COVER SHEET

SEC Registration Number

9	1	7	0							

Company Name

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

110 E. Rodriguez Avenue, Bagumbayan, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	671-2935; 635-0751; 671-3954	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	4/18	9/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Constante T. Santos	Butch.Santos@urc.com.ph	(02) 633-7631	+63922 8130129

Contact Person's Address

41st Floor, Robinsons Equitable Tower, ADB Ave., cor Poveda St., Ortigas, Pasig City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **December 31, 2014**

2. SEC Identification Number **9170**

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

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

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

6. Industry Classification Code: (SEC Use Only)

7. **110 E. Rodriguez Ave., Bagumbayan, Quezon City** **1110**
   Address of principal office Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt
Common Shares, P1.00 Par value	**2,181,501,933 shares**

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

    Yes [/] No [ ]

12. Check whether the issuer:

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

       Yes [/]   No [ ]

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

       Yes [/]   No [ ]

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 65)

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 Tea market, and is a respectable 2nd player in the Cup Noodles and 2nd 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 is engaged in the manufacture and distribution of 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. URC also formed Food Service and Industrial division that supply BCF products in bulk to certain institutions like hotels, restaurants, and schools. Majority of the Company's consumer food business is conducted in the Philippines but has expanded more aggressively into other Asian markets and more recently, into Oceania markets, primarily through its wholly-owned subsidiary, URC International. The Company completed its purchase of New Zealand Snack Food Holdings Limited (NZSFHL), the holding company of Griffin's Food Limited, a leading snack food company based in New Zealand in November 2014. The Company established URC Packaging division to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies. The BOPP plant, located in Batangas, 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: (1) hog and poultry farming (Robina Farms or "RF"), (2) the manufacture and distribution of animal feeds, glucose and soya products (Universal Corn Products or "UCP"), and (3) 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 and flour milling and pasta manufacturing 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 Holdings, Inc. (JGSHI), one of the largest conglomerates listed in the Philippine Stock Exchange based on total net sales. JGSHI has substantial business interests in property development, hotel management, banking and financial services, petrochemicals, air transportation and in other sectors, including telecommunications, 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 Company's revenues for the first quarter ended December 31, 2014 and 2013 by each of the principal business segments is as follows:

	First quarter ended December 31	
In millions	**2014**	2013
Branded Consumer Foods Group		
Domestic	**₱14,840**	₱12,698
International	**7,535**	5,933
	22,375	18,631
Packaging	**294**	208
Total BCFG	**22,669**	18,839
Agro-Industrial Group	**2,250**	2,040
Commodity Foods Group	**2,032**	1,826
Total	**₱26,951**	₱22,705

Results of Operations

First Quarter ended December 31, 2014 versus December 31, 2013

URC generated a consolidated sale of goods and services of ₱26.951 billion for the first quarter ended December 31, 2014, an 18.7% 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 segment (BCFG), excluding packaging division, increased by ₱3.744 billion, or 20.1%, to ₱22.375 billion for the first quarter of fiscal 2015 from ₱18.631 billion registered in the same period last year. BCFG domestic operations posted a 16.9% increase in net sales from ₱12.698 billion for the first quarter of fiscal 2014 to ₱14.840 billion for the first quarter of fiscal 2015 due to strong performance of its beverage division which grew 25.8% on the back of continued growth of powdered beverage business, mainly coming from coffee. Sales for snack foods division grew by 8.1% due to growth across salty snacks, bakery and chocolate segments.

  BCFG international operations reported a 27.0% increase in net sales from ₱5.933 billion for the first quarter of fiscal 2014 to ₱7.535 billion for the first quarter of fiscal 2015. In US dollar (US$) terms, sales increased by 22.2% to US$168 million for the first quarter of fiscal 2015 against the same period last year. Top-line growth came from Thailand and Indonesia. Thailand posted double digit growth despite a relatively weak macroenvironment and consumer sentiment backed by our core brands, new products launches and continuation of promotional activities. Sales of Indonesia was significantly up on the back of successful new product launches for chocolates and snacks. The Group have started consolidating NZSFHL into URC International starting mid-November upon closing of the acquisition.

Sale of goods and services of BCFG, excluding packaging division, accounted for 83.0% of total URC consolidated sale of goods and services for the first quarter of fiscal 2015.

Sale of goods and services in URC's packaging division increased by 41.3% to ₱294 million for the first quarter of fiscal 2015 from ₱208 million recorded in the same period last year due to increase in volume and average selling price.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱2.250 billion for the first quarter of fiscal 2015, a 10.3% increase from ₱2.040 billion recorded in the same period last year. Feeds business increased by 24.8% due to increase in sales volume as a result of effective sales strategy while farms business slightly increased 1.1%.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱2.032 billion for the first quarter of fiscal 2015, an 11.3% increase from ₱1.826 billion reported in the same period last year. Sugar business increased by 28.7% due to higher sales of refined sugar as a result of higher production while flour business remained flat.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱2.141 billion, or 13.4%, to ₱18.144 billion for the first quarter of fiscal 2015 from ₱16.003 billion recorded in the same period last year due to increase in sales volume.

