

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2009
2. Commission identification number 9170
3. BIR Tax Identification No. 000-400-016-000
4. Universal Robina Corporation
Exact name of issuer as specified in its charter
5. Quezon City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____ (SEC Use Only)
7. 110 E. Rodriguez Ave., Bagumbayan, Quezon City 1110
Address of issuer's 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 Code, or Sections 4 and 8 of the RSA

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u> |
|----------------------------------|--|
| Common stock, P1.00 Par value | 2,146,747,281 shares |

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

Yes [/] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein

Philippine Stock Exchange

Common stock

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q (pages 12 to 55).

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

Business Overview

Universal Robina Corporation (URC) is one of the largest branded food product companies in the Philippines and has a growing presence in other Asian markets. It was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and day-old chicks, manufacture and distribution of branded and unbranded animal and fish feeds, glucose and veterinary compounds, flour milling, and sugar milling and refining. The Company is a dominant player with leading market shares in savory snack, candies and chocolates, and is a significant player in biscuits, with leading positions in cookies and pretzels. URC is also the largest player in the RTD tea market, and is a respectable 2nd player in the coffee business.

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.

The branded consumer foods group (BCFG), the Company's largest segment, consists of three main divisions: snack foods, beverage and grocery divisions, although the Company conducts some of its branded consumer foods operations through its wholly-owned or majority-owned

subsidiaries and joint venture companies (i.e. Hunt-URC and Nissin-URC). The Company has a strong brand portfolio created and supported through continuous product innovation, extensive marketing and experienced management. Its brands are household names in the Philippines and a growing number of consumers across Asia are purchasing the Company's branded consumer food products. This segment also includes the packaging division which manufactures BOPP films primarily used in packaging.

The Company's agro-industrial group (AIG) operates three divisions, which is engaged in hog and poultry farming (Robina Farms or "RF"), the manufacture and distribution of animal feeds, glucose and soya products (Unversal Corn Products or "UCP"), and the production and distribution of animal health products (Robichem).

The Company's commodity food group (CFG) engages in sugar-milling and refining through its Sugar divisions URSUMCO, CARSUMCO, SONEDCO and PASSI; and flour-milling and pasta manufacturing and marketing through URC Flour division. The group supplies all the flour and sugar needs of the BCFG.

The Company is a core subsidiary of JG Summit Holding, Inc. (JGSHI), one of the largest conglomerates listed in the Philippine Stock Exchange based on total net sales. JGSHI has substantial interests in property development, hotel management, banking and financial services, telecommunications, petrochemicals, air transportation and business interests in other sectors, including power generation and insurance.

The following table summarizes the sale of goods and services of URC for the six months ended March 31, 2009 and March 31, 2008:

| Six months ended March 31 | | |
|---------------------------|----------------|---------|
| <i>In millions</i> | 2009 | 2008 |
| BCFG | | |
| Domestic | ₱13,297 | ₱11,517 |
| International | 5,855 | 4,140 |
| | 19,152 | 15,657 |
| Packaging | 529 | 719 |
| BCFG Total | 19,681 | 16,376 |
| AIG | 2,936 | 2,802 |
| CFG | 3,069 | 1,976 |
| Total | ₱25,686 | ₱21,154 |

Results of Operations

Six Months Ended March 31, 2009 versus March 31, 2008

URC posted consolidated sale of goods and services of ₱25,686 billion for the six months ended March 31, 2009, 21.4% higher than the revenues reported in the same period last year. Sale of goods and services performance by business segment follows:

Sale of goods and services in URC's BCFG, excluding packaging division, increased by ₱3.495 billion, or 22.3%, to ₱19.152 billion in the first half of fiscal 2009 from ₱15.657 billion recorded in the same period of fiscal 2008. This increase was due to a 15.5% increase in net sales from

BCFG's domestic operations which was largely driven by the strong performance of its snackfoods which posted a 18.2% growth in savory snacks, candies, chocolates and biscuit sales on the back of price increases in October and November coupled by increase in volume. Beverage sales value grew by 2.3% due to higher selling price. However, beverage volume sold posted flat growth due to effect of the Company's transition to a Mega-RD system to improve the breadth and depth of the products in the trade. Sales of the grocery products improved by 15.6% to ₱1.467 billion after the resolution of the production issues in Noodles that led to out-of-stock situation during the first quarter. Export also posted a 55.1% growth in sales value.

BCFG International sales significantly increased by 41.4% to ₱5.855 billion weighed up by higher revenues from Thailand, Malaysia, Singapore, Indonesia, Hong Kong, China and Vietnam. In US dollar amount, sales registered an increase of 23.2% from US\$99 million posted in the first half of fiscal 2008 to US\$122 million registered in the first half of fiscal 2009 due to considerable increase in sales volume by 50.5% from last year.

Sale of goods and services of BCFG, excluding packaging division, accounted for 74.6% of total URC consolidated sale of goods and services in the first half of fiscal 2009.

Sales in URC's packaging division went down by 26.4% to ₱529 million in the first half of fiscal 2009 from ₱719 million posted in the same period last year due to decrease in sales volume and selling price.

Sale of goods and services in URC's AIG amounted to ₱2.936 billion in the first half of fiscal 2009, a 4.8% increase from ₱2.802 billion recorded in the same period last year. The increase was due to increases in hog and feeds sales driven by higher selling prices which offset the decrease in sales of poultry products. URC's feeds higher selling prices offsets the sales volume declined due to drop in the number of backyard raisers and population of pigs they raised. Poultry business sales decrease as a result of oversupply of day-old-chicks (DOC) and day-old-pullet (DOP) in the market.

Sale of goods and services in URC's CFG amounted to ₱3.069 billion in the first half of fiscal 2009 or up 55.3% from ₱1.976 billion reported in the same period last year. This was primarily due to increase in sales volume of sugar as a result of better performance by SONEDCO in the first half of this year against last year coupled with higher average selling prices of sugar and flour.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.747 billion, or 23.4%, to ₱19.736 billion for the first half of fiscal 2009 from ₱15.989 billion recorded for the same period last year. Cost of sales went up due to increases in sales volume coupled with significant increases in costs of major raw materials during the first quarter of fiscal 2009.

URC's gross profit for the first half of fiscal 2009 amounted to ₱5.950 billion, an increase of ₱785 million or 15.2% from ₱5.165 billion posted in the same period last year.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱529 million or 15.7% to ₱3.888 billion in the first half of fiscal 2009 from ₱3.359 billion recorded in the same period of fiscal 2008. This increase resulted primarily from the following factors:

- 25.8% or ₱285 million increase in advertising and promotion costs to ₱1.389 billion in the first half of fiscal 2009 from ₱1.104 billion in the same period last year. This is to support the new SKUs launched and boost up sales of existing products in light of increasing market competition.
- 12.2% or ₱96 million increase in freight and delivery charges to ₱885 million in the first half of fiscal 2009 from ₱789 million in the same period last year. This was due to increase in trucking and shipping costs associated with higher fuel prices and increased volume.
- 6.1% or ₱51 million increase in compensation and benefits to ₱890 million in the first half of this year from ₱839 million in the same period last year due to annual salary adjustments.
- 57.6% or ₱76 million increase in repairs and maintenance expense to ₱208 million in the first half of this year from ₱132 million in the same period last year which was substantially due to computer maintenance costs.

