2012 ANNUAL REPORT


OMJ!
OH MY JUICE!
ZINC
Amazing Apple
Juice Drink

UNIVERSAL ROBINA
CORPORATION

2012 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(in million pesos, except per share data)

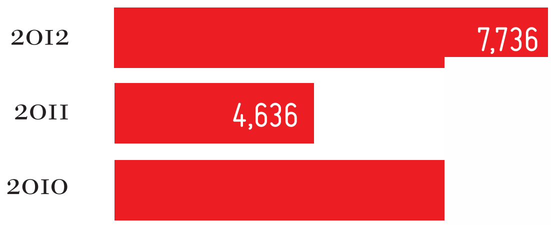
	YEARS ENDED SEPTEMBER 30			2012 VS 2011	
	2012	2011	2010	INC (DEC)	GROWTH
Net Sales	71,202	67,168	57,720	4,034	6%
Income from Operations	7,801	6,889	7,678	912	13%
Net Income to Equity Holders	7,736	4,636	7,817	3,100	67%
Total Assets	69,987	68,374	65,359	1,613	2%
Total Liabilities	23,370	26,347	23,521	(2,977)	-11%
Stockholders' Equity	46,617	42,027	41,838	4,590	11%
Per Share					
Earnings	3.69	2.25	3.75	1.44	64%
Book Value	21.35	19.77	19.78	1.58	8%

Net Sales

IN MILLION PESOS

Net Income To Equity Holders

IN MILLION PESOS



Total Assets

IN MILLION PESOS

Stockholders' Equity

IN MILLION PESOS

MESSAGE

From the Chairman and the President & Chief Executive Officer

James L. Go
CHAIRMAN

To our valued shareholders,

The global economy faced its share of headwinds in 2012 with major developed economies at the forefront. The US economy continued to recover at a slow pace while the Eurozone entered into a recession and had to deal with increased unemployment, tighter austerity measures, and higher sovereign risks. The economic challenges in these countries had spillover effects on the developing nations as weaker demand for exports and more volatility in capital flows came into play.

Despite this, the overall tone in the ASEAN was positive. Southeast Asia is home to almost 600 million people and this presents both a large workforce base and a significant addressable market. The population is young with the average person being in his/her mid-twenties, below world average. Though the population continues to grow, it is doing so at a decreasing rate which allows for expansion of income per person and the formation of a middle class, both of which have positive effects on consumption and fuel the drive towards convenience and health & wellness.

In 2012, the ASEAN grew by roughly 5.7% and continued to emerge as one of the more attractive recipient of foreign direct investment with its stable political and macroeconomic environment. Local currencies (except for the Rupiah) have continued to strengthen while inflation was kept at manageable levels. The bullishness on the region was also reflected in the results of the financial and capital markets across the region which has outperformed their peers in the US and Europe.

Lance Y. Gokongwei
PRESIDENT & CEO

The Philippines proved to be resilient despite the economic situation overseas. The economy grew by 6.6% on the back of higher government spending, increased domestic consumption, and higher investments by local firms. Inflation was kept at bay, ending at 3.2% for the year and the peso appreciated significantly. Remittances from overseas Filipino workers continued to fuel the economy as it reached a record high as global demand for Filipino workers remained strong in spite of the crisis overseas. The Business Process Outsourcing (BPO) sector also remained to be a key driver for the economy. Credit rating agencies like Standard and Poor (S&P) upgraded the Philippines' sovereign foreign currency rating from BB to BB+, due to the country's increasing fiscal flexibility and improving debt profile.

Vietnam saw slower than expected economic growth of 5.0% and dealt with a bad debts problem that weighed down its banking sector but inflation was curtailed to just 9.3% (from 18.7% the prior year) and the dong has stabilized. The country continues on the path towards development and urbanization and we continue to see buoyant consumption for snackfoods and beverages. Thailand continued its recovery from the widespread and prolonged flooding that happened towards the end of 2011. The second quarter of calendar year 2012 saw the country back on the growth track though challenges on the exports and manufacturing sectors persisted and consumption for impulse or discretionary items was weak.

Overall, the regional macroeconomic environment was conducive for the growth of our business. Universal Robina Corporation (URC) turned in a solid fiscal year (FY) 2012 sales performance of Php71.2 billion, up 6.0% from the previous year on the back of healthy growth coming from the Philippine branded foods business. Operating income margins recovered on the back of more relaxed input prices and this led to an operating income of Php7.8 billion, a 13.2% increase year-on-year. Core earnings before tax registered at Php8.4 billion, up 20.7% due to higher net finance revenue and net income attributable to equity holders of the parent closed at Php7.7 billion due to the continued increase in market values of bond and equity holdings.

Our balance sheet remains healthy with strong cash levels. We continue to maintain our net cash position of Php5.9 billion from Php2.3 billion last year with a financial gearing ratio of 0.32 (vs. 0.44 in FY 2011) as the Company retired its US$200 million debt during the fiscal year. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached Php11.2 billion for FY 2012 with capital expenditures of Php5.1 billion, majority of which went to the Branded Foods business, primarily to the ASEAN. This trend will continue as URC further expands its international business.

Sustained Sales Momentum and Significant Growth In Profits

Branded Consumer Foods Group

Branded Consumer Foods Group (BCFG), including our packaging division, was the Company's largest segment contributing about 79.0% of revenues for the FY 2012. Sales increased by Php5.7 billion or 11.3%, to Php56.3 billion in FY 2012. Operating income increased at a faster pace of 21.8% by Php990 million to Php5.5 billion in FY 2012 from Php4.5 billion in FY 2011.

BCFG Philippines

BCFG Philippines was the key contributor to the solid performance of the group. Top-line grew at an accelerated pace of 16.2% from Php29.6 billion to Php34.4 billion in FY 2012 with Beverages as the prime mover on the back of the stellar performance of our coffee business. The new coffee mix products, particularly Great Taste White Coffee, have done exceptionally well and have continued to gain market shares along the way. The Snackfoods leg also grew, driven mainly by savory snacks and followed by biscuits and candies. The successful new product launches in the extruded snacks segment under the Mang Juan brand continued to contribute to top-line. Chocolates, however, still felt the competitive pressures as consumers continued to go for lower priced and lower value-added products.

Following the solid sales figures, operating income was up significantly by 26.1% due to relatively lower prices for some key inputs such as sugar, flour, palm oil, coffee bean, and packaging materials which led to better margins.

Overall, our focus on continuous product innovation came into play in FY 2012 as new products drove the domestic business. The Company's dynamic product portfolio was able to cater to the ever-changing preference of our consumers.

BCFG International

BCFG International sales grew modestly by 4.9% to Php20.2 billion in FY 2012 against Php19.2 billion in FY 2011. In US dollar (US$) terms, sales registered an increase of 6.3% from US$443 million in FY 2011 to US$471 million in FY 2012. Vietnam, the youngest yet largest international country in terms of sales, was the primary driver as it registered double-digit sales growth on the back of continued momentum from Ready-to-drink (RTD) tea, its most significant business. We have grown C2, a regional brand for RTD tea, into the #1 brand (in terms of market share) in the key cities of Vietnam. URC was among the top 5 beverage plays and the fastest growing international company in Vietnam.

Indonesia also contributed as it built some sales momentum due to the Company's renewed efforts into savory snacks, particularly the entry onto the extruded/pelletized front which allows it to cater to the value price point segment. The country's beverage business, once again on the back of C2, also showed signs of traction.

Malaysia/Singapore just grew slightly due to certain new products launched in prior year which have not proven to be as sustainable and also as a result of pressures to increase chocolate product prices with the rising cost of cocoa input. The country also faced some temporary distribution challenges in West Malaysia.

For China/Hong Kong, sales were slightly up as it continued to play a key role in augmenting coffee and biscuits capacities for other affiliates. Losses were trimmed and the country operated at EBITDA breakeven in FY 2012.

Overall top-line growth was tempered by Thailand's softer sales as the effects of the prolonged flooding, with factories closing down temporarily and the agricultural sector affected, resulted in a decline in overall industry consumption for biscuits and wafers, the main categories, which are discretionary in nature. However, we saw signs of recovery for our Thai business in the last quarter of FY 2012 behind temporarily increased A&P spending and increased weight of our products. We remained to be the significant market leader in these two categories in Thailand. We also pursued efforts to build savory snacks and entered into the packaged cakes category, where initial signs have been encouraging.

URC International's operating income managed to grow by 20.5% to Php1.7 billion from Php1.4 billion. In US dollar amount, international operations operating income reached US$40 million, a 21.2% increase from US$33 million last year. The significant increase was due to the better margins brought about by reduced input prices, additional scale, and trimmed down losses from China.

URC Packaging

Sales for the packaging division declined by 1.2% to Php1.7 billion in FY 2012 from Php1.8 billion recorded in FY 2011 due to a decline in prices which balanced off the increased sales volume.

Commodity Foods Group

The Commodity Foods Group (CFG), composed of Sugar and Flour divisions, accounted for 10.6% of URC's total sales. The business maintained its profitability with operating income of Php2.8 billion, just slightly down by 1.8% against last year despite decline in sales of 20.5% due to lower sugar prices and volume.

