

COVER SHEET

for
UNAUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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

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Form Type

1	7	Q
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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

**671-2935; 635-0751;
671-3954**

Mobile Number

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No. of Stockholders

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Annual Meeting (Month / Day)

4TH Wednesday of May

Fiscal Year (Month / Day)

9/30

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Franciso M. Del Mundo

Email Address

Pancho.Delmundo@jgsummmmit.com.ph

Telephone Number/s

(02) 633-7631

Mobile Number

+63998 8400429

CONTACT PERSON'S ADDRESS

40th Floor, Robinsons Equitable Tower ADB Ave., cor Poveda St., Ortigas, Pasig City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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 **June 30, 2016**
2. SEC Identification Number **9170**
3. BIR Tax Identification No. **000-400-016-000**
4. Exact name of issuer as specified in its charter **Universal Robina Corporation**
5. **Quezon City, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue
(C5 Road), Ugong Norte, Quezon City, Metro Manila** **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 75)

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

Business Overview

Universal Robina Corporation (URC), the “first Philippine multinational”, is one of the largest branded food product companies in the Philippines and has managed to expand its reach to other Asian markets. URC is among the Philippines’ pioneers in the industry, having been in operations since 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is engaged in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, hog farming, manufacture of animal feeds, glucose, soya products and veterinary compounds, flour milling and pasta manufacturing, sugar milling and refining, and in renewable energy via the bio-ethanol and biomass cogeneration businesses. URC is a dominant player with leading market shares in savory snacks, candies, chocolates, and canned beans and is a significant player in biscuits, with leading positions in cookies and pretzels. It is also the largest player in the RTD tea market, and is a respectable 2nd player in the noodles and 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. Majority of the Company’s consumer food business is conducted in the Philippines but has expanded more aggressively into other Asian markets primarily through its wholly-owned subsidiary, URC International. Recently, URC has expanded its reach to New Zealand and Australia through the acquisition of Griffin’s Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin’s, Cookie Bear, Eta, Huntley & Palmer’s, Nice & Natural, and Chip Off the Old Block. 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; flour milling and pasta manufacturing through URC Flour division; and in renewable energy through Distillery and Cogeneration divisions. 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. 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 nine months ended June 30, 2016 and 2015 by each of the principal business segments are as follows:

<i>In millions</i>	Nine months ended June 30	
	2016	2015
Branded Consumer Foods Group		
Domestic	₱45,081	₱43,138
International	24,653	24,839
	69,734	67,977
Packaging	841	850
Total BCFG	70,575	68,827
Agro-Industrial Group	6,832	6,660
Commodity Foods Group	7,966	6,456
Total	₱85,373	₱81,943

Results of Operations

Nine Months ended June 30, 2016 versus June 30, 2015

URC generated a consolidated sale of goods and services of ₱85.373 billion for the nine months ended June 30, 2016, a 4.2% 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 ₱1.757 billion, or 2.6%, to ₱69.734 billion for the nine months of fiscal 2016 from ₱67.977 billion registered in the same period last year. BCFG domestic operations posted an increase of 4.5% in net sales from ₱43.138 billion for the nine months of fiscal 2015 to ₱45.081 billion for the nine months of fiscal 2016, which was mainly driven by growth in RTD beverages with positive performances on water, juice and RTD tea. Sales was muted due to decline in powdered beverages, which was affected by the slower growth of total coffee market. Noodles and chocolates grew double-digits, bakery performed fairly while snackfoods category was flattish due to the aggressive low-priced players affecting corn chips and fabricated potato segments.

BCFG international operations reported a slight decline in net sales from ₱24.839 billion for the nine months of fiscal 2015 to ₱24.653 billion for the nine months of fiscal 2016. In constant US dollar (US\$) terms, sales managed to increase by 2.0% to US\$526 million for the nine months of fiscal 2016 against the same period last year despite the regulatory issues encountered in Vietnam, which affected both sales and profitability. Most countries managed to grow sales with Indonesia, Thailand and Malaysia as contributors. Indonesia was up by 24.9% driven by the growth in modern trade and robust performance of snacks and chocolates. Malaysia grew by 8.1% on the back of double-digit growth on wafers and candies while Indonesia increased by 1.7% as consumer confidence has started to recover in the country. New Zealand posted growth in volume as Griffin's business have started stabilizing through improved pricing and margins and new product developments.

Sale of goods and services of BCFG, excluding packaging division, accounted for 81.7% of total URC consolidated sale of goods and services for the nine months of fiscal 2016.

Sale of goods and services in URC's packaging division slightly decreased to ₱841 million for the nine months of fiscal 2016 from ₱850 million recorded in the same period last year due to decline in volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱6.832 billion for the nine months of fiscal 2016, a 2.6% increase from ₱6.660 billion recorded in the same period last year. Feeds business grew by 23.4% due to increase in sales volume as a result of aggressive sales and marketing strategies while farms business declined by 14.1% due to lower price and volume as a result of weak market demand for pork.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱7.966 billion for the nine months of fiscal 2016, a 23.4% increase from ₱6.456 billion reported in the same period last year. Sugar business grew by 17.1% due to increase in prices as a result of lower sugar supply this crop year, which was affected by El Nino. On the other hand, flour business declined by 2.3% despite higher volume due to lower average selling price. Sales contribution from renewable energy businesses amounted to ₱1.580 billion for the nine months of fiscal 2016, compared to ₱488 million in same period last year.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱1.383 billion, or 2.5%, to ₱57.097 billion for the nine months of fiscal 2016 from ₱55.715 billion recorded in the same period last year due to increase in sales volume, net of lower input costs.

