

COVER SHEET

9 1 7 0

SEC Registration Number

U N I V E R S A L R O B I N A C O R P O R A T I O N A N D
 S U B S I D I A R I E S

(Company's Full Name)

1 1 0 E . R o d r i g u e z A v e n u e , B a g u m b a y
 a n , Q u e z o n C i t y

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

Geraldo N. Florencio

(Contact Person)

671-2935; 635-0751; 671-3954

(Company Telephone Number)

0 9 3 0

Month Day
(Fiscal Year)

1 7 - Q

(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, if Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

S T A M P S

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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 December 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	2,071,048,733 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 54).

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 snacks, candies and chocolates, and is a significant player in biscuits, with leading positions in cookies and pretzels. URC is also the largest player in the ready to drink (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 (BCF) segment, including our packaging division, is the Company's largest segment. The Company's branded consumer foods division manufactures and distributes a diverse mix of snack, chocolate, candy, biscuit, bakery, beverage, noodles and tomato-based products. The manufacture, distribution, sales and marketing activities for the Company's

consumer food products are carried out mainly through its branded consumer foods group consisting of 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. The Company's packaging division is engaged in the manufacture of polypropylene films for packaging companies.

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 and fish 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 three months ended December 31, 2009 and 2008:

Three months ended December 31		
<i>In millions</i>	2009	2008
BCFG		
Domestic	₱6,987	₱6,935
International	3,464	3,212
	10,451	10,147
Packaging	195	286
BCFG Total	10,646	10,433
AIG	1,751	1,509
CFG	1,976	1,326
Total	₱14,373	₱13,268

Results of Operations

Three Months Ended December 31, 2009 versus December 31, 2008

URC generated a consolidated sale of goods and services of ₱14.373 billion for the three months ended December 31, 2009, 8.3% higher than the revenues posted 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 ₱304 million, or 3.0%, to ₱10.451 billion for the three months of fiscal 2010 from ₱10.147 billion registered in the same period of last year. BCFG domestic sales increased by ₱52 million to ₱6.987 billion from ₱6.935 billion which was largely driven by the strong performance of its beverage division which posted a 10.4% growth due to surge in volume of C2 Green Tea, coffee and creamer and sales take-off of new beverage products. Sales of grocery products improved by 15.5% to ₱907 million due to strong Noodles sales.

BCFG International sales significantly increased by 7.8% to ₱3.464 billion for the three months of fiscal 2010 from ₱3.212 billion posted in the same period last year. In US dollar amount, sales registered an increase of 12.1% from US\$66 million posted for the three months of fiscal 2009 to US\$74 million recorded in the same period of this year due to 27.6% increase in sales volume. This was supported by higher revenues from Thailand, Vietnam and Singapore.

Sale of goods and services of BCFG, excluding packaging division, accounted for 72.7% of total URC consolidated sale of goods and services for the three months ended December 31, 2009.

Sales in URC's packaging division went down by 31.8% to ₱195 million for the three months of fiscal 2010 from ₱286 million posted in the same period last year due to decrease in sales volume and commodity prices worldwide.

Sale of goods and services in URC's AIG amounted to ₱1.751 billion for the three months of fiscal 2010, a 16.0% increase from ₱1.509 billion recorded in the same period last year. URC's feed business grew by 7.5% on the back of higher prices coupled with increases in sales volume. Farm business grew by 21.8% due to higher prices of hogs and increase in sales of commercial table eggs and broiler.

Sale of goods and services in URC's CFG amounted to ₱1.976 billion for the three months of fiscal 2010 or up 49.0% from ₱1.326 billion reported in the same period last year. This was primarily due to increase in sales volume of sugar as a result of better production performance coupled with higher prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales decreased by ₱235 million, or 2.3%, to ₱10.032 billion for the three months of fiscal 2010 from ₱10.267 billion reported in the same period last year. Cost of sales went down due to lower costs of major raw materials during the first quarter of this year against the same period last year, net of increases in sales volume.

URC's gross profit for the three months of fiscal 2010 amounted to ₱4.341 billion, an increase of ₱1.339 billion or 44.6% from ₱3.002 billion posted in the same period last year. Gross profit margin has significantly improved by 800 basis points versus same period last year as the Company took advantage of lower input costs this year.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱73 million or 3.7% to ₱2.051 billion for the three months of fiscal 2010 from ₱1.978 billion registered in the same period of fiscal 2009.