As a result of the above factors, operating income increased by ₱256 million, or 14.2% to ₱2.062 billion in the first half of fiscal 2009 from ₱1.806 billion recorded in the first half of fiscal 2008.

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 ₱25 million or 4.0% to ₱607 million in the first half of fiscal 2009 from ₱632 million in the same period of fiscal 2008 due to lower level of financial assets during the period.

Market valuation loss on financial instruments at FVPL increased by ₱379 million or 49.0% to ₱1.152 billion in the first half of fiscal 2009 from ₱773 million in the same period of fiscal 2008 due to drop in the market values of investments in bonds and equity securities as a result of the current global financial crisis.

Equity in net income of a joint venture amounted to ₱19 million, down by ₱2 million due to the lower net income of Hunt-Universal Robina Corporation in the first half of fiscal 2009 against the same period last year.

URC's finance costs consist mainly of interest expense which increased by ₱121 million or 17.6%, to ₱808 million for the first half of fiscal 2009 from ₱687 million recorded in the same period of fiscal 2008 due to increase in financial debt.

Foreign exchange loss - net amounted to ₱86 million in the first half of fiscal 2009, 68.3% decrease from ₱271 million reported in the same period last year due to effect of foreign currency translation gain.

Other income - net consists of gain (loss) on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net increased by 32.1% from ₱28 million in the first half of 2008 to ₱37 million in the same period this year due to lower amortization of bond issue costs this year.

The Company recognized provision for income tax of ₱106 million in the first half of 2009, 58.9% decrease from ₱258 million in the same period last year due to lower taxable income.

URC's unaudited net income for the period amounted to ₱481 million, lower by ₱16 million or 3.2% from ₱497 million, due to increase in mark-to-market loss in bond and equity holdings resulting from the general drop in bond and equity prices worldwide, partially offset by lower foreign exchange loss and lower taxable income.

URC's unaudited core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the first half of fiscal year 2009 amounted to ₱1.917 billion, an increase of ₱118 million from ₱1.799 billion reported in the same period last year.

Net income attributable to equity holders of the parent decreased by ₱92 million or 18.6% to ₱402 million in the first half of 2009 from ₱494 million in the same period last year as a result of the factors discussed above.

Minority interest represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International, URC's direct subsidiary in which it holds approximately 77.0% economic interest and Nissin- URC, URC's 65.0%-owned subsidiary. Minority interest in net income of subsidiaries increased from ₱3 million in the first half of last year to ₱79 million for the same period this year due to net income reported by URC International on the back of surging profits in Thailand, Vietnam, Malaysia and Singapore and Hong Kong against net loss last year.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱3.523 billion for the first half of fiscal 2009, 12.9% higher than ₱3.120 billion recorded in the same period of fiscal 2008.

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

Financial Position

March 31, 2009 vs. September 30, 2008

URC's financial position remained to be strong with a current ratio of 1.7:1 as of March 31, 2009. Financial debt to equity ratio of 0.67:1 for the period is within comfortable level. Book value per share increased to ₱14.68 as at March 31, 2009 from ₱14.65 as at September 30, 2008. Total outstanding common shares as of the end of the period decreased by 34 million shares to 2.147 billion shares from 2.181 billion shares in the same period of fiscal 2008.

The Company's cash requirements have been sourced through cash flow from operations. Net cash provided by operating activities for the six months ended March 31, 2009 was ₱1.409 billion. Net cash used in investing activities for the period amounted to ₱2.165 billion mainly due to acquisition of property, plant and equipment. Net cash provided by financing activities amounted to ₱2.487 billion mainly from the issuance in March 2009 of fixed term Peso notes for working capital requirement of the company.

As of March 31, 2009, 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.

**Material Changes in Fiscal 2009 Financial Statements
(Increase/Decrease of 5% or more versus FY 2008)**

Income Statements - Six months ended March 31, 2009 versus same period in fiscal 2008

21.4% increase in sale of goods and services was due to the following:

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23.4% increase in cost of sales

Due to increase in sales volume and cost of major raw materials.

17.8% increase in selling and distribution costs

Due to increase in advertising and promotions costs, freight and delivery charges and personnel-related expenses.

9.2% increase in general and administrative expenses

Due to increase in computer maintenance costs.

49.0% increase in mark-to-market loss on financial instruments at FVPL

Due to decline in market values of investments in bonds and equity securities as a result of global financial crisis.

8.8% decrease in equity in net income of a joint venture

Due to lower net income of HUR.

17.6% increase in finance costs

Due to increase in financial debt.

100.0% increase in impairment loss

Due to impairment of net assets of the disposal group held for sale.

68.3% decrease in foreign exchange loss - net

Due to effect of foreign currency translation gain.

32.1% increase in other income - net

Due to lower amortization of bond issue costs this year.

58.9% decrease in provision for income tax

Due to lower taxable income during the period.

2,414.3% increase in minority interest

Due to net income reported by URC International this period against net loss posted in the same period last year.

Balance sheets – March 31, 2009 versus September 30, 2008

78.2 % increase in cash and cash equivalents

Due to proceeds from notes issuance.

11.0% decrease in financial assets at fair value through profit and loss

Due to decline in market values of investment in foreign currency denominated bonds and marketable equity securities, net of effect of foreign currency translation gain.

22.2% decrease in other current assets

Due to decrease in current portion of input tax and prepaid advertising costs.

41.3% decrease in assets of disposal group held for sale

Due to impairment of certain portion of assets, net of effect of foreign currency translation.

6.0% decrease in available for sale investments

Due to decline in market values of foreign currency denominated bonds, net of effect of foreign currency translation.

9.4% decrease in biological assets

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

12.1% decrease in investment in a joint venture

Due to dividends received during the period from HURC.

11.0% increase in other noncurrent assets

Due to additional deferred input tax for the period.

6.4% increase in accounts payable and accrued expenses

Due to increase in accrued advertising and promotion expenses.

56.8% decrease in trust receipts and acceptances payable

Due to payment during the period.

29.6% decrease in income tax payable

Due to lower taxable income.

90.2 % decrease in liabilities associated with assets held for sale

Due to adjustment of certain portion of liabilities associated with impairment of the assets held for sale, net of effect of foreign currency translation.

31.6% increase in long-term debt - net of current portion

Due to issuance of fixed term peso notes for working capital requirements and effect of depreciation of the Philippine Peso vis-à-vis US dollar.

24.4% increase in deferred income tax - net

Due to reversal of deferred income tax for realized forex loss.

46.3% increase in unrealized loss on AFS investments

Due to decline in market values of available for sale bond investments.

12.0% increase in equity attributable to minority interests

Due to net income reported by URC International for the period.

