fair value* | | | | | |
| Derivative liabilities | ₱151,646,715 | ₱– | ₱151,646,715 | ₱– | ₱151,646,715 |
| *Liabilities for which fair values are disclosed* | | | | | |
| Long-term debts (Note 22) | 21,869,680,961 | – | – | 21,869,680,961 | 21,869,680,961 |
| | ₱22,021,327,676 | ₱– | ₱151,646,715 | ₱21,869,680,961 | ₱22,021,327,676 |

In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

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

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

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

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

## 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 and renewable energy. The peak season for sugar is during its crop season, which normally starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

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

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with 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, 2016, 2015 and 2014.

The Group's business segment information follows:

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Branded Consumer Food | Agro-Industrial | Commodity Food | Corporate Business | Eliminations | Total |
| | **(In Thousands)** | | | | | |
| **Sale of Goods and Services** | | | | | | |
| Third party | **₱92,514,853** | **₱9,114,167** | **₱10,002,773** | **₱–** | **₱–** | **₱111,631,793** |
| Inter-segment | **13,072,475** | **118,541** | **7,069,570** | **–** | **(20,260,586)** | **–** |
| | **₱105,587,328** | **₱9,232,708** | **₱17,072,343** | **₱–** | **(₱20,260,586)** | **₱111,631,793** |
| **Result** | | | | | | |
| Earnings before interest, income taxes and depreciation/amortization (EBITDA) | **₱17,911,086** | **₱1,444,364** | **₱4,359,581** | **(₱1,434,918)** | **₱–** | **₱22,280,113** |
| Depreciation and amortization (Note 29) | **(3,865,622)** | **(393,310)** | **(1,019,875)** | **(190,693)** | **–** | **(5,469,500)** |
| Earnings before interest and income tax (EBIT) | **₱14,045,464** | **₱1,051,054** | **₱3,339,706** | **(₱1,625,611)** | **₱–** | **16,810,613** |
| Finance revenue (Note 31) | **₱67,081** | **₱160** | **₱422** | **₱145,381** | **₱–** | **213,044** |
| Finance costs (Note 32) | **(₱816,846)** | **(₱24,216)** | **(₱35,603)** | **(₱20,556)** | **₱–** | **(897,221)** |
| Equity in net loss of joint ventures (Note 17) | **₱–** | **₱–** | **₱–** | **(₱233,999)** | **₱–** | **(233,999)** |
| Market valuation gain on financial assets and liabilities at FVPL (Note 8) | **₱–** | **₱–** | **₱–** | **₱855,085** | **₱–** | **855,085** |
| Impairment losses (Notes 10 and 11) | **(₱177,972)** | **₱–** | **(₱3,125)** | **₱–** | **₱–** | **(181,097)** |
| Other expenses* | | | | | | **2,231,080** |
| Income before income tax | | | | | | **18,797,505** |
| Provision for income tax (Note 34) | | | | | | **(3,441,533)** |
| Net income | | | | | | **₱15,355,972** |
| **Other Information** | | | | | | |
| Total assets | **₱105,428,891** | **₱5,566,632** | **₱16,167,697** | **₱14,280,608** | **₱–** | **₱141,443,828** |
| Total liabilities | **₱53,404,134** | **₱3,150,660** | **₱4,005,070** | **₱5,611,906** | **₱–** | **₱66,171,770** |
| Capital expenditures (Note 13) | **₱4,791,720** | **₱530,536** | **₱2,159297** | **₱329,527** | **₱–** | **₱7,811,080** |
| Non-cash expenses other than depreciation and amortization: | | | | | | |
| Impairment losses on: | | | | | | |
| Receivables (Note 10) | **₱8,058** | **₱–** | **₱85** | **₱–** | **₱–** | **₱8,143** |
| Inventories (Note 11) | **169,914** | **–** | **3,040** | **–** | **–** | **172,954** |
| | **₱177,972** | **₱–** | **₱3,125** | **₱–** | **₱–** | **₱181,097** |

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

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Branded Consumer Food | Agro-Industrial | Commodity Food | Corporate Business | Eliminations | Total |
| | (In Thousands) | | | | | |
| **Sale of Goods and Services** | | | | | | |
| Third party | ₱91,861,235 | ₱8,931,097 | ₱8,258,698 | ₱– | ₱– | ₱109,051,030 |
| Inter-segment | 10,048,310 | 276,183 | 6,362,829 | – | (16,687,322) | – |
| | ₱101,909,545 | ₱9,207,280 | ₱14,621,527 | ₱– | (₱16,687,322) | ₱109,051,030 |
| **Result** | | | | | | |
| Earnings before interest, income taxes and depreciation/amortization (EBITDA) | ₱18,098,890 | ₱1,544,627 | ₱3,846,103 | (₱1,289,015) | ₱– | ₱22,200,605 |
| Depreciation and amortization (Note 29) | (3,613,879) | (374,216) | (707,520) | (131,570) | – | (4,827,185) |
| Earnings before interest and income tax (EBIT) | ₱14,485,011 | ₱1,170,411 | ₱3,138,583 | (₱1,420,585) | ₱– | 17,373,420 |
| Finance revenue (Note 31) | ₱112,352 | ₱133 | ₱1,379 | ₱163,316 | ₱– | 277,180 |
| Finance costs (Note 32) | (₱1,212,848) | (₱18,500) | (₱34,407) | (₱11,798) | ₱– | (1,277,553) |
| Equity in net loss of joint ventures (Note 17) | ₱– | ₱– | ₱– | (₱206,481) | ₱– | (206,481) |
| Market valuation loss on financial assets and liabilities at FVPL (Note 8) | ₱– | ₱– | ₱– | (₱214,624) | ₱– | (214,624) |
| Impairment losses (Notes 10 and 11) | (₱105,058) | ₱– | (₱4,880) | ₱– | ₱– | (109,938) |
| Other expenses* | | | | | | (85,534) |
| Income before income tax | | | | | | 15,756,470 |
| Provision for income tax (Note 34) | | | | | | (3,251,548) |
| Net income | | | | | | ₱12,504,922 |
| **Other Information** | | | | | | |
| Total assets | ₱73,041,902 | ₱5,256,753 | ₱13,575,146 | ₱18,873,281 | ₱– | ₱110,747,082 |
| Total liabilities | ₱35,445,559 | ₱2,928,789 | ₱5,057,425 | ₱1,955,680 | ₱– | ₱45,387,453 |
| Capital expenditures (Note 13) | ₱4,600,527 | ₱360,406 | ₱1,362,035 | ₱192,955 | ₱– | ₱6,515,923 |
| Non-cash expenses other than depreciation and amortization: | | | | | | |
| Impairment losses on: | | | | | | |
| Receivables (Note 10) | ₱421 | ₱– | ₱4,880 | ₱– | ₱– | ₱5,301 |
| Inventories (Note 11) | 104,637 | – | – | – | – | 104,637 |
| | ₱105,058 | ₱– | ₱4,880 | ₱– | ₱– | ₱109,938 |

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

| | 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 | ₱1,479,721 | ₱3,713,909 | (₱1,064,563) | ₱– | ₱18,128,790 |
| Depreciation and amortization (Note 29) | (2,901,342) | (412,941) | (622,207) | (73,129) | – | (4,009,619) |
| 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 31) | ₱80,939 | ₱103 | ₱1,766 | ₱146,053 | ₱– | 228,861 |
| Finance costs (Note 32) | (₱86,234) | (₱9,595) | (₱27,861) | (₱26,720) | ₱– | (150,410) |
| Equity in net income of joint ventures (Note 17) | ₱– | ₱– | ₱– | ₱14,090 | ₱– | 14,090 |
| Market valuation gain on financial assets at FVPL (Note 8) | ₱– | ₱– | ₱– | ₱62,526 | ₱– | 62,526 |
| Impairment losses (Notes 10, 11 and 16) | ₱110,037 | ₱1,296 | ₱6,268 | ₱4,671 | ₱– | (122,272) |
| Other expenses* | | | | | | 75,550 |
| Income before income tax | | | | | | 14,227,516 |
| Provision for income tax (Note 34) | | | | | | (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 13) | ₱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 10) | ₱7,216 | ₱1,296 | ₱– | ₱4,671 | ₱– | ₱13,183 |
| Inventories (Note 11) | 97,608 | – | 6,268 | – | – | 103,876 |
| Goodwill (Note 16) | 5,213 | – | – | – | – | 5,213 |
| | ₱110,037 | ₱1,296 | ₱6,268 | ₱4,671 | ₱– | ₱122,272 |

** Include net 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 gains and losses and other revenues and expenses which are not allocated to operating segments.

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

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

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

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

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| | | (In Thousands) | |
| Domestic | **₱80,179,132** | ₱75,918,231 | ₱68,600,627 |
| Foreign | **31,452,661** | 33,132,799 | 23,775,670 |
| | **₱111,631,793** | ₱109,051,030 | ₱92,376,297 |

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:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| | | (In Thousands) | |
| Domestic | **₱27,320,872** | ₱25,439,811 | ₱24,686,271 |
| Foreign | **60,998,072** | 37,087,525 | 12,552,812 |
| | **₱88,318,944** | ₱62,527,336 | ₱37,239,083 |

## 7. Cash and Cash Equivalents

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Cash on hand | **₱94,114,686** | ₱92,278,861 |
| Cash in banks | **7,776,796,304** | 2,680,097,754 |
| Short-term investments | **8,248,115,552** | 15,526,002,826 |
| | **₱16,119,026,542** | ₱18,298,379,441 |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.05% to 6.50% and from 0.01% to 6.20% for foreign currency-denominated money market placements in 2016 and 2015, respectively. Peso-denominated money market placements on the other hand, earn interest ranging from 1.10% to 1.75% and from 1.50% to 2.10% in 2016 and 2015, respectively.

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

This account consists of quoted equity securities issued by certain domestic entities which are held for trading as of September 30, 2016 and 2015.

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Equity securities | **(₱12,238,811)** | (₱74,626,895) | ₱62,525,954 |
| Derivatives (Note 9) | **867,323,420** | (139,997,361) | – |
| | **₱855,084,609** | (₱214,624,256) | ₱62,525,954 |

## 9. Derivative Financial Instruments

*Derivative not designated as accounting hedge*

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes. Also included under this heading are any derivatives which do not meet PAS 39 hedging requirements.

In 2015, the Group entered into a foreign currency forwards arrangement with notional amount of NZ$322.3 million (₱9.6 billion) and recognized a mark-to-market loss due to changes in the fair value of the instrument amounting to ₱151.6 million during the year. The negative fair value is presented under 'Other liabilities' in the statement of financial position (see Note 23).

In 2016, the Group settled this foreign currency forward when its carrying value amounted to NZ$22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZ$27.2 million (₱847.0 million).

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

The Group's currency options have a total notional amount of NZ$28.2 million with positive fair value amounting to NZ$3.9 thousand (₱138.2 thousand) as of September 30, 2016 and a total notional amount of NZ$5.4 million with negative fair value amounting to NZ$0.1 million (₱2.0 million) as of September 30, 2015.

## 10. Receivables

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Trade receivables (Note 36) | **₱11,811,254,154** | ₱8,258,369,852 |
| Due from related parties (Note 36) | **1,303,892,278** | 1,564,936,668 |
| Advances to officers, employees and suppliers | **1,045,745,191** | 1,082,523,054 |
| Interest receivable | **6,817,769** | 17,931,420 |
| Others | **1,150,344,560** | 284,169,946 |
| | **15,318,053,952** | 11,207,930,940 |
| Less allowance for impairment losses | **356,805,891** | 374,706,746 |
| | **₱14,961,248,061** | ₱10,833,224,194 |

Others include receivable related to disposal of certain properties located in Jiading, China amounting to ₱687.2 million as of September 30, 2016 (see Note 13).