As a result of the above factors, operating income increased by ₱1.266 billion, or 123.6% to ₱2.290 billion for the three months of fiscal 2010 from ₱1.024 billion reported in the same period of fiscal 2009.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱10 million or 3.2% to ₱318 million for the three months of fiscal 2010 from ₱308 million in the same period of fiscal 2009 due to increased level of financial assets during the period.

Market valuation gain on financial instruments at FVPL of ₱32 million was reported for the three months of fiscal 2010 against the market valuation loss of ₱958 million in the same period of fiscal 2009 due to recovery in the market values of bond and equity security investments.

Equity in net income of a joint venture amounted to ₱12 million for the three months of fiscal 2010 against ₱13 million in the same period of fiscal 2009 due to lower net income of Hunt-Universal Robina Corporation.

URC's finance costs consist mainly of interest expense which decreased by ₱253 million or 48.0%, to ₱274 million for the three months of fiscal 2010 from ₱527 million recorded in the same period of fiscal 2009 due to decline in level of financial debt.

Foreign exchange loss - net amounted to ₱131 million for the three months of fiscal 2010, 10.1% increase from ₱119 million reported in the same period last year due to currency translation loss on foreign currency denominated assets with the appreciation of Philippine peso vis-à-vis US dollar.

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 from ₱25 million other expense for the three months of 2009 to ₱16 million other income in the same period this year due to gain on sale of asset held for disposal and property and equipment.

The Company recognized provision for income tax of ₱294 million for the three months of fiscal 2010, 654.7% increase from ₱53 million income tax benefit reported in the same period last year due to higher taxable income and provision for deferred tax liability on unrealized foreign exchange gain.

URC's unaudited net income (loss) for the three months of fiscal 2010 amounted to ₱1.970 billion, higher by ₱2.202 billion or 949.1% from ₱(232) million posted in the same period last year, due to higher operating income, improvement in market values of bond and equity holdings coupled by lower finance costs.

URC's unaudited core earnings before tax (operating profit after equity earnings, net finance revenue and other income - net) for the three months of fiscal 2010 amounted to ₱2.363 billion, an increase of 198.0% from ₱793 million reported in the same period last year.

Net income (loss) attributable to equity holders of the parent increased by ₱2.091 billion or 850% to ₱1.845 billion for the three months of fiscal 2010 from ₱(246) 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 ₱14 million for the three months of fiscal 2009 to ₱126 million for the same period this year due to net income reported by

URC International on the back of surging profits in Thailand, Vietnam and Singapore and higher net income of Nissin-URC.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱3.066 billion for the three months of fiscal 2010, 72.1% higher than ₱1.781 billion recorded in the same period of fiscal 2009.

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

December 31, 2009 vs. September 30, 2009

URC's financial position remained to be strong with a current ratio of 2.63:1 as of December 31, 2009. Financial debt to equity ratio of 0.46:1 for the period is within comfortable level. Book value per share increased to ₱17.65 as at December 31, 2009 from ₱16.68 as at September 30, 2009. Total outstanding common shares as of December 31, 2009 decreased by 82 million shares to 2.071 billion shares from 2.153 billion shares as at September 30, 2009.

The Company's cash requirements have been sourced through cash flow from operations. Net cash provided by operating activities for the three months ended December 31, 2009 was ₱2.958 billion. Net cash used in investing activities for the period amounted to ₱1.346 billion mainly due to acquisition of property, plant and equipment and financial assets at FVPL. Net cash used in financing activities amounted to ₱1.406 billion mainly due to re-acquisition of Company shares and repayment of loans.

As of December 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 2010 Financial Statements (Increase/Decrease of 5% or more versus FY 2009)

Statements of Comprehensive Income - Three months ended December 31, 2009 versus same period in fiscal 2009

8.3% increase in sale of goods and services was due to the following:

Sale of goods and services in URC's BCFG, excluding packaging division, increased by ₱304 million, or 3.0%, to ₱10.451 billion for the three months of fiscal 2010 from ₱10.147 billion registered in the same period of last year. BCFG domestic sales increased by ₱52 million to ₱6.987 billion from ₱6.935 billion which was largely driven by the strong performance of its beverage division which posted a 10.4% growth due to surge in volume of C2 Green Tea, coffee and creamer and sales take-off of new beverage products. Sales of grocery products improved by 15.5% to ₱907 million due to strong Noodles sales.

BCFG International sales significantly increased by 7.8% to ₱3.464 billion for the three months of fiscal 2010 from ₱3.212 billion posted in the same period last year. In US dollar amount, sales registered an increase of 12.1% from US\$66 million posted for the three months of fiscal 2009 to

US\$74 million recorded in the same period of this year due to 27.6% increase in sales volume. This was supported by higher revenues from Thailand, Vietnam and Singapore.