URC's gross profit for the first quarter of fiscal 2015 amounted to ₱8.807 billion, up by ₱2.105 billion or 31.4% from ₱6.702 billion reported in the same period last year. Gross profit margin increased by 320 basis points from 29.5% for the first quarter of fiscal 2014 to 32.7% for the first quarter of fiscal 2015.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.019 billion or 30.3% to ₱4.380 billion for the first quarter of fiscal 2015 from ₱3.361 billion registered for the first quarter of fiscal 2014. The increase resulted primarily from the following factors:

- 29.2% or ₱353 million increase in advertising and promotion costs to ₱1.563 billion for the first quarter of fiscal 2015 from ₱1.210 billion in the same period last year due to promotion programs with key accounts and wholesalers, and new product launches.

- 23.8% or ₱236 million increase in freight and delivery charges to ₱1.229 billion for the first quarter of fiscal 2015 from ₱993 million in the same period last year due to increase in trucking and shipping costs as a result of increased volume.

- 303.6% or ₱170 million increase in depreciation expense to ₱226 million for the first quarter of fiscal 2015 from ₱56 million in the same period last year due to significant additions in property, plant and equipment.

- 21.2% or ₱147 million increase in compensation and benefits to ₱841 million for the first quarter of fiscal 2015 from ₱694 million in the same period last year due to annual salary adjustments.

As a result of the above factors, operating income increased by ₱1.085 billion, or 32.5% to ₱4.427 billion for the first quarter of fiscal 2015 from ₱3.342 billion reported for the first quarter of 2014.

Market valuation gain (loss) on financial instruments at fair value through profit or loss decreased to ₱50 million market valuation loss for the first quarter of fiscal 2015 from ₱19 million market valuation gain in the same period last year due to decline in market values of equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by 19.7% or ₱13 million to ₱54 million for the first quarter of fiscal 2015 from ₱67 million in the same period last year due to lower dividend income received.

URC's finance costs consist mainly of interest expense which increased by ₱194 million or 628.0%, to ₱224 million for the first quarter of fiscal 2015 from ₱31 million recorded in the same period last year due to increase in level of financial debt resulting from availments of long-term debt to finance the acquisition of NZSFHL.

For the first quarter of fiscal 2015, the Group recognized a net foreign exchange loss amounting to ₱131 million compared to a net foreign exchange gain of ₱15 million reported in the same period last year due to the combined effects of depreciation of international subsidiaries' local currencies vis-à-vis US dollar, particularly IDR and VND, and appreciation of Philippine peso vis-à-vis US dollar.

Equity in net income (loss) of joint ventures amounted to ₱75 million equity loss for the first quarter of fiscal 2015 as against ₱14 million equity income in the same period last year due to pre-operating expenses of Danone Universal Robina Beverages, Inc.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, amortization of bond issue costs, rental income, and miscellaneous income and expenses. This account amounted to net expenses of ₱41 million for the first quarter of fiscal 2015 from a ₱28 million net income in the same period last year due to recognition of costs related to acquisition of NZSFHL.

The Company recognized provision for income tax of ₱707 million for the first quarter of fiscal 2015, 24.9% increase from ₱566 million for the first quarter of fiscal 2014 due to recognition of deferred tax liabilities by the Parent Company on unrealized gains from foreign exchange and market valuation of hogs.

URC's net income for the first quarter of fiscal 2015 amounted to ₱3.253 billion, higher by ₱364 million or 12.6% from ₱2.889 billion for the first quarter of fiscal 2014, due to higher operating income.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the first quarter of fiscal 2015 amounted to ₱4.140 billion, an increase of 21.0% from ₱3.421 billion recorded in the same period last year.

Net income attributable to equity holders of the parent increased by ₱358 million or 12.5% to ₱3.218 billion for the first quarter of fiscal 2015 from ₱2.860 billion for the first quarter of fiscal 2014 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱29 million for the first quarter of fiscal 2014 to ₱35 million in the same period this year.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱5.551 billion for the first quarter of fiscal 2015, 30.7% higher than ₱4.247 billion posted for the first quarter of fiscal 2014.

Financial Condition

December 31, 2014 versus September 30, 2014

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 2.30:1 as of December 31, 2014 higher than the 1.90:1 as of September 30, 2014. Financial debt to equity ratio of 0.51:1 as of December 31, 2014 is within comfortable level.

Total assets amounted to ₱106.804 billion as of December 31, 2014, higher than ₱77.921 billion as of September 30, 2014. Book value per share increased to ₱27.29 as of December 31, 2014 from ₱25.65 as of September 30, 2014.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the first quarter of fiscal 2015 amounted to ₱3.198 billion. Net cash used in investing activities amounted to ₱22.511 billion which were substantially used for the acquisition of NZSFHL. Net cash provided by financing activities amounted to ₱21.981 billion due to availments of long-term debt.

As of December 31, 2014, 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 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.