Allowance for Impairment Losses on Receivables
Changes in allowance for impairment losses on receivables follow:

| | **2016** | | | |
|---|---|---|---|---|
| | **Individual Assessment** | | **Collective Assessment** | |
| | **Trade Receivables** | **Other Receivables** | **Trade Receivables** | **Total** |
| Balances at beginning of year | **₱172,447,901** | **₱188,697,554** | **₱13,561,291** | **₱374,706,746** |
| Provision for impairment losses | **8,037,815** | **104,801** | **–** | **8,142,616** |
| Accounts written-off | **(25,938,670)** | **(104,801)** | **–** | **(26,043,471)** |
| Balances at end of year | **₱154,547,046** | **₱188,697,554** | **₱13,561,291** | **₱356,805,891** |

| | 2015 | | | |
|---|---|---|---|---|
| | Individual Assessment | | Collective Assessment | |
| | Trade Receivables | Other Receivables | Trade Receivables | Total |
| Balances at beginning of year | ₱173,996,431 | ₱188,729,458 | ₱13,561,291 | ₱376,287,180 |
| Provision for impairment losses | 421,123 | 4,880,205 | – | 5,301,328 |
| Accounts written-off | (1,969,653) | (4,912,109) | – | (6,881,762) |
| Balances at end of year | ₱172,447,901 | ₱188,697,554 | ₱13,561,291 | ₱374,706,746 |

Allowance for impairment losses on other receivables includes impairment losses on advances to officers, employees and suppliers and other receivables. Allowance for impairment losses on advances to officers, employees and suppliers amounted to ₱19.6 million as of September 30, 2016 and 2015. Allowances for impairment losses on other receivables amounted to ₱169.1 million as of September 30, 2016 and 2015.

## 11. Inventories

This account consists of:

| | 2016 | 2015 |
|---|---|---|
| At cost: | | |
| Raw materials | **₱7,301,995,214** | ₱7,389,936,987 |
| Finished goods | **5,439,103,654** | 4,053,655,599 |
| | **12,741,098,868** | 11,443,592,586 |
| At NRV: | | |
| Goods in-process | **917,308,318** | 848,547,316 |
| Containers and packaging materials | **1,910,375,114** | 1,762,664,661 |
| Spare parts and supplies | **2,965,553,500** | 1,979,809,334 |
| | **5,793,236,932** | 4,591,021,311 |
| | **₱18,534,335,800** | ₱16,034,613,897 |

Under the terms of the agreements covering liabilities under trust receipts totaling ₱4.6 billion as of September 30, 2016 and 2015, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory obsolescence, market decline and mark down, included in 'Cost of sales', amounted to ₱760.5 million, ₱578.6 million and ₱377.6 million in 2016, 2015 and 2014, respectively.

The Group recognized impairment losses on its inventories amounting to ₱173.0 million, ₱104.6 million and ₱103.9 million in 2016, 2015 and 2014, respectively.

## 12. Other Current Assets

This account consists of:

| | 2016 | 2015 |
|---|---|---|
| Input value-added tax (VAT) | **₱639,042,915** | ₱535,162,929 |
| Prepaid insurance | **225,842,327** | 139,353,862 |
| Prepaid rent | **48,614,776** | 27,053,021 |
| Prepaid taxes | **45,127,324** | 15,854,650 |
| Other prepaid expenses | **117,600,025** | 118,315,031 |
| | **₱1,076,227,367** | ₱835,739,493 |

Other prepaid expenses include prepayments of advertising and office supplies.

## 13. **Property, Plant and Equipment**

The rollforward of this account follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **Land** | **Land Improvements** | **Buildings and Improvements** | **Machinery and Equipment** | **Sub-total** |
| **Cost** | | | | | |
| Balances at beginning of year | **₱2,985,837,739** | **₱1,508,356,733** | **₱13,500,749,791** | **₱55,649,149,937** | **₱73,644,094,200** |
| Additions (Note 6) | **68,217,904** | **43,769,687** | **898,566,331** | **2,957,364,598** | **3,967,918,520** |
| Additions from acquisition of a subsidiary (Note 16) | **–** | **–** | **220,904,541** | **1,280,378,696** | **1,501,283,237** |
| Acquisition of assets that qualified as a business | **300,000,000** | **4,217,152** | **195,000,000** | **471,086,924** | **970,304,076** |
| Disposals, reclassifications and other adjustments | **33,448,058** | **363,200,792** | **445,045,217** | **4,959,670,955** | **5,801,365,022** |
| Balances at end of year | **3,387,503,701** | **1,919,544,364** | **15,260,265,880** | **65,317,651,110** | **85,884,965,055** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balances at beginning of year | **–** | **472,929,387** | **5,233,545,327** | **37,302,022,206** | **43,008,496,920** |
| Depreciation and amortization (Note 6) | **–** | **74,826,884** | **694,465,782** | **3,999,393,749** | **4,768,686,415** |
| Disposals, reclassifications and other adjustments | **–** | **(3,692,420)** | **(84,039,930)** | **1,068,389,040** | **980,656,690** |
| Balances at end of year | **–** | **544,063,851** | **5,843,971,179** | **42,369,804,995** | **48,757,840,025** |
| **Net Book Value** | **₱3,387,503,701** | **₱1,375,480,513** | **₱9,416,294,701** | **₱22,947,846,115** | **₱37,127,125,030** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | **Transportation Equipment** | **Furniture, Fixtures and Equipment** | **Construction In-progress** | **Equipment In-transit** | **Total** |
| **Cost** | | | | | |
| Balances at beginning of year | **₱1,908,696,205** | **₱3,588,806,906** | **₱3,878,722,232** | **₱2,279,608,703** | **₱85,299,928,246** |
| Additions (Note 6) | **113,690,080** | **414,583,562** | **1,249,098,536** | **746,253,484** | **6,491,544,182** |
| Additions from acquisition of a subsidiary (Note 16) | **–** | **–** | **502,412,007** | **–** | **2,003,695,244** |
| Acquisition of assets that qualified as a business | **347,693,770** | **1,537,653** | **–** | **–** | **1,319,535,499** |
| Disposals, reclassifications and other adjustments | **(10,852,279)** | **87,420,081** | **(2,416,142,524)** | **(1,462,722,999)** | **1,999,067,301** |
| Balances at end of year | **2,359,227,776** | **4,092,348,202** | **3,214,090,251** | **1,563,139,188** | **97,113,770,472** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balances at beginning of year | **1,391,375,768** | **2,068,081,775** | **–** | **–** | **46,467,954,463** |
| Depreciation and amortization (Note 6) | **186,926,230** | **348,979,028** | **–** | **–** | **5,304,591,673** |
| Disposals, reclassifications and other adjustments | **(26,532,315)** | **(118,827,918)** | **–** | **–** | **835,296,457** |
| Balances at end of year | **1,551,769,683** | **2,298,232,885** | **–** | **–** | **52,607,842,593** |
| **Net Book Value** | **₱807,458,093** | **₱1,794,115,317** | **₱3,214,090,251** | **₱1,563,139,188** | **₱44,505,927,879** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Land | Land Improvements | Buildings and Improvements | Machinery and Equipment | Sub-total |
| Cost | | | | | |
| Balances at beginning of year | ₱2,839,698,936 | ₱1,550,446,218 | ₱10,702,230,833 | ₱46,538,294,659 | ₱61,630,670,646 |
| Additions (Note 6) | 10,856,863 | 105,449,452 | 650,915,292 | 3,209,917,277 | 3,977,138,884 |
| Additions from acquisition of a subsidiary (Note 16) | 230,058,094 | 431,466,610 | 1,358,419,691 | 1,880,984,976 | 3,900,929,371 |
| Disposals, reclassifications and other adjustments | (94,776,154) | (579,005,547) | 789,183,975 | 4,019,953,025 | 4,135,355,299 |
| Balances at end of year | 2,985,837,739 | 1,508,356,733 | 13,500,749,791 | 55,649,149,937 | 73,644,094,200 |
| Accumulated Depreciation and Amortization | | | | | |
| Balances at beginning of year | – | 407,788,336 | 4,200,340,910 | 31,225,556,704 | 35,833,685,950 |
| Depreciation and amortization (Note 6) | – | 56,728,809 | 571,958,750 | 3,658,824,517 | 4,287,512,076 |
| Disposals, reclassifications and other adjustments | – | 8,412,242 | 461,245,667 | 2,417,640,985 | 2,887,298,894 |
| Balances at end of year | – | 472,929,387 | 5,233,545,327 | 37,302,022,206 | 43,008,496,920 |
| Net Book Value | ₱2,985,837,739 | ₱1,035,427,346 | ₱8,267,204,464 | ₱18,347,127,731 | ₱30,635,597,280 |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Transportation Equipment | Furniture, Fixtures and Equipment | Construction In-progress | Equipment In-transit | Total |
| Cost | | | | | |
| Balances at beginning of year | ₱1,826,578,391 | ₱2,679,073,019 | ₱4,142,359,354 | ₱2,489,111,141 | ₱72,767,792,551 |
| Additions (Note 6) | 114,018,144 | 174,855,086 | 1,985,466,788 | 264,443,785 | 6,515,922,687 |
| Additions from acquisition of a subsidiary (Note 16) | – | 55,217,503 | 409,030,701 | – | 4,365,177,575 |
| Disposals, reclassifications and other adjustments | (31,900,330) | 679,661,298 | (2,658,134,611) | (473,946,223) | 1,651,035,433 |
| Balances at end of year | 1,908,696,205 | 3,588,806,906 | 3,878,722,232 | 2,279,608,703 | 85,299,928,246 |
| Accumulated Depreciation and Amortization | | | | | |
| Balances at beginning of year | 1,290,896,406 | 1,235,454,219 | – | – | 38,360,036,575 |
| Depreciation and amortization (Note 6) | 125,979,149 | 233,785,168 | – | – | 4,647,276,393 |
| Disposals, reclassifications and other adjustments | (25,499,787) | 598,842,388 | – | – | 3,460,641,495 |
| Balances at end of year | 1,391,375,768 | 2,068,081,775 | – | – | 46,467,954,463 |
| Net Book Value | ₱517,320,437 | ₱1,520,725,131 | ₱3,878,722,232 | ₱2,279,608,703 | ₱38,831,973,783 |

*Acquisition of Balayan Sugar Mill*
On February 4, 2016, the Parent Company entered into an Asset Purchase Agreement with Batangas Sugar Mill, Inc. (BSCI) for the acquisition of the Balayan sugar mill for a total consideration of ₱1.6 billion. The Group has allocated its purchase price consideration to property, plant and equipment and spare parts inventory of BSCI amounting to ₱1.3 billion and ₱0.3 billion, respectively, on the basis of provisional fair values at the time of acquisition.

The Parent Company has 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.

From the date of acquisition, the Balayan sugar mill has contributed net sales of ₱504.0 million and net income of ₱68.7 million to the Group. If the business combination had taken place at the beginning of the year, net sales and net income attributable to equity holders of the Parent Company in 2016 would have been ₱111.8 billion and ₱15.2 billion, respectively.

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

The Group did not recognize any impairment losses on its property, plant and equipment in 2016, 2015 and 2014.

Borrowing Costs
No borrowing costs have been capitalized as property, plant and equipment under construction in 2016 and 2015.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows (see Note 29):

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Cost of sales (Notes 26 and 29) | **₱4,837,053,762** | ₱4,278,795,399 | ₱3,574,535,754 |
| Selling and distribution costs (Notes 27 and 29) | **124,126,308** | 121,695,627 | 90,656,884 |
| General and administrative expenses (Notes 28 and 29) | **343,411,603** | 246,785,367 | 216,459,871 |
| | **₱5,304,591,673** | ₱4,647,276,393 | ₱3,881,652,509 |

Collateral
As of September 30, 2016 and 2015, the Group has no property and equipment that are pledged as collateral.

## 14. **Available-for-Sale Financial Assets**

As of September 30, 2016 and 2015, this account consist of equity securities with the following movement:

| | **2016** | 2015 |
|---|---|---|
| Balance at beginning of year | **₱40,880,000** | ₱21,720,000 |
| Fair value changes during the year | **950,000** | 19,160,000 |
| Balance at end of year | **₱41,830,000** | ₱40,880,000 |

In 2016 and 2015, fair value changes of AFS financial assets are presented as components of 'Other comprehensive income' in Equity (Note 25).