Sale of goods and services of BCFG, excluding packaging division, accounted for 72.7% of total URC consolidated sale of goods and services for the three months ended December 31, 2009.

Sales in URC's packaging division went down by 31.8% to ₱195 million for the three months of fiscal 2010 from ₱286 million posted in the same period last year due to decrease in sales volume and commodity prices worldwide.

Sale of goods and services in URC's AIG amounted to ₱1.751 billion for the three months of fiscal 2010, a 16.0% increase from ₱1.509 billion recorded in the same period last year. URC's feed business grew by 7.5% on the back of higher prices coupled with increases in sales volume. Farm business grew by 21.8% due to higher prices of hogs and increase in sales of commercial table eggs and broiler.

Sale of goods and services in URC's CFG amounted to ₱1.976 billion for the three months of fiscal 2010 or up 49.0% from ₱1.326 billion reported in the same period last year. This was primarily due to increase in sales volume of sugar as a result of better production performance coupled with higher prices.

6.3% increase in selling and distribution costs

Due to increase in advertising and promotions costs

103.3% increase in mark-to-market gain on financial instruments at FVPL

Due to recovery in market values of bonds and equity securities held

48.0% decrease in finance costs

Due to decline in level of financial debt during the period

10.1% increase in foreign exchange loss - net

Due to effect of foreign currency translation as a result of appreciation of Philippine peso vis-à-vis US dollar

164.4% increase in other income - net

Due to gain on sale of asset held for disposal and property and equipment

654.7% increase in provision for income tax

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

795.5% increase in minority interest

Due to higher net income reported by URC International and Nissin-URC

Statements of Financial Position – December 31, 2009 versus September 30, 2009

6.7% increase in cash and cash equivalents

Due to increase in cash in bank and money market placements

9.8% increase in financial assets at fair value through profit and loss

Due to acquisition of bond investments and increase in market values

5.3% decrease in available-for-sale investments

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

15.3% increase in receivables

Due to increase in trade receivables and advances to suppliers

11.3% increase in inventories

Due to increase in finished goods and raw materials

100.0% decrease in assets of disposal group held for sale

Due to sale of net assets of the disposal group

12.2% decrease in biological assets

Due to decrease in population of livestock

17.7% decrease in net pension assets

Due to recognition of pension expense

13.7% increase in investment in a joint venture

Due to equity share in net income of HURC

14.7% decrease in other noncurrent assets

Due to decline in deferred tax assets, and miscellaneous deposits and others

28.1% increase in accounts payable and accrued expenses

Due to increase in trade payable, accrued advertising and promotion expenses, contracted services and interest expense

67.9% decrease in trust receipts and acceptances payable

Due to payment during the period

126.2% increase in income tax payable

Due to increase in provision for income tax during the period, net of applicable creditable withholding taxes

100.0% decrease in liabilities associated with assets held for sale

Due to sale of net assets of the disposal group

8.2% increase in retained earnings

Due to net income during the period

8.2% decrease in other comprehensive income

Due to decrease in cumulative translation adjustments as a result of appreciation in value of Philippine peso against US dollar

21.9% increase in equity attributable to minority interests

Due to higher net income reported by URC International and Nissin-URC

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

Universal Robina Corporation (Consolidated)			
	YTD December		
	2009	YTD December 2008	Index
Revenue	₱14,373	₱13,268	108
EBIT	2,290	1,024	224
EBITDA	3,066	1,781	172
Net Income (Loss)	1,970	(232)	949
Total assets	62,855	60,520	104

URC International			
	YTD December	YTD December	
	2009	2008	Index
		₱	
Revenue	₱3,438	3,189	108
EBIT	508	285	178
EBITDA	738	486	152
Net Income	519	36	1,442
Total assets	13,576	12,746	107

Nissin - URC			
	YTD December	YTD December	
	2009	2008	Index
		₱	
Revenue	₱320	260	123
EBIT	24	10	240
EBITDA	33	18	183
Net Income	19	10	190
Total assets	727	650	112

URC Philippines, Limited			
	YTD December	YTD December	
	2009	2008	Index
Revenue	₱-	₱-	-
EBIT	-	-	-
EBITDA	-	-	-
Net Income (Loss)	180	(427)	242
Total assets	15,791	13,585	116