Flour

Sales for our flour business amounted to Php4.1 billion, up 8.4% versus last year as a result of better volumes. Despite wheat prices increasing towards the end of the fiscal year, the business managed to register an operating income of Php1.3 billion, just a slight decline of 3.7% against prior year.

Sugar

Sugar top-line decreased by 39.9% year-on-year to end at Php3.4 billion as selling prices were significantly lower versus prior year. Volumes were also lower due to the excessive rains which resulted in lower yields. However, operating income was maintained at Php1.5 billion, due to much lower trucking and hauling subsidies.

Agro-Industrial Group

The Agro-Industrial Group (AIG), consisting of Feeds and Farms divisions, accounted for 10.4% of the Company's total sales for FY 2012. Sales of the business increased to Php7.4 billion, from Php7.1 billion recorded in FY 2011. Operating income increased to Php359 million, 12.2% higher than last year on the back of better volumes for Farms.

Feeds

Our Feeds business slightly grew sales by 2.4% to Php3.6 billion due to higher selling prices. The business produced Php302 million operating income, slightly down versus last year brought about by the exit of some backyard raisers due to pork prices being depressed in the early parts of the year.

Farms

Our Farms business managed to grow sales by 5.7% due to higher sales volume. Pork prices were depressed for the first half of the year due to the influx of imported meat. However, prices recovered towards the end of the year as the government controlled the excessive importation. Operating income also increased due to the better volumes.

Moving Forward

As we look forward to another fiscal year, URC will strive to attain profitable volume growth and take advantage of opportunities in the growing ASEAN consumer space – changing lifestyles, expanding income and growing middle class, increasing trade modernization & sophistication – all of which are expected to drive consumption of packaged and convenience foods. We believe that we are well positioned as a company to ride on this opportunity with our strong brands and presence in snackfoods and beverages.

We will continue to rollout and anchor our mega branding strategy and sustain the Jack 'n Jill and C2 brands as strong regional brands across the ASEAN markets while introducing Great Taste as a third strong brand in the coffee category. These brands will continue to have strong equity and connect with the consumers as the demand for fun, value, and quality continues.

The Company will continue its overall drive towards innovation by following on the success of Great Taste White Coffee and Mang Juan extruded/pelletized snacks in the Philippines, Fun-O cakes in Thailand, Rong-Do energy drinks in Vietnam, and All Stars in Indonesia. We believe continued innovation is key in growing the business as we tap segments wherein the Company has not been very aggressive in the past and we see a lot of opportunities to grow the market or grab market shares from competition.

We will continue to invest in CAPEX for additional capabilities and capacities in the branded foods space but will slowly rationalize and transform our manufacturing and supply chain capability to a regional sourcing based approach to take advantage of the ASEAN Free Trade Agreement (AFTA). Our aim to be a low cost producer will steadily come into play as we locate facilities in the lowest cost production geography where economies and productivities exist for raw & packaging material sourcing, overhead, and labor - all of which are subject to inflationary pressures.

We also view FY2013 as a year when soft commodity prices will remain relaxed barring any future volatility and we expect the Company's margins to expand across the different divisions. The midterm elections in the Philippines may also present a surprise of increased consumption. Our overall objective is to continually protect and expand margins closer to a mid-teens level in the medium term by growing volumes, employing a disciplined approach to product pricing, and exacting operating leverage and productivities from our operations.

Our CFG will remain significant profit contributors with stronger volumes coming from Sugar as we realize the full year addition of our newly acquired Tolong mill and as we continue to see declining wheat prices for Flour. We are now also in the process of entering value-added businesses related to our sugar operations with the announcement of our entry into bio-ethanol and biomass power co-generation. These businesses should complement our existing sugar milling and refining operations and contribute incremental income from operations. Our AIG business on the other hand should also contribute profits and will be dependent on how we handle pressures such as input price volatility for feeds, which may be balanced off by the strong currency making import prices more manageable, as well as the threat of excessive importation of meat products that can significantly affect selling prices of our livestock.

Appreciation and Gratitude

We would like to thank our Board of Directors, shareholders, trade partners, suppliers, employees and consumers for the support and trust you have given our company and our products. It is far from certain how the 2013 macroeconomic environment will unfold but the Company has shown its resilience throughout the years and rest assured we will drive for continuous improvement and sustainable growth. We look forward to achieving our goals as a leading branded foods business in Southeast Asia.

Maraming salamat po.

James L. Go
CHAIRMAN

Lance Y. Gokongwei
PRESIDENT AND CEO

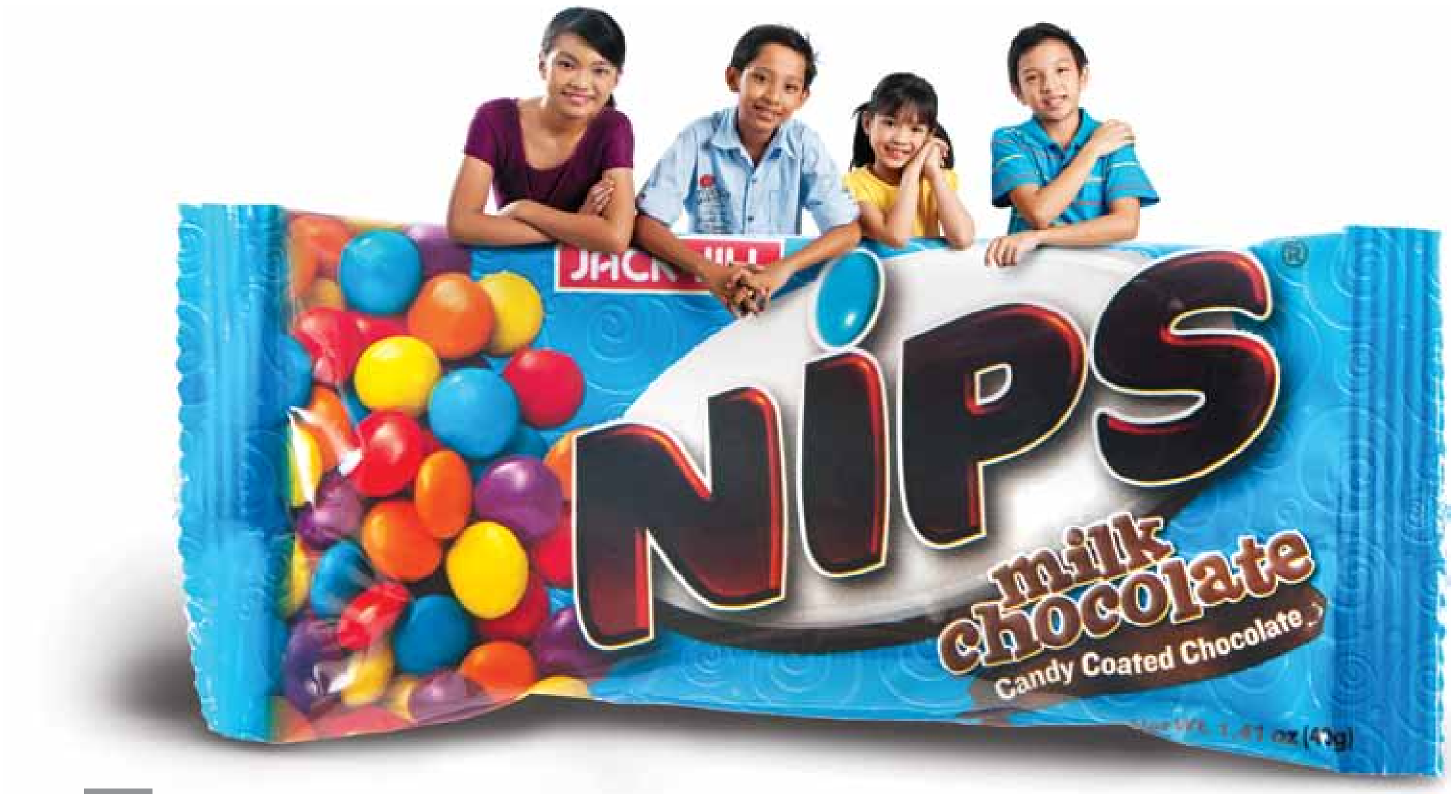
OUR COMPANY

Universal Robina Corporation (URC) is one of the largest branded food product companies in the Philippines and has a growing presence in other Asian markets.

URC is among the Philippines' pioneers in the industry, having been in operations for over 50 years since 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing company in Pasig.

URC is engaged in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, hog and poultry farming, manufacture of animal feeds, glucose and soya products and veterinary compounds, flour milling and pasta manufacturing, and sugar milling and refining.

In the Philippines, URC is a dominant player with leading market shares in savory snacks, candies and chocolates, and is a significant player in biscuits, with leading positions in cookies and pretzels. It is also the largest player in the RTD tea market, and is a respectable 2nd player in noodles and 3rd in coffee. The Company has started building its Jack 'n Jill and C2 mega-brands across the ASEAN as well with a market leading position in both biscuits and wafers in Thailand and the number one RTD tea brand in Vietnam.



