

# COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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a	n	,	Q	u	e	z	o	n	C	i	t	y																

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

<b>Geraldo N. Florencio</b>
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(Contact Person)

<b>671-2935; 635-0751; 671-3954</b>
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(Company Telephone Number)

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*Month Day*  
(Fiscal Year)

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(Form Type)

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*Month Day*  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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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 March 31, 2013
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	2,181,501,933 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 13 to 64).

### **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, with the distinction of being called the country's first "Philippine multinational", 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 of 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 RTD (ready-to-drink) tea market, and is a respectable 2nd player in the noodles and 3rd in coffee businesses.

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

Branded consumer foods (BCF) segment, including our packaging division, is the Company's largest segment. This segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta and tomato-based products. The manufacture, distribution, sales and marketing activities for the Company's consumer food products are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage and grocery groups, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies (i.e. Nissin-URC and Hunt-URC). Majority of the Company's consumer foods business is conducted in the Philippines but has expanded more aggressively into other Asian markets. The Company has created a strong brand portfolio, supported by continuous product innovation, extensive marketing and experienced management. The Company's URC packaging division is engaged in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies. The BOPP plant, located in Batangas, holds the distinction of being the only Integrated Management System ISO-certified BOPP plant in the country today, with its Quality ISO 9001:2008 and Environmental ISO 14001:2004 Standards.

The Company's agro-industrial products segment 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 (Universal Corn Products or "UCP"), and the production and distribution of animal health products (Robichem).

The Company's commodity food products segment engages in sugar-milling and refining through its Sugar divisions: URSUMCO, CARSUMCO, SONEDCO, PASSI and Tolong (which was acquired in October 2012); and flour-milling and pasta manufacturing and marketing through URC Flour division. This segment supplies all the flour and sugar needs of the branded consumer foods segment.

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, petrochemicals, air transportation and business interests in other sectors, including power generation and insurance. On December 4, 2012, JGSHI was named by Forbes Asia as one of the 50 best publicly-traded companies in Asia for 2012, the only Philippine firm chosen from a pool of 1,295 companies.

The following table summarizes the sale of goods and services of URC for the six months ended March 31, 2013 and 2012:

	Six months ended March 31	
<i>In millions</i>	2013	2012
BCFG		
Domestic	<b>₱20,226</b>	₱16,595
International	<b>10,470</b>	10,181
	<b>30,696</b>	26,776
Packaging	<b>571</b>	900
Total BCFG	<b>31,267</b>	27,676
AIG	<b>4,018</b>	3,637
CFG	<b>5,032</b>	3,821
<b>Total</b>	<b>₱40,317</b>	<b>₱35,134</b>

## Result of Operations

*Six Months Ended March 31, 2013 versus March 31, 2012*

URC generated a consolidated sale of goods and services of ₱40.317 billion for the six months ended March 31, 2013, 14.8% sales growth over the same period last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods group (BCFG), excluding packaging division, increased by ₱3.920 billion, or 14.6%, to ₱30.696 billion in the first half of fiscal 2013 from ₱26.776 billion registered in the same period last year. BCFG domestic operations posted a 21.9% increase in net sales from ₱16.595 billion in the first half of fiscal 2012 to ₱20.226 billion in the same period this year due to strong performance of its beverage division, which grew 76.5% on the back of sustained growth of the coffee business and a strong start of the RTD tea business for the current fiscal year. RTD tea growth was mainly due to the Company's move to open up the 230-ml. SKU to the key accounts. Sales of snack foods slightly increased due to slowdown of biscuits category despite the sales growth of snacks category by 6.9%. Increase in snacks category was mainly due to strong performance of old brands, Piattos and Nova, and successful launch of new brands like Chiz Crispers and Puff Corn, among others.

BCFG international sales slightly increased to ₱10.470 billion in the first half of fiscal 2013 against ₱10.181 billion in the same period last year. In US dollar (US\$) terms, sales registered an increase of 8.6% from US\$235 million in the first half of fiscal 2012 to US\$256 million in the first half of fiscal 2013 due to increase in sales volume by 13.9%. This was supported by higher revenues from Vietnam, Indonesia and China. Vietnam, the biggest contributor, has contributed 42.7% of total international sales in dollar terms due to continued growth in RTD tea (C2) and energy drink (Rong Do) offerings. Indonesia also grew sales with its salty snacks and RTD beverage, which continuous to gain traction on the back of improved distribution structure.

Sale of goods and services of BCFG, excluding packaging division, accounted for 76.1% of total URC consolidated sale of goods and services in the first half of fiscal 2013.

Sale of goods and services in URC's packaging division went down by 36.6% to ₱571 million in the first half of fiscal 2013 from ₱900 million recorded in the same period last year due to decline in sales prices and volume.

- Sale of goods and services in URC's Agro-Industrial Group (AIG) amounted to ₱4.018 billion in the first half of fiscal 2013, a 10.5% increase from ₱3.637 billion recorded in the same period last year. Feeds business decreased by 16.8% to ₱1.549 billion due to decrease in sales volume as a result of relatively lower population from the backyard hog raisers as some of them exited during the time of low pork prices last year. Farm business increased by 39.1% to ₱2.469 billion due to better sales volume and selling prices.
- Sale of goods and services in URC's Commodity Foods Group (CFG) amounted to ₱5.032 billion in the first half of fiscal 2013, up by 31.7% from ₱3.821 billion reported in the same period last year. Sugar business sales increased by 87.2% due to increase in sales volume resulting from early start of milling season this year and volume contribution coming from our new mill, Tolong. Flour business sales declined by 9.0% due to lower sales volume brought about by increase in supply of imported low-cost flour in the market and calamities that affected the regions of Visayas and Mindanao.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱2.756 billion, or 10.5%, to ₱29.066 billion in the first half of fiscal 2013 from ₱26.310 billion recorded in the same period last year due to increase in sales volume.