	December 31, 2014	September 30, 2014
Liquidity:		
Current ratio	**2.30:1**	1.90:1
Solvency:		
Gearing ratio	**0.51:1**	0.16:1
Debt to equity ratio	**0.79:1**	0.39:1
Asset to equity ratio	**1.79:1**	1.39:1

	First quarter ended December 31	
	2014	2013
Profitability:		
Operating margin	**16.4%**	14.7%
Earnings per share	**₱1.47**	₱1.31
Leverage:		
Interest rate coverage ratio	**24.73**	137.73

The Group calculates the ratios as follows:

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

Material Changes in the 2015 Financial Statements
(Increase/Decrease of 5% or more versus 2014)

Statements of Income - 1st Quarter ended December 31, 2014 versus 1st Quarter ended December 31, 2013

18.7% increase in sale of goods and services was due to the following:

Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱3.744 billion, or 20.1%, to ₱22.375 billion for the first quarter of fiscal 2015 from ₱18.631 billion registered in the same period last year. BCFG domestic operations posted a 16.9% increase in net sales from ₱12.698 billion for the first quarter of fiscal 2014 to ₱14.840 billion for the first quarter of fiscal 2015 due to strong performance of its beverage division which grew 25.8% on the back of continued growth of powdered beverage business, mainly coming from coffee. Sales for snack foods division grew by 8.1% due to growth across salty snacks, bakery and chocolate segments.

BCFG international operations reported a 27.0% increase in net sales from ₱5.933 billion for the first quarter of fiscal 2014 to ₱7.535 billion for the first quarter of fiscal 2015. In US dollar (US$) terms, sales increased by 22.2% to US$168 million for the first quarter of fiscal 2015 against the same period last year. Top-line growth came from Thailand and Indonesia. Thailand posted double digit growth despite a relatively weak macroenvironment and consumer sentiment backed by our core brands, new products launches and continuation of promotional activities. Sales of Indonesia was significantly up on the back of successful new product launches for chocolates and snacks. The Group have started consolidating NZSFHL into URC International starting mid-November upon closing of the acquisition.

Sale of goods and services in URC’s packaging division increased by 41.3% to ₱294 million for the first quarter of fiscal 2015 from ₱208 million recorded in the same period last year due to increase in volume and average selling price.

Sale of goods and services in URC’s agro-industrial segment (AIG) amounted to ₱2.250 billion for the first quarter of fiscal 2015, a 10.3% increase from ₱2.040 billion recorded in the same period last year. Feeds business increased by 24.8% due to increase in sales volume as a result of effective sales strategy while farms business slightly increased 1.1%.

Sale of goods and services in URC’s commodity foods segment (CFG) amounted to ₱2.032 billion for the first quarter of fiscal 2015, an 11.3% increase from ₱1.826 billion reported in the same period last year. Sugar business increased by 28.7% due to higher sales of refined sugar as a result of higher production while flour business remained flat.

13.4% increase in cost of sales
Due to increase in sales volume

26.1% increase in selling and distribution costs
Due to increases in advertising and promotion costs and freight and delivery charges

49.4% increase in general and administrative expenses
Due to increases in personnel-related costs, depreciation expense and maintenance costs

358.4% decrease in market valuation gain on financial instruments at fair value through profit or loss
Due to decline in market values of equity investments this period compared to same period last year

19.7% decrease in finance revenue
Due to lower dividend income received

628.0% increase in finance costs
Due to increase in level of financial debt resulting from availments of long-term debt to finance the acquisition of NZSFHL

952.9% decrease in foreign exchange gain - net
Due to the combined effects of depreciation of international subsidiaries’ local currencies vis-à-vis US dollar, particularly IDR and VND, and appreciation of Philippine peso vis-à-vis US dollar.

617.0% decrease in equity in net earnings
Due to take-up of share in pre-operating expenses of Danone Universal Robina Beverages, Inc.

245.2% decrease in other income - net
Due to recognition of costs related to acquisition of NZSFHL this year

24.9% increase in provision for income tax
Due to recognition of deferred tax liabilities by the Parent Company on unrealized gains from foreign exchange and market valuation of hogs

19.1% increase in net income attributable to non-controlling interest
Due to Parent Company's sale of a portion of its equity interest in Nissin-URC

172.3% decrease in other comprehensive income
Due to decrease in cumulative translation adjustments from gain last year to loss this year

Statements of Financial Position - December 31, 2014 versus September 30, 2014

26.5% increase in cash and cash equivalents
Due to increase in cash in bank and money market placements sourced from operating activities

5.8% decrease in financial assets at fair value through profit or loss
Due to decrease in market values of equity securities

23.8% increase in receivables - net
Due to increase in trade receivables as a result of increased sales

15.2% increase in inventories
Due to increase in finished goods, raw materials and spareparts inventories

80.4% decrease in other current assets
Due to release of deposit in escrow account representing the initial deposit for the acquisition of NZSFHL

13.1% increase in property, plant and equipment
Due to the Group's plant expansion projects

1,606.1% increase in intangible assets
Due to increase in goodwill and trademark resulting from the acquisition of NZSFHL

16.5% increase in investment in joint venture
Due to additional capital infusion in Danone, net of equity share in net income (loss) of joint ventures

2,842.0% increase in deferred tax liabilities - net
Due to consolidation of net deferred tax liabilities balance of NZSFHL and recognition of deferred tax liabilities by parent company on unrealized gains from foreign exchange and market valuation of hogs

9.4% increase in accounts payable and other accrued liabilities
Due to increases in trade payables and accrual of various expenses