Universal Robina (Cayman), Ltd.			
	YTD December	YTD December	
	2009	2008	Index
Revenue	₱-	₱-	-
EBIT	-	-	-
EBITDA	-	-	-
Net Income (Loss)	(69)	464	(214)
Total assets	8,791	8,180	107

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



LANCE Y. GOKONGWEI
President and Chief Operating Officer
Date 02/11/10



CONSTANTE T. SANTOS
Senior Vice President - Corporate Controller
Date 02/11/10



GERALDO N. FLORENCIO
First Vice President - Controller
Date 02/11/10

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	Unaudited December 31 2009	Audited September 30 2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱3,262,562	₱3,057,132
Financial assets at fair value through profit and loss (Note 7)	7,961,623	7,249,916
Available-for-sale investments (Note 8)	6,942,148	7,329,368
Receivables - net (Note 9)	7,864,909	6,820,683
Inventories (Note 10)	6,811,199	6,118,042
Other current assets (Note 11)	1,866,148	1,951,781
	34,708,589	32,526,922
Assets of disposal group classified as held for sale	-	100,977
Total Current Assets	34,708,589	32,627,899
Noncurrent Assets		
Property, plant and equipment - net (Note 12)	25,311,022	25,300,589
Biological assets	443,812	505,251
Intangible assets (Note 13)	1,643,303	1,643,995
Net pension assets	116,018	141,018
Investments in a joint venture (Note 14)	100,377	88,303
Investment properties (Note 15)	74,506	75,405
Other noncurrent assets (Note 16)	456,960	535,490
Total Noncurrent Assets	28,145,998	28,290,051
	₱62,854,587	₱60,917,950
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 17)	₱5,048,936	₱5,186,769
Accounts payable and other accrued liabilities (Note 18)	7,582,915	5,919,484
Trust receipts and acceptances payable (Note 10)	153,421	478,449
Income tax payable	402,882	178,096
Current portion of long-term debt (Note 19)	6,885	27,849
	13,195,039	11,790,647
Liabilities directly associated with assets of disposal group classified as held for sale	-	843
Total Current Liabilities	13,195,039	11,791,490

(Forward)

	Unaudited December 31 2009	Audited September 30 2009
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	₱11,991,485	₱12,219,021
Deferred tax liabilities - net	421,109	421,109
Total Noncurrent Liabilities	12,412,594	12,640,130
Total Liabilities	25,607,633	24,431,620
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 20)	13,455,557	13,455,557
Retained earnings (Note 20)	24,392,431	22,547,489
Other comprehensive income	775,813	844,877
Treasury shares (Note 20)	(2,075,517)	(934,713)
	36,548,284	35,913,210
Equity attributable to minority interests	698,670	573,120
Total Equity	37,246,954	36,486,330
	₱62,854,587	₱60,917,950

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

(In Thousand Pesos, Except Per Share Amount)

	Three Months Ended December 31	
	2009	2008
SALE OF GOODS AND SERVICES	₱14,373,122	₱13,268,493
COST OF SALES	10,031,954	10,266,619
GROSS PROFIT	4,341,168	3,001,874
Selling and distribution costs	(1,617,156)	(1,521,449)
General and administrative expenses	(433,783)	(456,262)
Finance revenue	318,324	307,822
Market valuation gain (loss) on financial instruments at fair value through profit or loss	31,805	(958,038)
Equity in net income of a joint venture	12,074	12,663
Finance costs	(273,767)	(526,908)
Foreign exchange loss – net	(130,698)	(119,291)
Other income (expense) – net	16,177	(25,105)
INCOME (LOSS) BEFORE INCOME TAX	2,264,144	(284,694)
PROVISION FOR (BENEFIT FROM) INCOME TAX	293,652	(53,029)
NET INCOME (LOSS)	1,970,492	(231,665)
OTHER COMPREHENSIVE INCOME (LOSS)		
Cumulative translation adjustments	(88,032)	61,036
Unrealized gain (loss) on AFS investments	18,968	(716,091)
OTHER COMPREHENSIVE LOSS	(69,064)	(655,055)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱1,901,428	₱(886,720)
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the parent	₱1,844,942	₱(245,686)
Minority interest	125,550	14,021
	₱1,970,492	₱(231,665)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the parent	₱1,775,878	₱(900,741)
Minority interest	125,550	14,021
	₱1,901,428	₱(886,720)
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY		
HOLDERS OF THE PARENT (Note 20)	₱0.89	₱(0.11)

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)