URC's gross profit in the first half of fiscal 2013 amounted to ₱11.251 billion, up by ₱2.427 billion or 27.5% from ₱8.824 billion reported in the same period last year. Gross profit margin increased by 280 basis points from 25.1% in the first half of fiscal 2012 to 27.9% in the same period 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 rose by ₱1.173 billion or 22.7% to ₱6.350 billion in the first half of fiscal 2013 from ₱5.177 billion registered in the same period last year. This increase resulted primarily from the following factors:

- 27.3% or ₱542 million increase in advertising and promotion costs to ₱2.524 billion in the first half of fiscal 2013 from ₱1.982 billion in the same period last year to support the new SKUs launched and boost up sales of existing products in light of increasing market competition.
- 23.5% or ₱311 million increase in freight and delivery charges to ₱1.633 billion in the first half of fiscal 2013 from ₱1.322 billion in the same period last year due to increase in trucking and shipping costs associated with increased volume.
- 13.8% or ₱159 million increase in compensation and benefits to ₱1.308 billion in the first half of fiscal 2013 from ₱1.149 billion in the same period last year due to annual salary adjustments and accrual of pension expenses.

As a result of the above factors, operating income increased by ₱1.254 billion, or 34.4% to ₱4.901 billion in the first half of fiscal 2013 from ₱3.647 billion reported in the same period last year.

Market valuation gain on financial instruments at fair value through profit or loss decreased by ₱567 million or 52.8% to ₱506 million in the first half of fiscal 2013 from ₱1.073 billion in the same period last year due to decline in level of bond and equity investments as a result of disposals.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱162 million to ₱442 million in the first half of fiscal 2013 from ₱604 million in the same period last year due to decrease in interest income from bond investments and dividend income.

URC's finance costs consist mainly of interest expense, which decreased by ₱208 million or 49.7%, to ₱211 million in the first half of fiscal 2013 from ₱419 million recorded in the same period last year due to decline in level of short-term debts and settlement of long-term debt.

Foreign exchange loss - net amounted to ₱429 million in the first half of fiscal 2013 from ₱100 million reported in the same period of fiscal 2012 due to unrealized foreign exchange loss on translation of foreign currency denominated accounts as a result of continuous appreciation of Philippine peso vis-a vis US dollar.

Equity in net income of a joint venture amounted to ₱13 million in the first half of fiscal 2013 as against ₱18 million in the same period last year due to lower net income of Hunt-Universal Robina Corporation.

Other income - net consists of gain on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net of ₱831 million was reported in the first half of fiscal 2013 as against the ₱6 million in the same period last year due to gain on sale of AFS investment and financial assets at FVPL.

The Company recognized provision for income tax of ₱613 million in the first half of fiscal 2013, a 78.3% increase from ₱344 million in the same period last year due to higher taxable income of the Parent Company and subsidiaries.

URC's net income in the first half of fiscal 2013 amounted to ₱5.441 billion, higher by ₱956 million or 21.3% from ₱4.485 billion in the same period last year due to higher operating income.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for the first half of fiscal 2013 amounted to ₱5.977 billion, an increase of 55.0% from ₱3.857 billion recorded in the same period of fiscal 2012.

Net income attributable to equity holders of the parent increased by ₱1.186 billion or 28.1% to ₱5.407 billion in the first half of fiscal 2013 from ₱4.221 billion in the same period last year as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International Co. Ltd. (URCICL), URC's direct subsidiary in which it holds approximately 77.0% economic interest as of July 2012 and Nissin- URC, URC's 65.0%-owned subsidiary. In August 2012, the Company acquired the remaining 23.0% NCI in URCICL making it a wholly owned subsidiary. NCI in net income of subsidiaries decreased from ₱265 million in the first half of fiscal 2012 to ₱34 million for the same period this year due to the said acquisition.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱6.591 billion in the first half of fiscal 2013, 24.0% higher than ₱5.317 billion posted in the same period last year.

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 Condition***

#### *March 31, 2013 versus September 30, 2012*

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 2.80:1 as of March 31, 2013 higher than the 1.98:1 as of September 30, 2012. Financial debt to equity ratio of 0.05:1 as of March 31, 2013 is within comfortable level.

Book value per share increased to ₱23.54 as of March 31, 2013 from ₱21.35 as of September 30, 2012.

The Company's cash requirements for the six months ended March 31, 2013 have been sourced through cash flow from operations and investing activities. The net cash flow provided by operating activities amounted to ₱1.572 billion. Net cash provided by investing activities amounted to ₱12.130 billion, which substantially came from proceeds on sale of financial assets at FVPL and AFS investments. Net cash used in financing activities amounted to ₱8.990 billion, which was used to settle debts.

### **Financial Ratios**

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

	<b>March 31, 2013</b>	September 30, 2012
Liquidity:		
Current ratio	<b>2.80:1</b>	<b>1.98:1</b>
Solvency:		
Gearing ratio	<b>0.05:1</b>	<b>0.32:1</b>
Debt to equity ratio	<b>0.22:1</b>	<b>0.50:1</b>
Asset to equity ratio	<b>1.22:1</b>	<b>1.50:1</b>
	<b>Six months ended March 31 2013</b>	2012
Profitability:		
Operating margin	<b>12.20%</b>	10.40%
Earnings per share	<b>₱2.48</b>	₱2.05
Leverage:		
Interest rate coverage ratio	<b>31.29:1</b>	12.69:1

The Group calculates the ratios as follows:

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



**Material Changes in Fiscal 2013 Financial Statements**  
**(Increase/Decrease of 5% or more versus FY 2012)**

Statements of Comprehensive Income – Six months ended March 31, 2013 versus same period in fiscal 2012

*14.8% increase in sale of goods and services was due to the following:*

- Sale of goods and services in URC's branded consumer foods group (BCFG), excluding packaging division, increased by ₱3.920 billion, or 14.6%, to ₱30.696 billion in the first half of fiscal 2013 from ₱26.776 billion registered in the same period last year. BCFG domestic operations posted a 21.9% increase in net sales from ₱16.595 billion in the first half of fiscal 2012 to ₱20.226 billion in the same period this year due to strong performance of its beverage division, which grew 76.5% on the back of sustained growth of the coffee business and a strong start of the RTD tea business for the current fiscal year. RTD tea growth was mainly due to the Company's move to open up the 230-ml. SKU to the key accounts. Sales of snack foods slightly increased due to slowdown of biscuits category despite the sales growth of snacks category by 6.9%. Increase in snacks category was mainly due to strong performance of old brands, Piattos and Nova, and successful launch of new brands like Chiz Crispers and Puff Corn, among others.