URC's gross profit for the nine months of fiscal 2016 amounted to ₱28.275 billion, up by ₱2.047 billion or 7.8% from ₱26.228 billion reported in the same period last year. Gross profit margin increased from 32.0% for the nine months of fiscal 2015 to 33.1% for the nine months of fiscal 2016.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.723 billion or 13.1% to ₱14.892 billion for the nine months of fiscal 2016 from ₱13.169 billion registered for the nine months of fiscal 2015. The increase resulted primarily from the following factors:

- 12.2% or ₱551 million increase in advertising and promotion costs to ₱5.061 billion for the nine months of fiscal 2016 from ₱4.510 billion in the same period last year due to promotion programs with key accounts and wholesalers, and new product launches.

- 12.7% or ₱365 million increase in compensation and benefits to ₱3.248 billion for the nine months of fiscal 2016 from ₱2.883 billion in the same period last year due to increase in personnel and annual salary adjustments.
- 6.3% or ₱228 million increase in freight and delivery charges to ₱3.830 billion for the nine months of fiscal 2016 from ₱3.603 billion in the same period last year due to increase in trucking and shipping costs as a result of increased volume.
- 58.1% or ₱194 million increase in rent expense to ₱529 million for the nine months of fiscal 2016 from ₱335 million in the same period last year as a result of business expansion.
- 60.0% or ₱157 million increase in contracted services to ₱419 million for the nine months of fiscal 2016 from ₱262 million in the same period last year due to business expansion.

As a result of the above factors, operating income increased by ₱324 million, or 2.5% to ₱13.384 billion for the nine months of fiscal 2016 from ₱13.059 billion reported for the nine months of fiscal 2015.

Market valuation gain on financial assets and derivative financial instruments at fair value through profit or loss increased to ₱853 million for the nine months of fiscal 2016 from ₱47 million loss in the same period last year due to fair value changes of derivative instruments and lower decline in market values of equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by 10.0% to ₱184 million for the nine months of fiscal 2016 from ₱204 million in the same period last year due to lower level of financial assets.

URC's finance costs consist mainly of interest expense which decreased by ₱109 million or 11.5%, to ₱845 million for the nine months of fiscal 2016 from ₱954 million recorded in the same period last year due to lower level of financial debt resulting from prepayment of a long-term debt.

Net foreign exchange gain amounted to ₱1.142 billion for the nine months of fiscal 2016 from ₱254 million net foreign exchange loss reported in the same period last year due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly IDR and NZD, and depreciation of Philippine peso against US dollar.

Equity in net loss of joint ventures amounted to ₱199 million for the nine months of fiscal 2016 from ₱217 million in the same period last year due to lower net losses of Danone Universal Robina Beverages, Inc. (DURBI) and Calbee-Universal Robina Corporation (CURC).

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. Net other income amounted to ₱20 million for the nine months of fiscal 2016 from a ₱103 million in the same period last year due to higher scrap sales and income from sale of assets last year.

The Company recognized provision for income tax of ₱2.339 billion for the nine months of fiscal 2016, a 4.4% increase from ₱2.240 billion for the nine months of fiscal 2015 due to reversal of deferred tax asset on realized net foreign exchange loss.

URC's net income for the nine months of fiscal 2016 amounted to ₱12.199 billion, higher by ₱2.546 billion or 26.4% from ₱9.654 billion for the nine months of fiscal 2015, due to higher operating income and increases in market valuation gain on financial assets and net foreign exchange gains.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the nine months of fiscal 2016 amounted to ₱12.544 billion, an increase of 2.9% from ₱12.195 billion recorded in the same period last year.

Net income attributable to equity holders of the parent increased by ₱2.473 billion or 25.9% to ₱12.032 billion for the nine months of fiscal 2016 from ₱9.559 billion for the nine months of fiscal 2015 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱95 million for the nine months of fiscal 2015 to ₱168 million in the same period this year.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱17.318 billion for the nine months of fiscal 2016, 4.9% higher than ₱16.510 billion posted for the nine months of fiscal 2015.

Financial Condition

June 30, 2016 versus September 30, 2015

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.80:1 as of June 30, 2016 lower than the 2.30:1 as of September 30, 2015. Financial debt to equity ratio of 0.31:1 as of June 30, 2016 is within comfortable level.

Total assets amounted to ₱108.497 billion as of June 30, 2016, lower than ₱110.747 billion as of September 30, 2015. Book value per share increased to ₱31.26 as of June 30, 2016 from ₱29.92 as of September 30, 2015.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the nine months of fiscal 2016 amounted to ₱11.308 billion. Net cash used in investing activities amounted to ₱5.710 billion which were substantially used for fixed asset acquisitions. Net cash used in financing activities amounted to ₱15.667 billion which were mainly used to pay off dividends and portion of long-term debt.

As of June 30, 2016, 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.