	Three Months Ended December 31	
	2009	2008
CAPITAL STOCK - ₱1 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 - 2,227,638,933 shares in 2009 and 2,221,851,481 shares in 2008	₱2,227,639	₱2,221,852
Additional issuance	-	-
Balance at end of period	2,227,639	2,221,852
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	11,227,918	11,207,662
Additional issuance	-	-
Balance at end of period	11,227,918	11,207,662
PAID-UP CAPITAL		
	13,455,557	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	19,547,489	16,198,256
Net income (loss)	1,844,942	(245,686)
Balance at end of period	21,392,431	15,952,570
Balance at end of period	24,392,431	18,952,570
DEPOSITS FOR FUTURE STOCK SUBSCRIPTIONS		
Balance at beginning of year	-	26,043
Application of deposit	-	-
Balance at end of period	-	26,043
CUMULATIVE TRANSLATION ADJUSTMENTS		
Balance at beginning of year	576,463	575,324
Adjustments	(88,032)	61,036
Balance at end of period	488,431	636,360
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE INVESTMENTS (Note 8)		
Balance at beginning of year	268,414	(826,240)
Changes in fair value	18,559	(716,091)
Reclassification adjustment included in profit and loss arising from disposal of AFS investment	409	-
Balance at end of period	287,382	(1,542,331)
OTHER COMPREHENSIVE INCOME (LOSS)	775,813	(905,971)

(Forward)

	Three Months Ended December 31	
	2009	2008
TREASURY SHARES (Note 20)		
Balance at beginning of year	₱(934,713)	₱ (916,666)
Acquisition	(1,140,804)	(18,047)
Balance at end of period	(2,075,517)	(934,713)
EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		
Balance at beginning of year	573,120	658,199
Adjustments	125,550	14,021
Balance at end of period	698,670	672,220
	₱37,246,954	₱31,239,663

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
	₱	
Income (loss) before income tax	2,264,144	₱(284,694)
Adjustments for:		
Depreciation and amortization	776,166	756,912
Market valuation loss (gain) on financial instruments at fair value through profit and loss	(31,805)	958,038
Finance cost	273,767	526,908
Finance revenue	(318,324)	(307,822)
Gain arising from changes in fair value less estimated point-of-sale cost of swine stocks	-	(10,049)
Net unrealized foreign exchange loss	64,857	199,343
Equity in net income of a joint venture	(12,074)	(12,663)
Gain on sale of property and equipment	(10,945)	
Gain on sale of asset held for disposal	(10,318)	-
Amortization of bond issue costs	3,779	-
Loss (gain) on sale of financial assets at FVPL	-	2,321
Operating income before changes in working capital	2,999,247	1,828,294
Decrease (increase) in:		
Receivables	(1,149,605)	(1,643,646)
Inventories	(693,157)	(758,773)
Other current assets	196,927	41,046
Increase (decrease) in:		
Accounts payable and other accrued liabilities	1,749,210	(531,161)
Trust receipts and acceptances payable	(325,027)	2,366,129
Cash generated from operations	2,777,595	1,301,889
Interest received	233,624	218,223
Interest paid	(26,246)	(329,571)
Income taxes paid	(27,412)	-
Net cash provided by operating activities	2,957,561	1,190,541

(Forward)

	Three Months Ended December 31	
	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	₱(855,249)	₱(847,615)
Acquisition of financial assets at		
FVPL and AFS investments	(853,615)	(466,064)
Proceeds from sale of AFS investments	240,101	–
Decrease in:		
Biological assets	61,439	120,138
Net pension asset	25,000	–
Other assets	35,908	10,929
Net cash used in investing activities	(1,346,416)	(1,182,612)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term borrowings	(247,726)	1,058,651
Long – term debt	(17,185)	(21,010)
Acquisition of company's shares	(1,140,804)	(18,047)
Net cash provided by (used in) financing activities	(1,405,715)	1,019,594
NET INCREASE IN CASH AND		
 CASH EQUIVALENTS	205,430	1,027,523
CASH AND CASH EQUIVALENTS AT		
 BEGINNING OF YEAR	3,057,132	2,215,628
CASH AND CASH EQUIVALENTS AT END OF		
 YEAR	₱3,262,562	₱3,243,151