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- Sale of goods and services in URC's Agro-Industrial Group (AIG) amounted to ₱4.018 billion in the first half of fiscal 2013, a 10.5% increase from ₱3.637 billion recorded in the same period last year. Feeds business decreased by 16.8% to ₱1.549 billion due to decrease in sales volume as a result of relatively lower population from the backyard hog raisers as some of them exited during the time of low pork prices last year. Farm business increased by 39.1% to ₱2.469 billion due to better sales volume and selling prices.
- Sale of goods and services in URC's Commodity Foods Group (CFG) amounted to ₱5.032 billion in the first half of fiscal 2013, up by 31.7% from ₱3.821 billion reported in the same period last year. Sugar business sales increased by 87.2% due to increase in sales volume resulting from early start of milling season this year and volume contribution coming from our new mill, Tolong. Flour business sales declined by 9.0% due to lower sales volume brought about by increase in supply of imported low-cost flour in the market and calamities that affected the regions of Visayas and Mindanao.

*10.5% increase in cost of sales*

Due to increase in sales volume

*21.8% increase in selling and distribution costs*

Due to increase in advertising and promotion costs, freight and delivery charges, and personnel-related costs

*26.6% increase in general and administrative expenses*

Due to increase in personnel-related costs, donation, and other administrative expenses

*26.9% decrease in finance revenue*

Due to decrease in interest from bonds and dividend income

*52.8% decrease in market valuation gain on financial instruments at fair value through profit or loss*

Due to decline in level of bond and equity investments as a result of disposals

*49.7% decrease in finance costs*

Due to decrease in level of short-term debts and settlement of long-term debt

*327.5% increase in foreign exchange loss - net*

Due to foreign exchange loss on translation of foreign currency denominated accounts resulting from continuous appreciation of Philippine peso vis-à-vis US dollar

*31.3% decrease in equity in net earnings of a joint venture*

Due to lower net income of Hunt-Universal Robina Corporation

*14,643.7% increase in other income - net*

Due to gain on sale of AFS investments and financial assets at FVPL

*78.3% increase in provision for income tax*

Due to higher taxable income of the Parent Company and subsidiaries

*87.2% decrease in net income attributable to non-controlling interest*

Due to Parent Company's purchase of non-controlling interest in URCI

*325.5% decrease in other comprehensive income*

Due to disposal of AFS investments, net of cumulative translation adjustments

Statements of Financial Position – March 31, 2013 versus September 30, 2012

*88.1% increase in cash and cash equivalents*

Due to proceeds from sale of investments, net of payment of debts

*94.5% decrease in financial assets at fair value through profit or loss*

Due to sale of majority of investments, net of market value changes during the period

*99.5% decrease in available-for-sale investments*

Due to sale of majority of investments, net of market value changes during the period

*11.8% increase in receivables – net*

Due to increase in trade receivables and due from affiliates, reduced by decline in accrued interest receivable

*9.7% increase in inventories*

Due to increase in finished goods

*13.4% decrease in other current assets*

Due to decrease in input tax

*5.1% increase in property, plant and equipment*

Due to the Group's expansion projects

*13.2% increase in investment in a joint venture*

Due to net income of Hunt-URC during the period

*5.2% increase in accounts payable and other accrued liabilities*

Due to increase in trade payables and accrued advertising costs

*70.5% decrease in short-term debt*

Due to settlement of loans from foreign banks

*93.6% decrease in trust receipts and acceptances payable*

Due to settlement of trust receipts payable

*11.3% decrease in deferred tax liabilities - net*

Due to provision for deferred tax asset on accrual of pension expense and unrealized foreign exchange loss by Parent Company and net operating loss carry over of a subsidiary

*442.4% increase in net pension liability*

Due to accrual of pension expense

*16.4% increase in retained earnings*

Due to net income during the period

*60.5% decrease in equity attributable to non-controlling interests*

Due to dividend declared by NURC during the period

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

<b>Universal Robina Corporation (Consolidated)</b>			
	YTD March 2013	YTD March 2012	Index
Revenue	₱40,317	₱35,134	115
EBIT	4,901	3,647	134
EBITDA	6,591	5,317	124
Net income	5,441	4,485	121
Total assets	62,913	71,101	88

<b>URC International</b>			
	YTD March 2013	YTD March 2012	Index
Revenue	₱11,190	₱10,432	107
EBIT	1,076	1,053	102
EBITDA	1,554	1,524	102
Net income	1,090	1,108	98
Total assets	18,233	16,625	110

<b>Nissin-URC</b>			
	YTD March 2013	YTD March 2012	Index
Revenue	₱847	₱765	111
EBIT	129	78	165
EBITDA	149	94	159
Net income	94	56	168
Total assets	806	765	105

<b>URC Philippines, Limited</b>			
	YTD March 2013	YTD March 2012	Index
Revenue	₱–	₱–	–
EBIT	–	–	–
EBITDA	–	–	–
Net income	1,355	997	136
Total assets	7,208	15,584	46

<b>Universal Robina (Cayman), Ltd.</b>			
	YTD March 2013	YTD March 2012	Index
Revenue	₱–	₱–	–
EBIT	–	–	–
EBITDA	–	–	–
Net income	1,389	1,052	132
Total assets	15,646	13,239	118

## SIGNATURES

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

### UNIVERSAL ROBINA CORPORATION



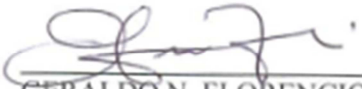
LANCEY GOKONGWEI  
President and Chief Executive Officer

Date 08 MAY 2013



CONSTANTE T. SANTOS  
Senior Vice President - Corporate Controller

Date 08 MAY 2013



GERALDO N. FLORENCIO  
First Vice President - Controller

Date 08 MAY 2013

**UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In Thousand Pesos)

	Unaudited March 31 2013	Audited September 30 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	<b>₱10,057,470</b>	₱5,345,833
Financial assets at fair value through profit or loss (Note 8)	<b>593,829</b>	10,812,402
Available-for-sale investments (Note 9)	<b>21,720</b>	4,797,877
Receivables - net (Note 10)	<b>8,340,233</b>	7,461,033
Inventories (Note 11)	<b>10,706,349</b>	9,759,334
Biological assets	<b>1,126,298</b>	1,057,008
Other current assets (Note 12)	<b>393,427</b>	454,143
Total Current Assets	<b>31,239,326</b>	39,687,630
<b>Noncurrent Assets</b>		
Property, plant and equipment - net (Note 13)	<b>29,354,386</b>	27,918,634
Intangible assets (Note 14)	<b>1,273,628</b>	1,273,628
Biological assets	<b>342,945</b>	428,961
Investments in a joint venture (Note 15)	<b>108,834</b>	96,139
Investment properties (Note 16)	<b>62,663</b>	64,492
Deferred tax assets	<b>115,506</b>	91,908
Other noncurrent assets (Note 17)	<b>416,196</b>	425,923
Total Noncurrent Assets	<b>31,674,158</b>	30,299,685
Total Assets	<b>₱62,913,484</b>	₱69,987,315
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other accrued liabilities (Note 18)	<b>₱7,980,545</b>	₱7,586,842
Short-term debt (Note 19)	<b>2,532,653</b>	8,588,537
Trust receipts and acceptances payable (Note 11)	<b>222,231</b>	3,464,360
Income tax payable	<b>436,461</b>	428,184
Total Current Liabilities	<b>11,171,890</b>	20,067,923
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 20)	-	2,990,456
Deferred tax liabilities - net	<b>301,321</b>	301,321
Net pension liability	<b>60,000</b>	11,064
Total Noncurrent Liabilities	<b>361,321</b>	3,302,841
Total Liabilities	<b>11,533,211</b>	23,370,764