VISION AND VALUES

URC's vision is to be the best Philippine food and beverage company with a powerful presence throughout the ASEAN region, carrying a wide portfolio of delightful brands of exceptional quality and value, equipped with efficient systems and motivated people. We are committed to making life a truly fun experience.

We shall employ these four values:

Passion to Win

We build organizational capability by being entrepreneurial and proactive, driven by a sense of urgency and purpose. We continuously challenge ourselves to deliver world-class brands and consistently rally our people to strive for excellence.

Dynamism

We cultivate a culture of innovation and productive working relationships. We continuously find ways to improve organizational and people capabilities to meet constantly changing consumer needs.

Integrity

We are guided by transparency, ethics and fairness. We build the business with honor and are committed to good governance. Our processes and products meet the highest standards. We are credible in our dealings with both internal and external stakeholders.

Courage

We seize opportunities in building long-term, sustainable businesses. We make tough people and business decisions to ensure competitive advantage.

1950s John Gokongwei, Jr. founded Universal Corn Products, Inc. (UCP), a cornstarch manufacturing company.

1960s URC forayed into the branded consumer foods business in the Philippines, and expanded its agro-industrial business into poultry and veterinary drugs.

1970s The Company began its flour milling business, and the agro-industrial business further expanded to include hog raising.

1980s URC started its sugar milling and refinery business.

1994 The Company was listed on the Philippine Stock Exchange.

1998 URC Packaging began commercial operations.

2000 The branded consumer foods business went international as it expanded to other Asian markets.

2006 Primary and secondary share offerings were conducted to unlock the value of the Company by increasing the public free float.

2012 The Company consolidated 100% ownership of the international branded foods business.

ORGANIZATIONAL CHART

UNIVERSAL ROBINA
CORPORATION

- **Branded Consumer Foods Group**
  - URC-BCFG Philippines
  - URC-BCFG International
  - URC Packaging
- **Agro-Industrial Group**
  - Robina Farms Hogs
  - Robina Farms Poultry
  - Universal Corn Products
  - Robichem
- **Commodity Foods Group**
  - URC Sugar
  - URC Flour

PHILIPPINES

Universal Robina Corporation (URC) is the leading branded snackfood and beverage company in the Philippines.

With the distinction of being called the country's first "Philippine multinational", it retains its strong consumer base in the Philippines. URC has shaped the local branded food industry through its innovative products, wide distribution, and high impact marketing. The Company continues to dominate the competition with market leadership in savory snacks, candies, chocolates and ready-to-drink tea and continues its strong presence in beverages, biscuits, noodles and tomato-based products.

Snackfoods

For more than forty years, URC has delighted the Filipinos with a wide variety of snacks.

From familiar, well-loved brands such as "Piattos", "Chippy" "Chiz Curls", "Cream-O", "Maxx" and "Cloud 9", URC capitalized on the ongoing trend towards localization of native delicacies by introducing its new snacks brand, the Mang Juan "Original Pinoy Merienda".

URC snackfoods are ever-present in the lives of Filipinos. With the largest and most diverse portfolio of snack food products in the Philippines, URC has consistently offered quality, great value and fun under the "Jack 'n Jill" megabrand.

Savory Snacks

URC is the market leader in savory snacks.

- Corn Chips – Chippy, Mr. Chips, Taquitos, Tostillas
- Natural Potato – Potato Chips, V-Cut
- Fabricated Potato – Piattos, Roller Coaster
- Extruded / Pelletized – Chiz Curls, Kichi, Chumbos, Mang Juan, Puff Corn
- Multi-Grain – Nova, Go! Scoops
- Mixed Snacks – Pic-A
- Granny Goose – Tortillos, Kornets

Biscuits

URC is one of the leading biscuit producers in the country.

- Cookies – Presto, Cream-O, Dewberry
- Crackers – Magic Flakes, Magic Creams, Magic Flavors, Magic Coated
- Wafers – Wafrets, Cream-O Wafer Bar
- Pretzels – Choco Pretzels, Knots, Animal Bites

Cakes

URC is an innovative player in the cakes category.

- Quake Bars
- Quake Overload
- Cream-O Cakes
- Espesyal

Candies

URC is the market leader in candies.

- Hard Boiled – Maxx, Dynamite
- Deposited – X.O.
- Gummies / Jellies – Star Jells
- Lollipops – Star Pops
- Marshmallows – Wiggles
- Soft – Lush, Star Fruits
- Dragee - Dynamite Chews

Chocolates

URC is the market leader in chocolates.

- Enrobed – Cloud 9, Big Bang, Chooey
- Panned – Nips, Cream-O Chocolate Balls
- Coated Wafer – Cream-O Wafer Bar, Hello Wafer

Beverages

It has been 48 years since URC launched Blend 45, the first locally manufactured soluble coffee, to cater specifically to the Filipino's taste buds.

Other pioneering efforts include Great Taste Granules, the first concentrated coffee in the country, and Great Taste 3-in-1, the first complete coffee mix. In recent years, URC has taken advantage of the worldwide trend towards health, launching C2 Cool & Clean as a healthier alternative to the carbonated drinks prevalent in the market. URC has also expanded to juices, water and ready-to-drink coffee to complete our product portfolio. URC continued to intensify its presence in the coffee mixes segment through its Great Taste White Coffee offering.

Things are kept fresh and exciting not only with new flavors, but also with memorable marketing campaigns such as "C2 Sarap ng Bukas" jingle, which bring URC brands closer closer to Filipino hearts. Expect to see more ground-breaking products in our beverages category as we continuously explore better ways to quench everybody's thirst.

URC participates in strategic segments in the Philippine beverage market that complement its snackfood products.

- Ready-to-Drink Tea – C2
- Juices – Refresh Flavored Drinks, OMJ! Oh My Juice
- Bottled Water – Hidden Spring, Refresh Mineral Water, Refresh Purified Water
- Instant Coffee – Great Taste Granules, Great Taste Premium, Great Taste Decaf
- Soluble Coffee – Blend 45
- Creamer – Cream All
- Ready-to-Drink Coffee – Coffee Twist
- Instant Coffee Mixes – Great Taste 3-in-1 (Original, Brown, White, Original Big Save Pack, Original Twin Pack), Blend 45 3-in-1 (Pula, Puti, Barako, Busog)
- Powdered Milk – Vitalac
- Functional Drink – Red Dragon

Innovation Driving Growth:

The White Coffee Experience

Back in May 2011, URC BCFG Philippines launched Great Taste White Coffee, marking URC's entry into the rapidly expanding coffee mixes category.

This category, which, as of December 2012, accounts for 67% of the P34 billion total coffee market, has overtaken the instant category in just over 3 years, with growth rates in excess of 50% year-on-year. This unprecedented growth was due to the introduction of new coffee variants, which have captured the imagination of consumers.

URC's challenge was to enlarge its market share footprint in coffee mixes and to make it a formidable challenger to the two other leading brands. URC responded through marketing excellence and product innovation.

URC worked on an unconventional "white" concept that would offer consumers a totally new coffee experience hinged on an extra creamy taste dimension. By masking coffee's normally bitter taste with a smooth and creamy profile, attention was focused on enlisting new users from young non-coffee drinkers, thereby changing the rules of the game from simple share-grab to market expansion.

The communication of this smooth and creamy idea to consumers was a challenge that the marketing and advertising teams addressed unconventionally—via the intriguing question posed by celebrity endorser Sid Lucero—"What is the taste of White?"

Three months after the product was launched, URC had full-blast advertising support by airing the new TV commercial, installing billboards, conducting in-store sampling among consumers and strengthening point-of-sale merchandising.

As of December 2012, URC had market share exit readings of 17.3% for total coffee market and 15.9% for coffee mixes, coming from 8.1% and 1.0% market share for total coffee and coffee mixes respectively, before the launch of the product. Great Taste White accounts for 12.7% of coffee mixes. The increasing demand for Great Taste White has ensured the rapid expansion of URC's footprint in the high-growth mixes category, transforming the Company's market position from mere participant to challenger, and sustaining the turnaround of its Powdered Beverage business.

Grocery

As more and more Filipinos live their lives on the go, URC responds by providing them with convenient grocery products to suit their lifestyles. With portable ready-to-eat meals and easy-to-use food ingredients, URC keeps Filipinos full on the go.

Payless offers instant noodles with superior value. URC has also made Nissin's famous cup noodles readily available in the country, through its joint venture with Nissin Foods (Asia) Pte. Ltd.

URC has a joint venture with ConAgra Grocery Products Company, LLC., for which it manufactures and sells Hunt's Pork & Beans, the Philippines' leading brand of canned beans. Alongside this, URC also manufactures and distributes tomato-based culinary sauces that allow housewives the joy of creating dishes that delight the family.

Payless

URC manufactures and markets instant noodles in pouches through its brand, Payless.