	June 30, 2016	September 30, 2015
<hr/>		
Liquidity:		
Current ratio	1.80:1	2.30:1
Solvency:		
Gearing ratio	0.31:1	0.42:1
Debt to equity ratio	0.59:1	0.69:1
Asset to equity ratio	1.59:1	1.69:1
<hr/>		
	Nine months ended June 30	
	2016	2015
<hr/>		
Profitability:		
Operating margin	15.7%	15.9%
Earnings per share	₱5.52	₱4.38
Leverage:		
Interest rate coverage ratio	20.49:1	17.30:1

The Group calculates the ratios as follows:

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

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

Statements of Income – Nine months ended June 30, 2016 versus same period in fiscal 2015

11.8% increase in selling and distribution costs

Due to increases in advertising and promotion costs, freight and delivery charges, contracted services, personnel-related costs and rent expense

18.3% increase in general and administrative expenses

Due to increases in personnel-related costs, repairs and maintenance, rent expense and utilities

1,922.1% increase in market valuation gain on financial instruments at FVPL

Due to fair value changes on derivative instruments and lower decline in market values of equity investments

10.0% decrease in finance revenue

Due to lower level of financial assets

11.5% decrease in finance costs

Due to lower level of financial debt resulting from prepayment of a long-term debt

548.8% increase in net foreign exchange gain

Due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly IDR and NZD, and depreciation of Philippine peso against US dollar

8.3% decrease in equity in net loss of joint ventures

Due to lower net losses of DURBI and CURC

80.0% decrease in other income - net

Due to higher scrap sales and income from sale of certain assets last year

76.9% increase in net income attributable to non-controlling interest

Due to higher net income of Nissin-URC

190.9% decrease in other comprehensive income

Due to losses from cumulative translation adjustments

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

55.0% decrease in cash and cash equivalents

Due to payments of dividends and certain portion of long-term debt

9.7% increase in receivables - net

Due to increase in trade receivables

22.2% increase in inventories

Due to increase in finished goods and work-in-process inventories

14.8% decrease in biological assets

Due to decline in market prices of hogs

8.6% increase in property, plant and equipment

Due to various plant expansion projects

22.9% decrease in investment in joint venture

Due to equity share in net losses of joint ventures

5.1% decrease in investment properties

Due to depreciation during the period

51.1% increase in noncurrent assets

Due to increases in deferred input taxes and security deposits

13.4% increase in accounts payable and other accrued liabilities

Due to increases in trade payables and accrual of various expenses

168.9% increase in short-term debt

Due to loan availments during the period

41.1% decrease in income tax payable

Due to payments, net of current provision for income tax during the period

36.3% decrease in long-term debt

Due to prepayment of a loan

19.6% increase in net deferred tax liabilities

Due to reversal of deferred tax asset on realized net foreign exchange loss

11.9% decrease in other noncurrent liabilities

Due to decline in derivative liability resulting from fair value changes, net of increase in pension liability due to accrual of pension expense

10.6% increase in retained earnings

Due to net income during the period, net of dividends declared

66.9% decrease in other comprehensive income

Due to significant decline in cumulative translation adjustments

54.9% increase in equity attributable to non-controlling interests

Due to equity share in the net income of Nissin-URC, net of dividends received

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

Universal Robina Corporation (Consolidated)			
	2016	YTD June 2015	Index
Revenues	85,373	81,943	104
EBIT	13,384	13,059	102
EBITDA	17,318	16,510	105
Net Income	12,199	9,654	126
Total Assets	108,497	107,628	101

URC International Co., Ltd. (Consolidated)			
	2016	YTD June 2015	Index
Revenues	28,576	27,122	105
EBIT	2,830	2,940	96
EBITDA	4,285	4,233	101
Net Income	3,713	1,483	250
Total Assets	55,336	51,891	107

Nissin – URC			
	2016	YTD June 2015	Index
Revenues	3,064	2,612	117
EBIT	499	321	155
EBITDA	565	383	148
Net Income	353	232	152
Total Assets	1,971	1,705	116

SIGNATURES

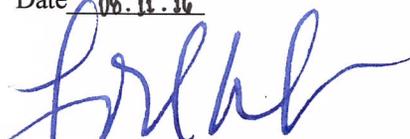
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL ROBINA CORPORATION



LANCE Y. GOKONGWEI
President and Chief Executive Officer

Date 08.11.16



FRANCISCO M. DEL MUNDO
Chief Financial Officer

Date 08.11.16

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

	Unaudited June 30 2016	Audited September 30 2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱8,228,485	₱18,298,379
Financial assets at fair value through profit or loss (Note 8)	404,104	401,702
Receivables (Note 9)	11,879,818	10,833,224
Inventories (Note 10)	19,594,024	16,034,614
Biological assets	920,777	1,177,608
Other current assets (Note 11)	838,790	835,739
Total Current Assets	41,865,998	47,581,266
Noncurrent Assets		
Property, plant and equipment (Note 12)	42,166,733	38,831,974
Available-for-sale investments	40,880	40,880
Goodwill (Note 13)	14,706,811	14,706,811
Intangible assets (Note 13)	7,253,077	7,281,943
Biological assets	461,751	444,723
Investment in joint ventures (Note 14)	381,137	494,243
Investment properties (Note 15)	50,775	53,518
Deferred tax assets	490,901	597,599
Other noncurrent assets (Note 16)	1,079,183	714,124
Total Noncurrent Assets	66,631,248	63,165,815
	₱108,497,246	₱110,747,081
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 17)	₱14,926,892	₱13,166,619
Short-term debt (Note 18)	2,272,804	845,286
Trust receipts payable (Note 10)	4,792,881	4,620,726
Income tax payable	1,224,450	2,079,280
Total Current Liabilities	23,217,027	20,711,911
Noncurrent Liabilities		
Long-term debt (Note 19)	13,925,880	21,869,681
Deferred tax liabilities	2,658,060	2,409,483
Other noncurrent liabilities	349,122	396,378
Total Noncurrent Liabilities	16,933,062	24,675,542
Total Liabilities	40,150,089	45,387,453

(Forward)