(Forward)

	<b>Unaudited March 31 2013</b>	Audited September 30 2012
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 21)	<b>₱19,056,685</b>	₱19,056,685
Retained earnings (Note 21)	<b>38,363,424</b>	32,956,735
Other comprehensive income	<b>172,616</b>	793,452
Equity Reserve	<b>(5,556,532)</b>	(5,556,532)
Treasury shares (Note 21)	<b>(670,386)</b>	(670,386)
	<b>51,365,807</b>	46,579,954
Equity attributable to non-controlling interests	<b>14,466</b>	36,597
Total Equity	<b>51,380,273</b>	46,616,551
	<b>₱62,913,484</b>	₱69,987,315

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

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

(In Thousand Pesos, Except Per Share Amount)

	Quarters Ended March 31		Six Months Ended March 31	
	2013	2012	2013	2012
<b>SALE OF GOODS AND SERVICES</b>	<b>₱20,219,595</b>	₱17,150,716	<b>₱40,317,096</b>	₱35,133,736
<b>COST OF SALES</b>	<b>14,528,602</b>	12,916,960	<b>29,065,771</b>	26,309,652
<b>GROSS PROFIT</b>	<b>5,690,993</b>	4,233,756	<b>11,251,325</b>	8,824,084
Selling and distribution costs	(2,497,491)	(2,036,444)	(5,122,572)	(4,207,375)
General and administrative expenses	(632,134)	(508,217)	(1,227,344)	(969,768)
<b>OPERATING INCOME</b>	<b>2,561,368</b>	1,689,095	<b>4,901,409</b>	3,646,941
Finance revenue	117,671	307,012	441,826	604,347
Market valuation gain on financial assets at fair value through profit or loss (Note 8)	255,283	732,575	506,119	1,073,120
Finance costs	(86,578)	(152,884)	(210,662)	(418,883)
Foreign exchange losses - net	(121,744)	(306,145)	(429,000)	(100,340)
Equity in net income of a joint venture (Note 15)	1,518	2,724	12,695	18,491
Other income (expense) - net	775,141	(40,707)	831,252	5,638
<b>INCOME BEFORE INCOME TAX</b>	<b>3,502,659</b>	2,231,670	<b>6,053,639</b>	4,829,314
<b>PROVISION FOR INCOME TAX</b>	<b>357,286</b>	108,236	<b>613,081</b>	343,942
<b>NET INCOME</b>	<b>₱3,145,373</b>	₱2,123,434	<b>₱5,440,558</b>	₱4,485,372
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent	₱3,128,491	₱2,002,264	₱5,406,689	₱4,220,685
Non-controlling interests	16,882	121,170	33,869	264,687
	<b>₱3,145,373</b>	₱2,123,434	<b>₱5,440,558</b>	₱4,485,372
<b>EARNINGS PER SHARE</b> (Note 22)				
Basic/diluted, for income attributable to equity holders of the parent	<b>₱1.43</b>	₱0.97	<b>₱2.48</b>	₱2.05

*See accompanying Notes to Unaudited Consolidated Financial Statements.*



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

(In Thousand Pesos)

	<b>Six Months Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>NET INCOME</b>	<b>₱5,440,558</b>	<b>₱4,485,372</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized gain (loss) on available-for-sale investments (Note 9)	(650,505)	299,638
Cumulative translation adjustments	29,669	(24,339)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(620,836)</b>	<b>275,299</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱4,819,722</b>	<b>₱4,760,671</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the parent	₱4,785,853	₱4,495,984
Non-controlling interests	33,869	264,687
	<b>₱4,819,722</b>	<b>₱4,760,671</b>

*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)

	<b>Six Months Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CAPITAL STOCK - ₱1 par value (Note 21)</b>		
Preferred stock		
Authorized - 2,000,000 shares		
Issued – none	<b>₱–</b>	<b>₱–</b>
Common stock		
Authorized - 2,998,000,000 shares in 2013 and 2012		
Issued - 2,227,638,933 shares in 2013 and 2012	<b>2,227,639</b>	2,227,639
<b>ADDITIONAL PAID-IN CAPITAL (Note 21)</b>		
Balance at beginning and end of period	<b>16,829,046</b>	11,227,918
<b>PAID-UP CAPITAL</b>	<b>19,056,685</b>	13,455,557
<b>RETAINED EARNINGS (Note 21)</b>		
Appropriated		
Balance at beginning and end of period	<b>5,000,000</b>	5,000,000
Unappropriated		
Balance at beginning of year	<b>27,956,735</b>	24,137,859
Net income	<b>5,406,689</b>	4,220,685
Balance at end of period	<b>33,363,424</b>	28,358,544
Balance at end of period	<b>38,363,424</b>	33,358,544
<b>CUMULATIVE TRANSLATION ADJUSTMENTS</b>		
Balance at beginning of year	<b>142,947</b>	324,706
Adjustments	<b>29,669</b>	(24,339)
Balance at end of period	<b>172,616</b>	300,367
<b>UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS (Note 9)</b>		
Balance at beginning of year	<b>650,505</b>	257,039
Changes in fair value	<b>(35,400)</b>	299,746
Reclassification adjustment included in profit and loss arising from disposal of AFS investment	<b>(615,105)</b>	(108)
Balance at end of period	<b>–</b>	556,677
<b>OTHER COMPREHENSIVE INCOME</b>	<b>172,616</b>	857,044
<b>EQUITY RESERVE</b>	<b>(5,556,532)</b>	–
<b>TREASURY SHARES (Note 21)</b>		
Balance at beginning and end of period	<b>(670,386)</b>	(2,414,026)
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		
Balance at beginning of year	<b>36,597</b>	1,265,376
Net income	<b>33,869</b>	264,687
Dividends	<b>(56,000)</b>	–
Balance at end of period	<b>14,466</b>	1,530,063
	<b>₱51,380,273</b>	<b>₱46,787,182</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements*