There were no sales of AFS financial assets in 2016, 2015 and 2014.

## 15. **Biological Assets**

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

| | **2016** | 2015 |
|---|---|---|
| Current portion | **₱1,083,205,513** | ₱1,177,607,861 |
| Noncurrent portion | **437,777,027** | 444,722,865 |
| | **₱1,520,982,540** | ₱1,622,330,726 |

These biological assets consist of:

| | **2016** | 2015 |
|---|---|---|
| Swine | | |
| Commercial | **₱1,045,277,937** | 1,122,179,480 |
| Breeder | **390,440,661** | 409,071,155 |
| Poultry | | |
| Commercial | **37,927,576** | 55,428,381 |
| Breeder | **47,336,366** | 35,651,710 |
| | **₱1,520,982,540** | ₱1,622,330,726 |

The rollforward analysis of this account follows:

| | **2016** | 2015 |
|---|---|---|
| Balance at the beginning of year | **₱1,622,330,726** | ₱1,734,121,930 |
| Addition | **2,745,725,737** | 2,919,762,355 |
| Disposals | **(2,786,276,155)** | (3,140,771,802) |
| Gain (loss) arising from changes in fair value less estimated costs to sell | **(60,797,768)** | 109,218,243 |
| Balance at end of year | **₱1,520,982,540** | ₱1,622,330,726 |

The Group has about 233,154 and 250,361 heads of swine and about 412,984 and 486,619 heads of poultry as of September 30, 2016 and 2015, respectively.

## 16. **Goodwill and Intangible Assets**

The composition and movements of goodwill follow:

| | **2016** | 2015 |
|---|---|---|
| **Cost** | | |
| Balances at beginning of year | **₱14,954,951,150** | ₱1,041,554,889 |
| Additions due to acquisition of a subsidiary | **19,931,853,571** | 13,913,396,261 |
| Balances at end of year | **34,886,804,721** | 14,954,951,150 |
| **Accumulated Impairment Losses** | | |
| Balances at beginning and end of year | **248,139,704** | 248,139,704 |
| **Net Book Value at End of Year** | **₱34,638,665,017** | ₱14,706,811,446 |

The Group's goodwill pertains to: (a) the acquisition of CSPL in September 2016, (b) acquisition of NZSFHL in November 2014, (c) acquisition of Advanson in December 2007 and (d) the excess of the acquisition cost over the fair values of the net assets acquired by HCFCL and UABCL in 2000. The goodwill arising from the acquisitions of HCFCL, UABCL and Advanson was translated at the applicable year-end exchange rate.

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

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

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

| | |
|---|---|
| Purchase consideration transferred | ₱21,579,202,907 |
| Fair value of identifiable assets | |
| Cash and cash equivalents | 419,944,622 |
| Receivables | 1,608,193,555 |
| Inventories | 348,556,502 |
| Other current assets | 68,764,464 |
| Property, plant and equipment | 2,003,695,244 |
| Deferred tax assets | 406,296,189 |
| Total Assets | 4,855,450,576 |

(Forward)

| | |
|---|---|
| Fair value of identifiable liabilities | |
| Accounts payable and other accrued liabilities | ₱3,083,031,040 |
| Other noncurrent liabilities | 125,070,200 |
| Total Liabilities | 3,208,101,240 |
| Total fair value of identifiable net assets | 1,647,349,336 |
| Goodwill | ₱19,931,853,571 |

Goodwill arising from the acquisition of AU Group is allocated entirely to the operations of Snack Brands. None of the goodwill recognized is expected to be deductible for income tax purposes. If the business combination had taken place at the beginning of fiscal year 2016, net sales and net income attributable to equity holders of the Parent Company in 2016 would have been ₱121.6 billion and ₱15.4 billion, respectively.

*Acquisition of Griffin's*
In July 2014, URC NZ FinCo, a wholly-owned subsidiary of URCICL, entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, 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$233.7 million (approximately ₱8.2 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) which was held in escrow and the balance upon completion (see Note 12). Interest income on the deposit held in escrow amounted to nil, ₱23.7 million and ₱20.5 million in 2016, 2015 and 2014, respectively (see Note 31).

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 the services of a third party valuer to conduct the final purchase price allocation.

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

| | |
|---|---|
| Purchase consideration transferred | ₱8,152,809,497 |
| Fair value of identifiable assets | |
| Cash and cash equivalents | 1,066,628,343 |
| Trade receivables | 2,022,403,012 |
| Inventories | 1,500,415,759 |
| Property, plant and equipment | 4,365,177,575 |
| Intangibles | 6,865,982,527 |
| Total Assets | 15,820,607,216 |
| Fair value of identifiable liabilities | |
| Trade payables | 2,889,821,951 |
| Deferred tax liability | 2,303,077,210 |
| Income tax liability | 1,020,200 |
| External bank debt | 16,387,274,619 |
| Total Liabilities | 21,581,193,980 |
| Total fair value of identifiable net liabilities | (5,760,586,764) |
| Goodwill | ₱13,913,396,261 |

In 2015, after the acquisition had been finalized, the Group settled the external debt amounting to ₱16.4 billion.

Goodwill arising from the acquisition of NZ Group is allocated entirely to the operations of Griffin's. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the NZ Group has contributed net sales of ₱7.8 billion and net income amounting to ₱621.7 million to the Group. If the business combination had taken place at the beginning of the fiscal year 2015, net sales and net income attributable to equity holders of the Parent Company in 2015 would have been ₱110.3 billion and ₱10.8 billion, respectively.

The composition and movements of intangible assets follow:

| | **2016** | | | | |
|---|---|---|---|---|---|
| | **Trademark/ Brands** | **Product Formulation** | **Software Costs** | **Customer Relationship** | **Total** |
| **Cost** | | | | | |
| Balances at beginning of year | **₱5,198,501,291** | **₱425,000,000** | **₱33,033,717** | **₱1,885,972,100** | **₱7,542,507,108** |
| Additions | **–** | **–** | **23,318,492** | **–** | **23,318,492** |
| Cumulative translation adjustments | **–** | **–** | **6,195,821** | **–** | **6,195,821** |
| | **5,198,501,291** | **425,000,000** | **62,548,030** | **1,885,972,100** | **7,572,021,421** |
| **Accumulated Amortization and Impairment Losses** | | | | | |
| Balances at beginning of year | **201,524,581** | **–** | **14,756,087** | **44,283,400** | **260,564,068** |
| Amortization during the period | **–** | **–** | **16,755,211** | **49,852,232** | **66,607,443** |
| Cumulative translation adjustment | **–** | **–** | **4,541,909** | **8,166,838** | **12,708,747** |
| | **201,524,581** | **–** | **36,053,207** | **102,302,470** | **339,880,258** |
| Net Book Value at End of Year | **₱4,996,976,710** | **₱425,000,000** | **₱26,494,823** | **₱1,783,669,630** | **₱7,232,141,163** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Trademark/ Brands | Product Formulation | Software Costs | Customer Relationship | Total |
| Cost | | | | | |
| Balances at beginning of year | ₱251,524,581 | ₱425,000,000 | ₱– | ₱– | ₱676,524,581 |
| Additions from acquisition of a subsidiary | 4,946,976,710 | – | 33,033,717 | 1,885,972,100 | 6,865,982,527 |
| | 5,198,501,291 | 425,000,000 | 33,033,717 | 1,885,972,100 | 7,542,507,108 |
| Accumulated Amortization and Impairment Losses | | | | | |
| Balances at beginning of year | 201,524,581 | – | – | – | 201,524,581 |
| Amortization during the period | – | – | 14,756,087 | 44,283,400 | 59,039,487 |
| | 201,524,581 | – | 14,756,087 | 44,283,400 | 260,564,068 |
| Net Book Value at End of Year | ₱4,996,976,710 | ₱425,000,000 | ₱18,277,630 | ₱1,841,688,700 | ₱7,281,943,040 |

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of NZSFHL in 2015 composed of brands of ₱4.9 billion, customer relationships of ₱1.9 billion and software costs of ₱0.03 billion.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of September 30, 2016. The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow is at 3.43% - 9.97%. 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.

## 17. **Investments in Joint Ventures**

The rollforward analysis of this account follows:

| | **2016** | 2015 |
|---|---|---|
| **Acquisition Cost** | | |
| Balances at beginning of year | **₱638,000,000** | ₱361,500,000 |
| Additional investments | **103,250,000** | 276,500,000 |
| Balances at end of year | **741,250,000** | 638,000,000 |
| **Accumulated Equity in Net Earnings** | | |
| Balances at beginning of year | **(143,757,498)** | 79,723,735 |
| Equity in net losses during the year | **(233,998,864)** | (206,481,238) |
| Dividends received | **(17,499,995)** | (16,999,995) |
| Balances at end of year | **(395,256,357)** | (143,757,498) |
| **Net Book Value at End of Year** | **₱345,993,643** | ₱494,242,502 |

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

*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.

In 2016 and 2015, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,325,000 and 9,975,000 common shares for a total consideration of ₱103.3 million and ₱276.5 million, respectively.

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

| | Percentage of Ownership | | Equity in Net Assets | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | | | (In Millions) | |
| HURC | **50.0** | 50.0 | **₱86.1** | ₱84.5 |
| CURCI | **50.0** | 50.0 | **245.6** | 284.6 |
| DURBI | **50.0** | 50.0 | **14.3** | 125.2 |

Summarized financial information in respect of the Group's joint ventures as of September 30, 2016 and 2015 are presented below.

| | HURC | | CURCI | | DURBI | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | | | (Thousands) | | | |
| Current assets | **₱377,698** | ₱385,288 | **₱531,057** | ₱593,635 | **₱376,643** | ₱378,004 |
| Noncurrent assets | **3,274** | 1,642 | **165,246** | 166,147 | **16,240** | 12,989 |
| Current liabilities | **311,741** | 316,737 | **205,143** | 190,953 | **356,349** | 290,443 |
| Noncurrent liabilities | **2,612** | 2,562 | **–** | – | **1,867** | – |
| Revenue | **693,611** | 683,952 | **144,606** | 158,010 | **572,366** | 155,614 |
| Costs and expenses | **(658,998)** | (651,158) | **(208,713)** | (239,138) | **(846,566)** | (671,588) |
| Net income (loss) | **38,295** | 34,330 | **(77,955)** | (81,128) | **(428,338)** | (366,165) |

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, 2016 and 2015, 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 | |
|---|---|---|---|
| | | **2016** | 2015 |
| CCPI | Philippines | **100.00** | 100.00 |
| CFC Corporation | - do - | **100.00** | 100.00 |
| Bio-Resource Power Generation Corporation | - do - | **100.00** | 100.00 |
| NURC (Note 24) | - do - | **51.00** | 51.00 |
| 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 |

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

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

| | **2016** | 2015 |
|---|---|---|
| | (In Thousands) | |
| Current assets | **₱1,242,951** | ₱952,961 |
| Noncurrent assets | **853,991** | 658,997 |
| Current liabilities | **1,431,330** | 1,172,619 |
| Noncurrent liabilities | **17,290** | 19,948 |
| Revenue | **4,209,373** | 3,552,587 |
| Costs and expenses | **(3,746,989)** | (3,131,944) |
| Net income | **462,384** | 304,454 |

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

| Name of Subsidiary | Country of incorporation and operation | **2016** | 2015 |
|---|---|---|---|
| NURC | Philippines | **49%** | 49% |

The accumulated non-controlling interest as of September 30, 2016 and 2015 amounted to ₱195.8 million and ₱94.7 million, respectively.

The profit or loss allocated to non-controlling interest for the year ended September 30, 2016, 2015 and 2014 amounted to ₱215.5 million, ₱121.6 million and ₱96.6 million, respectively.