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 Pesos)

| Universal Robina Corporation (Consolidated) | | | |
|--|----------------|----------------|-------|
| | YTD March 2009 | YTD March 2008 | Index |
| Revenue | ₱25,686 | ₱21,154 | 121 |
| EBIT | 2,062 | 1,806 | 114 |
| EBITDA | 3,523 | 3,120 | 113 |
| Net Income | 481 | 497 | 97 |
| Total assets | 59,353 | 57,800 | 103 |

| URC International | | | |
|--------------------------|----------------|----------------|-------|
| | YTD March 2009 | YTD March 2008 | Index |
| | | ₱ | |
| Revenue | ₱5,762 | 4,001 | 144 |
| EBIT | 500 | (16) | 3,125 |
| EBITDA | 884 | 284 | 311 |
| Net Income (Loss) | 272 | (13) | 2,092 |
| Total assets | 13,426 | 10,767 | 125 |

| Nissin - URC | | | |
|---------------------|----------------|----------------|-------|
| | YTD March 2009 | YTD March 2008 | Index |
| | | ₱ | |
| Revenue | ₱602 | 546 | 92 |
| EBIT | 47 | 46 | 102 |
| EBITDA | 64 | 63 | 102 |
| Net Income | 38 | 42 | 90 |
| Total assets | 655 | 796 | 82 |

| URC Philippines, Limited | | | |
|---------------------------------|----------------|----------------|-------|
| | YTD March 2009 | YTD March 2008 | Index |
| Revenue | ₱- | ₱- | - |
| EBIT | - | - | - |
| EBITDA | - | - | - |
| Net Loss | (728) | (651) | 112 |
| Total assets | 12,837 | 14,797 | 87 |

| Universal Robina (Cayman), Ltd. | | | |
|--|----------------|----------------|-------|
| | YTD March 2009 | YTD March 2008 | Index |
| | | ₱ | |
| Revenue | ₱- | - | - |
| EBIT | - | - | - |
| EBITDA | - | - | - |
| Net Income (Loss) | 771 | (29) | 2,659 |
| Total assets | 8,488 | 6,231 | 136 |

PART II - OTHER INFORMATION

All current disclosures were already reported under SEC Form 17-C.

SIGNATURES

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

UNIVERSAL ROBINA CORPORATION



LANCEY GOKONGWEI
President and Chief Operating Officer

Date 05/14/09



GERALDO N. FLORENCIO
First Vice President - Controller

Date 05/14/09

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

| | Unaudited March 31 2009 | Audited September 30 2008 |
|--|--|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 6) | ₱3,947,364 | ₱2,215,628 |
| Financial assets at fair value through profit and loss (Note 7) | 5,319,034 | 5,979,185 |
| Receivables - net (Note 8) | 6,458,378 | 6,175,874 |
| Inventories (Note 9) | 8,023,053 | 7,774,455 |
| Other current assets (Note 10) | 806,479 | 1,036,364 |
| | 24,554,308 | 23,181,506 |
| Assets of disposal group classified as held for sale | 115,956 | 197,417 |
| Total Current Assets | 24,670,264 | 23,378,923 |
| Noncurrent Assets | | |
| Property, plant and equipment - net (Note 11) | 24,940,484 | 24,327,344 |
| Available-for-sale investments (Note 12) | 5,926,522 | 6,304,843 |
| Biological assets | 1,308,063 | 1,443,260 |
| Intangible assets (Note 13) | 1,645,379 | 1,646,763 |
| Net pension assets | 243,811 | 243,811 |
| Investments in a joint venture (Note 14) | 81,763 | 93,057 |
| Investment properties (Note 15) | 77,203 | 79,003 |
| Other noncurrent assets (Note 16) | 459,133 | 413,631 |
| Total Noncurrent Assets | 34,682,358 | 34,551,712 |
| | ₱59,352,622 | ₱57,930,635 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term debt (Note 17) | ₱7,745,770 | ₱8,069,508 |
| Accounts payable and other accrued liabilities (Note 18) | 5,283,320 | 4,964,942 |
| Trust receipts and acceptances payable (Note 9) | 1,297,168 | 3,000,776 |
| Income tax payable | 14,620 | 20,762 |
| Current portion of long-term debt (Note 19) | 49,645 | 48,032 |
| | 14,390,523 | 16,104,020 |
| Liabilities directly associated with assets of disposal group classified as held for sale | 859 | 8,727 |
| Total Current Liabilities | 14,391,382 | 16,112,747 |

(Forward)

| | Unaudited March 31 2009 | Audited September 30 2008 |
|--|--|---------------------------------|
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Note 19) | ₱12,409,149 | ₱9,429,770 |
| Deferred tax liabilities - net | 303,097 | 243,688 |
| Total Noncurrent Liabilities | 12,712,246 | 9,673,458 |
| Total Liabilities | 27,103,628 | 25,786,205 |
| Equity | | |
| Equity attributable to equity holders of the parent | | |
| Paid-up capital (Note 20) | 13,429,514 | 13,429,514 |
| Retained earnings (Note 20) | 19,600,281 | 19,198,256 |
| Deposits for future stock subscriptions (Note 20) | 26,043 | 26,043 |
| Cumulative translation adjustments | 599,671 | 575,324 |
| Unrealized loss on available-for-sale investments (Note 12) | (1,208,900) | (826,240) |
| Treasury shares (Note 20) | (934,713) | (916,666) |
| | 31,511,896 | 31,486,231 |
| Equity attributable to minority interests | 737,098 | 658,199 |
| Total Equity | 32,248,994 | 32,144,430 |
| | ₱59,352,622 | ₱57,930,635 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos, Except Per Share Amount)

| | Quarters ended March 31 | | Six Months ended March 31 | |
|--|-------------------------|-------------|---------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| SALE OF GOODS AND SERVICES | ₱12,417,824 | ₱10,294,905 | ₱25,686,317 | ₱21,154,055 |
| COST OF SALES | 9,469,630 | 7,752,725 | 19,736,249 | 15,989,412 |
| GROSS PROFIT | 2,948,194 | 2,542,180 | 5,950,068 | 5,164,643 |
| SELLING AND DISTRIBUTION COSTS | (1,504,342) | (1,249,450) | (3,025,791) | (2,569,009) |
| GENERAL AND ADMINISTRATIVE EXPENSES | (405,703) | (403,388) | (861,965) | (789,578) |
| OPERATING INCOME | 1,038,149 | 889,342 | 2,062,312 | 1,806,056 |
| FINANCE REVENUE | 299,218 | 285,092 | 607,040 | 631,628 |
| MARKET VALUATION LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | (193,517) | (584,157) | (1,151,555) | (772,904) |
| EQUITY IN NET INCOME OF A JOINT VENTURE | 6,043 | 10,827 | 18,706 | 20,517 |
| FINANCE COSTS | (281,315) | (316,941) | (808,223) | (687,244) |
| IMPAIRMENT LOSS | (92,270) | — | (92,270) | — |
| FOREIGN EXCHANGE GAIN (LOSS) – NET | 33,442 | 4,625 | (85,849) | (270,925) |
| OTHER INCOME – NET | 61,884 | 45,021 | 36,779 | 28,205 |
| INCOME BEFORE INCOME TAX | 871,634 | 333,809 | 586,940 | 755,333 |
| PROVISION FOR INCOME TAX | 159,045 | 70,181 | 106,016 | 258,021 |
| NET INCOME | ₱712,589 | ₱263,628 | ₱480,924 | ₱497,312 |
| ATTRIBUTABLE TO | | | | |
| Equity holders of the parent | ₱647,711 | ₱250,009 | ₱402,025 | ₱494,174 |
| Minority interests | 64,878 | 13,619 | 78,899 | 3,138 |
| | ₱712,589 | ₱263,628 | ₱480,924 | ₱497,312 |
| BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 21) | ₱0.30 | ₱0.11 | ₱0.19 | ₱0.23 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousand Pesos, except Number of Shares)