- Wet Noodles – Payless Mami, Mamamee, Payless Xtra Big Mami
- Dry Noodles – Payless Pancit Shanghai, Payless Xtra Big Pancit Canton, Pancit ni Mang Juan

Nissin-URC

URC manufactures and markets instant noodles in cups and pouches through its joint venture with Nissin Foods (Asia) Pte. Ltd.

- Pouch Noodles – Nissin Yakisoba, Nissin Ramen, Nissin Instant Mami
- Cup Noodles – Nissin Cup Noodles, Nissin Yakisoba

Hunts-URC

URC manufactures and markets tomato-based products, through its joint venture with ConAgra Grocery Products Company, LLC.

- Ready-to-Eat Beans – Hunt's Pork and Beans
- Sauces – Hunt's Tomato Sauce, Hunt's Spaghetti Sauce

Packaging

URC Packaging Division produces and sells a wide range of Bi-axially Oriented Polypropylene (BOPP) films, primarily used for packaging of various consumer products.

This business unit 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.

INTERNATIONAL

Looking ahead to "a world without borders," URC, currently the Philippine food and beverage company with the widest geographical footprint, has expanded steadily outside the country.

At present, URC maintains manufacturing facilities in Vietnam, Thailand, Indonesia, Malaysia and China and sales offices in Singapore and Hong Kong . Chances are you'll see some of your favorite "Jack 'n Jill" products such as Piattos, Roller Coaster, Cloud 9, and Cream-O, and C2 Cool and Clean Green Tea as well as other new and exciting brands on supermarket shelves and in neighborhood stores throughout the region.

URC International grew tremendously in the past years and has become a major player in the Southeast Asian region. Fuelled by its leadership in Thailand, its strong challenger position in Vietnam and the steady growth of its presence in Malaysia, Singapore, Indonesia, Hong Kong and China, URC continues to impart joy in the region using the same winning formula that has delighted Filipinos through the years.

Thailand

URC Thailand is a major snackfoods player in that country, manufacturing Snacks, Biscuits, Wafers, Candies, and Chocolates under the following brands:

- Snacks – Roller Coaster, Fun Bites, Chippy
- Biscuits – Cream-O, Fun-O, Magic, Dewberry
- Wafers – Tivoli, Lausanne
- Candies – X.O., Dynamite, Lush
- Chocolates – Wiggles
- Cakes – Fun-O

Malaysia & Singapore

In Malaysia, URC produces Snacks, Wafers, and Chocolates. These products are also carried by URC's sales office in Singapore.

- Snacks – Potato Chips, Potato Crisps, Roller Coaster, Jigs
- Biscuits – Cream-O, Magic, Dewberry (SG only)
- Wafers – Cloud 9
- Candies – Dynamite, Cloud 9 Candies
- Chocolates – Nips, Cloud 9
- Beverages – C2

Indonesia

URC has a factory in the most populous country in Southeast Asia, manufacturing Snacks, Beverages, Candies, and Chocolates under the following brands:

- Snacks – Piattos, Sea Crunch, All-Star, Kornetts
- Candies – Dynamite
- Chocolates – Chooey Choco, Cloud 9
- Beverages – C2

China & Hong Kong

URC has factories in China that cater to both China and HK markets. These products are marketed under the following brands:

- Snacks – Prawn Crackers, Potato Chips, Chicharron, Roller Coaster (HK only), Beef Crunchies (HK only), Hollow Potato
- Beverages (China only) – ACES Instant Cereal, ACES Oats, ACES Coffee
- Biscuits – Magic, Dewberry (HK only), Cream-O (HK only)
- Candies and Chocolates (HK only) – Dynamite, Lush

Vietnam

URC Vietnam, which started operations in 2004, is the newest addition to URC's International arm. Vietnam manufactures Biscuits, Snacks and Candies, and was the very first URC subsidiary outside the Philippines to manufacture and successfully market C2 Green Tea.

- Snacks – Fun Bites, Piattos, Kichi, Kornets, Bac John
- Biscuits – Cream-O, Magic
- Candies – Dynamite
- Beverages – C2, Rong Do

AGRO-INDUSTRIAL GROUP

URC is also one of the biggest players in the Agro-Industrial businesses in the Philippines.

These businesses were integrated under Robina Agri Partners (RAP), which combines the strengths, experiences and expertise of Universal Corn Products, Robichem Laboratories, and the Robina Farms poultry and hog divisions, in one team.

RAP provides exceptional value to the country's poultry and livestock industries through its Total Package Concept (TPC), supplying superior quality products, covering all facets of a raiser's business, from quality feeds to effective and cost efficient veterinary medicines, to live animals that surpass international standards. This makes RAP the preferred business partner of both commercial and backyard raisers alike.

RAP has also launched Robina Farms Premium Farm Products, a line of consumer products, which include premium fresh eggs as well as premium pork and chicken cuts. Currently, these are available in selected Robinsons Supermarket outlets.

Universal Corn Products

- Universal Corn Products (UCP) is one of the leaders in the Philippine animal feed industry with combined milling capacities of 1,200 MT per day in its Manila and Cebu plants.
- Backyard and commercial raisers have relied on UCP's Brand Champions for Hog feeds – Uno Feeds & Stargain Performance Diets – for achieving the maximum income potential of their businesses thru superior Feed Conversion Ratios (FCR), as well as carcass quality. In addition, the Supremo brand has achieved recognition among the best and biggest game fowl breeders in the Philippine for its ability to develop battle-ready fighting cocks. Other feed categories produced and marketed by UCP are Broiler, Layer, Quail, Duck, and Aqua feeds. Feed products come in all forms – crumbled, pellet and mash form.
- UCP likewise produces and sells liquid glucose and quality soya products, which are used in the production of confectionery products and animal feeds, respectively.
- UCP has also introduced its own brand of Dog Food under the Woofy Brand name as its entry into to this growing lucrative market.

Robichem

- Robichem manufactures, distributes and sells a wide range of high-quality and well-known animal health products such as vaccines, water solubles, injectables, feeds supplements and disinfectants, which are both marketed commercially and used by Robina Farms because of its proven effectiveness and cost-efficiency.
- It has in its roster several Brand Champions – Robipenstrep P, Iron D, Spectrum, Spectrum plus, Wormbuster, and MVP Hog Cholera Vaccines – which have been trusted by animal raisers in ensuring their flock's or herd's state of health for many years.

Robina Farms – Hogs

- Robina Farms (RF) Hogs business unit breeds and sells prime finishers under the Brand name Robina Primera, breeder stocks such as its own Grandeur Boar and Grand Dame gilt, as well as quality piglets.
- The Robina Primera prime finishers are distributed through concessionaires in all the leading supermarkets in Metro Manila and are sought-after by consumers and *viajeros* due to their high lean meat percentage, overall meat quality and thin back fat.
- RF-Hogs production facilities, located in Rizal, Bulacan, and Batangas maintain more than 20,000 sows at any given time, and is reputed to be among the most modern swine facilities in the country.
- RF-Hogs, through AIG's Agri-Consumer Sales, has also ventured in retailing of fresh pork meats and processed products.

Robina Farms – Poultry

- RF-Poultry business unit produces superior day-old broiler and layer chicks from the world-class breeds such as Cobb (Broiler) and Dekalb (Layer).
- RF-Poultry is a formidable player in both the Layer and Broiler industries. It is a major player in the day-old broiler and layer pullet chick markets, and is considered as one of the most dependable day-old chick suppliers in the country.
- RF-Poultry has also set up commercial egg-laying operations, providing both consumers and hotel, restaurant and institutional accounts accounts with fresh table eggs.

COMMODITY FOODS GROUP

URC is a major player in the Philippines' flour and sugar industries, and its commodity businesses are vertically integrated with both the Branded Consumer Foods Group and the Agro-Industrial Group.

URC Flour

- URC Flour Division is one of the top flour millers in the country. With plants in Manila and in Davao, the division has a combined milling capacity of 1,250 MT per day. The state-of-the-art flourmills and blending facilities allow the division to manufacture customized products fit to specific needs of its customers. URC Flour produces and sells Hard and Soft Wheat Flour to both commercial and institutional accounts. The division also supplies the local and export flour requirements of the URC Branded Consumer Foods Group.

- URC Flour Division produces Hard Flour brands containing high protein levels recommended for making premium quality bread, namely UNIVERSAL First Class Flour, GLOBE First Class Flour, and BLEND 100 Flour. Soft flour brands like MY ROSE and SAMPAGUITA, on the other hand, are ideal for making cookies, biscuits and pastries.

- URC Flour Division also produces specialty flour brands that cater to more specialized baking needs. CONTINENTAL All-Purpose Flour is intended for most baking needs and is best used for steamed breads. DAISY Cake Flour is excellent for baking light and fluffy cake bases. The FibrA+ Whole Wheat Flour is the same First Class Flour used for the production of breads but with the addition of high-fiber bran, Vitamin A and Iron, for more nutritious, high-fiber bread offerings. All of URC Flour's products are in 25kg packaging; however FibrA+ Cracked Wheat and Whole Wheat flour are also being sold in 10kg packaging in selected baking supply stores. Other product offerings include customized flour for selected customers and flour-milling by-products such as wheat germ, bran and pollard.