## 18. Investment Properties

| | **2016** | 2015 |
|---|---|---|
| **Cost** | | |
| Balances at beginning and end of year | **₱107,947,364** | ₱107,947,364 |
| **Accumulated Depreciation** | | |
| Balances at beginning of year | **54,429,213** | 50,771,426 |
| Depreciation (Note 28 and 29) | **3,657,781** | 3,657,787 |
| Balances at end of year | **58,086,994** | 54,429,213 |
| **Net Book Value at End of Year** | **₱49,860,370** | ₱53,518,151 |

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 36 and 38).

Total rental income earned from investment properties (included under ‘Other income’ in the consolidated statements of income) amounted to ₱61.1 million, ₱52.9 million and ₱52.8 million in 2016, 2015 and 2014, respectively.

Direct operating expenses (included under ‘General and administrative expenses’ in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million, ₱0.9 million and ₱0.9 million in 2016, 2015 and 2014, respectively.

Collateral
As of September 30, 2016 and 2015, the Group has no investment properties that are pledged as collateral.

## 19. Other Noncurrent Assets

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Input VAT | **₱541,053,202** | ₱309,885,540 |
| Deposits | **533,863,318** | 377,222,856 |
| Others | **33,662,223** | 27,015,914 |
| | **₱1,108,578,743** | ₱714,124,310 |

## 20. Short-term debts

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| US Dollar denominated loan - unsecured with interest at 1.33% in 2016 | **₱4,413,500,000** | ₱– |
| Thai Baht denominated loans - unsecured with interest ranging from 2.10% to 2.25% in 2016 and from 2.21% to 2.25% in 2015 | **1,354,171,872** | 845,285,468 |
| Malaysian Ringgit denominated loan - unsecured with interest at 4.39% in 2016 | **105,536,799** | – |
| | **₱5,873,208,671** | ₱845,285,468 |

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱2.1 million and ₱1.1 million as of September 30, 2016 and 2015, respectively (see Note 21). Interest expense from the short-term debts amounted to ₱44.1 million, ₱43.2 million and ₱83.9 million in 2016, 2015 and 2014, respectively (see Note 32).

## 21. Accounts Payable and Other Accrued Liabilities

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Trade payables (Note 36) | **₱10,148,607,465** | ₱7,644,930,094 |
| Accrued expenses | **6,786,166,547** | 4,277,663,984 |
| Customers' deposits | **508,535,557** | 227,037,889 |
| Output VAT | **431,365,602** | 479,165,289 |
| Advances from stockholders (Note 36) | **235,548,954** | 230,204,548 |
| Due to related parties (Note 36) | **62,168,584** | 73,127,178 |
| Others | **235,612,541** | 234,489,927 |
| | **₱18,408,005,250** | ₱13,166,618,909 |

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, 2016 and 2015, others include withholding taxes payable amounting to ₱139.9 million and ₱122.7 million, respectively.

The accrued expenses account consists of:

| | 2016 | 2015 |
|---|---|---|
| Advertising and promotions | **₱3,765,512,506** | ₱2,860,517,046 |
| Personnel costs | **893,908,544** | 450,284,503 |
| Contracted services | **393,780,618** | 249,104,839 |
| Rent | **372,589,049** | 22,743,439 |
| Taxes and licenses | **351,834,119** | 8,798,944 |
| Freight and handling costs | **272,278,186** | 348,473,883 |
| Utilities | **212,015,026** | 216,544,045 |
| Others | **524,248,499** | 121,197,285 |
| | **₱6,786,166,547** | ₱4,277,663,984 |

Others include accrual for professional and legal fees and other benefits.

## 22. Long-term Debts

This account consists of:

| | **September 30, 2016** | | | September 30, 2015 | | |
|---|---|---|---|---|---|---|
| | **Principal** | **Unamortized debt issuance cost** | **Net** | Principal | Unamortized debt issuance cost | Net |
| URC AU FinCo Loan | **₱17,878,209,098** | **₱312,832,469** | **₱17,565,376,629** | ₱– | ₱– | ₱– |
| URC NZ FinCo Loan | **14,784,438,961** | **170,656,853** | **14,613,782,108** | 12,559,785,840 | 185,815,524 | 12,373,970,316 |
| URC Oceania Loan | **–** | **–** | **–** | 9,638,711,395 | 143,000,750 | 9,495,710,645 |
| | **₱32,662,648,059** | **₱483,489,322** | **₱32,179,158,737** | ₱22,198,497,235 | ₱328,816,274 | ₱21,869,680,961 |

URC NZ FinCo NZ$420 Million Term Loan due 2019
On November 13, 2014, URC NZ FinCo entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ$420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

URC AU FinCo Loan due 2021
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC Oceania NZ$322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ$322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ$326.0 million (approximately ₱10.2 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US$2.9 million (approximately ₱136.3 million) as expense presented under 'Other income - net' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

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

For the URC NZ Finco and URC AU Finco loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of September 30, 2016 and 2015.

## 23. Other Noncurrent Liabilities

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Net pension liability (Note 33) | **₱332,075,836** | ₱244,731,643 |
| Derivative liability (Note 9) | **–** | 151,646,715 |
| Miscellaneous | **125,070,200** | – |
| | **₱457,146,036** | ₱396,378,358 |

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

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

## 24. Equity

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

| | **2016** | 2015 |
|---|---|---|
| Authorized shares | **2,998,000,000** | 2,998,000,000 |
| Par value per share | **₱1.00** | ₱1.00 |
| Issued shares: | | |
| Balances at beginning and end of year | **2,227,638,933** | 2,227,638,933 |
| Outstanding shares | **2,204,161,868** | 2,181,501,933 |

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

| | **2016** | 2015 |
|---|---|---|
| Common stock | **₱2,227,638,933** | ₱2,227,638,933 |
| Additional paid-in capital | **20,856,143,110** | 16,829,046,318 |
| Total paid-up capital | **₱23,083,782,043** | ₱19,056,685,251 |

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, 2016, 2015 and 2014:

| | | **2016** | 2015 | 2014 |
|---|---|---|---|---|
| (a) | Short-term debts (Note 20) | **₱5,873,208,671** | ₱845,285,468 | ₱4,327,990,825 |
| | Trust receipts payable (Note 11) | **4,645,224,001** | 4,620,725,913 | 4,412,695,949 |
| | Long-term debts (Note 22) | **32,179,158,737** | 21,869,680,961 | – |
| | | **₱42,697,591,409** | ₱27,335,692,342 | ₱8,740,686,774 |
| (b) | Capital | **₱75,272,057,832** | ₱65,359,628,291 | ₱56,026,996,300 |
| (c) | Debt-to-capital ratio (a/b) | **0.57:1** | 0.42:1 | 0.16:1 |

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

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2016 and 2015.

Retained Earnings

*Accumulated equity in net earnings of the subsidiaries*

A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries amounting to ₱44.5 billion and ₱36.4 billion as of September 30, 2016 and 2015, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of the Parent Company from the investees.

*Dividends*

Details of the Group's dividend declarations follow:

Parent Company

| Year | Date of declaration | Dividend per share | Total dividends | Date of record | Date of payment |
|---|---|---|---|---|---|
| **2016** | **February 9, 2016** | **₱3.15** | **₱6.9 billion** | **February 29, 2016** | **March 28, 2016** |
| 2015 | February 6, 2015 | ₱3.00 | ₱6.5 billion | February 26, 2015 | Mach 24, 2015 |
| 2014 | February 6, 2014 | ₱3.00 | ₱6.5 billion | February 26, 2014 | March 24, 2014 |

NURC

| Year | Date of declaration | Dividend per share | Total dividends | Date of record | Date of payment |
|---|---|---|---|---|---|
| **2016** | **December 18, 2015** | **₱0.53** | **₱100.0 million** | **September 30, 2014** | **March 31, 2016** |
| **2016** | **December 18, 2015** | **₱0.72** | **₱136.0 million** | **September 30, 2014** | **September 26, 2016** |
| 2015 | November 30, 2014 | ₱0.42 | ₱79.1 million | November 30, 2014 | February 28, 2015 |
| 2015 | December 15, 2014 | ₱1.53 | ₱289.0 million | September 30, 2014 | February 28, 2015 |
| 2014 | December 11, 2013 | ₱1.06 | ₱200.0 million | September 30, 2013 | February 28, 2014 |

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

There were no dividend declaration and dividend payments to stockholders of CCPI in 2016 and 2014.

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

On September 18, 2015, as approved by the BOD, the Group has appropriated retained earnings amounting to ₱2.0 billion for the Group's capital expenditure commitments to expand capacities in the snackfoods and beverage businesses across branded food operations which is expected to be completed within the next two years.

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

The Parent Company has outstanding treasury shares of 23.5 million shares (₱341.1 million) as of September 30, 2016 and 46.1 million shares (₱670.4 million) as of September 30, 2015 and 2014, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve
In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte., Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the

consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under “Equity reserve” in the consolidated statements of changes in equity.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included under “Equity reserve” in the consolidated statements of changes in equity.

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<br>2,000,000 preferred shares | – |
| February 23, 1994 | Initial public offering | | | | | |
| | Subscribed and fully paid common shares | 929,890,908 | 1.00 | 1.00 | – | 929,890,908 |
| | New common shares | 309,963,636 | 1.00 | 21.06 | – | 309,963,636 |
| July 21, 1995 | 20.00% stock dividend | 247,970,907 | – | – | – | 247,970,907 |
| October 15, 2001 | 10.00% stock dividend | 148,782,542 | – | – | – | 148,782,542 |
| June 20, 2003 | Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)] | 49,871,556 | – | – | – | 49,871,556 |
| December 16, 2005 | Increase in authorized capital stock (payment by way of 15.00% stock dividend) | – | – | – | 1,000,000,000 common shares | 252,971,932 |

(Forward)

| Date of offering | Type of offering | No. of shares offered | Par value | Offer price | Authorized number of shares | Issued and Outstanding Shares |
|---|---|---|---|---|---|---|
| February 7, 2006 | New share offering for common shares: | | | | | |
| | a. Primary shares | 282,400,000 | ₱1.00 | ₱17.00 | – | 282,400,000 |
| | b. Secondary shares | 352,382,600 | | | | |
| | c. Over-allotment shares | 95,217,400 | | | | |
| November 14, 2007 to October 20, 2008 | Acquisition of Parent Company's shares under the share buy-back program | – | – | – | – | (75,104,200) |
| April 21, 2009 | Issuance of shares to JGSHI | – | – | – | – | 5,787,452 |
| December 8, 2009 to January 27, 2011 | Acquisition of Parent Company's shares under the share buy-back Program | – | – | – | – | (91,032,800) |
| June 14, 2012 | Sale of treasury shares | – | – | – | – | 120,000,000 |
| September 30, 2016 | Sale of treasury shares | – | – | – | – | 22,659,935 |
| | | | | | | 2,204,161,868 |

The table below provides information regarding the number of stockholders of the Parent Company as of September 30, 2016, 2015 and 2014:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Common shares | **1,025** | 1,042 | 1,066 |

## 25. Components of Other Comprehensive Income

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| *Items to be reclassified to profit or loss in subsequent periods*: | | | |
| Cumulative translation adjustments | **₱1,042,402,519** | ₱3,801,908,167 | ₱819,382,429 |
| Net unrealized gain on AFS financial assets (Note 14): | | | |
| Balances at beginning of year | **19,160,000** | – | – |
| Change in fair value during the year | **950,000** | 19,160,000 | – |
| Balances at end of year | **20,110,000** | 19,160,000 | – |
| Net unrealized loss on cash flow hedges: | | | |
| Balances at beginning of year | **(1,449,501)** | – | – |
| Change in fair value during the year | **1,549,023** | (1,449,501) | – |
| Balances at end of year | **99,522** | (1,449,501) | |
| | **1,062,612,041** | 3,819,618,666 | 819,382,429 |
| *Item not to be reclassified to profit or loss in subsequent periods*: | | | |
| Remeasurement losses on defined benefit plans: | | | |
| Balances at beginning of year | **(705,069,352)** | (698,479,087) | (609,472,681) |
| Remeasurement losses on defined benefit plans during the year | **(81,082,697)** | (6,590,265) | (89,006,406) |
| Balances at end of year | **(786,152,049)** | (705,069,352) | (698,479,087) |
| Income tax effect | **235,845,615** | 211,520,806 | 209,543,727 |
| | **(550,306,434)** | (493,548,546) | (488,935,360) |
| | **₱512,305,607** | ₱3,326,070,120 | ₱330,447,069 |

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

## 26. Cost of Sales

This account consists of:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Raw materials used | **₱52,405,077,910** | ₱53,151,012,935 | ₱46,637,124,788 |
| Direct labor | **4,518,257,097** | 4,251,024,101 | 2,442,500,703 |
| Overhead costs | **19,358,437,252** | 16,800,558,852 | 15,987,487,042 |
| Total manufacturing costs | **76,281,772,259** | 74,202,595,888 | 65,067,112,533 |
| Goods in-process | **(55,146,074)** | (103,861,298) | (214,487,461) |
| Cost of goods manufactured | **76,226,626,185** | 74,098,734,590 | 64,852,625,072 |
| Finished goods | **(1,135,667,258)** | (297,299,108) | (847,247,155) |
| | **₱75,090,958,927** | ₱73,801,435,482 | ₱64,005,377,917 |

The Group's raw materials used include raw materials and container and packaging materials inventory (see Note 11).