| | Six Months Ended March 31 | |
|--|----------------------------------|-------------|
| | 2009 | 2008 |
| CAPITAL STOCK - P1 par value (Note 20) | | |
| Preferred stock | | |
| Authorized - 2,000,000 shares | | |
| Issued - none | | |
| Common stock | | |
| Authorized - 2,998,000,000 shares in 2009 and 2008 | | |
| Issued - 2,221,851,481 shares in 2009 and 2008 | P2,221,852 | P2,221,852 |
| Additional issuance | - | - |
| Balance at end of period | 2,221,852 | 2,221,852 |
| ADDITIONAL PAID-IN CAPITAL | | |
| Balance at beginning of year | 11,207,662 | 11,207,662 |
| Additional issuance | - | - |
| Balance at end of period | 11,207,662 | 11,207,662 |
| PAID-UP CAPITAL | | |
| | 13,429,514 | 13,429,514 |
| RETAINED EARNINGS (Note 20) | | |
| Appropriated | | |
| Balance at beginning of year | 3,000,000 | 3,000,000 |
| Balance at end of period | 3,000,000 | 3,000,000 |
| Unappropriated | | |
| Balance at beginning of year | 16,198,256 | 17,300,464 |
| Net income (loss) | 402,025 | 494,174 |
| Balance at end of period | 16,600,281 | 17,794,638 |
| Balance at end of period | 19,600,281 | 20,794,638 |
| DEPOSITS FOR FUTURE STOCK SUBSCRIPTIONS | | |
| Balance at beginning of year | 26,043 | 26,043 |
| Application of deposit | - | - |
| Balance at end of period | 26,043 | 26,043 |
| CUMULATIVE TRANSLATION ADJUSTMENTS | | |
| Balance at beginning of year | 575,324 | 544,387 |
| Adjustments | 24,347 | (3,700) |
| Balance at end of period | 599,671 | 540,687 |
| UNREALIZED LOSS ON AVAILABLE-FOR-SALE INVESTMENTS (Note 12) | | |
| Balance at beginning of year | (826,240) | - |
| Changes in fair value | (382,660) | - |
| Balance at end of period | (1,208,900) | - |

(Forward)

| | Six Months Ended March 31 | |
|--|----------------------------------|-------------|
| | 2009 | 2008 |
| TREASURY SHARES (Note 20) | | |
| Balance at beginning of year | ₱(916,666) | ₱- |
| Acquisition | (18,047) | (556,404) |
| Balance at end of period | (934,713) | (556,404) |
| EQUITY ATTRIBUTABLE TO MINORITY INTERESTS | | |
| Balance at beginning of year | 658,199 | 695,295 |
| Adjustments | 78,899 | 3,138 |
| Balance at end of period | 737,098 | 698,433 |
| | ₱32,248,994 | ₱34,932,911 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

| | Six Months Ended March 31 | |
|--|----------------------------------|-------------|
| | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | ₱586,940 | ₱755,333 |
| Adjustments for: | | |
| Depreciation and amortization | 1,460,541 | 1,314,164 |
| Market valuation loss on financial instruments at fair value through profit and loss | 1,151,555 | 772,904 |
| Finance cost | 808,223 | 687,244 |
| Finance revenue | (607,040) | (631,628) |
| Equity in net income of a joint venture | (18,706) | (20,517) |
| Net unrealized foreign exchange loss | 127,673 | 116,966 |
| Impairment loss on asset held for disposal | 92,270 | – |
| Gain arising from changes in fair value less estimated point-of-sale cost of swine stocks | (13,779) | (82,585) |
| Loss (gain) on sale of financial assets at FVPL | 2,321 | (3,706) |
| Gain on sale of property and equipment | – | 9,832 |
| Pension expense | – | 38,674 |
| Operating income before changes in working capital | 3,589,998 | 2,918,007 |
| Decrease (increase) in: | | |
| Receivables | (100,042) | (1,912,695) |
| Inventories | (248,599) | (4,384,851) |
| Other current assets | 229,885 | (121,081) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (7,583) | 1,982,401 |
| Trust receipts and acceptances payable | (1,703,607) | 1,961,182 |
| Cash generated from operations | 1,760,052 | 442,963 |
| Interest paid | (864,204) | (758,260) |
| Interest received | 566,006 | 858,305 |
| Income taxes paid | (52,749) | (163,851) |
| Net cash provided by operating activities | 1,409,105 | 379,157 |

(Forward)

| | Six Months Ended March 31 | |
|--|----------------------------------|--------------|
| | 2009 | 2008 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | ₱(2,306,071) | ₱(2,234,133) |
| Proceeds from sale of property and equipment | 84,279 | 81,684 |
| Disposal (acquisition) of financial assets at fair value through profit or loss - net | (76,356) | 2,135,597 |
| Dividends received | 30,000 | - |
| Decrease (increase) in: | | |
| Biological assets | 148,977 | (72,364) |
| Other assets | (45,502) | (48,353) |
| Net pension assets | - | 38,674 |
| Net cash used in investing activities | (2,164,673) | (98,895) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net availments (payments) of: | | |
| Short-term borrowings | (213,977) | 1,777,644 |
| Long – term debt | 2,719,328 | (4,933,976) |
| Acquisition of company’s shares | (18,047) | (556,404) |
| Net cash provided by (used in) financing activities | 2,487,304 | (3,712,736) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,731,736 | (3,432,474) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,215,628 | 5,055,486 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | ₱3,947,364 | ₱1,623,012 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousand Pesos, Except Per Share Amount)

1. Corporate Information

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

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. (“the ultimate parent” 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 manufacture and marketing of pasta. 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., which manufactures polyethylene terephthalate (PET) bottles and printed flexible packaging materials. The Parent Company’s packaging division is included in the branded consumer food segment.

Certain operations of the Parent Company and a certain consolidated subsidiary 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 a certain subsidiary are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of four (4) years to six (6) years from respective start dates of commercial operations. The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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 (except certain consolidated foreign subsidiaries), is the Philippine Peso.