	Unaudited June 30 2016	Audited September 30 2015
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 20)	₱19,056,685	₱19,056,685
Retained earnings (Note 20)	53,788,153	48,628,034
Other comprehensive income	1,101,509	3,326,070
Equity Reserve (Note 20)	(5,075,466)	(5,075,466)
Treasury shares (Note 20)	(670,386)	(670,386)
	68,200,495	65,264,937
Equity attributable to non-controlling interests	146,662	94,691
Total Equity	68,347,157	65,359,628
	₱108,497,246	₱110,747,081

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos, Except Per Share Amount)

	Quarters ended June 30		Nine months ended June 30	
	2016	2015	2016	2015
SALE OF GOODS AND SERVICES	₱26,835,183	₱26,298,423	₱85,372,937	₱81,942,912
COST OF SALES	18,045,107	17,663,289	57,097,440	55,714,515
GROSS PROFIT	8,790,076	8,635,134	28,275,497	26,228,397
Selling and distribution costs	(3,755,165)	(3,524,304)	(11,872,158)	(10,616,569)
General and administrative expenses	(1,044,081)	(902,779)	(3,019,530)	(2,552,504)
OPERATING INCOME	3,990,830	4,208,051	13,383,809	13,059,324
Market valuation gain (loss) on financial assets and derivative financial instruments at fair value through profit or loss (Note 8)	(92,312)	(23,223)	852,689	(46,796)
Finance revenue	40,276	57,423	183,817	204,195
Finance costs	(191,549)	(333,916)	(844,997)	(954,444)
Foreign exchange gains (losses) - net	766,010	57,198	1,141,756	(254,376)
Equity in net loss of joint ventures (Note 14)	(19,148)	(54,136)	(198,856)	(216,937)
Other income - net	35,845	59,569	20,471	102,519
INCOME BEFORE INCOME TAX	4,529,952	3,970,966	14,538,689	11,893,485
PROVISION FOR INCOME TAX	715,666	807,277	2,339,228	2,239,794
NET INCOME	₱3,814,286	₱3,163,689	₱12,199,461	₱9,653,691
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱3,756,691	₱3,103,771	₱12,031,850	₱9,558,959
Non-controlling interests	57,595	59,918	167,611	94,732
	₱3,814,286	₱3,163,689	₱12,199,461	₱9,653,691
EARNINGS PER SHARE (Note 21)				
Basic/diluted, for income attributable to equity holders of the parent	₱1.72	₱1.42	₱5.52	₱4.38

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousand Pesos, Except Per Share Amount)

	Nine Months Ended June 30	
	2016	2015
NET INCOME	₱12,199,461	₱9,653,691
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Cumulative translation adjustments	(2,237,408)	2,459,416
Unrealized gain (loss) on cash flow hedges	12,847	(12,186)
	(2,224,561)	2,447,230
TOTAL COMPREHENSIVE INCOME	₱9,974,900	₱12,100,921
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Equity holders of the parent	₱9,807,289	₱12,006,189
Non-controlling interest	167,611	94,732
	₱9,974,900	₱12,100,921

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousand Pesos)

	Nine Months Ended June 30	
	2016	2015
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)		
Appropriated		
Balance at beginning and end of period	2,000,000	–
Unappropriated		
Balance at beginning of year	46,628,034	42,789,192
Net income	12,031,850	9,558,959
Cash dividends	(6,871,731)	(6,544,506)
Balance at end of period	51,788,153	45,803,645
	53,788,153	45,803,645
EQUITY RESERVE (Note 20)		
Balance at beginning of year	(5,075,466)	(5,556,532)
Gain from sale of equity interest in a subsidiary	–	481,066
Balance at end of period	(5,075,466)	(5,075,466)
OTHER COMPREHENSIVE INCOME		
Cumulative Translation Adjustment		
Balance at beginning of year	3,801,909	819,382
Adjustments	(2,237,408)	2,459,416
Balance at end of period	1,564,501	3,278,798
Net Unrealized Gain on AFS investments		
Balance at beginning and end of period	19,160	–
Unrealized Gain (Loss) on Cash Flow Hedge		
Balance at beginning of year	(1,450)	–
Adjustments	12,847	(12,186)
Balance at end of period	11,397	(12,186)
Remeasurement Losses on Defined Benefit Plans		
Balance at beginning and end of period	(493,549)	(488,935)
	1,101,509	2,777,677
TREASURY SHARES (Note 20)		
Balance at beginning and end of period	(670,386)	(670,386)

(Forward)

	Nine Months Ended June 30	
	2016	2015
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
Balance at beginning of year	₱94,691	₱77,590
Transfer of equity share in a subsidiary	–	25,585
Net income	167,611	94,732
Dividends	(115,640)	(128,840)
Balance at end of period	146,662	69,067
	₱68,347,157	₱61,961,222