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
CFC Corporation	- do -	100.00	100.00
URC Confectionary Corporation	- do -	100.00	100.00
South Luzon Greenland, Inc.	- do -	100.00	100.00
Bio-Resource Power Generation 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
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	Hong Kong	100.00	100.00
PT URC Indonesia	Indonesia	100.00	100.00
URC Snack Foods (Malaysia) Sdn. Bhd.	- do -	91.52	91.52
Ricellent Sdn. Bhd.	Malaysia	54.03	54.03
URC Foods (Singapore) Pte. Ltd.	Singapore	100.00	100.00
Acesfood Network Pte. Ltd.	- do -	96.08	96.08
Acesfood Holdings Pte. Ltd.	- do -	100.00	100.00
Acesfood Distributors Pte. Ltd.	- do -	100.00	100.00
Guangdong Acesfood International Co., Ltd.	- do -	100.00	100.00
Shantou SEZ Toyo Food Industries Co., Ltd	- do -	100.00	100.00
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	100.00	100.00
Advanson International Pte. Ltd.	- do -	100.00	100.00
Jiangsu Aces	- do -	100.00	100.00
URC (Thailand) 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 statements of comprehensive 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 statements of comprehensive income and within equity in the consolidated statements of financial position, 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, 2009

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 consolidated financial statements.

- *Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
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, *Consolidated and Separate Financial Statements*; 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.
- *Amendments to PFRS 2, Share-based Payment - Vesting Condition and Cancellations*
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 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.
- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amended PAS 27 has changes in respect of the holding companies' separate financial statements, including (a) the deletion of the '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.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

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 statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on 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 statements of comprehensive 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 financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

Financial assets and financial liabilities at FVPL

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

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 statements of comprehensive 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 statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive 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 9).

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 statements of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported under the Equity section of the consolidated statements of financial position, if any.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statements of comprehensive 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 statements of comprehensive income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statements of comprehensive 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 financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one (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 statements of comprehensive 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 statements of comprehensive 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 financial position 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 statements of comprehensive income is removed from equity and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive income, the impairment loss is reversed through the consolidated statements of comprehensive income.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized 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 statements of comprehensive 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 statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

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

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

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

Cost is determined using the 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 financial position 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 statements of comprehensive income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick.

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 statements of comprehensive 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 statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The consolidated statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive 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 statements of financial position. 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 statements of comprehensive 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 financial position date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated statements of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

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

Pension Costs

Pension cost 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 statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the financial position 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 statements of comprehensive 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 financial position date.

Deferred tax

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

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

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

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

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

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 statements of comprehensive 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 financial position date. All differences are taken to the consolidated statements of comprehensive 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 statements of comprehensive 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
URCL	Cayman Islands	Philippine Peso
URCPL	British Virgin Island	- do -
URC Asean Brands Co. Ltd.	- do -	US Dollar
Hong Kong China Foods Co. Ltd.	- do -	- do -
URCICL	- do -	- 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	Hong Kong	HK Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Guangdong Acesfood International Co., Ltd.	- do -	- do -

Shantou SEZ Toyo Food Industries Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Advanson International Pte. Ltd.	- do -	- do -
Jiangsu Aces	- do -	- do -
URC (Thailand) 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 financial position date and their respective statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity 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 comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of comprehensive 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 financial position date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

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 statements of financial position.

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

Determination of fair values of financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting judgment and estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in 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 statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

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 financial position 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 and fish 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.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and 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	
	December 31			
	2009	2008	2009	2008
BCFG	₱10,646,519	₱10,433,250	₱1,513,291	₱914,039
AIG	1,750,835	1,509,431	309,662	(9,342)
CFG	1,975,768	1,325,812	646,931	281,459
Corporate Businesses	–	–	(179,655)	(161,993)
	₱14,373,122	₱13,268,493	₱2,290,229	₱1,024,163

	Total Assets		Total Liabilities	
	December 31			
	2009	2008	2009	2008
BCFG	₱31,660,415	₱31,228,658	₱7,870,223	₱7,960,856
AIG	4,829,033	4,688,516	1,168,418	1,641,087
CFG	7,746,118	8,535,183	1,361,723	4,896,906
Corporate Businesses	18,619,021	16,067,662	15,207,269	14,781,505
	₱62,854,587	₱60,520,019	₱25,607,633	₱29,280,354

6. Cash and Cash Equivalents

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Cash on hand	₱244,286	₱254,029
Cash in banks	1,071,204	912,145
Short-term investments	1,947,072	1,890,958
	₱3,262,562	₱3,057,132

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 0.1% to 4.5% and 0.1% to 6.4%, in December 31, 2009 and September 30, 2009, respectively.