These interim consolidated financial statements followed the same accounting policies by which the most recent annual audited consolidated financial statements have been prepared.

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 Percentage of Ownership | |
|--|--------------------------|-----------------------------------|--------|
| | | 2009 | 2008 |
| CFC Clubhouse, Incorporated | Philippines | 100.00 | 100.00 |
| CFC Clubhouse Property, Inc. | - do - | 100.00 | 100.00 |
| URC Confectionary Corporation | - do - | 100.00 | 100.00 |
| CFC Corporation | - do - | 100.00 | 100.00 |
| South Luzon Greenland, Inc. | - do - | 100.00 | 100.00 |
| Bio-Resource Power Generation Corporation (formerly Universal Robina Sugar Milling Corporation) | - do - | 100.00 | 100.00 |
| Southern Negros Development Corporation (SONEDCO) | - do - | 94.00 | 94.00 |
| Nissin – URC | - do - | 65.00 | 65.00 |
| URC Philippines, Limited (URCPL) | British Virgin Islands | 100.00 | 100.00 |
| URC Asean Brands Co., Ltd. | - do - | 77.00 | 77.00 |
| Hong Kong China Foods Co., Ltd. | - do - | 77.00 | 77.00 |
| URC International Co. Ltd. (URCICL) | - do - | 77.00 | 77.00 |
| Universal Robina (Cayman), Ltd. (URCL) | Cayman Islands | 100.00 | 100.00 |
| Shanghai Peggy Foods Co., Ltd. | China | 100.00 | 100.00 |
| Tianjin Pacific Foods Manufacturing Co., Ltd. | - do - | 100.00 | 100.00 |
| URC China Commercial Co. Ltd. | - do - | 100.00 | 100.00 |
| Xiamen Tongan Pacific Food Co., Ltd. | - do - | 100.00 | 100.00 |
| Panyu Peggy Foods Co., Ltd. | - do - | 90.00 | 90.00 |
| URC Hong Kong Company Limited (formerly Hong Kong Peggy Snack Foods Co., Limited) | Hong Kong | 100.00 | 100.00 |
| PT URC Indonesia | Indonesia | 100.00 | 100.00 |
| URC Snack Foods (Malaysia) Sdn. Bhd. (formerly Pacific World Sdn. Bhd.) | - do - | 91.52 | 91.52 |
| Ricellent Sdn. Bhd. | Malaysia | 54.03 | 54.03 |
| URC Foods (Singapore) Pte. Ltd. (formerly Pan Pacific Snacks Pte. Ltd.) | Singapore | 100.00 | 100.00 |
| Acesfood Network Pte. Ltd. | - do - | 96.08 | 96.08 |
| Advanson International Pte. Ltd. | - do - | 100.00 | 100.00 |
| URC (Thailand) Co., Ltd. (formerly Thai Peggy Foods Co. Ltd.) | Thailand | 100.00 | 100.00 |
| URC Vietnam Co., Ltd. | Vietnam | 100.00 | 100.00 |

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

Minority interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2008

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

- PFRS 1, *First-time Adoption of PFRS – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after January 1, 2009)

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, *Share-based Payment – Vesting Condition and Cancellations*, (effective for annual periods beginning on or after January 1, 2009)

The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*, (effective for annual periods beginning on or after January 1, 2009)

PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group is in the process of assessing the impact of this Standard to its current manner of reporting segment information.

- Amendments to PAS 1, *Presentation of Financial Statements*, (effective for annual periods beginning on or after January 1, 2009)

This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income' (OCI). Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. The Group will assess and evaluate the options available under the amendment to PAS 1, and will comply with such changes once effective.

- PAS 23, *Borrowing Costs*, (effective for annual periods beginning on or after January 1, 2009)

The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after July 1, 2009)

Amendments to PAS 27 will be effective on January 1, 2009 which has changes in respect of the holding companies separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. The Group does not expect significant changes in its

accounting policies when it adopts the foregoing accounting changes effective January 1, 2009.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation*, (effective for annual periods beginning on or after January 1, 2009)

These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) The instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) The instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) All instruments in the subordinate class have identical features (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Significant Accounting Policies

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

Rendering of services

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

Dividend income

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

Rent income

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

Interest income

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement, and that are subject to an insignificant risk of changes in value.

Recognition of Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the consolidated balance sheet 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 trade date basis.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments fair value through profit or loss valued at fair value through profit or loss (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 investments, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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.

Determination of fair value

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

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

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

Financial assets and financial liabilities at FVPL

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

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

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

The Group's financial assets at FVPL consist of private bonds and equity securities (Note 7).

Derivatives recorded at FVPL

The Parent Company is counterparty to certain derivative contracts, such as currency forwards. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. 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 to 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 by using certain standard valuation methodologies and quotes obtained from third parties.

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

The Group has identified certain derivatives that are embedded in host contracts (such as debt instruments). These embedded derivatives include foreign currency denominated derivatives in purchase orders. Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments at FVPL, and when their economic risks and characteristics are not closely related to those of their respective host contracts.

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 the Interest income account in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy applies primarily to the Group's trade and other receivables (Note 8).

AFS investments

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

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

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Interest earned on holding AFS investments are reported as interest income using the EIR. Where the Group holds more than one (1) investment in the same security these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

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. 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.

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.

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

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.

Impairment of Financial Assets

The Group assesses at each balance sheet 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 (1) or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts 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.

AFS investments

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss which is 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 in equity.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is recorded under Interest Income account 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 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 where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

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

Financial liabilities

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

Financial Guarantee Contracts

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

Offsetting Financial Instruments

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

Inventories

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

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

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

Cost is determined using the 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 average method.

Assets Held for Sale

The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one (1) year from the date of classification.

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

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties, if any.

Land is stated at cost less any impairment in value.

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

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against current operations and are no longer capitalized.

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

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

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

| | |
|-----------------------------------|-------------|
| Land improvements | 20 years |
| Buildings and improvements | 10-30 years |
| Machinery and equipment | 10 years |
| Transportation equipment | 5 years |
| Furniture, fixtures and equipment | 5 years |

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

Major spare parts and stand-by equipment items that the Group expects to use over more than one (1) 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 asset (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.

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

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.

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

| | |
|-------------------------------------|----------------|
| Land improvements | 10 years |
| Buildings and building improvements | 10 to 30 years |

Investment properties are derecognized when either they have been disposed of or when the investment properties 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.

Biological Assets

The biological assets of the Group are divided into two (2) 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)

A biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs, except for a biological asset where fair value is not clearly determinable. Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs.

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

Agricultural produce is the harvested product of the Group's biological asset. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the asset's life processes of the agricultural produce ceases. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale cost shall be included 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.

Biological assets at cost

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

Depreciation is computed using the straight-line method over the EUL of the biological assets, regardless of utilization. The EUL of biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that considers market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of biological assets. The EUL of biological assets ranges from two (2) to three (3) years.

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

Biological assets carried at fair values less estimated point-of-sale costs

Swine livestock are measured at their fair values less point-of-sale costs. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Point-of-sale costs 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 point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in the consolidated statement of income in the period in which it arises.