- URC Flour Division also has its own pasta line, commercially sold under the brand name EL REAL. Current variants of EL REAL include spaghetti, macaroni, flat spaghetti and curly macaroni, sold in package and bulk. Recently, it has launched EL REAL HEALTHY Spaghetti - the first spaghetti noodles in the local market with real malunggay and carrot bits.

- El Real offers quality pasta noodles made from special wheat flour blend resulting in a firm texture and the ability to retain the rich flavor of your sauce. The brand is available in all key areas nationwide and fits the everyday budget of consumers.

- The division also toll manufactures pasta noodles for one of the leading fastfood chains of the country.

URC Sugar

- URC Sugar Division operates 4 sugar mills and 3 refineries across the country with combined capacities of 26,500 tons of sugar cane per day and 33,000 bags of refined sugar per day, respectively.

- In the Visayas region, URC has three mills and two refineries: URSUMCO, located in Manjuyod, Negros Oriental, SONEDCO, located in Kabankalan City, Negros Occidental, and PASSI mill, located in San Enrique, Iloilo.

- In Northern Luzon, CARSUMCO is located in Piat, Cagayan Valley.

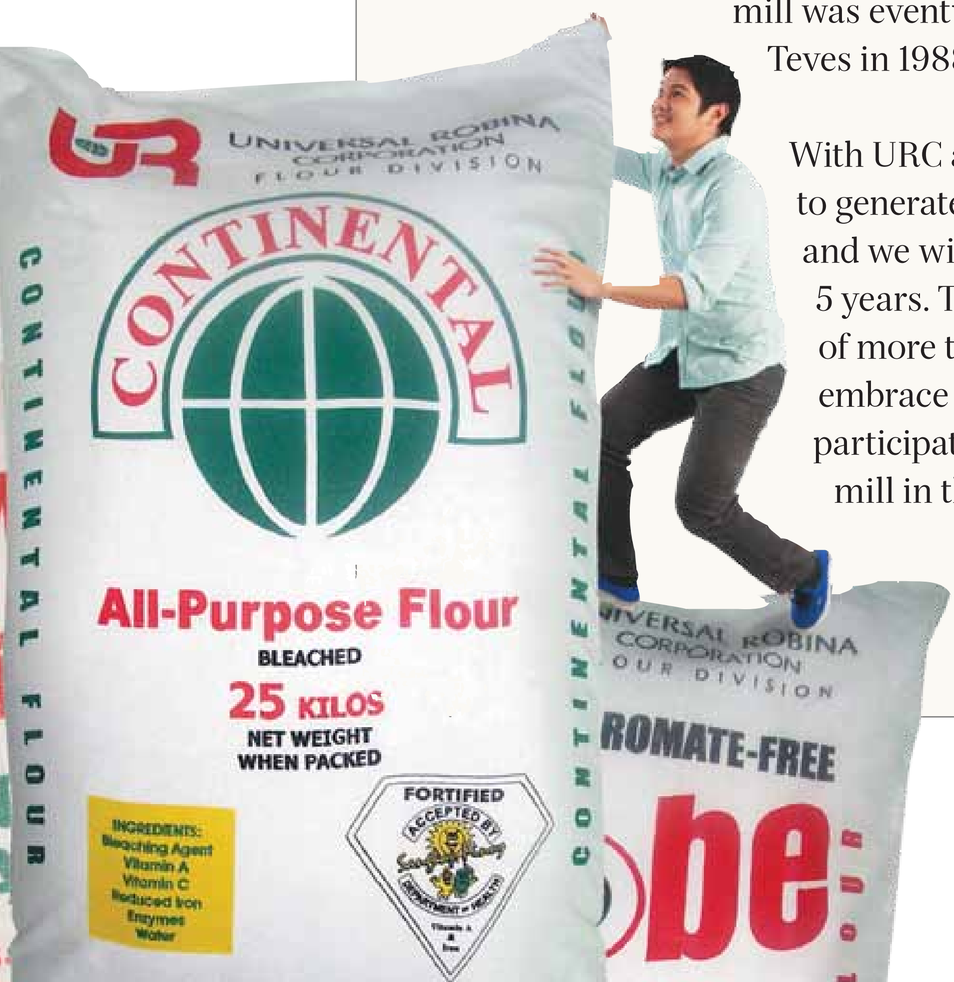
- URSUMCO, SONEDCO and CARSUMCO all provide sugar cane and refining services, trade raw sugar, and sell refined sugar and molasses. PASSI provides sugar cane milling services and trades raw sugar and molasses.

Sugar:
Expanding to a New Geography

The URC Sugar Division expanded with the acquisition of its fifth sugar mill, URC Tolong (previously known as the Herminio Teves and Company, Inc. or HTCI). It is located at Brgy. Caranoche, in the municipality of Sta. Catalina, 94 kilometers away from Dumaguete City (Negros Oriental's capital), which is a separate geography from our existing mills. The purchase of HTCI by URC was closed on October 1, 2012 and the Sugar Division lost no time in mobilizing personnel in preparation for the start of the milling season.

URC is the third owner of the said sugar mill which has a rated capacity of 3,000 tons canes per day. The mill started operations in 1971 and was under the management of a group of investors under the name Tolong Sugar Milling Company, Inc. (TSMCI). The ownership of the mill was eventually acquired by Herminio G. Teves in 1988 and it was renamed to HTCI.

With URC at the helm, Tolong is expected to generate 700,000 bags of raw sugar and we will double its capacity in the next 5 years. The mill employs a workforce of more than two hundred people who embrace the Company's core values and participate in the drive to operate the mill in the safest, most efficient, and most reliable manner.



Universal Robina Corporation pushes for proper nutrition, education with Kantina Kariton

Universal Robina Corporation (URC) has partnered with Efren Peñaflorida's Dynamic Teen Company (DTC) to provide nutritious and delicious snacks and beverages to young learners of the Kariton Klasrum, through the URC Kantina Kariton.

URC filled the Kantina Kariton snack carts with snacks for the kids of Kariton Revolution. During the roll out phase, URC employees also volunteered as tutors of English, Math, good values and proper hygiene, to underprivileged children.

Several Kantina Kariton mobile snack carts were donated to DTC's Kariton Klasrum, and on a regular basis, the Kantina Kariton snack carts are filled with URC products including: Big Boy Hotdog, Nissin Cup Noodles, Refresh Flavored Drink, Jack 'n Jill Pinoy Kendi, Jack 'n Jill Roller Coaster, Jack 'n Jill Quake Quezo Bar, Red Dragon Active Smart, Hidden Spring Mineral Water, Jack 'n Jill Magic Creams Coated, Jack 'n Jill Star Fruits, Jack 'n Jill Filled Stix, C2 Green Tea, Jack 'n Jill Presto Creams, Nissin Instant Mami and Jack 'n Jill Quake Cakes.

"Through their innovative and inspiring kariton classrooms, DTC reaches out to out-of-school youth and makes learning available and accessible to these kids," said Lance Gokongwei, URC President and CEO. "As a company that values world-class excellence, URC is very happy with our association with Efren. We look forward to more years of partnership with the DTC."

Efren Peñaflorida also expressed DTC's appreciation of URC's support. "The Kantina Kariton will definitely encourage more kids to be students under the Kariton Klasrum program. Learning and proper nutrition go hand in hand."

Headed by 2009 CNN Hero of the Year Efren Peñaflorida, the Dynamic Teen Company has expanded its alternative classroom program, dubbed Kariton Revolution, to tackle the 7 Ks: Karunungan (education), Kabataan (youth), Kalusugan (health), Kapayapaan (peace and order), Kalinangan (arts and culture), Kalikasan (environment), and Kabuhayan (livelihood). The group regularly holds classes for poverty-stricken children in impoverished areas in Cavite City.

URC, through President and Chief Executive Officer Lance Y. Gokongwei, turned over the first of five Kantina Kariton to DTC's head Efren Peñaflorida at the URC office in Pasig City. The Kantina Kariton is a four-wheeled cart filled with URC's food products and will be used to feed students of the kariton classrooms.