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

	<b>Six Months Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱6,053,639</b>	₱4,829,314
Adjustments for:		
Depreciation and amortization	<b>1,689,842</b>	1,670,509
Market valuation gain on financial assets at FVPL	<b>(506,119)</b>	(1,073,120)
Finance revenue	<b>(441,826)</b>	(604,347)
Finance cost	<b>210,662</b>	418,883
Net unrealized foreign exchange losses	<b>429,000</b>	100,340
Losses (Gains) arising from changes in fair value less estimated costs to sell of swine stocks	<b>(62,066)</b>	103,932
Equity in net income of a joint venture	<b>(12,695)</b>	(18,491)
Loss (gain) on sale of AFS investments	<b>(685,489)</b>	108
Loss (gain) of financial assets at FVPL	<b>(54,799)</b>	82,363
Gain on sale of property and equipment	<b>(7,557)</b>	(15,964)
Amortization of bond issue costs	<b>9,544</b>	6,489
Operating income before changes in working capital	<b>6,622,136</b>	5,500,016
Decrease (increase) in:		
Receivables	<b>(1,268,762)</b>	(854,337)
Inventories	<b>(947,015)</b>	(2,721,174)
Biological assets	<b>78,794</b>	53,017
Other current assets	<b>60,716</b>	6,084
Increase (decrease) in:		
Accounts payable and other accrued liabilities	<b>470,036</b>	(139,470)
Trust receipts and acceptances payable	<b>(3,242,129)</b>	3,870,220
Cash generated from operations	<b>1,773,776</b>	5,714,356
Interest received	<b>657,824</b>	619,379
Interest paid	<b>(231,447)</b>	(538,533)
Income taxes paid	<b>(628,402)</b>	(503,919)
Net cash provided by operating activities	<b>1,571,751</b>	5,291,283
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(3,174,679)</b>	(1,820,950)
Acquisition of financial assets at FVPL	-	(709,667)
Proceeds from sale of financial assets at FVPL	<b>10,520,605</b>	2,140,422
Proceeds from sale of AFS investments	<b>4,717,681</b>	213,100
Proceeds from sale of property, plant and equipment	<b>8,116</b>	29,593
Decrease in other noncurrent assets	<b>9,725</b>	10,098
Dividends received from a joint venture	-	25,000
Increase in net pension liability	<b>48,937</b>	59,799
Net cash provided by (used in) investing activities	<b>12,130,385</b>	(52,605)

(Forward)

	<b>Six Months Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments (payments) of:		
Short-term borrowings	<b>(P5,990,499)</b>	P2,451,867
Long-term debt	<b>(3,000,000)</b>	(8,064,022)
Net cash used in financing activities	<b>(8,990,499)</b>	(5,612,155)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,711,637</b>	(373,477)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,345,833</b>	4,546,882
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P10,057,470</b>	P4,173,405

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

# **UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES**

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## **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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### **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 pasta manufacturing. The Parent Company also engages in consumer product-related packaging business through its packaging division which manufactures bi-axially oriented polypropylene (BOPP) film and through its subsidiary, CFC Clubhouse Property, Inc. (CCPI), which manufactures polyethylene terephthalate (PET) bottles and printed flexible packaging materials. The packaging business is included in the branded consumer food segment.

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

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of four (4) years to six (6) years from respective start dates of commercial operations. The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6 to the consolidated financial statements.

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## 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 costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as 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	
		2013	2012
CFC Clubhouse Property, Inc.	Philippines	<b>100.00</b>	100.00
CFC Corporation	- do -	<b>100.00</b>	100.00
Bio-Resource Power Generation Corporation	- do -	<b>100.00</b>	100.00
Southern Negros Development Corporation (SONEDCO)	- do -	<b>94.00</b>	94.00
Nissin - URC	- do -	<b>65.00</b>	65.00
URC Philippines, Limited (URCPL)	British Virgin Islands	<b>100.00</b>	100.00
URC International Co. Ltd. (URCICL) and Subsidiaries*	- do -	<b>100.00</b>	77.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	<b>100.00</b>	100.00
URC China Commercial Co. Ltd.	China	<b>100.00</b>	100.00

*\*Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China and Hong Kong.*

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

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 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 non-controlling interest (NCI).

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

NCIs 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 NCIs 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.

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

#### New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2012

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

#### *Effective in 2013 for adoption in fiscal year ending September 30, 2014*

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

The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a. The gross amounts of those recognized financial assets and recognized financial liabilities;
- b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c. The net amounts presented in the statement of financial position;
- d. The amounts subject to an enforceable master netting arrangement or similar arrangement that are not otherwise included in (b) above, including:
  1. Amounts related to recognized financial instrumentst that do not meet some or all of the following criteria in PAS 32; and
  2. Amounts related to financial collateral (including cash collateral); and
- e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- **PFRS 10, *Consolidated Financial Statements***  
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes issues raised in SIC 12, *Consolidation for Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the parent, compared with the requirements of PAS 2. The standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 11, *Joint Arrangements***  
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using equity method. The application of this new standard will not have an impact the financial position of the Group. The standard becomes effective for annual period beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interest in Other Entities***  
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously in PAS 31, and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- **PFRS 13, *Fair Value Measurement***  
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is



initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- **PAS 19, *Employee Benefits* (Revised)**  
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

- **PAS 27, *Separate Financial Statements* (as revised in 2011)**  
As a consequence of the new PFRS 10 and 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. The adoption of the amended PAS 27 will not have significant impact on the separate financial statements of the entities within the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)**  
As a consequence of the new PFRS 10 and 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***  
This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Group expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

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

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015 for adoption in fiscal year ending September 30, 2016

- PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety.

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

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group conducted an impact evaluation of the early adoption of PFRS 9 based on September 30, 2012 balances. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group has decided not to early adopt, thus, has not conducted a quantification of the full impact of this standard. The Group, however, will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

### *Improvements to PFRS*

The omnibus amendments to PFRS issued in 2009, 2010 and 2011, contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*  
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*  
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.  
  