Investments in a Joint Venture

The Group also has a 50% interest in Hunt-Universal Robina Corporation (HURC), a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two (2) or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investments in a joint venture are accounted for using the equity method of accounting. Under the equity method, joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The consolidated statement of income reflects the share of 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 consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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 so 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 either the Group's primary or secondary reporting format determined in accordance with PAS 14, *Segment Reporting*.

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful lives. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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

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

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

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

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

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investment in a joint venture, and intangible assets with finite lives.

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 account in the consolidated statement of income.

For assets excluding goodwill, 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, 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 expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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

Goodwill

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

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

Biological assets at cost

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

Intangible assets

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

Investment in a joint venture

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investments in a joint venture. If this is the case, the Group calculates the amount of impairment as being the difference between the

fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of income.

Short-term and Long-term Debt

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

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.

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 balance sheet. When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations (see accounting policy on Financial Instruments).

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from 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. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet 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 an interest expense 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

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying

assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

The asset or liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of the any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each balance sheet 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 balance sheet date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset 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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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.

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. A reassessment is made after inception of the lease only if one (1) of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

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

Group as a lessee

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.

Borrowing Costs

Borrowing costs are generally expensed as incurred. 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.

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

Foreign Currency Translation/Transactions

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

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

| Subsidiaries | Country of Incorporation | Functional Currency |
|--|--------------------------|---------------------|
| URCPL | British Virgin Islands | US Dollar |
| URC Asean Brands Co. Ltd. | - do - | - do - |
| Hong Kong China Foods Co. Ltd. | - do - | - do - |
| URCICL | - do - | - do - |
| URCL | Cayman Islands | - do - |
| Shanghai Peggy Foods Co., Ltd. | China | Chinese Yuan |
| Tianjin Pacific Foods Manufacturing Co., Ltd. | - do - | - do - |
| URC China Commercial Co. Ltd. | - do - | - do - |
| Xiamen Tongan Pacific Food Co., Ltd. | - do - | - do - |
| Panyu Peggy Foods Co., Ltd. | - do - | - do - |
| URC Hong Kong Company Limited (formerly Hong Kong Peggy Snacks Foods Co., Limited) | Hong Kong | HK Dollar |
| PT URC Indonesia | Indonesia | Indonesian Rupiah |
| URC Snack Foods (Malaysia) Sdn. Bhd. (formerly Pacific World Sdn. Bhd.) | Malaysia | Malaysian Ringgit |
| Ricellent Sdn. Bhd. | - do - | - do - |
| URC Foods (Singapore) Pte. Ltd. (formerly Pan Pacific Snacks Pte. Ltd.) | Singapore | Singapore Dollar |
| Acesfood Network Pte. Ltd. | - do - | - do - |
| Advanson International Pte. Ltd. | - do - | - do - |
| URC (Thailand) Co., Ltd. (formerly Thai Peggy Foods Co. Ltd.) | Thailand | Thai Baht |
| URC Vietnam Co., Ltd. | Vietnam | Vietnam Dong |

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 the balance sheet 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 except for URCPL and URCL which are considered integral part of the parent company. Exchange differences of these subsidiaries are recognized in the consolidated statement of 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.

Earnings Per Share (EPS)

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

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Subsequent Events

Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the balance sheet 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.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

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 balance sheet.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determination of fair values of financial instruments

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

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated balance sheet 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.

Classification of leases

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

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.

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

Estimation of allowance for impairment losses on trade and other receivables

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

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 receivables would increase recorded operating expenses and decrease current assets.

Determination of NRV of inventories

The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided 100% for nonmoving items for more than one (1) year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

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

EUL of property, plant and equipment and investment properties

The Group estimated 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.

Fair values less estimated point-of-sale costs of biological assets

The fair values of swine are determined based on current market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Point-of-sale costs 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.

Impairment of nonfinancial assets

The Group assesses the impairment of 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 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.

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 determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

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. 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.

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each balance sheet date and reduces 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.

4. Financial Risk Management Objective and Policies

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, financial assets at FVPL, AFS investments, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations.

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

Risk Management Structure

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

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

Audit Committed (AC)

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

The AC also aims to ensure that:

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

Enterprise Risk Management Group (ERMG)

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

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

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

good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the BOD, among others.

Risk Management Policies

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

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. The Group does not have any foreign currency hedging arrangements.

Equity price risk

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

Interest rate risk

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

Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments. The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

Liquidity risk

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. 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.

Fair Value Measurement

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

Cash and cash equivalents, receivables, accounts payable and other accrued liabilities and trust receipts and acceptances payable

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

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 value of quoted equity securities are based on quoted prices published in markets. Fair values of unquoted equity investments approximate carrying amounts (cost less allowance for impairment) due to the unpredictable nature of future cash flows and lack of suitable methods of arriving at reliable fair value.

Derivative financial instruments

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of forward exchange derivatives embedded in nonfinancial contracts is 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.

Long-term debt

The fair value is determined using the discounted cash flow methodology, with reference to the Group's current incremental lending rates for similar types of loans.

5. Business Segment Information

The industry segments where the Group operates are as follows:

- a. The branded consumer food products segment - manufactures and distributes a diverse mix of snack foods, instant coffee products, instant noodles, chocolates, soft and hard candies, biscuits, tomato-based products and ready-to-drink beverages. This segment also includes the packaging division which manufactures BOPP films primarily used in packaging. In 2006, the Group, through its wholly owned subsidiary, CFC Clubhouse Property, Inc. began operations of its PET bottle manufacturing and flexible packaging plants to supply the packaging requirement of PET bottle products and various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- b. The agro-industrial products segment engages in hog and poultry farming, manufactures and distributes animal feeds and soya products, and manufactures and distributes animal health products. Its peak season is during summer and before Christmas season.

- c. The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing and marketing. The peak season for sugar is during its crop season, which normally starts in September and ends in May of the following year.
- d. The corporate business segment engages in bonds and securities investment and fund sourcing activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and revenue), market valuation gain (loss), foreign exchange loss 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 Group's business segment information follows:

| | Sale of Goods and Services | | Segment Result | |
|----------------------|----------------------------|-------------|-------------------|------------|
| | March 31 | | | |
| | 2009 | 2008 | 2009 | 2008 |
| BCFG | ₱19,681,304 | ₱16,376,659 | ₱1,657,274 | ₱942,353 |
| AIG | 2,935,942 | 2,801,784 | 62,151 | 321,620 |
| CFG | 3,069,071 | 1,975,612 | 661,986 | 821,570 |
| Corporate Businesses | | | (319,099) | (279,487) |
| | ₱25,686,317 | ₱21,154,055 | ₱2,062,312 | ₱1,806,056 |

| | Total Assets | | Total Liabilities | |
|----------------------|--------------------|-------------|--------------------|-------------|
| | March 31 | | | |
| | 2009 | 2008 | 2009 | 2008 |
| BCFG | ₱30,905,646 | ₱27,892,894 | ₱7,366,256 | ₱7,657,302 |
| AIG | 4,502,366 | 4,800,883 | 723,075 | 1,193,849 |
| CFG | 8,680,366 | 10,290,388 | 3,065,064 | 3,578,940 |
| Corporate Businesses | 15,264,244 | 14,815,730 | 15,949,233 | 10,436,893 |
| | ₱59,352,622 | ₱57,799,895 | ₱27,103,628 | ₱22,866,984 |

6. Cash and Cash Equivalents

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|------------------------|--------------------------------|----------------------------------|
| Cash on hand | ₱1,517,371 | ₱108,577 |
| Cash in banks | 808,174 | 729,054 |
| Short-term investments | 1,621,819 | 1,377,997 |
| | ₱3,947,364 | ₱2,215,628 |

Cash in banks earns interest at the respective bank deposit rates. Money market placements are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 2.4% to 5.4% and 3.2% to 5.4%, in March 31, 2009 and September 30, 2008, respectively.