80.2% decrease in short-term debt
Due to payments made during the period

46.1% increase in income tax payable
Due to current provision for income tax during the period, net of tax credits

100.0% increase in long-term debt
Due to availments of term loan facilities to finance the acquisition of NZSFHL

12.2% increase in net pension liability
Due to accrual of pension expense

7.5% increase in retained earnings
Due to net income during the period

20.6% decrease in other comprehensive income
Due to decline in cumulative translation adjustments as a result of appreciation of Philippine peso vis-à-vis US dollar

7.7% decrease in equity reserve
Due to gain on sale of equity interest in Nissin-URC

144.3% increase in equity attributable to non-controlling interests
Due to equity share in the net income of Nissin-URC

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

Universal Robina Corporation (Consolidated)			
	YTD December		**Index**
	2014	**2013**	
Revenues	26,951	22,705	119
EBIT	4,427	3,342	132
EBITDA	5,551	4,247	131
Net Income	3,253	2,889	113
Total Assets	106,804	73,147	146

URC International Co., Ltd.			
	YTD December		**Index**
	2014	**2013**	
Revenues	8,532	6,263	136
EBIT	824	644	128
EBITDA	1,231	922	134
Net Income	242	439	55
Total Assets	52,373	22,404	234

Nissin – URC			
	YTD December		**Index**
	2014	**2013**	
Revenues	719	536	134
EBIT	130	117	111
EBITDA	145	128	113
Net Income	94	86	109
Total Assets	1,537	1,155	133

SIGNATURES

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

UNIVERSAL ROBINA CORPORATION

LANCE Y. GOKONGWEI
President and Chief Executive Officer
Date__________

CONSTANTE T. SANTOS
Senior Vice President - Corporate Controller
Date__________

REYNALDO R. SANTOS
Vice President - Controller
Date__________

MICHELE F. ABELLANOSA
Vice President - Controller
Date__________

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousand Pesos)

	Unaudited December 31 2014	Audited September 30 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱12,743,898**	₱10,076,223
Financial assets at fair value through profit or loss (Note 8)	**448,838**	476,260
Available-for-sale investments	**21,720**	21,720
Receivables (Note 9)	**11,538,344**	9,319,202
Inventories (Note 10)	**17,432,291**	15,129,023
Biological assets	**1,234,575**	1,278,304
Other current assets (Note 11)	**780,615**	3,976,999
Total Current Assets	**44,200,281**	40,277,731
Noncurrent Assets		
Property, plant and equipment (Note 12)	**38,903,469**	34,407,756
Intangible assets (Note 13)	**21,640,830**	1,268,415
Biological assets	**476,438**	455,818
Investment in joint ventures (Note 14)	**513,978**	441,224
Investment properties (Note 15)	**56,261**	57,176
Deferred tax assets	**376,375**	404,393
Other noncurrent assets (Note 16)	**636,651**	608,694
Total Noncurrent Assets	**62,604,002**	37,643,476
	₱106,804,283	₱77,921,207
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 17)	**₱12,306,538**	₱11,246,038
Short-term debt (Note 18)	**857,689**	4,327,991
Trust receipts and acceptances payable (Note 10)	**4,321,709**	4,412,696
Income tax payable	**1,725,541**	1,181,336
Total Current Liabilities	**19,211,477**	21,168,061
Noncurrent Liabilities		
Long-term debt (Note 19)	**25,451,024**	–
Deferred tax liabilities	**2,129,465**	463,982
Net pension liability	**294,159**	262,168
Total Noncurrent Liabilities	**27,874,648**	726,150
Total Liabilities	**47,086,125**	21,894,211

(Forward)

	Unaudited December 31 2014	Audited September 30 2014
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 20)	**₱19,056,685**	₱19,056,685
Retained earnings (Note 20)	**46,006,888**	42,789,192
Other comprehensive income	**262,447**	330,447
Equity Reserve (Note 20)	**(5,127,001)**	(5,556,532)
Treasury shares (Note 20)	**(670,386)**	(670,386)
	59,528,633	55,949,406
Equity attributable to non-controlling interests	**189,525**	77,590
Total Equity	**59,718,158**	56,026,996
	₱106,804,283	₱77,921,207

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)

	First Quarter Ended December 31	
	2014	2013
SALE OF GOODS AND SERVICES	**₱26,951,161**	₱22,705,422
COST OF SALES	**18,144,145**	16,002,957
GROSS PROFIT	**8,807,016**	6,702,465
Selling and distribution costs	**(3,469,642)**	(2,751,699)
General and administrative expenses	**(910,206)**	(609,202)
OPERATING INCOME	**4,427,168**	3,341,564
Market valuation gain on financial instruments at fair value through profit or loss	**(49,527)**	19,165
Finance revenue	**53,763**	66,952
Finance costs	**(224,460)**	(30,833)
Foreign exchange gain (loss) - net	**(131,188)**	15,382
Equity in net income (loss) of joint ventures	**(74,746)**	14,459
Other income (expense) - net	**(41,250)**	28,417
INCOME BEFORE INCOME TAX	**3,959,760**	3,455,106
PROVISION FOR INCOME TAX	**707,250**	566,350
NET INCOME	**₱3,252,510**	₱2,888,756
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱3,217,696**	₱2,859,518
Non-controlling interest	**34,814**	29,238
	₱3,252,510	₱2,888,756
EARNINGS PER SHARE (Note 21)		
Basic/diluted, for income attributable to equity holders of the parent	**₱1.47**	₱1.31