The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*  
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*  
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*  
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

## **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 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 valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, 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 financial position date.

#### *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 profit*

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

#### *Financial assets and financial liabilities at FVPL*

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; 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, government and equity securities (Note 8).

#### *Derivatives recorded at FVPL*

The Parent Company is counterparty to certain derivative contracts, such as currency forwards. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of 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 based on quotes obtained from counterparties.

#### *Embedded derivatives*

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

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

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest 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 effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade and other receivables (Note 10).

#### *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, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-

denominated AFS debt securities, is reported in the consolidated statement of 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 'Other comprehensive income' section of the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of 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 statement 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 statement of comprehensive income.

AFS investments held by the Group consist of private bonds, government and equity securities (Note 9).

#### *Other financial liabilities*

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

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

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

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

This accounting policy applies primarily to the Group's short-term 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 pension liabilities and income tax payable).

#### Debt Issuance Costs

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

### Classification of Financial Instruments Between Debt and Equity

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

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

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

### Reclassification of Financial Assets

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

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

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of 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. In 2008, the Group reclassified certain financial assets at FVPL to AFS investments (Note 9).

### Impairment of Financial Assets

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

### *Financial assets carried at amortized cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e. receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of 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 statement 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 the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the profit or loss in the consolidated statement 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 profit or loss in the consolidated statement of comprehensive income, the impairment loss is reversed through the profit or loss in the consolidated statement of comprehensive income.

For equity investments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income - is removed from equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the statement of comprehensive income. Increases in fair value after impairment are recognized directly as part of the other comprehensive income.

## Derecognition of Financial Instruments

### *Financial assets*

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

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

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

### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of 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 statement 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 statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statement of financial position.

## Inventories

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

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

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

Cost is determined using the 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.

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)

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

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

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of 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 and table eggs.

*Biological assets at cost*

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

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

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

*Biological assets carried at fair values less estimated costs to sell*

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

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

Property, Plant and Equipment

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

Land is stated at cost less any impairment in value.

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

Construction-in-progress are transferred to the related Property, Plant and Equipment 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 EUL of the assets regardless of utilization.

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

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

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

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

Major spare parts and stand-by equipment items that the Group expects to use over more than one (1) period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

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

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

#### Investment Properties

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

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

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

	Years
Land improvements	10
Buildings and building improvements	10 to 30

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

#### 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.

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

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the acquirer shall recognize immediately in the consolidated statement of 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 EUL of intangible assets are assessed to be either finite or indefinite.

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

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

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

#### 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 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 statement 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.

#### Impairment of Nonfinancial Assets

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

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

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

#### Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### 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 statement of comprehensive income. Where the

Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

#### Contingencies

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

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

#### Pension Costs

Pension cost for defined contribution retirement plan is recognized when an employee has rendered services during the period as an expense and a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the balance sheet date, the excess should be recognized as an asset when such prepayment will lead to a reduction in future payments or a cash refund.

Pension cost for defined retirement benefit plan 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. 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 profit or loss in the consolidated statement 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.

#### *Asset ceiling test*

The asset ceiling test requires a defined benefit asset to be measured at the lower of the amount of the prepaid retirement asset and the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan as reductions in the future contributions to the plan.

## 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.

## 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.

#### 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(s).

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

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

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

#### *Group as a lessee*

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

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

Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of 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.

## Expenses

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

## Foreign Currency Translation/Transactions

The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as 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 statement 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 statement 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. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd.	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	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 -
Advanson International Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -

As of the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the 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.

#### Common Stock

Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Dividends on Common Shares

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

#### Earnings Per Share (EPS)

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

Diluted EPS amounts are calculated by dividing the 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 6 to the consolidated financial statements.

#### Events after the Reporting Period

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

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### 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. The fair values of the Group's derivative financial instruments are based from quotes obtained from counterparties.

#### *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.

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

Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right.

#### *Distinction between investment properties and owner-occupied properties*

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

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

#### *Determination of functional currency*

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

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

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



### *Contingencies*

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

### Estimates

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

### *Impairment of AFS investments*

#### *Debt investments*

The Group classifies certain financial assets as AFS investments and recognizes movements in the fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether such can be considered as an impairment loss that should be recognized in the profit or loss in the consolidated statement of comprehensive income.

#### *Equity investments*

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as 12 months or longer for quoted equity securities. In addition, the Group evaluates other factors, such as normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

### *Estimation of allowance for impairment losses on trade and other receivables*

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

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

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors

such as any deterioration in risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

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

#### *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 costs to sell of biological assets*

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

#### *Impairment of nonfinancial assets*

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

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

- significant or prolonged decline in the fair value of the asset;

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

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

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

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

#### *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.

The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using the interest rate of Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date.

#### *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. However, there is no assurance

that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

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#### 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. One of the Group's subsidiary is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes.

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

##### Risk Management Structure

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

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

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

##### AC

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

The AC also aims to ensure that:

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

### *Enterprise Risk Management Group (ERMG)*

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

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

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

### *Day-to-day risk management functions*

At the business unit or company level, the day-to-day risk management functions are handled by four difference groups, namely:

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

### 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.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit and 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.

#### *Liquidity risk*

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

#### *Market risk*

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

#### *Foreign currency risk*

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

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. The Group's capital expenditures are likewise substantially denominated in US Dollar.

#### *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.

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## **5. 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 (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debt, and trust receipts and acceptances payable*

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

*Amounts due from and due to related parties*

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

*Financial assets at FVPL and AFS investments*

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

*Derivative financial instruments*

The fair values of currency forwards and currency options are based on quotes obtained from counterparties.

*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.

**Fair Value Hierarchy**

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

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

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## **6. Business Segment Information**

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles, and pasta and tomato-based products. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures PET bottles and flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial products segment engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing. The peak season for sugar is during its crop season, which normally

starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.

- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

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

Management monitors the operating results of 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 and loss, foreign exchange gain and loss, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group's business segment information follows:

	Sale of Goods and Services		Segment Result	
	2013	2012	2013	2012
Branded Consumer Foods Group (BCFG)	<b>₱ 31,266,745</b>	₱ 27,676,376	<b>₱3,468,299</b>	₱2,734,363
Agro-Industrial Group (AIG)	<b>4,018,092</b>	3,636,637	<b>377,895</b>	(274)
Commodity Foods Group (CFG)	<b>5,032,259</b>	3,820,723	<b>1,640,757</b>	1,359,087
Corporate Businesses	–	–	<b>(585,542)</b>	(446,235)
	<b>₱40,317,096</b>	₱35,133,736	<b>₱4,901,409</b>	₱3,646,941

	Total Assets		Total Liabilities	
	2013	2012	2013	2012
BCFG	<b>₱ 36,471,495</b>	₱35,528,034	<b>₱7,222,722</b>	₱9,542,110
AIG	<b>5,634,744</b>	5,976,050	<b>1,244,436</b>	3,642,571
CFG	<b>10,322,849</b>	10,143,430	<b>1,494,476</b>	4,761,955
Corporate Businesses	<b>10,484,396</b>	19,453,677	<b>1,571,577</b>	6,367,373
	<b>₱62,913,484</b>	₱71,101,191	<b>₱11,533,211</b>	₱24,314,009

## 7. Cash and Cash Equivalents

This account consists of:

	Unaudited March 31, 2013	Audited September 30, 2012
Cash on hand	<b>₱63,841</b>	₱41,125
Cash in banks	<b>1,846,552</b>	2,725,742
Short-term investments	<b>8,147,077</b>	2,578,966
	<b>₱10,057,470</b>	₱5,345,833



Cash in banks earns interest at the respective bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 1.0% to 3.1% and 1.2% to 3.9% in March 31, 2013 and September 30, 2012, respectively.

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

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Investments held-for-trading	<b>₱593,829</b>	₱10,811,568
Derivative assets	–	834
	<b>₱593,829</b>	₱10,812,402

Investments that are held-for-trading consist of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Private bonds	<b>₱–</b>	₱8,688,368
Equity securities	<b>593,829</b>	1,915,006
Government securities	–	208,194
	<b>₱593,829</b>	₱10,811,568

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

The Group reported net market valuation gain on financial assets at FVPL of ₱506.1 million and ₱1.1 billion during the six months of fiscal 2013 and 2012, respectively. On January 25, 2013, all debt securities and significant portion of equity securities were sold.

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## 9. Available-for-Sale Investments

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Debt securities:		
Private bonds	<b>₱–</b>	₱1,984,850
Government securities	–	1,862,178
	–	3,847,028
(Forward)		

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Equity securities:		
Quoted	<b>21,720</b>	950,849
	<b>₱21,720</b>	₱4,797,877

As at March 31, 2013 and September 30, 2012, AFS investments include net unrealized gain of nil and ₱650.5 million, respectively, which are presented as components of 'Other comprehensive income' in Equity. On January 25, 2013, all debt securities under AFS investments were sold.

## 10. Receivables

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Trade receivables	<b>₱5,754,231</b>	₱4,959,520
Due from related parties	<b>1,710,049</b>	1,258,154
Advances to officers, employees and suppliers	<b>552,785</b>	687,662
Interest receivable	<b>8,441</b>	224,439
Others	<b>714,273</b>	729,151
	<b>8,739,779</b>	7,858,926
Less allowance for impairment loss	<b>399,546</b>	397,893
	<b>₱8,340,233</b>	₱7,461,033

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	<b>Unaudited March 31, 2013</b>
		Less than 90 days	Over 90 days		
Trade receivables	<b>₱5,191,276</b>	<b>₱310,560</b>	<b>₱41,579</b>	<b>₱210,816</b>	<b>₱5,754,231</b>
Due from related parties	<b>1,710,049</b>	-	-	-	<b>1,710,049</b>
Advances to suppliers and others	<b>479,930</b>	<b>24,564</b>	<b>28,644</b>	<b>19,647</b>	<b>552,785</b>
Interest receivable	<b>8,441</b>	-	-	-	<b>8,441</b>
Others	<b>294,668</b>	<b>18,815</b>	<b>231,707</b>	<b>169,083</b>	<b>714,273</b>
	<b>₱7,684,364</b>	<b>₱353,939</b>	<b>₱301,930</b>	<b>₱399,546</b>	<b>₱8,739,779</b>

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Audited September 30, 2012
		Less than 90 days	Over 90 days		
Trade receivables	₱4,308,005	₱257,719	₱184,633	₱209,163	₱4,959,520
Due from related parties	1,258,154	–	–	–	1,258,154
Advances to suppliers and others	622,221	21,141	24,653	19,647	687,662
Interest receivable	224,439	–	–	–	224,439
Others	353,656	15,503	190,909	169,083	729,151
	<b>₱6,766,475</b>	<b>₱294,363</b>	<b>₱400,195</b>	<b>₱397,893</b>	<b>₱7,858,926</b>

## 11. Inventories

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
At cost:		
Raw materials	<b>₱4,573,921</b>	₱4,914,867
Finished goods	<b>3,078,431</b>	2,172,592
	<b>7,652,352</b>	7,087,459
At NRV:		
Goods in-process	<b>436,528</b>	364,510
Containers and packaging materials	<b>1,248,628</b>	1,027,598
Spare parts and supplies	<b>1,368,841</b>	1,279,767
	<b>3,053,997</b>	2,671,875
	<b>₱10,706,349</b>	₱9,759,334

Under the terms of the agreements covering liabilities under trust receipts totaling to ₱222.2 million and ₱3.5 billion as at March 31, 2013 and September 30, 2012, 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.

## 12. Other Current Assets

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Input value-added tax (VAT)	<b>₱ 154,870</b>	₱290,725
Prepaid expenses	<b>238,557</b>	163,418
	<b>₱393,427</b>	₱454,143

Prepaid expenses include prepaid insurance amounting to ₱36.3 million and ₱66.2 million as at March 31, 2013 and September 30, 2012, respectively, and prepaid advertising amounting to ₱43.6 million and ₱46.5 million as at March 31, 2013 and September 30, 2012, respectively.