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|------------------------------|---|----------------------------------|
| Investments held-for-trading | ₱5,237,529 | ₱5,968,488 |
| Derivative assets | 81,505 | 10,697 |
| | ₱5,319,034 | ₱5,979,185 |

Investments that are held-for-trading consist of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|-------------------|---|----------------------------------|
| Private bonds | ₱4,030,591 | ₱4,343,134 |
| Equity securities | 1,206,938 | 1,625,354 |
| | ₱5,237,529 | ₱5,968,488 |

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

Net market valuation loss of financial assets at FVPL amounted to ₱1.2 billion and ₱772.9 million in the first half of fiscal 2009 and 2008, respectively.

8. Receivables

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|---|---|----------------------------------|
| Trade receivables | ₱4,780,436 | ₱4,613,930 |
| Advances to officers, employees and suppliers | 457,487 | 477,809 |
| Due from related parties | 478,832 | 448,125 |
| Interest receivable | 183,850 | 142,815 |
| Others | 782,086 | 717,508 |
| | 6,682,691 | 6,400,187 |
| Less allowance for impairment loss | 224,313 | 224,313 |
| | ₱6,458,378 | ₱6,175,874 |

The aging analysis of the Group's receivables follows:

| | Neither past due nor impaired | Past due but not impaired | | Past due and impaired | Unaudited March 31, 2009 |
|--|-------------------------------------|---------------------------|-------------------|-----------------------------|---|
| | | Less than 90 days | Over 90 days | | |
| Trade receivables | ₱1,245,782 | ₱2,315,054 | ₱995,287 | ₱224,313 | ₱4,780,436 |
| Due from related parties | 478,832 | – | – | – | 478,832 |
| Interest receivable | 183,408 | 442 | – | – | 183,850 |
| Advances to officers, employees and suppliers | 228,749 | 219,545 | 9,193 | – | 457,487 |
| Others | 378,799 | 361,167 | 42,120 | – | 782,086 |
| | ₱2,515,570 | ₱2,896,208 | ₱1,046,600 | ₱224,313 | ₱6,682,691 |

| | Neither past due nor impaired | Past due but not impaired | | Past due and impaired | Audited September 30, 2008 |
|--|-------------------------------------|---------------------------|-------------------|-----------------------------|---|
| | | Less than 90 days | Over 90 days | | |
| Trade receivables | ₱740,790 | ₱2,457,452 | ₱1,191,375 | ₱224,313 | ₱4,613,930 |
| Due from related parties | 448,125 | – | – | – | 448,125 |
| Interest receivable | 142,472 | 343 | – | – | 142,815 |
| Advances to officers, employees and suppliers | 238,911 | 229,297 | 9,601 | – | 477,809 |
| Others | 347,521 | 331,345 | 38,642 | – | 717,508 |
| | ₱1,917,819 | ₱3,018,437 | ₱1,239,618 | ₱224,313 | ₱6,400,187 |

9. Inventories

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|------------------------------------|---|----------------------------------|
| At cost: | | |
| Raw materials | ₱2,408,778 | ₱2,545,062 |
| Finished goods | 2,093,079 | 1,751,043 |
| | 4,501,857 | 4,296,105 |
| At NRV: | | |
| Goods in-process | 155,988 | 135,328 |
| Containers and packaging materials | 1,035,410 | 996,109 |
| Spare parts and supplies | 1,308,979 | 1,128,048 |
| | 2,500,377 | 2,259,485 |
| Materials in-transit | 1,020,819 | 1,218,865 |
| | ₱8,023,053 | ₱7,774,455 |

Under the terms of the agreements covering liabilities under trust receipts totaling ₱1.3 billion and ₱3.0 billion as of March 31, 2009 and September 30, 2008, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusted merchandise or their sales proceeds.

10. Other Current Assets

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|-----------------------|---|----------------------------------|
| Input value-added tax | ₱660,015 | ₱792,558 |
| Prepaid expenses | 132,642 | 229,977 |
| Others | 13,822 | 13,829 |
| | ₱806,479 | ₱1,036,364 |

Prepaid expenses include insurance, advertising and computer maintenance costs amounting to ₱46.5 million, ₱8.0 million and ₱15.0 million, respectively, as of March 31, 2009 and ₱63.7 million, ₱111.0 million and ₱4.2 million, respectively, as of September 30, 2008.

11. Property, Plant and Equipment

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|-----------------------------------|---|----------------------------------|
| Acquisition Costs | | |
| Land Improvements | ₱1,700,159 | ₱1,718,786 |
| Building and Improvements | 8,308,804 | 8,154,087 |
| Machinery and Equipment | 31,914,682 | 30,553,185 |
| Transportation Equipment | 2,015,852 | 2,020,866 |
| Furniture, Fixtures and Equipment | 1,881,045 | 1,835,983 |
| | 45,820,542 | 44,282,907 |
| Accumulated Depreciation | 24,327,818 | 22,934,558 |
| Net Book Value | 21,492,724 | 21,348,349 |
| Land | 1,592,110 | 1,498,315 |
| Equipment In-transit | 435,685 | 283,316 |
| Construction In-progress | 1,419,965 | 1,197,364 |
| | ₱24,940,484 | ₱24,327,344 |

12. Available-for-Sale Investments

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|-----------------------|---|----------------------------------|
| Private bonds | ₱3,741,897 | ₱4,080,460 |
| Government securities | 2,184,625 | 2,224,383 |
| | ₱5,926,522 | ₱6,304,843 |

As of March 31, 2009 and September 30, 2008, net unrealized loss on market valuation amounted to ₱1.2 billion and ₱826.2 million, respectively, which are shown as a separate component of equity in the consolidated balance sheets.

13. Intangible Assets

Movements in this account follow:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|---------------------------------|---|----------------------------------|
| Cost | | |
| Balance at beginning of year | ₱1,891,603 | ₱1,399,024 |
| Additions | – | 492,579 |
| Balance at end of year | 1,891,603 | 1,891,603 |
| Accumulated Depreciation | | |
| Balance at beginning of year | 244,840 | 242,072 |
| Depreciation | 1,384 | 2,768 |
| Balance at end of year | 246,224 | 244,840 |
| Net Book Value | ₱1,645,379 | ₱1,646,763 |

Intangible assets consist of goodwill, trademark and product formulation.