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Pesos, Except Per Share Amount)

	First Quarter Ended December 31	
	2014	2013
NET INCOME	**₱3,252,510**	₱2,888,756
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to profit or loss in subsequent periods		
Cumulative translation adjustments	**(68,000)**	94,113
TOTAL COMPREHENSIVE INCOME	**₱3,184,510**	₱2,982,869
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱3,149,696**	₱2,953,631
Non-controlling interest	**34,814**	29,238
	₱3,184,510	₱2,982,869

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousand Pesos)

	First Quarter Ended December 31	
	2014	2013
PAID-UP CAPITAL (Note 20)		
Capital Stock		
Balance at beginning and end of period	**₱2,227,639**	₱2,227,639
Additional Paid-in Capital		
Balance at beginning and end of period	**16,829,046**	16,829,046
	19,056,685	19,056,685
RETAINED EARNINGS (Note 20)		
Unappropriated		
Balance at beginning of year	**42,789,192**	37,774,988
Net income	**3,217,696**	2,859,518
Balance at end of period	**46,006,888**	40,634,506
	46,006,888	40,634,506
OTHER COMPREHENSIVE INCOME		
Cumulative Translation Adjustment		
Balance at beginning of year	**819,382**	601,100
Adjustments	**(68,000)**	94,113
Balance at end of period	**751,382**	695,213
Remeasurement Losses on Defined Benefit Plans		
Balance at beginning and end of period	**(488,935)**	(426,631)
	262,447	268,582
EQUITY RESERVE (Note 20)		
Balance at beginning of period	**(5,556,532)**	(5,556,532)
Gain from sale of equity interest in a subsidiary	**429,531**	–
	(5,127,001)	(5,556,532)
TREASURY SHARES (Note 20)		
Balance at beginning and end of period	**(670,386)**	(670,386)
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
Balance at beginning of year	**77,590**	50,805
Transfer of equity share in a subsidiary	**77,121**	–
Net income	**34,814**	29,238
	189,525	80,043
	₱59,718,158	₱53,812,898

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	For the Quarter Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,959,760**	₱3,455,106
Adjustments for:		
Depreciation and amortization	**1,123,696**	905,060
Market valuation loss (gain) on financial asset at fair value through profit or loss	**49,527**	(19,165)
Finance revenue	**(53,763)**	(66,952)
Finance cost	**224,460**	30,833
Net foreign exchange loss (gain)	**131,188**	(15,382)
Gain arising from changes in fair value less estimated costs to sell of swine stocks	**(96,328)**	(21,376)
Equity in net loss (income) of joint ventures	**74,746**	(14,459)
Gain on sale of property, plant and equipment	**(2,015)**	(2,993)
Operating income before changes in working capital	**5,411,271**	4,250,672
Decrease (increase) in:		
Receivables	**(374,575)**	(1,889,830)
Inventories	**(802,852)**	348,030
Biological assets	**119,437**	109,537
Other current assets	**(292,670)**	(54,303)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	**(545,105)**	1,512,001
Trust receipts and acceptances payable	**(75,123)**	1,533,293
Cash generated from operations	**3,440,383**	5,809,400
Interest received	**51,699**	56,161
Income taxes paid	**(115,752)**	(102,368)
Interest paid	**(178,552)**	(29,969)
Net cash provided by operating activities	**3,197,778**	5,733,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	**(1,542,417)**	(2,390,658)
Investment in subsidiaries	**(21,278,473)**	–
Investment in joint venture	**(147,500)**	–
Financial assets at fair value through profit or loss	**(22,105)**	–
Proceeds from sale of:		
Property, plant and equipment	**2,019**	2,994
Equity share in a subsidiary	**506,651**	–
Increase in other noncurrent assets	**(60,991)**	(15,783)
Increase in net pension liability	**31,991**	37,000
Net cash used in investing activities	**(22,510,825)**	(2,366,447)

	For the Quarter Ended December 31	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availment (repayment) of:		
Short-term debt	**(3,470,302)**	(32,783)
Long-term debt	**25,451,024**	–
Net cash provided by (used in) financing activities	**21,980,722**	(32,783)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,667,675**	3,333,994
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	**10,076,223**	12,033,309
CASH AND CASH EQUIVALENT AT END OF PERIOD	**₱12,743,898**	₱15,367,303

UNIVERSAL ROBINA CORPORATIONAND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

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

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

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

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.

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 is the Philippine Peso.

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

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

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

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

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership 2014	2013
CCPI	Philippines	**100.00**	100.00
CFC Corporation	- do -	**100.00**	100.00
Bio-Resource Power Generation Corporation and a Subsidiary	- do -	**100.00**	100.00
Nissin-URC	- do -	**51.00**	65.00
URCPL	British Virgin Islands	**100.00**	100.00
URCICL and Subsidiaries*	- do -	**100.00**	100.00
URCL	Cayman Islands	**100.00**	100.00
URC China Commercial Co., Ltd.	China	**100.00**	100.00

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

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

In December 2014, the Parent Company sold 14% of its equity interest in NURC to Nissin Foods (Asia) Pte, Ltd. (Nissin).