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Investments held-for-trading	₱7,960,529	₱7,244,459
Derivative assets	1,094	5,457
	₱7,961,623	₱7,249,916

Investments that are held-for-trading consist of:

	Unaudited December 31, 2009	Audited September 30, 2009
Private bonds	₱6,299,554	₱5,471,097
Equity securities	1,660,975	1,773,362
	₱7,960,529	₱7,244,459

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

Net market valuation gain on financial assets at FVPL amounted to ₱31.8 million and net market valuation loss on financial assets at FVPL amounted to ₱958.0 million for the three months of fiscal 2010 and 2009, respectively.

8. Available-for-Sale Investments

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Debt securities:		
Private bonds	₱3,576,921	₱3,851,716
Government securities	2,484,187	2,559,491
	6,061,108	6,411,207
Equity securities:		
Quoted	881,040	918,161
	₱6,942,148	₱7,329,368

As of December 31, 2009 and September 30, 2009, net unrealized loss on market valuation amounted to ₱287.4 million and ₱268.4 million, respectively, which are presented as components of other comprehensive income.

9. Receivables

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Trade receivables	₱5,922,166	₱5,452,304
Due from related parties	500,269	683,229
Advances to suppliers and others	867,100	472,062
Interest receivable	259,670	174,970
Others	546,724	486,025
	8,095,929	7,268,590
Less allowance for impairment loss	231,020	447,907
	₱7,864,909	₱6,820,683

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Unaudited December 31, 2009
		Less than 90 days	Over 90 days		
Trade receivables	₱4,280,757	₱867,721	₱636,329	₱137,359	₱5,922,166
Due from related parties	500,269	-	-	-	500,269
Advances to suppliers and others	711,861	76,271	59,322	19,646	867,100
Interest receivable	259,255	415	-	-	259,670
Others	378,167	51,998	42,544	74,015	546,724
	₱6,130,309	₱996,405	₱738,195	₱231,020	₱8,095,929

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Audited September 30, 2009
		Less than 90 days	Over 90 days		
Trade receivables	₱3,777,678	₱764,171	₱556,209	₱354,246	₱5,452,304
Due from related parties	683,229	–	–	–	683,229
Advances to suppliers and others,	378,459	40,303	33,654	19,646	472,062
Interest receivable	174,624	346	–	–	174,970
Others	330,240	41,037	40,733	74,015	486,025
	₱5,344,230	₱845,857	₱630,587	₱447,907	₱7,268,590

10. Inventories

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
At cost:		
Raw materials	₱3,064,241	₱2,916,317
Finished goods	1,534,444	1,141,410
	4,598,685	4,057,727
At NRV:		
Goods in-process	115,134	98,415
Containers and packaging materials	973,118	795,084
Spare parts and supplies	1,124,262	1,166,816
	2,212,514	2,060,315
	₱6,811,199	₱6,118,042

Under the terms of the agreements covering liabilities under trust receipts totaling 153.4 million and ₱478.4 million as of December 31, 2009 and September 30, 2009, 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.

11. Other Current Assets

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Biological assets	₱1,057,687	₱1,060,628
Input value-added tax	626,441	735,995
Prepaid expenses	150,503	149,665
Others	31,517	5,493
	₱1,866,148	₱1,951,781

12. Property, Plant and Equipment

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Acquisition Costs		
Land Improvements	₱1,205,471	₱1,012,507
Building and Improvements	9,038,445	8,975,596
Machinery and Equipment	33,588,956	33,372,760
Transportation Equipment	1,528,393	1,860,813
Furniture, Fixtures and Equipment	1,734,930	1,325,038
	47,096,195	46,546,714
Accumulated Depreciation	24,946,812	24,176,103
Net Book Value	22,149,383	22,370,611
Land	1,609,613	1,625,060
Equipment In-transit	446,672	432,442
Construction In-progress	1,105,354	872,476
	₱25,311,022	₱25,300,589

13. Intangible Assets

Movements in this account follow:

	Unaudited December 31, 2009	Audited September 30, 2009
Cost		
Balance at beginning and end of year	₱1,891,603	₱1,891,603
Accumulated Depreciation		
Balance at beginning of year	247,608	244,840
Depreciation	692	2,768
Balance at end of year	248,300	247,608
Net Book Value	₱1,643,303	₱1,643,995

Intangible assets consist of goodwill, trademark and product formulation.