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱14,538,689	₱11,893,485
Adjustments for:		
Depreciation and amortization	3,933,750	3,451,146
Market valuation loss (gain) on financial assets and derivative financial instruments at fair value through profit or loss	(852,689)	46,796
Finance revenue	(183,817)	(204,195)
Finance cost	692,464	908,242
Net foreign exchange loss (gain)	(1,141,756)	254,376
Loss (Gain) arising from changes in fair value less estimated costs to sell of swine stocks	101,373	(139,951)
Equity in net loss of joint ventures	198,856	216,937
Amortization of debt issuance costs	152,533	46,202
Loss (Gain) on sale of property, plant and equipment	4,004	(14,585)
Operating income before changes in working capital	17,443,407	16,458,453
Decrease (increase) in:		
Receivables	(779,454)	1,103,350
Inventories	(3,413,358)	(2,207,490)
Biological assets	138,430	228,612
Other current assets	2,432	(335,697)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	1,443,075	1,250,388
Trust receipts payable	168,901	840,338
Cash generated from operations	15,003,433	17,337,954
Interest received	195,787	205,189
Income taxes paid	(3,051,298)	(1,968,148)
Interest paid	(840,399)	(830,431)
Net cash provided by operating activities	11,307,523	14,744,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(6,023,653)	(3,976,690)
Investment in joint venture	(103,250)	(276,500)
Intangible assets	(22,240)	-
Investment in subsidiaries	-	(7,086,181)
Financial assets at fair value through profit or loss	-	(68)
Proceeds from settlement of derivatives	681,052	-
Proceeds from sale of:		
Property, plant and equipment	-	14,585
Equity share in a subsidiary	-	506,651
Dividends received	17,500	17,000
Increase in other noncurrent assets	(363,823)	(97,271)
Increase in net pension liability	104,390	81,661
Net cash used in investing activities	(5,710,024)	(10,816,813)

(Forward)

	Nine Months Ended June 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(₱6,987,371)	(₱6,544,506)
Net availment (repayment) of:		
Short-term debt	1,427,519	(3,450,406)
Long-term debt	(10,107,541)	9,886,901
Net cash used in financing activities	(15,667,393)	(108,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,069,894)	3,819,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,298,379	10,076,223
CASH AND CASH EQUIVALENT AT END OF PERIOD	₱8,228,485	₱13,895,963

UNIVERSAL ROBINA CORPORATION AND 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 at 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City.

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

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

On May 27, 2015, the Board of Directors (BOD) and Stockholders approved the amendment to the Articles of Incorporation (AOI) of the Parent Company to include in its secondary purpose the transportation of all kinds of materials and products and for the Parent Company to engage in such activity. On June 25, 2015, the Securities and Exchange Commission (SEC) approved the amendment to the secondary purpose.

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.

On October 29, 2012, CCPI transferred its pet bottle operations to the Parent Company.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to 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) financial assets 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. All values are rounded to the nearest peso except when otherwise stated.

Except for certain foreign subsidiaries of the Parent Company, which are disclosed below, the functional currency of other consolidated foreign subsidiaries is the US dollar (USD). The functional currencies of the Group's consolidated foreign subsidiaries follow:

Subsidiaries	Country of Incorporation	Functional Currency
Universal Robina (Cayman), Limited (URCL)	Cayman Islands	US Dollar
URC Philippines, Limited (URCPL)	British Virgin Islands	- do -
URC Asean Brands Co. Ltd. (UABCL)	- do -	- do -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd.	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
URC New Zealand Holding Co. Ltd.	New Zealand	Kiwi
URC New Zealand Finance Co. Ltd.	- do -	- do -
Griffin's Food Limited	- do -	- do -
Nice and Natural Limited	- do -	- do -

Statement of Compliance

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

Basis of Consolidation

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

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership	
		2016	2015
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	51.00
URCPL	British Virgin Islands	100.00	100.00
URCICL and Subsidiaries*	- do -	100.00	100.00
URCL	Cayman Islands	100.00	100.00
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

On March 10, 2015 and May 27, 2015, the BOD and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with Parent Company, subject to SEC approval.

In December 2014, the Parent Company and Mitsubishi Corporation (Mitsubishi) entered into a share purchase agreement with Nissin Foods (Asia) Pte, Ltd. (Nissin) to sell 14% and 10%, respectively, of their equity interests in NURC. As a result, the ownership interest of URC, Nissin and Mitsubishi Corporation changed from 65%, 25% and 10% to 51%, 49% and nil, respectively.

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

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

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

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

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

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

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

If the Group loses control over a subsidiary, it:

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

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

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

<u>Subsidiaries</u>	<u>Year-end</u>
URCCCL	December 31
Shantou SEZ Shanfu Foods Co., Ltd.	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-
Jiangsu Acesfood Industrial Co., Ltd.	-do-
Acesfood Network Pte. Ltd. (Acesfood)	-do-
Acesfood Holdings Pte. Ltd.	-do-
Acesfood Distributors Pte. Ltd.	-do-
Advanson International Pte. Ltd. (Advanson)	-do-
URC Oceania Co. Ltd.	-do-
URC New Zealand Holding Co. Ltd.	-do-
URC New Zealand Finance Co. Ltd.	-do-

Under PFRS 10, *Consolidated Financial Statements*, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if it is impracticable for the management to prepare financial statements with the same accounting period with that of the Parent Company and the difference is not more than three months.

Any significant transactions or events that occur between the date of the fiscal subsidiaries' financial statements and the date of the Parent Company's financial statements are adjusted in the consolidated financial statements.

Combinations of Entities Under Common Control

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

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

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

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

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

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

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of 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, 2014. 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.

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

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

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10. The Group is currently assessing impact of the amendments to PAS 32.

PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

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. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Philippine Interpretation of the IFRIC 21, Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

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. 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. This amendment has no impact on the Group.

Annual Improvements to PFRS (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

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.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or 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.

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, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as derivatives designated as hedging instruments in effective hedge, as appropriate. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

'Day 1' difference

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

Financial assets and financial liabilities at FVPL

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

1. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.
2. Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge
3. Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:
 - the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
 - the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
 - the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in 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 calculated using certain standard valuation methodologies.

Derivatives designated as accounting hedges

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

Hedge accounting

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

Cash flow hedge

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

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

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

Hedge effectiveness testing

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

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

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

Embedded derivatives

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

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

Current versus noncurrent classification

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

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

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under "Interest Income" in the statement of income. Gains and losses are recognized in profit or loss 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 cash and cash equivalents and receivables (see Notes 7 and 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, from reported earnings and are reported under the 'Unrealized gain (loss) on available-for-sale financial assets' section of the consolidated statement of comprehensive income.