Overhead costs are broken down as follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Utilities | **₱7,283,943,454** | ₱6,111,407,070 | ₱7,045,685,128 |
| Depreciation and amortization (Note 29) | **4,948,452,404** | 4,410,763,125 | 3,698,844,846 |
| Repairs and maintenance | **2,605,000,433** | 2,195,999,911 | 2,004,020,427 |
| Personnel expenses (Note 30) | **2,153,478,163** | 1,978,646,243 | 1,466,686,047 |
| Rental expense (Note 38) | **957,912,584** | 1,018,125,361 | 881,496,776 |
| Security and other contracted services | **571,026,260** | 495,953,822 | 447,560,863 |
| Handling and delivery charges | **140,245,627** | 168,610,328 | 73,878,521 |
| Insurance | **139,740,141** | 140,214,021 | 69,015,632 |
| Research and development | **64,506,823** | 85,283,906 | 73,139,925 |
| Others | **494,131,363** | 195,555,065 | 227,158,877 |
| | **₱19,358,437,252** | ₱16,800,558,852 | ₱15,987,487,042 |

## 27. Selling and Distribution Costs

This account consists of:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Advertising and promotions | **₱6,888,424,028** | ₱6,312,005,354 | ₱5,313,458,212 |
| Freight and other selling expenses | **6,788,061,793** | 6,302,343,505 | 4,992,463,143 |
| Personnel expenses (Note 30) | **1,807,948,482** | 1,598,020,251 | 1,108,922,133 |
| Depreciation and amortization (Note 29) | **173,978,540** | 165,979,027 | 90,656,884 |
| Repairs and maintenance | **69,357,902** | 70,689,807 | 94,303,151 |
| Other selling and distribution costs | **100,275,347** | 173,844,393 | 131,616,300 |
| | **₱15,828,046,092** | ₱14,622,882,337 | ₱11,731,419,823 |

## 28. General and Administrative Expenses

This account consists of:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Personnel expenses (Note 30) | **₱2,238,678,371** | ₱1,845,846,562 | ₱1,357,827,433 |
| Depreciation and amortization (Note 29) | **347,069,384** | 250,443,154 | 220,117,658 |
| Rental expense (Note 38) | **201,639,875** | 75,649,892 | 46,920,062 |
| Repairs and maintenance | **163,878,373** | 125,344,450 | 102,176,650 |
| Taxes, licenses and fees | **163,149,877** | 115,539,003 | 105,078,199 |
| Travel and transportation | **136,064,647** | 150,571,485 | 172,462,015 |
| Professional and legal fees | **132,402,125** | 159,732,814 | 84,146,493 |
| Security and contractual services | **103,238,552** | 93,238,375 | 64,308,796 |
| Communication | **100,938,306** | 91,565,921 | 46,895,114 |
| Utilities | **73,227,679** | 53,063,499 | 54,713,246 |
| Stationery and office supplies | **27,917,591** | 27,999,527 | 28,008,290 |
| Donations and contributions | **1,068,305** | 8,702,557 | 3,734,332 |
| Others | **212,901,538** | 255,594,226 | 233,939,136 |
| | **₱3,902,174,623** | ₱3,253,291,465 | ₱2,520,327,424 |

## 29. **Depreciation and Amortization**

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Cost of sales (Notes 13 and 26) | **₱4,948,452,404** | ₱4,410,763,125 | ₱3,698,844,846 |
| Selling and distribution costs (Notes 13 and 27) | **173,978,540** | 165,979,027 | 90,656,884 |
| General and administrative expenses (Notes 13, 16, 18, and 28) | **347,069,384** | 250,443,154 | 220,117,658 |
| | **₱5,469,500,328** | ₱4,827,185,306 | ₱4,009,619,388 |

## 30. **Personnel Expenses**

This account consists of:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Salaries and wages | **₱4,421,277,217** | ₱3,873,144,742 | ₱2,708,604,158 |
| Other employee benefits | **1,637,159,230** | 1,419,785,105 | 1,100,013,481 |
| Pension expense (Note 33) | **141,668,569** | 129,583,209 | 124,817,974 |
| | **₱6,200,105,016** | ₱5,422,513,056 | ₱3,933,435,613 |

The breakdown of personnel expenses follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Cost of sales (Note 26) | **₱2,153,478,163** | ₱1,978,646,243 | ₱1,466,686,047 |
| Selling and distribution costs (Note 27) | **1,807,948,482** | 1,598,020,251 | 1,108,922,133 |
| General and administrative expenses (Note 28) | **2,238,678,371** | 1,845,846,562 | 1,357,827,433 |
| | **₱6,200,105,016** | ₱5,422,513,056 | ₱3,933,435,613 |

## 31. **Finance Revenue**

This account consists of:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Bank interest income (Note 7) | **₱198,694,692** | ₱228,893,761 | ₱191,054,204 |
| Dividend income | **12,921,147** | 22,698,413 | 16,151,434 |
| Interest income on escrow fund (Note 16) | **–** | 23,748,550 | 20,466,995 |
| Others | **1,428,588** | 1,839,664 | 1,188,200 |
| | **₱213,044,427** | ₱277,180,388 | ₱228,860,833 |

## 32. **Finance Costs**

This account consists of finance costs arising from:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Short-term debts (Note 20) | **₱44,086,561** | ₱43,214,597 | ₱83,913,655 |
| Long-term debts (Note 22) | **753,459,715** | 1,105,529,776 | – |
| Net interest on net pension liability (Note 33) | **10,512,148** | 12,993,140 | 27,684,710 |
| Others | **89,162,540** | 115,815,489 | 38,811,613 |
| | **₱897,220,964** | ₱1,277,553,002 | ₱150,409,978 |

## 33. Pension Costs

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

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

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

**2016**

| | | Net benefit cost in consolidated statements of income | | | | Remeasurements in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **October 1, 2015** | **Current service cost** (Note 30) | **Finance cost** (Note 32) | **Subtotal** | **Benefits paid** | **Return on plan assets (excluding amount included in net interest cost)** | **Actuarial changes arising from changes in experience adjustments** | **Actuarial changes arising from demographic assumptions** | **Actuarial changes arising from changes in financial assumptions** | **Subtotal** | **Contributions** | **September 30, 2016** |
| **Present value of defined benefit obligation** | **₱2,234,364,282** | **₱141,668,569** | **₱90,827,647** | **₱232,496,216** | **(₱109,949,387)** | **₱–** | **₱ 24,740,877** | **₱–** | **₱42,572,876** | **₱67,313,753** | **₱–** | **₱2,424,224,864** |
| **Fair value of plan assets** | **(1,989,632,639)** | **–** | **(80,315,499)** | **(80,315,499)** | **109,949,387** | **11,986,778** | **–** | **–** | **–** | **11,986,778** | **(144,137,055)** | **(2,092,149,028)** |
| | **₱244,731,643** | **₱141,668,569** | **₱10,512,148** | **₱152,180,717** | **₱–** | **₱11,986,778** | **₱24,740,877** | **₱–** | **₱42,572,876** | **₱79,300,531** | **(₱144,137,055)** | **₱332,075,836** |

2015

| | | Net benefit cost in consolidated statements of income | | | | Remeasurements in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | October 1, 2015 | Current service cost (Note 30) | Finance cost (Note 32) | Subtotal | Benefits paid | Return on plan assets (excluding amount included in net interest cost) | Actuarial changes arising from changes in experience adjustments | Actuarial changes arising from demographic assumptions | Actuarial changes arising from changes in financial assumptions | Subtotal | Contributions | September 30, 2016 |
| Present value of defined benefit obligation | ₱2,211,764,369 | ₱129,583,209 | ₱109,142,294 | ₱238,725,503 | (₱168,459,862) | ₱– | (₱107,975,034) | (₱6,919,028) | ₱67,228,334 | (₱47,665,728) | ₱– | ₱2,234,364,282 |
| Fair value of plan assets | (1,949,596,814) | – | (96,149,154) | (96,149,154) | 168,459,862 | 55,995,796 | – | – | – | 55,995,796 | (168,342,329) | (1,989,632,639) |
| | ₱262,167,555 | ₱129,583,209 | ₱12,993,140 | ₱142,576,349 | ₱– | ₱55,995,796 | (₱107,973,018) | (₱6,917,012) | ₱67,228,334 | ₱8,330,068 | (₱168,342,329) | ₱244,731,643 |

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

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **₱1,813,067,863** | ₱183,797,082 |
| Due from related party | **25,270,800** | – |
| Short-term notes receivable (Note 36) | – | 1,600,894,571 |
| AFS investments | **50,490,255** | 1,379,042 |
| HTM investments | **108,692,575** | 109,312,509 |
| Interest receivable | **3,343,547** | 2,825,431 |
| Land | **91,448,525** | 91,448,525 |
| | **2,092,313,565** | 1,989,657,160 |
| **Liabilities** | | |
| Accrued trust and management fees | **164,537** | 24,521 |
| | **₱2,092,149,028** | ₱1,989,632,639 |

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

| | Parent Company | | NURC | | CCPI | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| Discount rate | **4.47%** | 4.68% | **4.75%** | 4.91% | **4.91%** | 4.86% |
| Salary increase | **5.70%** | 5.70% | **5.70%** | 5.70% | **5.70%** | 5.70% |

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

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

| | Increase (Decrease) | Parent Company 2016 | Parent Company 2015 | NURC 2016 | NURC 2015 | CCPI 2016 | CCPI 2015 |
|---|---|---|---|---|---|---|---|
| Discount rate | 1.00% | **(₱191,085,377)** | (₱140,965,138) | **(₱3,730,615)** | (₱3,443,354) | **₱20,731,803** | (₱3,403,149) |
| | (1.00%) | **221,140,033** | 163,123,786 | **4,476,674** | 4,120,884 | **29,479,324** | 4,282,353 |
| Salary increase | 1.00% | **232,404,639** | 153,693,599 | **4,576,513** | 3,925,665 | **29,564,817** | 4,118,574 |
| | (1.00%) | **(204,564,645)** | (135,822,038) | **(3,879,365)** | (3,360,049) | **20,597,919** | (3,352,210) |

The Group expects to contribute ₱195.1 million in the pension fund in 2017.