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 Parent Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved were the Parent Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

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

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

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

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

Changes in Accounting Policies and Disclosures

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

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

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

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

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

  The additional disclosures required by the amendments are presented in Note 4 to the financial statements.

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

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

- PFRS 12, *Disclosure of Interest in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously in PAS 31, and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The required disclosures are presented in Note 14.

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

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

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

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

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 insignificant risk of changes in value.

Recognition of Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; 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 statement of financial position at fair value. Changes in fair value are reflected in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right of the payment has been established.

The Group's financial assets at FVPL consist of equity securities (see Note 8).

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

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

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

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are

derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade and other receivables (see Note 9).

AFS financial assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported under the '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 income. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis.

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

AFS financial assets held by the Group consist of equity securities only.

Other financial liabilities

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

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

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

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

This accounting policy applies primarily to the Group's short-term (see Note 18) and long-term debts (see Note 19), accounts payable and other accrued liabilities (see Note 17) and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities or income tax payable).

Fair Value

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Debt Issuance Costs

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

Classification of Financial Instruments Between Debt and Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through in the consolidated statement of income.

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

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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

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

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

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

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

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

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

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

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

Poultry livestock
- Breeders (livestock bearer)
- Chicks (breeders' offspring intended to be sold as breeders)

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

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

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

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

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

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

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

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

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

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Goodwill</u>

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

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

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

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

<u>Intangible Assets</u>

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

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

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

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

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

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

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

Investment in Joint Ventures

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

The Group's investment in joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity.

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 12), investment properties (see Note 15), intangible assets (see Note 13), investment in joint ventures (see Note 14) and biological assets at cost.

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

Impairment losses are recognized in the consolidated statement of income.

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

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

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

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

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

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

Investment in joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in joint ventures. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the joint venture and the acquisition cost and recognizes the amount in the profit or loss in the consolidated statement of comprehensive income.

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

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

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

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:
- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group as a lessee
Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of

the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income.

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

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

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

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

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

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As of the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their respective statements of 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. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

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

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

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of income for the year in accordance with PFRS.

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

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

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

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

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

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

Diluted EPS amounts are calculated by dividing the consolidated net 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 statement of financial position date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2014
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have a significant impact on its consolidated financial statements.

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

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

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

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

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

which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective subsequent to September 30, 2015

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Going concern

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

Classification of financial instruments

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

Determination of fair values of financial instruments

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

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

Classification of leases

Operating lease commitments - Group as lessee

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

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. These leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased.

The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

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

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

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

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

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

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the parent 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.

Assets held for sale
The Group classifies a subsidiary as a disposal group held for sale if it meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 joint ventures, biological assets at cost, 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 the period, and those increases are likely to affect the discount rate used in calculating the asset’s value in use and decrease the asset’s recoverable amount materially;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

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

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

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

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

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

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

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4. **Financial Risk Management Objectives and Policies**

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

Corporate Governance Compliance Officer

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

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

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

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit and 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, AFS financial assets and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

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.

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 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.

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 maturities of these instruments.

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

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

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

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

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

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

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).

6. Business Segment Information

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

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

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

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

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

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

The Group's business segment information follows:

	Sale of Goods and Services		Segment Result	
	For the quarter ended December 31			
	2014	2013	**2014**	2013
Branded Consumer Foods Group	**₱22,668,736**	₱18,839,309	**₱3,555,757**	₱2,571,601
Agro-Industrial Group	**2,250,024**	2,040,076	**353,049**	180,189
Commodity Foods Group	**2,032,401**	1,826,037	**838,755**	826,482
Corporate Businesses	**–**	–	**(320,393)**	(236,708)
	₱26,951,161	₱22,705,422	**₱4,427,168**	₱3,341,564

	Total Assets		Total Liabilities	
	As of December 31			
	2014	2013	**2014**	2013
Branded Consumer Foods Group	**₱75,410,441**	₱41,123,909	**₱39,964,220**	₱12,001,936
Agro-Industrial Group	**5,589,855**	5,102,518	**2,737,498**	1,895,001
Commodity Foods Group	**13,118,125**	10,248,684	**4,197,760**	5,194,576
Corporate Businesses	**12,685,862**	16,672,197	**186,647**	242,897
	₱106,804,283	₱73,147,308	**₱47,086,125**	₱19,334,410

Inter-segment Revenues

Inter-segment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVPL, foreign exchange gains or losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets

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

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

7. Cash and Cash Equivalents

	Unaudited December 31, 2014	Audited September 30, 2014
Cash on hand	**₱70,374**	₱50,365
Cash in banks	**2,663,875**	1,394,733
Short-term investments	**10,009,649**	8,631,125
	₱12,743,898	₱10,076,223

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 3.5% and 1.0% to 4.0% at December 31 and September 30, 2014, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Unaudited December 31, 2014	Audited September 30, 2014
Investments held-for-trading	**₱430,882**	₱476,260
Derivative assets	**17,956**	–
	₱448,838	₱476,260

Investment held-for-trading consists of quoted equity securities issued by certain domestic entities.