14. Investment in a Joint Venture

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|---|---|----------------------------------|
| Acquisition Cost | | |
| Balance at beginning of year | ₱1,250 | ₱1,250 |
| Disposal | – | – |
| Balance at end of year | 1,250 | 1,250 |
| Accumulated Equity in Net Earnings | | |
| Balance at beginning of year | 91,807 | 88,623 |
| Equity in net income during the year | 18,706 | 28,184 |
| Dividends received | (30,000) | (25,000) |
| Disposal | – | – |
| Balance at end of year | 80,513 | 91,807 |
| Net Book Value at End of Year | ₱81,763 | ₱93,057 |

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

15. Investment Properties

Movements in this account follow:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|--------------------------------------|---|----------------------------------|
| Cost | | |
| Balance at beginning and end of year | ₱107,947 | ₱107,947 |
| Accumulated Depreciation | | |
| Balance at beginning of year | 28,944 | 25,346 |
| Depreciation | 1,800 | 3,598 |
| Balance at end of year | 30,744 | 28,944 |
| Net Book Value | ₱77,203 | ₱79,003 |

The investment properties consist of land, building and plant which are made available for lease to others.

16. Other Noncurrent Assets

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|------------------------|---|----------------------------------|
| Input value-added tax | ₱191,825 | ₱171,457 |
| Miscellaneous deposits | 92,526 | 83,144 |
| Others | 174,782 | 159,030 |
| | ₱459,133 | ₱413,631 |

17. Short-term Debt

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|---|---|----------------------------------|
| Parent Company | | |
| Philippine Peso - with interest rates ranging from 7.25% to 7.5% in 2009 and 6.75% in 2008 | ₱2,383,000 | ₱1,123,000 |
| Subsidiaries | | |
| Foreign Currencies - with interest rates ranging from 2.80% to 3.65% per annum in 2009 and 3.39% to 5.46% per annum in 2008 | 5,362,770 | 6,946,508 |
| | ₱7,745,770 | ₱8,069,508 |

Interest is based on prevailing market rates and repriced quarterly.

18. Accounts Payable and Other Accrued Liabilities

This account consists of:

| | Unaudited March 31, 2009 | Audited September 30, 2008 |
|------------------------|---|----------------------------------|
| Trade payables | ₱3,209,480 | ₱3,307,225 |
| Accrued expenses | 1,558,742 | 1,105,489 |
| Due to related parties | 111,870 | 127,615 |
| Customers' deposits | 90,380 | 80,397 |
| Derivative liabilities | 20,007 | 40,421 |
| Others | 292,841 | 303,795 |
| | ₱5,283,320 | ₱4,964,942 |

Other payables include advances to stockholders amounting to ₱108.4 million and ₱107.6 million as of March 31, 2009 and September 30, 2008, respectively, as well as withholding tax payable amounting to ₱69.9 millions and ₱65.6 million as of March 31, 2009 and September 30, 2008, respectively.

19. Long-term Debt

This consists of:

| | Maturities | Interest Rates | Unaudited March 31, 2009 | Audited September 30, 2008 |
|--|----------------------------|----------------------------|---|----------------------------------|
| Parent Company: | | | | |
| Foreign currencies | | | | |
| HypoVereinsbank term loan facilities | Various dates through 2009 | EURIBOR/ USD LIBOR + 0.75% | ₱42,760 | ₱62,441 |
| Philippine Peso | | | | |
| URC corporate note | 2014 | 8.75% | 3,000,000 | - |
| | | | 3,042,760 | 62,441 |
| Subsidiaries: | | | | |
| Foreign currencies | | | | |
| URCPL US\$200 million guaranteed notes | 2012 | 8.25% | 9,424,350 | 9,410,000 |
| Philippine Peso | | | | |
| Philippine Sugar Corp. restructured loan | 2013 | 7.50% | 39,991 | 46,395 |
| | | | 9,464,341 | 9,456,395 |
| | | | 12,507,101 | 9,518,836 |
| Debt issuance costs | | | 48,307 | 41,034 |
| | | | 12,458,794 | 9,477,802 |
| Less current portion | | | 49,645 | 48,032 |
| | | | ₱12,409,149 | ₱9,429,770 |

The exchange rates used to restate the foreign currency borrowings were ₱48.33 to US\$1.00 and ₱47.05 to US\$1.00 as of March 31, 2009 and September 30, 2008, respectively.

20. Equity

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

| | March 31, 2009 | September 30, 2008 |
|---|---------------------------|-----------------------|
| Authorized shares | 2,998,000,000 | 2,998,000,000 |
| Par value per share | ₱1.00 | ₱1.00 |
| Issued: | | |
| Balance at beginning of year | 2,221,851,481 | 2,221,851,481 |
| Issuance of common shares of stock during the year | - | - |
| Balance at end of year | 2,221,851,481 | 2,221,851,481 |
| Less treasury shares | 75,104,200 | 72,104,200 |
| Outstanding Shares | 2,146,747,281 | 2,149,747,281 |

On November 13, 2007, the Group's BOD approved the creation and implementation of a share buy-back program allotting up to ₱2.5 billion to reacquire a portion of the Company's issued and outstanding common shares, representing approximately 7.63% of current market capitalization.

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12% 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 ₱1.0 per share. There have been no issuances of preferred stock as of March 31, 2009 and September 30, 2008.

Deposits for Future Stock Subscriptions

On August 3, 2001, the Parent Company's BOD approved the issuance of 55,659,008 shares to JGSHI, Robinson's Supermarket Corporation and a certain stockholder in exchange for two (2) parcels of land and certain marketable securities which were valued at ₱250.5 million. This was reflected as Deposits for Future Stock Subscriptions in the consolidated balance sheets pending approval of the Philippine SEC. On June 19, 2003, the Philippine SEC approved the issuance of 49,871,556 shares for the two (2) parcels of land.

Retained Earnings

A portion of the unappropriated retained earnings representing the undistributed earnings of the investee companies is not available for dividend declaration until received in the form of dividends and is restricted to the extent of the cost of treasury shares.

21. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

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

| | Six Months Ended March 31 | |
|--|---------------------------|-----------|
| | 2009 | 2008 |
| Net income (loss) attributable to equity holders of the parent | ₱402,025 | ₱494,174 |
| Weighted average number of common shares | 2,146,997 | 2,188,157 |
| Basic/dilutive EPS | ₱0.19 | ₱0.23 |

There were no potential dilutive shares in the first half of fiscal 2009 and 2008. As of March 31, 2008, the Company's outstanding common stock is 2,146,747,281 shares.

22. Commitments and Contingencies

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.

23. Subsequent Events

There were no material events that occurred subsequent to March 31, 2009 that requires disclosures for the period.