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

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

Other financial liabilities

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

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

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

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

This accounting policy applies primarily to the Group's short-term (see Note 18) and long-term debt (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).

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 the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged to the consolidated statement of income.

Classification of Financial Instruments Between Debt and Equity

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

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

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

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to maturity.

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

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

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

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

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

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

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

AFS financial assets

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

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

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

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

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

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

Materials in-transit

Cost is determined using the specific identification basis.

Spare parts and supplies

Cost is determined using the weighted average method.

Biological Assets

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

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

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

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 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 carried 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).

This accounting policy applies to the Group's poultry livestock breeders.

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.

Noncurrent Assets (Disposal Group) Held for Sale

The Group classifies noncurrent 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

Immediately before the initial classification of the noncurrent asset (disposal group) as held for sale, the carrying amount of the asset (or all the assets and liabilities of the disposal group) shall be measured in accordance with the applicable standards.

Noncurrent assets (disposal group) 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. Liabilities directly related to noncurrent assets held for sale are measured at their expected settlement amounts.

Property, Plant and Equipment

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

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

Land is stated at cost less any impairment in value.

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

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

Depreciation and amortization of property, plant and equipment commence, once the property, plant and equipment are available for use and are computed using the straight-line method over the 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 periodically and adjusted, if appropriate, at each financial year-end to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

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

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

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

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

Investment Properties

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

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

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

	Years
Land improvements	10
Buildings and building improvements	10 to 30

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

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

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

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

Goodwill

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

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

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

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

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.

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

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any.

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

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

Intangible assets with indefinite useful lives are 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:

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

Investment in Joint Ventures

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

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

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

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

Impairment of Nonfinancial Assets

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

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, 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 under 'Impairment Losses' in the consolidated statement of income.

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

Property, plant and equipment, investment properties, intangible assets with definite useful lives

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

Goodwill

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

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

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 with indefinite useful lives

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

Investments in joint ventures

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

Revenue Recognition

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

Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting principal in all of its revenue arrangements.

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

Sale of goods

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

Rendering of tolling services

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

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.

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 under 'Financ Cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

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

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

Pension Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Termination benefit

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

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

Employee leave entitlement

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

Income Taxes

Current tax

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each 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 relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and 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 if that right is not explicitly specified in an arrangement.

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

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

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

Group as a lessee

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.

Cost and Expenses

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

Foreign Currency Translation/Transactions

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

Transactions and balances

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

Group companies

As of 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 income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as 'Cumulative translation adjustment' under 'other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount

recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

Common Stock

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

Retained Earnings

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

Other Comprehensive Income

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

Treasury Shares

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

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

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

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

Dividends on Common Stocks

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

Earnings Per Share (EPS)

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

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

Segment Reporting

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

Events after 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.

Standards issued but not yet effective

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

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

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from

the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
(Amendments)

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

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

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption

of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, Financial Instruments: Disclosures - Servicing Contracts

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

PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits - regional market issue regarding discount rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within

Effective subsequent to September 30, 2016

PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

a. *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.

b. 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.

c. Determination of fair values of financial instruments

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

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

d. Classification of leases

Operating lease commitments - Group as lessee

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

Operating lease commitments - Group as lessor

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

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and
- the related lease terms do not approximate the EUL of the asset being leased.

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

Finance lease commitments - Group as lessee

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

e. 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.

f. Determination of functional currency

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

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

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

g. Noncurrent assets (Disposal Group) 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.

h. Contingencies

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

Estimates

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

a. Impairment of AFS financial assets

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% 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.

b. Estimation of allowance for impairment losses on receivables

The Group maintains allowances for impairment losses on its trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the 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 consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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

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

c. Determination of NRV of inventories

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

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

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

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

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

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

e. Determination of 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.

f. Assessment of impairment of nonfinancial assets

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

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

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

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

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

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

g. *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 statement of financial position 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.

h. 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.

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 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, flour milling and pasta manufacturing, and in renewable energy through distillery and cogeneration businesses. 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 nine months ended June 30			
	2016	2015	2016	2015
Branded Consumer Foods Group	₱70,574,760	₱68,827,023	₱11,368,891	₱10,822,617
Agro-Industrial Group	6,831,602	6,660,335	652,480	838,343
Commodity Foods Group	7,966,575	6,455,554	2,687,475	2,438,869
Corporate Businesses	–	–	(1,325,037)	(1,040,505)
	₱85,372,937	₱81,942,912	₱13,383,809	₱13,059,324

	Total Assets		Total Liabilities	
	As of June 30			
	2016	2015	2016	2015
Branded Consumer Foods Group	₱81,480,530	₱74,140,066	₱29,664,390	₱34,078,097
Agro-Industrial Group	5,629,301	6,383,934	3,076,259	4,133,875
Commodity Foods Group	18,275,686	15,329,140	5,104,414	5,435,961
Corporate Businesses	3,111,729	11,774,923	2,305,026	2,018,908
	₱108,497,246	₱107,628,063	₱40,150,089	₱45,666,841

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 June 30, 2016	Audited September 30, 2015
Cash on hand	₱136,683	₱92,279
Cash in banks	1,839,279	2,680,097
Short-term investments	6,252,523	15,526,003
	₱8,228,485	₱18,298,379

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 0.01% to 6.00% and 0.01% to 6.20% at June 30, 2016 and September 30, 2015, respectively, for foreign currency-denominated money market placements. Peso-denominated money market placements on the other hand, earn interest ranging from 1.00% to 2.13% and 1.50% to 2.10% as at June 30, 2016 and September 30, 2015, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

	Unaudited June 30, 2016	Audited September 30, 2015
Investments held-for-trading	P388,275	P401,702
Derivatives	15,829	–
	P404,104	P401,702

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

The Group reported market valuation gain on financial assets and derivative financial instruments at fair value through profit and loss of P852.7 million for the nine months ended June 30, 2016 and P46.8 million market valuation loss for the nine months ended June 30, 2015.