JACK'n JILL
Espesyal
Mocha De Crema
Mocha Mamon filled with Buttercream
Net Wt. 0.95 oz (27g)


with Maxicool
JACK'n JILL
MAXX
EUCALYPTUS
MENTHOL CANDY

BOARD OF DIRECTORS

BOARD OF DIRECTORS

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Patrick Henry C. Go
Director, Vice President

Frederick D. Go
Director

Johnson Robert G. Go, Jr.
Director

James L. Go
Director, Chairman

Lance Y. Gokongwei
Director, President and Chief Executive Officer

Wilfrido E. Sanchez
Director

Robert G. Coyiuto, Jr.
Director

Pascual S. Guerzon
Director

PHILIPPINE OPERATIONS

Cornelio S. Mapa, Jr.
EXECUTIVE VICE-PRESIDENT AND MANAGING DIRECTOR
URC Branded Consumer Foods Group, Philippines

Marcia Y. Gokongwei
BUSINESS UNIT GENERAL MANAGER
Nissin Universal Robina Corporation and Hunts Universal Robina Corporation

David J. Lim
Vice President
Manufacturing and Technology

Albert Francis S. Fernandez
Vice President
Sales

Edwin S. Totanes
Vice President, Marketing
Beverages

Teofilo B. Eugenio, Jr.
Vice President, Marketing
Snacks

INTERNATIONAL OPERATIONS

Patrick O. Ng
EXECUTIVE VICE PRESIDENT AND MANAGING DIRECTOR
URC Branded Consumer Foods Group, International

Premchai Navarasuchitr
Business Unit General Manager
URC Thailand

Edwin R. Canta
Business Unit General Manager
URC Vietnam

Alvin C. Geronimo
Deputy Business Unit General Manager
URC Indonesia

Brian M. Go
Business Unit General Manager
URC China & URC Hong Kong

Audie C. Ugalino
Business Unit General Manager
URC Malaysia & URC Singapore

Stanley M. P. Poon
Asst. Business Unit General Manager
URC Hong Kong

Agro-Industrial Group

Vincent Henry C. Go
Vice President
Group General Manager
Agro-Industrial Group

Commodity Foods Group

Ellison Dean C. Lee
Vice President
Business Unit General Manager
Flour Division

Renato P. Cabati
Vice President
Business Unit General Manager
Sugar Division

Packaging Division

Patrick Henry C. Go
Executive Vice President and
Managing Director
Packaging Division (BOPP) and
CFC Flexible Packaging Division

EXECUTIVE OFFICERS

James L. Go
Director, Chairman

Lance Y. Gokongwei
Director, President and Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

Cornelio S. Mapa, Jr.
Executive Vice President and Managing Director
URC Branded Consumer Foods Group
Philippines

Patrick O. Ng
Executive Vice President and Managing Director
URC Branded Consumer Foods Group
International

Constante T. Santos
Senior Vice President

Bach Johann M. Sebastian
Senior Vice President

Geraldo N. Florencio
First Vice President

Chona R. Ferrer
First Vice President

Ester T. Ang
Vice President – Treasurer

Patricia C. Go
Vice President

Alan D. Surposa
Vice President

Ma. Victoria M. Reyes- Beltran
Vice President

Michael P. Liwanag
Vice President
**Appointed January 2013*

Socorro ML. Banting
Assistant Vice President

Rosalinda F. Rivera
Corporate Secretary

FINANCIAL STATEMENTS

UNIVERSAL ROBINA
CORPORATION
110 E. RODRIGUEZ, JR. AVENUE, BAGUMBAYAN, QUEZON CITY, PHILIPPINES 1600, P.O. Box 3542 MM 2800 · P.O. BOX 99-AC CUBAO, QUEZON CITY
TEL. 635-0751 TO 85 ; 671-2935 TO 42

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Universal Robina Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended September 30, 2012 and 2011, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders and the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

JAMES L. GO Chairman	LANCE Y. GOKONGWEI President and Chief Executive Officer	CONSTANTE T. SANTOS SVP - Corporate Controller

SUBSCRIBED AND SWORN to before me this JAN 1 1 2013 day of January, 2013 affiant(s) exhibiting to me his/their Community Tax Certificates as follows:

NAMES	C.T. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	11176031	01.31.12	Pasig City
Lance Y. Gokongwei	11176032	01.31.12	Pasig City
Constante T. Santos	25961529	02.14.12	Pasig City

Doc No. 172
Page No. 36
Book No. VIII
Series of 2013

ATTY. ROMUALD C. PADILLA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
IBP NO. 869859 / 12-5-11 / PASIG
PTR NO 7549311 / 1-6-12 / PASIG
Roll of Attorneys No. 54298
TIN 170-266-059

A JG Summit Company

SGV&Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2013
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation
110 E. Rodriguez Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Universal Robina Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended September 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as at September 30, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670041, January 2, 2013, Makati City

January 10, 2013

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱5,345,833,397**	₱4,546,881,527
Financial assets at fair value through profit or loss (Notes 8, 9 and 35)	**10,812,402,265**	10,652,071,697
Available-for-sale investments (Notes 9 and 14)	**4,797,876,621**	5,511,551,122
Receivables (Notes 10 and 35)	**7,461,032,915**	7,419,824,815
Inventories (Note 11)	**9,759,334,152**	9,724,784,656
Biological assets (Note 15)	**1,057,007,658**	911,265,129
Other current assets (Note 12)	**454,142,702**	651,357,138
Total Current Assets	**39,687,629,710**	39,417,736,084
Noncurrent Assets		
Property, plant and equipment (Note 13)	**27,918,634,454**	26,423,220,738
Intangible assets (Note 16)	**1,273,627,776**	1,463,851,176
Biological assets (Note 15)	**428,961,591**	459,053,688
Investment in a joint venture (Note 17)	**96,139,053**	89,966,944
Investment properties (Note 18)	**64,491,512**	68,149,307
Deferred tax assets (Note 33)	**91,907,509**	98,507,804
Other noncurrent assets (Note 19)	**425,923,637**	353,198,160
Total Noncurrent Assets	**30,299,685,532**	28,955,947,817
	₱69,987,315,242	₱68,373,683,901
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Notes 21 and 35)	**₱7,586,842,126**	₱7,270,818,277
Current portion of long-term debt (Notes 22, 23 and 31)	**–**	8,205,763,578
Short-term debt (Notes 20, 23 and 31)	**8,588,536,884**	5,749,632,635
Trust receipts and acceptances payable (Notes 11 and 23)	**3,464,360,214**	1,448,156,283
Income tax payable	**428,184,136**	408,699,778
Total Current Liabilities	**20,067,923,360**	23,083,070,551

(Forward)

	September 30	
	2012	2011
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 22, 23 and 31)	**₱2,990,455,926**	₱3,002,447,146
Deferred tax liabilities (Note 33)	**301,320,823**	237,004,193
Net pension liability (Note 32)	**11,063,529**	24,650,517
Total Noncurrent Liabilities	**3,302,840,278**	3,264,101,856
Total Liabilities	**23,370,763,638**	26,347,172,407
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 23)	**19,056,685,251**	13,455,557,370
Retained earnings (Note 23)	**32,956,735,052**	29,137,859,147
Other comprehensive income (Note 24)	**793,452,103**	581,744,696
Equity reserve (Note 23)	**(5,556,531,939)**	–
Treasury shares (Note 23)	**(670,386,034)**	(2,414,026,153)
	46,579,954,433	40,761,135,060
Equity attributable to non-controlling interests	**36,597,171**	1,265,376,434
Total Equity	**46,616,551,604**	42,026,511,494
	₱69,987,315,242	₱68,373,683,901

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30		
	2012	2011	2010
SALE OF GOODS AND SERVICES (Notes 6 and 35)	**₱71,201,677,779**	₱67,167,630,481	₱57,719,996,079
COST OF SALES (Notes 25 and 35)	**52,730,554,394**	50,645,273,658	41,113,405,237
GROSS PROFIT	**18,471,123,385**	16,522,356,823	16,606,590,842
Selling and distribution costs (Note 26)	**(8,696,876,368)**	(7,680,831,878)	(7,091,008,271)
General and administrative expenses (Notes 27 and 35)	**(1,973,722,359)**	(1,952,777,324)	(1,837,374,186)
OPERATING INCOME	**7,800,524,658**	6,888,747,621	7,678,208,385
Market valuation gain (loss) on financial assets at fair value through profit or loss (Notes 6 and 8)	**1,548,491,547**	(1,157,315,912)	2,007,094,315
Finance revenue (Notes 6, 8 and 30)	**1,229,729,268**	1,191,241,808	1,222,064,699
Finance costs (Notes 6, 20, 22 and 31)	**(683,049,996)**	(1,001,247,740)	(1,034,199,841)
Impairment losses (Notes 6, 10, 11, 13, 16 and 19)	**(197,874,576)**	(167,210,935)	(442,888,794)
Net foreign exchange losses	**(634,390,049)**	(36,688,172)	(335,280,036)
Equity in net income of a joint venture (Note 17)	**31,172,102**	25,469,633	26,194,500
Other income (expenses) - net (Note 38)	**52,624,725**	(121,547,748)	(201,943,816)
INCOME BEFORE INCOME TAX	**9,147,227,679**	5,621,448,555	8,919,249,412
PROVISION FOR INCOME TAX (Note 33)	**989,341,422**	613,894,698	780,999,818
NET INCOME	**₱8,157,886,257**	₱5,007,553,857	₱8,138,249,594
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 34)	**₱7,735,729,577**	₱4,636,270,925	₱7,817,275,906
Non-controlling interests	**422,156,680**	371,282,932	320,973,688
	₱8,157,886,257	₱5,007,553,857	₱8,138,249,594
EARNINGS PER SHARE (Note 34)			
Basic/diluted, for income attributable to equity holders of the parent	**₱3.69**	₱2.25	₱3.75