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

| | 2016 | 2015 |
|---|---|---|
| Less than one year | **₱186,248,189** | ₱548,053,504 |
| More than one year to five years | **792,278,154** | 757,817,463 |
| More than five years to 10 years | **1,362,679,938** | 1,059,630,321 |
| More than 10 years to 15 years | **1,512,703,102** | 1,209,908,229 |
| More than 15 years to 20 years | **1,510,298,709** | 1,199,775,962 |
| More than 20 years | **3,155,611,027** | 2,557,591,721 |

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

| | 2016 | 2015 |
|---|---|---|
| | (Years) | |
| Parent Company | **16** | 15 |
| NURC | **21** | 21 |
| CCPI | **25** | 26 |

## 34. Income Taxes

Provision for income tax consists of:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current | **₱3,334,622,290** | ₱3,382,651,738 | ₱2,318,032,975 |
| Deferred | **106,910,715** | (131,104,097) | 254,190,944 |
| | **₱3,441,533,005** | ₱3,251,547,641 | ₱2,572,223,919 |

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

| | Net deferred tax assets | | Net deferred tax liabilities | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Deferred tax assets on: | | | | |
| Net unrealized foreign exchange loss | **₱272,596,490** | ₱360,723,741 | **₱9,850,428** | ₱4,347,263 |
| Pension liabilities | **216,234,799** | 100,628,154 | **42,390,648** | 37,785,006 |
| Nondeductible accruals | **199,632,952** | – | **12,690,895** | 22,600,931 |
| Leases | **106,973,121** | – | – | – |
| Impairment losses on trade receivables and property and equipment | **106,534,899** | 113,354,637 | **322,246** | 292,417 |
| Past service cost | **91,856,867** | 104,979,277 | – | – |
| Inventory write-downs | **35,592,503** | 37,960,487 | **4,250,395** | 3,065,907 |
| Foreign subsidiaries | **27,497,890** | 53,284,051 | – | – |
| Unearned revenue | **23,426,651** | – | – | – |
| NOLCO | **2,078,296** | 1,236,857 | – | – |
| MCIT | – | 355,351 | – | – |
| Others | **8,011,285** | – | **513,336** | 563,695 |
| | **1,090,435,753** | 772,522,555 | **70,017,948** | 68,655,219 |
| Deferred tax liabilities on: | | | | |
| Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks | **146,957,730** | 165,197,061 | – | – |
| Borrowing costs | **7,420,356** | 9,726,558 | – | – |
| Accelerated depreciation | **16,253,059** | – | **321,150,643** | 276,494,455 |
| Intangibles | – | – | **1,902,464,455** | 1,657,470,182 |
| Undistributed income of foreign subsidiaries | – | – | **579,636,866** | 509,578,351 |
| Foreign subsidiaries | – | – | **35,898,295** | 34,595,592 |
| | **170,631,145** | 174,923,619 | **2,839,150,259** | 2,478,138,580 |
| Net deferred tax assets (liabilities) | **₱919,804,608** | ₱597,598,936 | **(₱2,769,132,311)** | (₱2,409,483,361) |

As of September 30, 2016 and 2015, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱79.9 million and ₱148.7 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 unrealized foreign exchange losses of the Group's subsidiaries.

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Statutory income tax rate | **30.00%** | 30.00% | 30.00% |
| Increase (decrease) in tax rate resulting from | | | |
| Income exempt from tax | **(1.02)** | (0.24) | – |
| Interest income subjected to final tax | **(0.21)** | (0.27) | (0.28) |
| Nondeductible interest expense | **0.09** | 0.10 | 0.08 |
| Equity in net income of a joint venture | **(0.37)** | (0.39) | 0.03 |
| Net income of subsidiaries with different tax rate | **(11.39)** | (11.49) | (12.91) |
| Change in value of financial assets at FVPL | **0.02** | 0.14 | (0.13) |
| Others | **1.19** | 2.79 | 1.29 |
| Effective income tax rate | **18.31%** | 20.64% | 18.08% |

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

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

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

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

Current tax regulations further provides that an OSD equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. In 2016 and 2015, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under ‘General and administrative expenses’ in the consolidated statements of income) amounting to ₱41.6 million, ₱40.0 million and ₱36.4 million in 2016, 2015 and 2014, 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.

## 35. Earnings Per Share

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Net income attributable to equity holders of the parent | **₱15,140,452,205** | ₱12,383,347,980 | ₱11,558,709,746 |
| Weighted average number of common shares | **2,181,564,015** | 2,181,501,933 | 2,181,501,933 |
| Basic/dilutive EPS | **₱6.94** | ₱5.68 | ₱5.30 |

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 2016, 2015 and 2014.

## 36. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash. The amounts and related volumes and changes are presented in the summary below.

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

| 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Related Party** | **Category/Transaction** | **Amount/ Volume** | **Cash and Cash Equivalents (Note 7)** | **Trade Receivable (Payable) - net (Notes 10 and 21)** | **Non- trade Receivable (Payable) - net (Notes 10 and 21)** | **Terms** | **Conditions** |
| **Ultimate Parent Company** | Advances | **₱–** | **₱–** | **₱–** | **₱668,840,732** | **On demand; non-interest bearing** | **Unsecured; no impairment** |
| | Rental expense | **166,503,507** | – | – | – | | |
| | Other expense | – | – | – | – | | |
| **Entity under common control** | | | | | | | |
| Due from related parties | Advances | – | – | – | **635,051,546** | **On demand; non-interest bearing** | **Unsecured; no impairment** |
| | Sales | **750,450,211** | – | **98,977,506** | – | **On demand; non-interest bearing** | **Unsecured; no impairment** |
| | Rental income | **36,266,793** | – | – | – | | |
| | Engineering services | **13,954,644** | – | – | – | | |
| Due to related parties | | **–** | – | – | **(62,168,584)** | | |
| Cash and cash equivalents | Cash in bank | **68,191,352** | **189,240,903** | – | – | **Interest-bearing at prevailing market rate; due and demandable** | **Unsecured; no impairment** |
| | Money market placements | **(2,127,907,997)** | **12,026,135** | – | – | **Interest-bearing at prevailing market rate; due and demandable** | **Unsecured; no impairment** |
| **Subsidiaries** | | | | | | | |
| Due from related parties | Sales | **779,003,898** | – | **52,172,016** | – | **On demand; non-interest bearing** | **Unsecured; no impairment** |
| | Management fees | – | – | – | – | | |
| | Rental income | **15,804,927** | – | – | | | |
| Due to related parties | Purchases | **5,108,848,460** | – | **(243,352,735)** | – | **On demand** | **Unsecured** |
| **Joint Venture** | Purchases | **1,246,984,793** | – | **(51,348,490)** | – | **1 to 30 days; non-interest bearing** | **Unsecured** |
| | Sales | **578,203,973** | – | **264,476,332** | – | | |

| | | 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| Related Party | Category/Transaction | Amount/ Volume | Cash and Cash Equivalents (Note 7) | Trade Receivable (Payable) - net (Notes 10 and 21) | Non- trade Receivable (Payable) - net (Notes 10 and 21) | Terms | Conditions |
| Ultimate Parent Company | Advances | ₱201,634 | ₱– | ₱– | ₱880,029,217 | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental expense | 147,956,480 | – | – | – | | |
| | Other expense | – | – | – | – | | |
| Entity under common control | | | | | | | |
| Due from related parties | Advances | 311,061,811 | – | – | 684,907,451 | On demand; non-interest bearing | Unsecured; no impairment |
| | Sales | 714,682,700 | – | 37,657,484 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 32,219,041 | – | – | – | | |
| | Engineering services | 9,241,013 | – | – | – | | |
| Due to related parties | | | – | – | (73,127,178) | | |
| Cash and cash equivalents | Cash in bank | (35,281,944) | 121,049,551 | – | – | Interest-bearing at prevailing market rate; due and demandable | Unsecured; no impairment |
| | Money market placements | 204,438,784 | 2,139,934,132 | – | – | Interest-bearing at prevailing market rate; due and demandable | Unsecured; no impairment |
| Subsidiaries | | | | | | | |
| Due from related parties | Sales | 756,406,734 | – | 39,649,256 | – | On demand; | Unsecured; |
| | Management fees | 48,000,000 | – | – | – | non-interest bearing | no impairment |
| | Rental income | 19,292,584 | – | – | 59,719,455 | | |
| Due to related parties | Purchases | 5,714,623,830 | – | (444,784,785) | – | On demand | Unsecured |
| Joint Venture | Purchases | 677,604,771 | | (54,072,655) | – | 1-30 days; | Unsecured |
| | Sales | 360,709,966 | | 30,185,596 | – | non-interest bearing | |

| 2014 | | |
|---|---|---|
| Related Party | Category/ Transaction | Volume/ Amount |
| Ultimate Parent Company | Rent expense | ₱122,152,062 |
| | Other expense | (8,939,602) |
| Entities under common control | Sales | 287,074,160 |
| | Rental income | 16,558,539 |
| | Engineering services | 9,457,541 |
| Subsidiaries | | |
| Due from related parties | Sales | 918,181,372 |
| | Management fees | 48,000,000 |
| | Rental income | 16,222,432 |
| Due to related parties | Purchases | 4,848,267,831 |
| Joint Venture | Purchases | 718,840,162 |
| | Sales | 41,268,800 |

The Group's significant transactions with related parties follow:

(a) The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

(b) As of September 30, 2016 and 2015, the Group has advances from stockholders amounting to ₱235.5 million and ₱230.2 million, respectively. These advances are non-interest bearing and payable on demand.

*Sale of Noodle Line Assets through Asset Purchase Agreement*
On November 17, 2014, NURC entered into an asset purchase agreement with the Parent Company to acquire the latter's noodle line assets for a consideration of ₱366.7 million which comprised the following:

- Building and improvements thereon as well the machinery and equipment, free from liens and encumbrances, for a total consideration of ₱290.2 million; and
- Inventories such as raw materials, packing materials, semi-manufactured inventory and spare parts and supplies, for a total consideration of ₱76.5 million.

*Transactions with the retirement plan*
The plan assets of the Group's employees amounted to ₱2.1 billion and ₱2.0 billion as of September 30, 2016 and 2015, respectively (see Note 33). The Group entered into an agreement to lease the land of the retirement plan. Rentals incurred during the year amounted to ₱25.3 million. Terms are unsecured, non-interest bearing and payable on demand.

The Group's plan assets also include amounts due from JGSHI totaling to nil and ₱1.6 billion in 2016 and 2015, respectively (see Note 33).

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

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Short-term employee benefits | **₱230,582,981** | ₱209,707,382 | ₱189,069,686 |
| Post-employment benefits | **67,025,015** | 58,689,602 | 63,361,947 |
| | **₱297,607,996** | ₱268,396,984 | ₱252,431,633 |

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.

## 37. 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.

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

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

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

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

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

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output;

(g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms (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.

## 38. Commitments and Contingencies

Operating Lease Commitments - Group as a Lessor

The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and building where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱61.1 million, ₱51.4 million and ₱56.8 million in 2016, 2015 and 2014, 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 ₱395.6 million, ₱179.0 million and ₱161.1 million in 2016, 2015 and 2014, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

| | **2016** | **2015** | 2014 |
|---|---|---|---|
| Within one year | **₱183,546,225** | **₱75,583,986** | ₱71,984,748 |
| After one year but not more than five years | **734,184,901** | **302,335,942** | 287,938,993 |
| Five (5) years or more | **520,915,202** | – | – |
| | **₱1,438,646,328** | **₱377,919,928** | ₱359,923,741 |

<u>Finance Lease Commitments - Group as a Lessee</u>
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 ₱34.1 million, ₱22.5 million and ₱23.3 million in 2016, 2015 and 2014, respectively.

<u>Others</u>
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.

## 39. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Cumulative translation adjustment | **(₱2,759,505,648)** | ₱2,982,525,738 | ₱218,282,351 |
| Disposal of property, plant and equipment | **687,174,800** | – | – |
| Land contributed to plan assets | – | – | 91,448,525 |

## 40. Events After the Reporting Period

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

*Dividend declaration of NURC*
On December 22, 2016, NURC's BOD declared cash dividends amounting to ₱2.46 per share to stockholders of record as of September 30, 2016. Total dividends declared amounted to ₱465.0 million, payable on first quarter and third quarter of 2017, amounting to ₱200.0 million and ₱265.0 million, respectively.