Derivative not designated as accounting hedge

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

In September 2015, the Group entered into a foreign currency forwards arrangement with notional amount of NZ\$322.3 million (P9.6 billion) and recognized change in fair value of the instrument amounting to P846.3 million for the nine months ended June 30, 2016.

9. Receivables

	Unaudited June 30, 2016	Audited September 30, 2015
Trade receivables	P9,069,465	P8,258,370
Due from related parties	1,567,029	1,564,937
Advances to officers, employees and suppliers	1,021,790	1,082,523
Interest receivable	5,961	17,931
Others	586,028	284,170
	12,250,273	11,207,931
Less allowance for impairment losses	370,455	374,707
	P11,879,818	P10,833,224

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	Past due but not impaired Less than 90 days	Over 90 days	Past due and impaired	Unaudited June 30, 2016
Trade receivables	P7,306,400	P1,097,329	P483,979	P181,757	P9,069,465
Due from related parties	1,567,029	–	–	–	1,567,029
Advances to suppliers and others	934,791	15,075	52,277	19,647	1,021,790
Interest receivable	5,961	–	–	–	5,961
Others	234,931	147,559	34,487	169,051	586,028
	P10,049,112	P1,259,963	P570,743	P370,455	P12,250,273

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Audited September 30, 2015
		Less than 90 days	Over 90 days		
Trade receivables	₱6,636,121	₱996,661	₱439,579	₱186,009	₱8,258,370
Due from related parties	1,564,937	–	–	–	1,564,937
Advances to suppliers and others	991,441	15,989	55,446	19,647	1,082,523
Interest receivable	17,931	–	–	–	17,931
Others	64,860	40,738	9,521	169,051	284,170
	₱9,275,290	₱1,053,388	₱504,546	₱374,707	₱11,207,931

10. Inventories

	Unaudited June 30, 2016	Audited September 30, 2015
At cost:		
Raw materials	₱6,719,406	₱7,389,937
Finished goods	6,885,953	4,053,656
	13,605,359	11,443,593
At NRV:		
Goods in-process	1,102,054	848,547
Containers and packaging materials	2,097,914	1,762,665
Spare parts and supplies	2,788,697	1,979,809
	5,988,665	4,591,021
	₱19,594,024	₱16,034,614

Under the terms of the agreements covering liabilities under trust receipts totaling ₱4.8 billion and ₱4.6 billion as of June 30, 2016 and September 30, 2015, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusted merchandise or their sales proceeds.

11. Other Current Assets

	Unaudited June 30, 2016	Audited September 30, 2015
Input value-added tax	₱446,726	₱535,163
Prepaid insurance	178,239	139,354
Prepaid rent	58,882	27,053
Other prepaid expenses	154,943	134,169
	₱838,790	₱835,739

Other prepaid expenses include prepayments for advertising, taxes and office supplies.

12. Property, Plant and Equipment

	Unaudited June 30, 2016	Audited September 30, 2015
Acquisition Costs		
Land Improvements	P1,554,824	P1,508,356
Building and Improvements	15,135,202	13,500,750
Machinery and Equipment	62,370,441	55,649,150
Transportation Equipment	2,344,076	1,908,696
Furniture, Fixtures and Equipment	4,132,824	3,588,807
	85,537,367	76,155,759
Accumulated Depreciation, Amortization and Impairment Losses	51,138,491	46,467,954
Net Book Value	34,398,876	29,687,805
Land	3,346,233	2,985,838
Equipment In-transit	1,470,978	3,878,722
Construction In-progress	2,950,646	2,279,609
	P42,166,733	P38,831,974

On February 4, 2016, the Parent Company purchased from Batangas Sugar Central Inc. (BSCCI), land, building and improvement, and machinery and equipment, located in Brgy. Calocan, Balayan, Batangas for a total consideration of P1.4 billion.

13. Goodwill and Intangible Assets

Movements in goodwill account follow:

	Unaudited June 30, 2016	Audited September 30, 2015
Cost		
Balance at beginning of year	P14,954,951	P1,041,555
Additions	-	13,913,396
Balance at end of period	14,954,951	14,954,951
Accumulated Amortization and Impairment Losses		
Balance at beginning and end of period	248,140	248,140
Net Book Value	P14,706,811	P14,706,811

In November 2014, URC NZ FinCo acquired 100% equity interest in NZSFHL from Pacific Equity Partners (PEP) for a total consideration of NZ\$233.7 million (approximately P8.2 billion). NZSFHL is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand.

The Group engaged the services of a third party valuer to conduct a purchase price allocation. The fair values of the identifiable assets and liabilities at the date of acquisition amounted to P5.7 billion net liabilities. Total goodwill arising from the acquisition of equity interest in NZSFHL based on final purchase price allocation amounted to P13.9 billion.