The Group reported market valuation loss on financial assets at FVPL of ₱49.5 million for the first quarter ended December 31, 2014. The Group reported market valuation gain on financial assets at FVPL of ₱19.2 million for the first quarter ended December 31, 2013.

9. Receivables

	Unaudited December 31, 2014	Audited September 30, 2014
Trade receivables	**₱8,909,932**	₱6,703,819
Due from related parties	**1,421,446**	1,447,647
Advances to officers, employees and suppliers	**1,078,333**	1,031,637
Interest receivable	**10,090**	8,026
Others	**495,179**	504,360
	11,914,980	9,695,489
Less allowance for impairment losses	**376,636**	376,287
	₱11,538,344	₱9,319,202

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	**Past due but not impaired**		**Past due and impaired**	**Unaudited December 31, 2014**
		Less than 90 days	**Over 90 days**		
Trade receivables	**₱7,914,753**	**₱362,804**	**₱444,469**	**₱187,906**	**₱8,909,932**
Due from related parties	**1,421,446**	**–**	**–**	**–**	**1,421,446**
Advances to suppliers and others	**1,004,288**	**11,507**	**42,891**	**19,647**	**1,078,333**
Interest receivable	**10,090**	**–**	**–**	**–**	**10,090**
Others	**256,983**	**50,618**	**18,495**	**169,083**	**495,179**
	₱10,607,560	**₱424,929**	**₱505,855**	**₱376,636**	**₱11,914,980**

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Audited September 30, 2014
		Less than 90 days	Over 90 days		
Trade receivables	₱5465349	₱270,920	₱331,628	₱187,558	₱6,703,819
Due from related parties	1,896,012	–	–	–	1,447,647
Advances to suppliers and others,	958,582	12,057	41,351	19,646	1,031,637
Interest receivable	8,026	–	–	–	8,026
Others	263,977	52,020	19,280	169,083	504,360
	₱8,591,946	₱334,997	₱392,259	₱376,287	₱9,695,489

10. **Inventories**

	Unaudited December 31, 2014	Audited September 30, 2014
At cost:		
Raw materials	**₱8,665,196**	₱8,157,810
Finished goods	**4,074,622**	2,992,767
	12,739,818	11,150,577
At NRV:		
Goods in-process	**838,604**	720,606
Containers and packaging materials	**1,847,984**	1,610,001
Spare parts and supplies	**2,005,885**	1,647,839
	4,692,473	3,978,446
	₱17,432,291	₱15,129,023

Under the terms of the agreements covering liabilities under trust receipts totaling ₱4.3 billion and ₱4.4 billion as of December 31 and September 30, 2014, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusteed merchandise or their sales proceeds.

11. **Other Current Assets**

	Unaudited December 31, 2014	Audited September 30, 2014
Input value-added tax	**₱480,814**	₱253,244
Prepaid expenses	**299,801**	207,532
Deposit held in escrow	**−**	3,516,223
	₱780,615	₱3,976,999

Deposit held in escrow pertains to the NZ$100.0 million initial deposit, including interest, for the purchase of New Zealand Snack Food Holdings Limited (NZSFHL), which was released on completion date.

Prepaid expenses include prepaid insurance amounting to ₱126.7 million and ₱110.2 million as of December 31 and September 30, 2014, respectively.

12. **Property, Plant and Equipment**

	Unaudited December 31, 2014	Audited September 30, 2014
Acquisition Costs		
Land Improvements	**₱1,545,371**	₱1,550,446
Building and Improvements	**12,260,665**	10,702,231
Machinery and Equipment	**49,441,408**	46,538,295
Transportation Equipment	**1,818,646**	1,826,578
Furniture, Fixtures and Equipment	**2,823,382**	2,679,073
	67,889,472	63,296,623
Accumulated Depreciation, Amortization and Impairment Losses	**39,748,491**	38,360,037
Net Book Value	**28,140,981**	24,936,586
Land	**2,929,101**	2,839,699
Equipment In-transit	**2,547,728**	2,489,111
Construction In-progress	**5,285,659**	4,142,360
	₱38,903,469	₱34,407,756

13. **Intangible Assets**

Movements in this account follow:

	Unaudited December 31, 2014	Audited September 30, 2014
Cost		
Balance at beginning of year	**₱1,718,079**	₱1,723,292
Additions	**20,372,415**	–
Amounts written off	**–**	(5,213)
Balance at end of period	**22,090,494**	1,718,079
Accumulated Amortization and Impairment Losses		
Balance at beginning and end of period	**449,664**	449,664
Net Book Value	**₱21,640,830**	₱1,268,415

Intangible assets consist of goodwill, trademark and product formulation.

In November 2014, URC NZ FinCo acquired 100% equity interest in NZSFHL from Pacific Equity Partners (PEP) for a total consideration of NZ$700.0 million (₱24.4 billion). NZSFHL is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand.

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

Total goodwill arising from the acquisition of equity interest in NZSFHL based on provisional purchase price allocation amounted to ₱15.7 billion.