14. Investment in a Joint Venture

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Acquisition Cost		
Balance at beginning and end of year	₱1,250	₱1,250
Accumulated Equity in Net Earnings		
Balance at beginning of year	87,053	91,807
Equity in net income during the year	12,074	25,246
Dividends received	–	(30,000)
Balance at end of year	99,127	87,053
Net Book Value at End of Year	₱100,377	₱88,303

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 December 31, 2009	Audited September 30, 2009
Cost		
Balance at beginning and end of year	₱107,947	₱107,947
Accumulated Depreciation		
Balance at beginning of year	32,542	28,944
Depreciation	899	3,598
Balance at end of year	33,441	32,542
Net Book Value	₱74,506	₱75,405

The investment properties consist of buildings which are made available for lease to others.

16. Other Noncurrent Assets

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Input value-added tax	₱193,775	₱196,401
Deferred tax assets	134,116	176,736
Miscellaneous deposits and others	129,069	162,353
	₱456,960	₱535,490

17. Short-term Debt

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Parent Company		
Philippine Peso	₱-	₱-
Subsidiaries		
Foreign Currencies - with interest rates ranging from 1.0% to 3.6% per annum in 2010 and 1.0% to 4.4% per annum in 2009	5,048,936	5,186,769
	₱5,048,936	₱5,186,769

Interest is based on prevailing market rates and repriced quarterly.

18. Accounts Payable and Other Accrued Liabilities

This account consists of:

	Unaudited December 31, 2009	Audited September 30, 2009
Trade payables	₱4,569,026	₱3,284,298
Accrued expenses	2,039,872	1,677,576
Due to related parties	137,598	289,294
Customers' deposits	226,314	192,479
Derivative liabilities	43,117	20,086
Others	566,988	455,751
	₱7,582,915	₱5,919,484

Other payables include advances from stockholders amounting to ₱255.2 million and ₱255.8 million as of December 31, 2009 and September 30, 2009, respectively, as well as withholding tax payable amounting to ₱63.1 million and ₱58.5 million as of December 31, 2009 and September 30, 2009, respectively.

The Accrued expenses account includes accruals for:

	Unaudited December 31, 2009	Audited September 30, 2009
Advertising and promotions	₱876,208	₱800,867
Interest payable	416,428	170,073
Contracted services	396,633	291,618
Freight and handling costs	188,260	135,389
Others	162,343	279,629
	₱2,039,872	₱1,677,576

19. Long-term Debt

This consists of:

	Maturities	Interest Rates	Unaudited December 31, 2009	Audited September 30, 2009
Parent Company:				
Foreign currencies				
HypoVereinsbank term loan facilities	Various dates through 2009	EURIBOR/ USD LIBOR + 0.75%	₱-	₱20,964
Philippine Peso				
URC corporate note	2014	8.75%	3,000,000	3,000,000
			3,000,000	3,020,964
Subsidiaries:				
Foreign currencies				
URCPL US\$200 million guaranteed notes	2012	8.25%	9,009,000	9,241,050
Philippine Peso				
Philippine Sugar Corp. restructured loan	2013	7.50%	39,991	39,991
			9,048,991	9,281,041
			12,048,991	12,302,005
Debt issuance costs			50,621	55,135
			11,998,370	12,246,870
Less current portion			6,885	27,849
			₱11,991,485	₱12,219,021

Repayments of the long-term debt follow:

	Unaudited December 31, 2009	Audited September 30, 2009
Due within:		
1 year	₱6,885	₱27,849
2 years	7,401	7,401
3 years	9,016,957	9,249,007
4 years	8,553	8,553
5 years and thereafter	3,009,195	3,009,195
	₱12,048,991	₱12,302,005

The exchange rates used to restate the foreign currency borrowings were ₱46.20 to US\$1.00 and ₱47.39 to US\$1.00 as of December 31, 2009 and September 30, 2009, respectively.

20. Equity

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

	December 31, 2009	September 30, 2009
Authorized shares	2,998,000,000	2,998,000,000
Par value per share	₱1.00	₱1.00
Issued:		
Balance at beginning of year	2,227,638,933	2,221,851,481
Issuance of common shares of stock during the year	–	5,787,452
		2,227,638,933
Balance at end of year	2,227,638,933	
Less treasury shares	156,590,200	75,104,200
Outstanding Shares	2,071,048,733	2,152,534,733

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 December 31, 2009 and September 30, 2009.

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 statements of financial position 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:

	Three Months Ended December 31	
	2009	2008
Net income attributable to equity holders of the parent	₱1,844,942	₱(245,686)
Weighted average number of common shares	2,084,630	2,146,997
Basic/dilutive EPS	₱0.89	₱(0.11)

There were no potential dilutive shares for the three months of fiscal 2010 and 2009. As of December 31, 2009, the Company's outstanding common stock is 2,071,048,733 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.