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	September 30	
	2012	2011
NET INCOME	**₱8,157,886,257**	₱5,007,553,857
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) on available-for-sale investments (Notes 14 and 24)	**393,466,028**	(437,926,411)
Cumulative translation adjustments (Note 24)	**(181,758,621)**	(142,199,153)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**211,707,407**	(580,125,564)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱8,369,593,664**	₱4,427,428,293
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱7,947,436,984**	₱4,056,145,361
Non-controlling interests	**422,156,680**	371,282,932
	₱8,369,593,664	₱4,427,428,293

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010

	Attributable to Equity Holders of the Parent													
	Paid-up Capital (Note 23)			**Retained Earnings** (Note 23)				**Other Comprehensive Income (Loss)**						
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unappropriated Retained Earnings**	**Appropriated Retained Earnings**	**Total Retained Earnings**	**Equity Reserve** (Note 23)	**Cumulative Translation Adjustments** (Note 24)	**Net Unrealized Gain (Loss) on Available-For-Sale Investments** (Notes 14 and 24)	**Total Other Comprehensive Income (Loss)** (Note 24)	**Treasury Shares** (Note 23)	**Total**	**Attributable to Non-controlling Interests**	**Total Equity**
Balances as at October 1, 2011	**₱2,227,638,933**	**₱11,227,918,437**	**₱13,455,557,370**	**₱24,137,859,147**	**₱5,000,000,000**	**₱29,137,859,147**	**₱–**	**₱324,705,986**	**₱257,038,710**	**₱581,744,696**	**(₱2,414,026,153)**	**₱40,761,135,060**	**₱1,265,376,434**	**₱42,026,511,494**
Net income for the year	–	–	–	**7,735,729,577**	–	**7,735,729,577**	–	–	–	–	–	**7,735,729,577**	**422,156,680**	**8,157,886,257**
Other comprehensive income	–	–	–	–	–	–	–	**(181,758,621)**	**393,466,028**	**211,707,407**	–	**211,707,407**	–	**211,707,407**
Total comprehensive income	–	–	–	**7,735,729,577**	–	**7,735,729,577**	–	**(181,758,621)**	**393,466,028**	**211,707,407**	–	**7,947,436,984**	**422,156,680**	**8,369,593,664**
Unappropriation of retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sale of treasury shares (Note 23)	–	**5,601,127,881**	**5,601,127,881**	–	–	–	–	–	–	–	**1,743,640,119**	**7,344,768,000**	–	**7,344,768,000**
Purchase of non-controlling interest (Note 23)	–	–	–	–	–	–	**(5,556,531,939)**	–	–	–	–	**(5,556,531,939)**	**(1,650,935,943)**	**(7,207,467,882)**
Cash dividends (Note 23)	–	–	–	**(3,916,853,672)**	–	**(3,916,853,672)**	–	–	–	–	–	**(3,916,853,672)**	–	**(3,916,853,672)**
Balances as at September 30, 2012	**₱2,227,638,933**	**₱16,829,046,318**	**₱19,056,685,251**	**₱27,956,735,052**	**₱5,000,000,000**	**₱32,956,735,052**	**(₱5,556,531,939)**	**₱142,947,365**	**₱650,504,738**	**₱793,452,103**	**(₱670,386,034)**	**₱46,579,954,433**	**₱36,597,171**	**₱46,616,551,604**
Balances as at October 1, 2010	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱25,418,631,895	₱3,000,000,000	₱28,418,631,895	₱–	₱466,905,139	₱694,965,121	₱1,161,870,260	(₱2,091,912,018)	₱40,944,147,507	₱894,093,502	₱41,838,241,009
Net income for the year	–	–	–	4,636,270,925	–	4,636,270,925	–	–	–	–	–	4,636,270,925	371,282,932	5,007,553,857
Other comprehensive income	–	–	–	–	–	–	–	(142,199,153)	(437,926,411)	(580,125,564)	–	(580,125,564)	–	(580,125,564)
Total comprehensive income	–	–	–	4,636,270,925	-	4,636,270,925	–	(142,199,153)	(437,926,411)	(580,125,564)	–	4,056,145,361	371,282,932	4,427,428,293
Unappropriation of retained earnings	–	–	–	3,000,000,000	(3,000,000,000)	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	(5,000,000,000)	5,000,000,000	–	–	–	–	–	–	–	–	–
Purchase of treasury shares (Note 23)	–	–	–	–	–	–	–	–	–	–	(322,114,135)	(322,114,135)	–	(322,114,135)
Cash dividends (Note 23)	–	–	–	(3,917,043,673)	–	(3,917,043,673)	–	–	–	–	–	(3,917,043,673)	–	(3,917,043,673)
Balances as at September 30, 2011	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱24,137,859,147	₱5,000,000,000	₱29,137,859,147	₱–	₱324,705,986	₱257,038,710	₱581,744,696	(₱2,414,026,153)	₱40,761,135,060	₱1,265,376,434	₱42,026,511,494
Balances as at October 1, 2009	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱19,547,489,156	₱3,000,000,000	₱22,547,489,156	₱–	₱576,462,578	₱268,414,367	₱844,876,945	(₱934,712,846)	₱35,913,210,625	₱573,119,814	₱36,486,330,439
Net income for the year	–	–	–	7,817,275,906	–	7,817,275,906	–	–	–	–	–	7,817,275,906	320,973,688	8,138,249,594
Disposal of a foreign subsidiary (Note 38)	–	–	–	–	–	–		(29,013,457)	–	(29,013,457)	–	(29,013,457)	–	(29,013,457)
Other comprehensive income	–	–	–	–	–	–	–	(80,543,982)	426,550,754	346,006,772	–	346,006,772	–	346,006,772
Total comprehensive income	–	–	–	7,817,275,906	–	7,817,275,906	–	(109,557,439)	426,550,754	316,993,315	–	8,134,269,221	320,973,688	8,455,242,909
Purchase of treasury shares (Note 23)	–	–	–	–	–	–	–	–	–	–	(1,157,199,172)	(1,157,199,172)	–	(1,157,199,172)
Cash dividends (Note 23)	–	–	–	(1,946,133,167)	–	(1,946,133,167)	–	–	–	–	–	(1,946,133,167)	–	(1,946,133,167)
Balances as at September 30, 2010	₱2,227,638,933	₱11,227,918,437	₱13,455,557,370	₱25,418,631,895	₱3,000,000,000	₱28,418,631,895	₱–	₱466,905,139	₱694,965,121	₱1,161,870,260	(₱2,091,912,018)	₱40,944,147,507	₱894,093,502	₱41,838,241,009

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,147,227,679**	₱5,621,448,555	₱8,919,249,412
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 13)	**3,415,369,881**	3,260,872,226	3,274,434,292
Investment properties (Note 18)	**3,657,795**	3,657,787	3,598,245
Intangible assets (Note 16)	**–**	1,614,455	2,767,636
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**(1,548,491,547)**	1,157,315,912	(2,007,094,315)
Finance revenue (Note 30)	**(1,229,729,268)**	(1,191,241,808)	(1,222,064,699)
Finance costs (Note 31)	**683,049,996**	1,001,247,740	1,034,199,841
Net foreign exchange losses	**634,390,049**	36,688,172	335,280,036
Loss arising from changes in fair value less estimated costs to sell of swine stocks (Note 15)	**15,524,660**	128,310,166	44,745,566
Impairment losses on:			
Receivables (Note 10)	**–**	5,625,813	163,552,126
Inventories (Note 11)	**–**	4,005,060	248,805
Property, plant and equipment (Note 13)	**7,651,176**	10,065,297	–
Intangibles (Notes 16 and 38)	**190,223,400**	147,514,765	–
Other assets (Note 19)	**–**	–	279,087,863
Loss (gain) on sale of:			
Property, plant and equipment	**(27,681,325)**	(17,560,666)	(17,970,284)
Net assets of disposal group classified as held for sale (Note 38)	**–**	177,789,396	31,708,814
Available-for-sale investments	**(55,192,209)**	(69,390,963)	(11,526,071)
Financial assets at fair value through profit or loss	**85,096,391**	3,696,697	(9,290,668)
Equity in net income of a joint venture (Note 17)	**(31,172,102)**	(25,469,633)	(26,194,500)
Amortization of debt issuance costs	**9,396,636**	12,377,331	15,168,074
Market valuation gain on derivative transactions (Note 8)	**(12,226,523)**	(4,115,330)	(10,558,618)
Operating income before working capital changes	**11,287,094,689**	10,264,450,972	10,799,341,555
Decrease (increase) in:			
Receivables	**(1,034,433,903)**	(981,073,652)	187,222,647
Inventories	**(34,549,496)**	(1,843,302,662)	(1,771,130,996)
Biological assets	**(131,175,092)**	(203,051,947)	225,556,783
Other current assets	**197,214,436**	174,092,316	(17,559,797)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**992,207,318**	686,348,971	219,441,709
Trust receipts and acceptances payable	**2,188,947,980**	1,439,785,594	(478,448,886)
Net cash generated from operations	**13,465,305,932**	9,537,249,592	9,164,423,015

(Forward)