## 41. 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 11, 2017.

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 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at September 30, 2016 and 2015 and for each of the three years in the period ended September 30, 2016, included in this Form 17-A and have issued our report thereon dated January 11, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908720, January 3, 2017, Makati City

January 11, 2017

**Universal Robina Corporation and Subsidiaries**
**Schedule A - Financial Assets**
**September 30, 2016**

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Balance Sheet/ Notes | Valued Based on Market Quotations at Balance Sheet Date | Income Received and Accrued (including Dividends Received) |
|---|---|---|---|---|
| Various / Equity Securities | | ₱389,067,953 | ₱389,067,953 | ₱12,921,147 |
| Derivatives | | 138,177 | 138,177 | – |
| | | ₱389,206,130 | ₱389,206,130 | ₱12,921,147 |

See Note 8 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
**September 30, 2016**

| Name of Debtor | Balance at Beginning of Period | Additions | Collections | Balance at End of Period | | |
|---|---|---|---|---|---|---|
| | | | | Current | Non-Current | Total |
| Advances to officers and employees | ₱75,545,543 | ₱63,927,802 | ₱– | ₱139,473,345 | ₱– | ₱139,473,345 |

See Note 10 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements**
**September 30, 2016**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Written Off | Balance at End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Non-Current | Total |
| CFC Corporation | ₱48,300,751 | ₱14,839,438 | (₱9,170,638) | ₱– | ₱53,969,551 | ₱– | ₱53,969,551 |
| CFC Clubhouse Property, Inc. | (506,913,617) | 1,619,798,272 | (719,631,110) | – | 393,253,545 | – | 393,253,545 |
| URC International Company, Ltd. and its Subsidiaries | 6,479,385,792 | – | (2,637,508,407) | – | 3,841,877,385 | – | 3,841,877,385 |
| Nissin - Universal Robina Corporation | 135,596,334 | 2,677,898,829 | (2,902,392,259) | – | (88,897,096) | – | (88,897,096) |
| | ₱6,156,369,260 | ₱4,312,536,539 | (₱6,268,702,414) | ₱– | ₱4,200,203,385 | ₱– | ₱4,200,203,385 |

**Universal Robina Corporation and Subsidiaries**
**Schedule D - Intangible Assets - Other Assets**
**September 30, 2016**

| Description | Beginning Balance | Additions at Cost | Deductions / Amortizations | | Other Charges– Additions (Deductions) | Ending Balance |
|---|---|---|---|---|---|---|
| | | | Charged to cost and Expenses | Charged to Other Accounts | | |
| Goodwill | ₱14,706,811,446 | ₱19,931,853,571 | ₱– | ₱– | ₱– | ₱34,638,665,017 |
| Trademark/Brands | 4,996,976,710 | – | – | – | – | 4,996,976,710 |
| Customer relationship | 1,841,688,700 | – | (49,852,232) | – | (8,166,838) | 1,783,669,630 |
| Product formulation | 425,000,000 | – | – | – | – | 425,000,000 |
| Software costs | 18,277,630 | 23,318,492 | (16,755,211) | – | 1,653,912 | 26,494,823 |
| Intangible Assets | ₱21,988,754,486 | ₱19,955,172,063 | (₱66,607,443) | ₱– | (₱6,512,926) | ₱41,870,806,180 |

See Note 16 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule E - Long-Term Debts**
**September 30, 2016**

| Name of Issuer and Type of Obligation | Amount Authorized By Indenture | Amount Shown as Current | Amount Shown as Long-term | Total |
|---|---|---|---|---|
| Various foreign banks | Not applicable | ₱– | ₱32,179,158,737 | ₱32,179,158,737 |

See Note 22 of the Consolidated Financial Statements

**Universal Robina Corporation and Subsidiaries**
**Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**September 30, 2016**

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period |
| --- | --- | --- |

**NONE TO REPORT**

**Universal Robina Corporation and Subsidiaries**
**Schedule G - Guarantees of Securities and Other Issuers**
**September 30, 2016**

| Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which this Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|

**NONE TO REPORT**

**Universal Robina Corporation and Subsidiaries**
**Schedule H - Capital Stock**
**September 30, 2016**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding (Net of Treasury Shares) | Number of Shares Reserved for Options, Warrants, Conversions and Other Rights | Number of Shares Held by | | |
|---|---|---|---|---|---|---|
| | | | | Affiliates | Directors, Officers and Employees | Others |
| Preferred stock - ₱1 par value | 2,000,000 | None | – | – | – | – |
| Common stock - ₱1 par value | 2,998,000,000 | 2,204,161,868 | – | 1,217,841,260 | 14,290,843 | 972,029,765 |

See Note 24 of the Consolidated Financial Statements.

## UNIVERSAL ROBINA CORPORATION
## SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of September 30, 2016 | | Adopted | Not Adopted/ Not Early Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | ✓ | | |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* | | | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of September 30, 2016 | | Adopted | Not Adopted/ Not Early Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | | ✓ | |
| **PFRS 8** | Operating Segments | ✓ | | |
| **PFRS 9** | Financial Instruments* | | ✓ | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | | ✓ | |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception* | | ✓ | |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* | | ✓ | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception* | | ✓ | |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| **PFRS 14** | Regulatory Deferral Accounts | | | ✓ |
| **PFRS 15** | Revenue* | | ✓ | |
| **PFRS 16** | Leases* | | ✓ | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| **PAS 2** | Inventories | ✓ | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Balance Sheet Date | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |

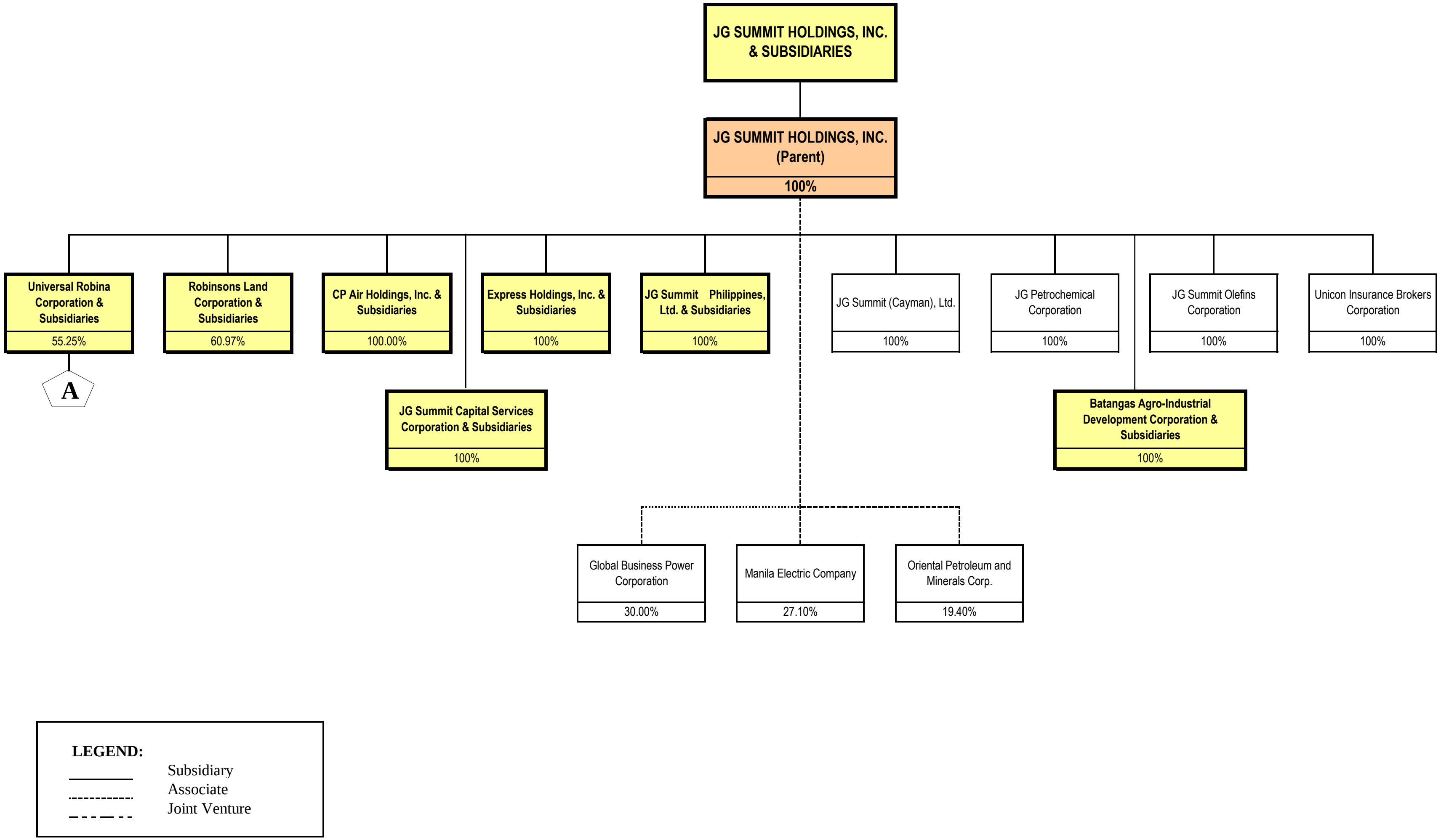
| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of September 30, 2016 | | Adopted | Not Adopted/ Not Early Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | | | ✓ |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | ✓ | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | ✓ | | |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| **PAS 36** | Impairment of Assets | ✓ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | ✓ | | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |

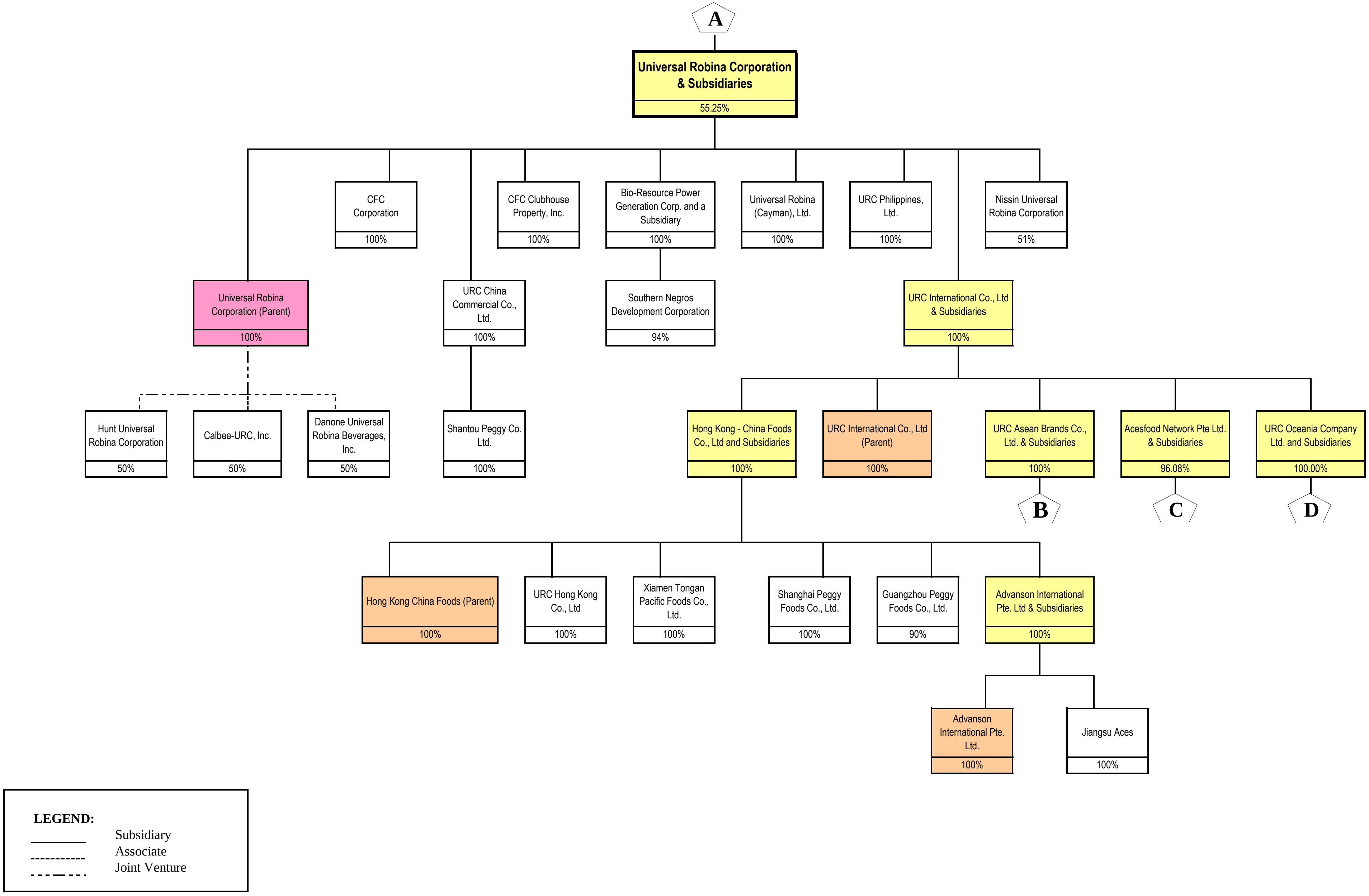
| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016** | | **Adopted** | **Not Adopted/ Not Early Adopted** | **Not Applicable** |
|---|---|---|---|---|
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | ✓ | | |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| **PAS 40** | Investment Property | ✓ | | |
| **PAS 41** | Agriculture | ✓ | | |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **IFRIC 8** | Scope of PFRS 2 | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | Interim Financial Reporting and Impairment | | | ✓ |
| **IFRIC 11** | PFRS 2 - Group and Treasury Share Transactions | ✓ | | |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | |
| | Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement | ✓ | | |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |

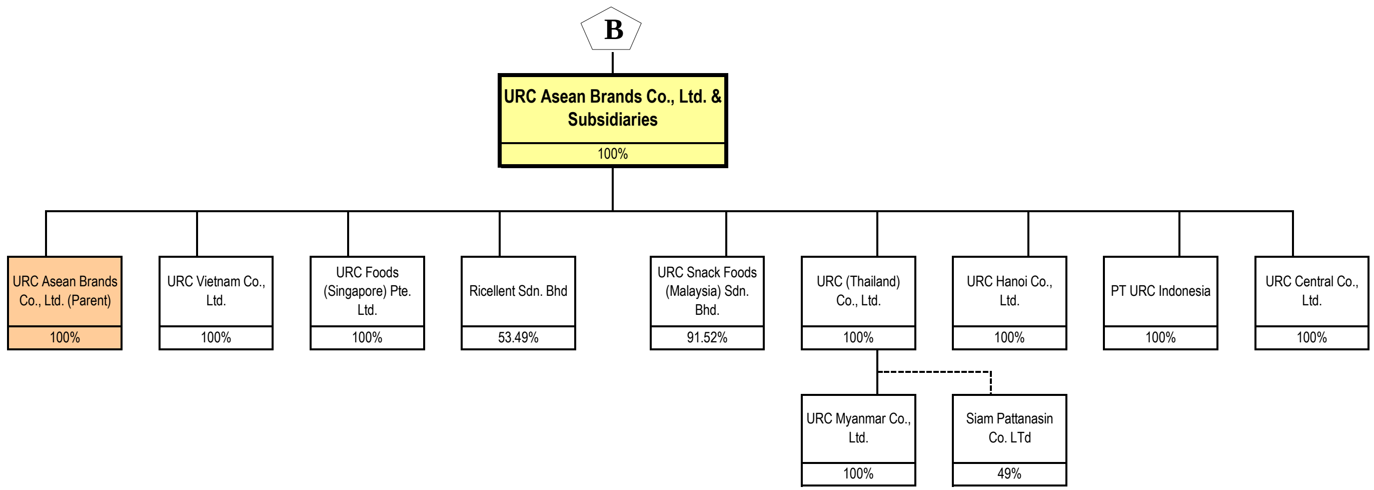
| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of September 30, 2016 | | Adopted | Not Adopted/ Not Early Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

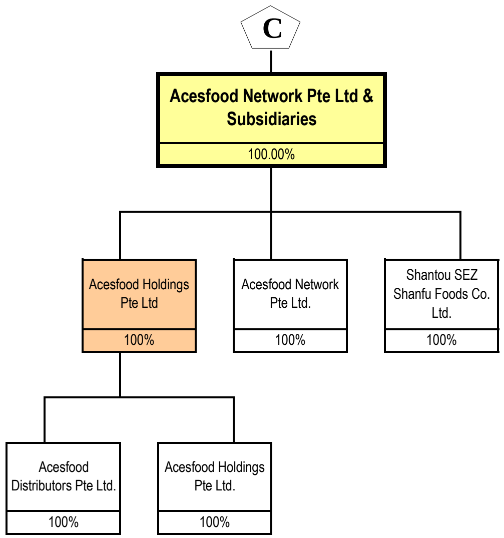
** Not Early Adopted*

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**



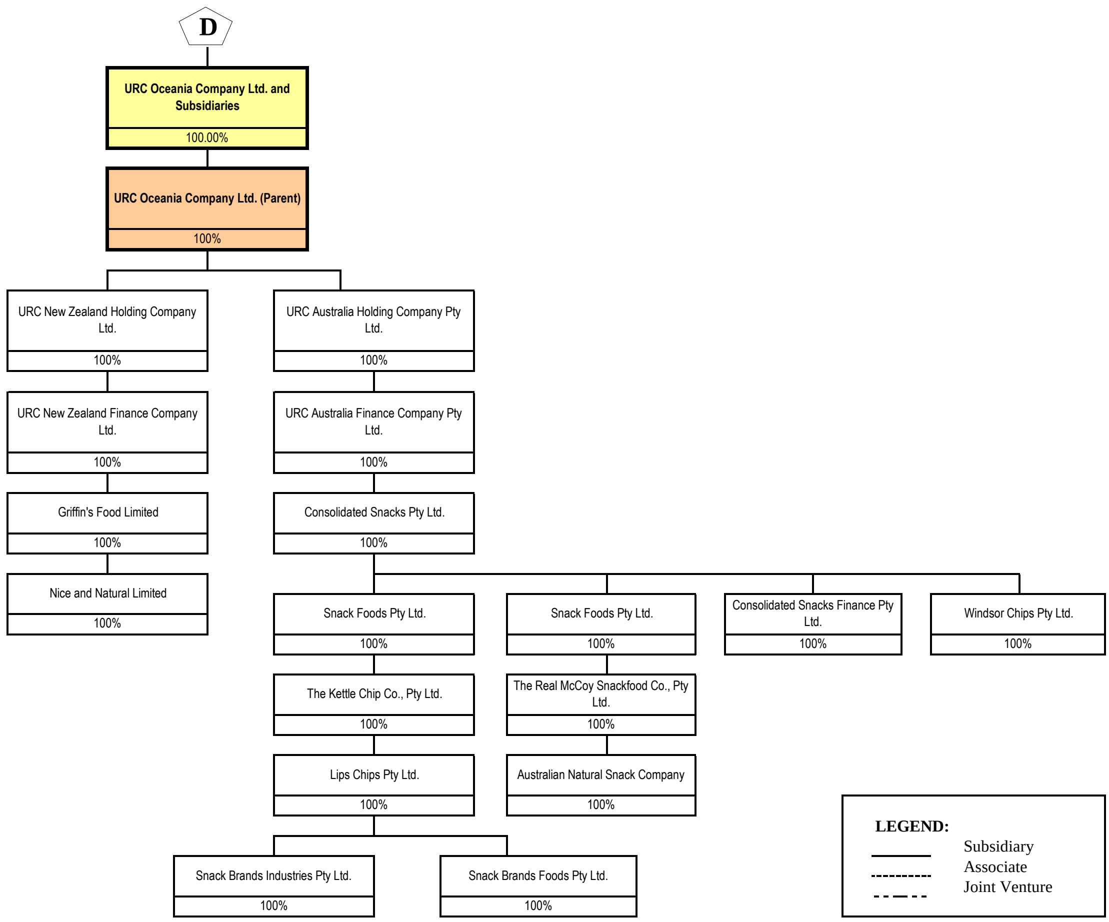

A
Universal Robina Corporation & Subsidiaries
55.25%
CFC Corporation
100%
CFC Clubhouse Property, Inc.
100%
Bio-Resource Power Generation Corp. and a Subsidiary
100%
Universal Robina (Cayman), Ltd.
100%
URC Philippines, Ltd.
100%
Nissin Universal Robina Corporation
51%
Universal Robina Corporation (Parent)
100%
URC China Commercial Co., Ltd.
100%
Southern Negros Development Corporation
94%
URC International Co., Ltd & Subsidiaries
100%
Hunt Universal Robina Corporation
50%
Calbee-URC, Inc.
50%
Danone Universal Robina Beverages, Inc.
50%
Shantou Peggy Co. Ltd.
100%
Hong Kong - China Foods Co., Ltd and Subsidiaries
100%
URC International Co., Ltd (Parent)
100%
URC Asean Brands Co., Ltd. & Subsidiaries
100%
B
Acesfood Network Pte Ltd. & Subsidiaries
96.08%
C
URC Oceania Company Ltd. and Subsidiaries
100.00%
D
Hong Kong China Foods (Parent)
100%
URC Hong Kong Co., Ltd
100%
Xiamen Tongan Pacific Foods Co., Ltd.
100%
Shanghai Peggy Foods Co., Ltd.
100%
Guangzhou Peggy Foods Co., Ltd.
90%
Advanson International Pte. Ltd & Subsidiaries
100%
Advanson International Pte. Ltd.
100%
Jiangsu Aces
100%
LEGEND:
Subsidiary
Associate
Joint Venture




**LEGEND:**

———— Subsidiary
------------ Associate
- - - — - - - Joint Venture


D
URC Oceania Company Ltd. and Subsidiaries
100.00%
URC Oceania Company Ltd. (Parent)
100%
URC New Zealand Holding Company Ltd.
100%
URC New Zealand Finance Company Ltd.
100%
Griffin's Food Limited
100%
Nice and Natural Limited
100%
URC Australia Holding Company Pty Ltd.
100%
URC Australia Finance Company Pty Ltd.
100%
Consolidated Snacks Pty Ltd.
100%
Snack Foods Pty Ltd.
100%
Snack Foods Pty Ltd.
100%
Consolidated Snacks Finance Pty Ltd.
100%
Windsor Chips Pty Ltd.
100%
The Kettle Chip Co., Pty Ltd.
100%
The Real McCoy Snackfood Co., Pty Ltd.
100%
Lips Chips Pty Ltd.
100%
Australian Natural Snack Company
100%
Snack Brands Industries Pty Ltd.
100%
Snack Brands Foods Pty Ltd.
100%
LEGEND:
Subsidiary
Associate
Joint Venture

## UNIVERSAL ROBINA CORPORATION

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The tables below present the retained earnings available for dividend declaration as at September 30, 2016

| | | |
|---|---|---|
| Unappropriated retained earnings, beginning | | ₱10,234,762,471 |
| Adjustments: | | |
| Fair value adjustment on financial assets at FVPL | (₱1,693,010,732) | |
| Fair value less estimated cost to sell adjustment on swine livestock | (109,218,243) | |
| Unrealized foreign exchange gain (except those attributable to cash and cash equivalents) | (748,692,019) | |
| Deferred tax assets, excluding those arise from remeasurements | (227,539,940) | (2,778,460,934) |
| Unappropriated retained earnings, as adjusted, beginning | | 7,456,301,537 |
| Add: Net income actually earned /realized during the period | | |
| Net income actually earned during the year | 6,992,274,873 | |
| Movement in deferred tax assets | 4,623,498 | 6,996,898,371 |
| Sub-total | | 14,453,199,908 |
| Less: Dividend declarations during the year | 6,871,731,089 | |
| Appropriations during the year | 2,000,000,000 | |
| Reversal of appropriations | (1,000,000,000) | |
| Treasury shares | 341,137,179 | 8,212,868,268 |
| Total retained earnings available for dividend declaration as at September 30, 2016 | | ₱6,240,331,640 |