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### 13. Property, Plant and Equipment

This account consists of:

	Unaudited March 31, 2013	Audited September 30, 2012
<b>Acquisition Costs</b>		
Land improvements	<b>₱1,486,609</b>	₱1,448,009
Building and improvements	<b>10,774,699</b>	10,528,700
Machinery and equipment	<b>39,923,236</b>	39,219,427
Transportation equipment	<b>2,128,286</b>	2,075,340
Furniture, fixtures and equipment	<b>2,101,118</b>	2,002,814
	<b>56,413,948</b>	55,274,290
<b>Accumulated Depreciation</b>	<b>33,361,961</b>	32,319,612
<b>Net Book Value</b>	<b>23,051,987</b>	22,954,678
Land	<b>2,585,455</b>	2,090,133
Equipment in-transit	<b>901,422</b>	598,954
Construction in-progress	<b>2,815,522</b>	2,274,869
	<b>₱29,354,386</b>	₱27,918,634

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### 14. Intangible Assets

Movements in this account follow:

	Unaudited March 31, 2013	Audited September 30, 2012
<b>Cost</b>		
Balance at beginning of year	<b>₱1,723,292</b>	₱1,723,292
Disposal of investment	-	-
Balance at end of period	<b>1,723,292</b>	1,723,292
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>449,664</b>	259,441
Amortization	-	-
Impairment loss during the period	-	190,223
Balance at end of period	<b>449,664</b>	449,664
<b>Net Book Value</b>	<b>₱1,273,628</b>	₱1,273,628

Intangible assets consist of goodwill, trademarks and product formulation.

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## 15. Investment in a Joint Venture

This account consists of:

	Unaudited March 31, 2013	Audited September 30, 2012
<b>Acquisition Cost</b>		
Balance at beginning and end of year	<b>₱1,250</b>	₱1,250
<b>Accumulated Equity in Net Earnings</b>		
Balance at beginning of year	<b>94,889</b>	88,717
Equity in net income during the period	<b>12,695</b>	31,172
Dividends received	–	(25,000)
Balance at end of period	<b>107,584</b>	94,889
<b>Net Book Value</b>	<b>₱108,834</b>	₱96,139

The Parent Company has an equity interest in 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.

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## 16. Investment Properties

Movements in this account follow:

	Unaudited March 31, 2013	Audited September 30, 2012
<b>Cost</b>		
Balance at beginning and end of year	<b>₱107,947</b>	₱107,947
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>43,455</b>	39,798
Depreciation	<b>1,829</b>	3,657
Balance at end of period	<b>45,284</b>	43,455
<b>Net Book Value</b>	<b>₱62,663</b>	₱64,492

The investment properties consist of buildings and plant, which are made available for lease to certain related parties.

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**17. Other Noncurrent Assets**

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Input VAT	<b>₱150,961</b>	₱88,830
Miscellaneous deposits	<b>234,637</b>	254,215
Others	<b>30,598</b>	82,878
	<b>₱416,196</b>	₱425,923

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**18. Accounts Payable and Other Accrued Liabilities**

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Trade payables	<b>₱5,359,908</b>	₱5,205,697
Accrued expenses	<b>1,828,239</b>	1,457,090
Due to related parties	<b>153,344</b>	284,600
Customers' deposits	<b>208,665</b>	207,167
Advances from stockholders	<b>220,720</b>	218,904
Derivative liabilities	–	4,681
Others	<b>209,669</b>	208,703
	<b>₱7,980,545</b>	₱7,586,842

Others include withholding taxes payable amounting to ₱113.4 million and ₱121.8 million as at March 31, 2013 and September 30, 2012, respectively.

Accrued expenses account includes accruals for:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Advertising and promotions	<b>₱1,442,035</b>	₱899,226
Freight and handling costs	<b>107,105</b>	191,287
Contracted services	<b>89,114</b>	150,812
Interest payable	<b>3,470</b>	24,255
Others	<b>186,515</b>	191,510
	<b>₱1,828,239</b>	₱1,457,090

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## 19. Short-term Debt

This account consists of:

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Parent Company		
Philippine Peso - with interest rate of 3.0% per annum	<b>P-</b>	P1,000,000
Subsidiaries		
Foreign Currencies - with interest rates ranging from 0.54% to 4.80% per annum in March 31, 2013 and 0.56% to 3.85% per annum in September 30, 2012	<b>2,532,653</b>	7,588,537
	<b>P2,532,653</b>	P8,588,537

Interest is based on prevailing market rates and repriced quarterly.

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## 20. Long-term Debt

This consists of:

	Maturity	Interest Rate	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Parent Company:				
Philippine Peso				
P3.0 billion loan facility	2014	8.75%	<b>P-</b>	P2,990,456

Long-term debt is shown net of unamortized debt issuance costs totaling nil and P9.5 million as at March 31, 2013 and September 30, 2012, respectively.

On February 28, 2013, the Parent Company paid the P3.0 billion loan, including accrued interest, for a total amount of P3.1 billion.

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## 21. Equity

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

	<b>Unaudited March 31, 2013</b>	Audited September 30, 2012
Authorized shares	<b>2,998,000,000</b>	2,998,000,000
Par value per share	<b>₱1.00</b>	₱1.00
Issued shares		
Balances at beginning and end of period	<b>2,227,638,933</b>	2,227,638,933
Less treasury shares	<b>46,137,000</b>	46,137,000
Outstanding Shares	<b>2,181,501,933</b>	2,181,501,933

### 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 at March 31, 2013 and September 30, 2012.

### 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.

### Treasury Shares

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.

On January 12, 2011, the Group's BOD approved the extension of the Group's buy-back program, allotting up to another ₱2.5 billion to reacquire portion of the Parent Company's issued and outstanding common shares. The extension of the share buy-back program shall have the same terms and conditions as the share buy-back program approved by the BOD on November 13, 2007.

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

### Equity Reserve

In August 2012, the Parent Company has acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represents the



remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included in “Equity Reserve” in the consolidated statements of changes in equity. The equity reserve from the acquisition will only be recycled in the consolidated statement of income in the event that the Group will lose its control over URCICL.

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## 22. Earnings Per Share

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

	<b>Six months Ended March 31</b>	
	<b>2013</b>	2012
Net income attributable to equity holders of the parent	<b>₱5,406,689</b>	₱4,220,685
Weighted average number of common shares	<b>2,181,502</b>	2,061,502
Basic/dilutive EPS	<b>₱2.48</b>	₱2.05

There were no potential dilutive shares for the three months of fiscal 2013 and 2012. As at March 31, 2013, the Company’s outstanding common stock is 2,181,501,933 shares.

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## 23. 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.

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## 24. Subsequent Event

On November 26, 2012 and January 24, 2013, the Group’s BOD and Stockholders, respectively, approved the amendments to the Articles of Incorporation of the Parent Company to include in its purpose the business to engage in power generation.

On April 18, 2013, the Group’s BOD approved the declaration of a regular cash dividend in the amount of ₱1.50 per share and a special cash dividend in the amount of ₱0.90 per share from the unrestricted retained earnings of the Parent Company, to all stockholders of record as of May 10, 2013 payable on June 6, 2013.