14. **Investment in Joint Ventures**

	Unaudited December 31, 2014	Audited September 30, 2014
Acquisition Cost		
Balance at beginning of year	**₱361,500**	₱1,250
Additional investments	**147,500**	360,250
Balances at end of period	**509,000**	361,500
Accumulated Equity in Net Earnings		
Balance at beginning of year	**79,724**	84,134
Equity in net income during the period	**(74,746)**	14,090
Dividends received	**–**	(18,500)
Balance at end of period	**4,978**	79,724
Net Book Value	**₱513,978**	₱441,224

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

Calbee-URC, Inc.
In January 2014, the Parent Company entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines.

Danone Universal Robina Beverages, Inc.
In May 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte, Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

15. Investment Properties

	Unaudited December 31, 2014	Audited September 30, 2014
Cost		
Balance at beginning and end of period	**₱107,947**	₱107,947
Accumulated Depreciation		
Balance at beginning of year	**50,771**	47,113
Depreciation	**915**	3,658
Balance at end of period	**51,686**	50,771
Net Book Value	**₱56,261**	₱57,176

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

16. Other Noncurrent Assets

	Unaudited December 31, 2014	Audited September 30, 2014
Input value-added tax	**₱266,591**	₱272,122
Deposits	**331,886**	311,834
Others	**38,174**	24,738
	₱636,651	₱608,694

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

	Unaudited December 31, 2014	Audited September 30, 2014
Trade payables	**₱7,055,671**	₱6,708,604
Accrued expenses	**4,583,078**	3,633,043
Due to related parties	**67,816**	69,385
Customers' deposits	**134,921**	370,978
Advances from stockholders	**226,800**	231,950
Others	**238,252**	232,078
	₱12,306,538	₱11,246,038

As of December 31 and September 30, 2014, others include withholding taxes payable amounting to ₱105.4 million and ₱130.4 million, respectively.

The accrued expenses account consists of:

	Unaudited December 31, 2014	Audited September 30, 2014
Advertising and promotions	**₱2,873,462**	₱2,647,344
Freight and handling costs	**376,725**	283,176
Utilities	**242,045**	215,939
Contracted services	**52,991**	61,878
Interest payable	**80,184**	34,276
Others	**957,671**	390,430
	₱4,583,078	₱3,633,043

As of December 31 and September 30, 2014, others include output tax amounting to ₱373.5 million and ₱80.2 million, respectively.

18. **Short-term Debt**

	Unaudited December 31, 2014	Audited September 30, 2014
Thai Baht denominated loans - with interest rates of 2.62% in 2015 and 2014	**₱857,689**	₱831,690
New Zealand Dollar denominated loan - with interest rate of 4.75% in 2014	–	3,496,301
	₱857,689	₱4,327,991

Interest is based on prevailing market rates.

19. **Long-term Debt**

NZ$742.0 Million Term Loan Facilities

On November 13, 2014, the Parent Company's subsidiaries entered into two (2) credit term loan facilities with various banks to finance the acquisition of NZSFHL. The loans obtained from said facilities shall bear a floating rate, margin rate + base BKBM rate, payable quarterly, and have a term of five (5) years, maturing on November 13, 2019.

These loans contain negative covenants which include, among others, maintenance of a debt to equity ratio of not greater than 2.5 to 1.0.

As of December 31, 2014, the outstanding balance of the loans, net of debt issuance costs, obtained from the term loan facilities amounted to ₱25.5 billion (US$569.1 million).

The exchange rate used to restate the foreign currency borrowings were ₱44.72 to US$1.00 as of December 31, 2014.

20. **Equity**

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

	December 31, 2014	September 30, 2014
Authorized shares	**2,998,000,000**	2,998,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares:		
Balance at beginning of period	**2,227,638,933**	2,227,638,933
Less treasury shares	**46,137,000**	46,137,000
Outstanding shares	**2,181,501,933**	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 of December 31 and September 30, 2014.

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
The Parent Company has outstanding treasury shares of 46.1 million as of December 31 and September 30, 2014. The Parent Company is restricted from declaring an equivalent amount of the treasury shares from the unappropriated retained earnings as dividends.

Equity Reserve
In December 2014, the Parent Company entered into a share purchase agreement with Nissin to sell 14% of its equity interest in NURC. As a result of the sale, the equity interest of Parent Company changed from 65% to 51%. The gain from the sale amounting to ₱429.5 million is included under "Equity Reserve" in the 2015 consolidated statements of changes in equity.

In August 2012, the Parent Company has acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represents the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included in “Equity Reserve” in the 2012 consolidated statements of changes in equity.

The equity reserve from the acquisition and sale will only be recycled in the consolidated statement of income in the event that the Group will lose its control over these subsidiaries.

21. Earnings Per Share

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

	First quarter ended December 31	
	2014	2013
Net income attributable to equity holders of the parent	**₱3,217,696**	₱2,859,518
Weighted average number of common shares	**2,181,502**	2,181,502
Basic/dilutive EPS	**₱1.47**	₱1.31

There were no potential dilutive shares for the first quarter of fiscal 2015 and 2014.

22. Commitments and Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group’s financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.