Movements in intangible assets follow:

	Unaudited June 30, 2016	Audited September 30, 2015
Cost		
Balance at beginning of year	₱7,542,507	₱676,525
Additions	22,240	6,865,982
Balance at end of period	7,564,747	7,542,507
Accumulated Amortization and Impairment		
Losses		
Balance at beginning of year	260,564	201,525
Amortization during the period	51,106	59,039
Balance at end of period	311,670	260,564
Net Book Value	₱7,253,077	₱7,281,943

Intangible assets consist of trademark/brands, product formulation, software costs and customer relationship.

Total intangible assets acquired from the acquisition of NZSFHL composed of brands, customer relationship and software costs amounting to ₱4.9 billion, ₱1.9 billion and ₱0.03 billion, respectively.

14. Investment in Joint Ventures

	Unaudited June 30, 2016	Audited September 30, 2015
Acquisition Cost		
Balance at beginning of year	₱638,000	₱361,500
Additional investments	103,250	276,500
Balances at end of period	741,250	638,000
Accumulated Equity in Net Earnings		
Balance at beginning of year	(143,757)	79,724
Equity in net losses during the period	(198,856)	(206,481)
Dividends received	(17,500)	(17,000)
Balance at end of period	(360,113)	(143,757)
Net Book Value	₱381,137	₱494,243

Hunt-Universal Robina Corporation

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

Calbee-URC, Inc.

On January 17, 2014, the Parent Company entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Calbee Jack 'n Jill" brand name, which is under exclusive license to CURCI in the Philippines.

Danone Universal Robina Beverages, Inc.

On May 23 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte, Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

15. Investment Properties

	Unaudited	Audited
	June 30, 2016	September 30, 2015
Cost		
Balance at beginning and end of period	₱107,947	₱107,947
Accumulated Depreciation		
Balance at beginning of year	54,429	50,771
Depreciation	2,743	3,658
Balance at end of period	57,172	54,429
Net Book Value	₱50,775	₱53,518

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	Audited
	June 30, 2016	September 30, 2015
Input value-added tax	₱518,263	₱309,885
Deposits	554,793	377,223
Others	6,127	27,016
	₱1,079,183	₱714,124

17. Accounts Payable and Other Accrued Liabilities

	Unaudited June 30, 2016	Audited September 30, 2015
Trade payables	₱8,543,192	₱7,644,930
Accrued expenses	5,221,290	4,277,664
Output VAT	233,642	479,165
Advances from stockholders	232,692	230,205
Customers' deposits	195,623	227,038
Due to related parties	224,224	73,127
Others	276,229	234,490
	₱14,926,892	₱13,166,619

As of June 30, 2016 and September 30, 2015, others include withholding taxes payable amounting to ₱90.0 million and ₱122.7 million, respectively.

The accrued expenses account consists of:

	Unaudited June 30, 2016	Audited September 30, 2015
Advertising and promotions	₱3,538,828	₱2,860,517
Freight and handling costs	359,751	348,474
Contracted services	297,285	39,602
Utilities	280,669	216,544
Interest payable	72,188	220,122
Others	672,569	592,405
	₱5,221,290	₱4,277,664

Others include accrual for professional and legal fees, contracted services and other benefits.

18. Short-term Debt

This account consists of:

	Unaudited June 30, 2016	Audited September 30, 2015
Philippine Peso denominated loan - with interest rate of 2.5% in 2016	₱870,000	₱-
Thai Bhat denominated loans - with interest rates ranging from 2.22% to 2.25% per annum in 2016 and 2.21% to 2.25% per annum in 2015	1,296,683	845,286
Malaysian Ringgit denominated loan - with interest rate of 4.6% in 2016	106,121	-
	₱2,272,804	₱845,286

Interest is based on prevailing market rates and repriced quarterly.

19. Long-term Debt

This account consists of:

	Maturities	Unaudited June 30, 2016	Audited September 30, 2015
URC NZ FinCo loan	2019	₱14,100,494	₱12,559,786
URC Oceania loan	2019	–	9,638,711
		14,100,494	22,198,497
Unamortized debt issuance costs		174,614	328,816
		₱13,925,880	₱21,869,681

URC NZ FinCo NZ\$420 Million Term Loan Facility

On November 13, 2014, URC NZ FinCo Ltd. entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ\$420M (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

URC Oceania NZ\$322 Million Term Loan Facility

On November 13, 2014, URC Oceania Co. Ltd. entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ\$322M (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

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

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement. Total payment amounted NZ\$326.0 million (approximately ₱10.2 billion), including interest.

The exchange rate used to restate the foreign currency borrowings were ₱47.06 to US\$1.00 and ₱46.74 to US\$1.00 as of June 30, 2016 and September 30, 2015, respectively.

20. Equity

The details of the Parent Company's common stock as of June 30, 2016 and September 30, 2015 follow:

Authorized shares	2,998,000,000
Par value per share	₱1.00
Issued shares:	
Balance at beginning and end of period	2,227,638,933
Less treasury shares	46,137,000
Outstanding shares	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 June 30, 2016 and September 30, 2015.

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.

On September 18, 2015, as approved by the BOD, the Group has appropriated retained earnings amounting to ₱2.0 billion for the Group's capital expenditure commitments to expand capacities in the snackfoods and beverage businesses across branded food operations, which is expected to be completed within the next two years.

Treasury Shares

The Parent Company has outstanding treasury shares of 46.1 million as of June 30, 2016 and September 30, 2015. 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:

	Nine months ended June 30	
	2016	2015
Net income attributable to equity holders of the parent	₱12,031,850	₱9,558,959
Weighted average number of common shares	2,181,502	2,181,502
Basic/dilutive EPS	₱5.52	₱4.38

There were no potential dilutive shares for the nine months of fiscal 2016 and 2015.

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.