	Years Ended September 30		
	2012	2011	2010
Interest received	**₱1,227,580,030**	₱1,163,170,777	₱1,210,290,196
Interest paid	**(804,710,355)**	(1,001,217,460)	(1,058,388,561)
Income taxes paid	**(898,940,139)**	(708,597,303)	(562,185,659)
Net cash provided from operating activities	**12,989,235,468**	8,990,605,606	8,754,138,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(5,129,191,994)**	(4,559,451,861)	(3,582,808,089)
Financial assets at fair value through profit or loss	**(1,976,898,466)**	(2,342,958,468)	(2,583,863,699)
Non-controlling interest (Note 23)	**(7,200,000,000)**	–	–
Proceeds from the sale of:			
Financial assets at fair value through profit or loss	**2,740,543,903**	672,701,490	1,173,940,289
Available-for-sale investments	**954,610,881**	716,158,372	655,977,635
Property, plant and equipment	**63,908,741**	67,560,666	62,569,987
Net assets of disposal group classified as held for sale (Note 38)	**–**	107,920,453	255,954,535
Decrease (increase) in:			
Other noncurrent assets	**(72,725,477)**	(81,148,992)	86,704,601
Net pension asset (liability)	**(13,586,988)**	102,555,337	70,988,000
Dividends received (Note 17)	**24,999,993**	24,999,929	24,999,993
Net cash used in investing activities	**(10,608,339,407)**	(5,291,663,074)	(3,835,536,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debt	**(5,749,632,635)**	(5,111,859,534)	(5,186,769,415)
Long-term debt	**(7,848,762,768)**	(7,401,385)	(338,237,308)
Proceeds from availment of short-term debt	**8,588,536,884**	5,747,104,738	5,111,859,534
Proceeds from the sale of treasury shares, net of transaction costs (Note 23)	**7,344,768,000**	–	–
Cash dividends paid (Note 23)	**(3,916,853,672)**	(3,917,043,673)	(1,946,133,167)
Purchase of treasury shares (Note 23)	**–**	(322,114,135)	(1,157,199,172)
Net cash used in financing activities	**(1,581,944,191)**	(3,611,313,989)	(3,516,479,528)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**798,951,870**	87,626,543	1,402,122,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,546,881,527**	4,459,254,984	3,057,132,269
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱5,345,833,397**	₱4,546,881,527	₱4,459,254,984

See accompanying Notes to Consolidated Financial Statements.

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. The registered office address of the Parent Company is 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines.

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

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

On February 10, 2012 and April 18, 2012, the Board of Directors (BOD) and Stockholders, respectively approved the amendments to the Articles of Incorporation of the Parent Company to include in its purpose the business of producing fuel ethanol and other similar products and to carry on all activities and services incidental and/or ancillary for such. On May 25, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment to the secondary purpose of 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 four (4) years to six (6) years from respective start dates of commercial operations (see Note 36). The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

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

2. **Summary of Significant Accounting Policies**

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

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as certain foreign subsidiaries) is the Philippine Peso.

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

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

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership **2012**	2011	2010
CCPI	Philippines	**100.00**	100.00	100.00
CFC Corporation	- do -	**100.00**	100.00	100.00
Bio-Resource Power Generation Corporation	- do -	**100.00**	100.00	100.00
CFC Clubhouse, Incorporated	- do -	**-**	-	100.00
URC Confectionery Corporation	- do -	**-**	-	100.00
South Luzon Greenland, Inc.	- do -	**-**	-	100.00
Southern Negros Development Corporation (SONEDCO)	- do -	**94.00**	94.00	94.00
Nissin-URC	- do -	**65.00**	65.00	65.00
URC Philippines, Limited (URCPL)	British Virgin Islands	**100.00**	100.00	100.00
URC International Co. Ltd. (URCICL) and Subsidiaries*	- do -	**100.00**	77.00	77.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	**100.00**	100.00	100.00
URC China Commercial Co., Ltd.	China	**100.00**	100.00	100.00

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

In August 2012, the BOD approved the acquisition by the Parent Company of 23.00% of the capital stock of URCICL owned by a minority shareholder, International Horizons Investments Ltd., for ₱7.2 billion. The acquisition of the shares allowed the Parent Company to consolidate 100.00% of the earnings of URCICL after the date of acquisition (see Note 23).

In February 2011, CFC Clubhouse, Incorporated, URC Confectionery Corporation, and South Luzon Greenland, Inc., have been merged to the Parent Company. The merger did not have an impact on the consolidated financial statements.

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

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

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:

Subsidiaries	Year-end
URC China Commercial Co., Ltd.	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-

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective for the Group beginning October 1, 2011. 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.

On October 1, 2011, the Group early adopted the following new and amended accounting standards and interpretations which are mandatory for the Group for the fiscal year beginning October 1, 2012.

Revised and Amended Standards

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The Group has no investment properties at fair value and assets undr PAS 16 carried under the revaluation model. The amendment has no impact on the consolidated financial statements of the Group. The amendments are effective for periods beginning on or after January 1, 2012.

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, AFS investments and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.
The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

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

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

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

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

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

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

The Group's financial assets at FVPL consist of private bonds, equity and government securities (see Note 8).

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

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

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

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

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

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

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

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Interest earned on holding AFS investments 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 investments are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

AFS investments held by the Group consist of private bonds, government and equity securities (see Note 14).

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 20) and long-term debt (see Note 22), accounts payable and other accrued liabilities (see Note 21) 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 loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statement of income.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

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

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. In 2008, the Group reclassified certain financial assets at FVPL to AFS investments (see Note 9).

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

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

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

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

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

The Group performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group (see Note 10).

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

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

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

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

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

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

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

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

<u>Offsetting Financial Instruments</u>
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.

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

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

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

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

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

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

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

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

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

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

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/ finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

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

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

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

Biological assets carried at fair values less estimated costs to sell
Swine livestock are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell

include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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

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

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

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

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

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

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

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years
Land improvements	10
Buildings and building improvements	10 to 30

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

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

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

Goodwill
Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

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

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

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

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

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

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

Investment in a Joint Venture
The Group has a 50.00% interest in Hunt-Universal Robina Corporation (HURC), a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlle entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

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

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

<u>Impairment of Nonfinancial Assets</u>
This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), investment properties (see Note 18), investment in a joint venture (see Note 17), intangible assets (see Note 16) and biological assets at cost (see Note 15).

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

Impairment losses are recognized in the consolidated statement of income.

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

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

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

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

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

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

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

<u>Treasury Shares</u>
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.

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

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

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

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

Pension cost for defined retirement benefit plan is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.00% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the statement of financial position date.

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

Borrowing Costs

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

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

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset(s).

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

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

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

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

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

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries (as well as certain consolidated foreign subsidiaries) is the Philippine Peso.

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

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

Subsidiaries	Country of Incorporation	Functional Currency
URCL	Cayman Islands	Philippine Peso
URCPL	British Virgin Islands	- do -
URC Asean Brands Co. Ltd. (UABCL)	- do -	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URCICL	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd.	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	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 Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -

As of the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their respective statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

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

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

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

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

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

Events after the Reporting Period
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to September 30, 2012
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have a significant impact on its consolidated financial statements.

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

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

arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32.

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

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

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

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes issues raised in SIC 12, *Consolidation for Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the parent, compared with the requirements of PAS 2. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using equity method. The application of this new standard will not have an impact the financial position of the Group. The standard becomes effective for annual period beginning on or after January 1, 2013.

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

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

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

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

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

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

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The estimated effects are detailed below:

	As of September 30, 2012	As of October 1, 2011
Increase (decrease) in:		
<u>Consolidated statement of financial position</u>		
Net pension liability	**₱360,233,568**	₱116,420,198
Deferred tax assets	**108,070,070**	34,926,059
Other comprehensive income (loss)	**(446,996,364)**	(164,580,868)
Retained earnings	**194,832,866**	83,086,729

	2012
Income (expense)	
<u>Consolidated statement of income</u>	
Pension income (expense)	**₱38,802,634**
Provision for income tax	**(11,640,790)**
Net income for the year	
Attributable to equity holders of the Parent	**27,128,121**
Attributable to NCIs	**33,723**

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10 and 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. The adoption of the amended PAS 27 will not have significant impact on the separate financial statements of the entities within the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 10 and 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Group expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

<u>Effective in 2014 for adoption in fiscal year ending September 30, 2015</u>

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

<u>Effective in 2015 for adoption in fiscal year ending September 30, 2016</u>

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety.
    a. All financial assets to be measured at fair value at initial recognition;
    b. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss;

c. All equity financial assets are measured at fair value either through other comprehensive income or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
d. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

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

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

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.

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

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

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

valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would affect profit and loss and equity.

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

The fair values of the Group's financial instruments are disclosed in Note 5.

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

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

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

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

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

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

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

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

Assets held for sale
The Group classifies a subsidiary as a disposal group held for sale if it meets the following conditions at the reporting date:
- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

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

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

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

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

The Group did not recognize any provision for impairment loss on its AFS debt investments in 2012, 2011 and 2010. As of September 30, 2012 and 2011, the carrying value of AFS debt investments amounted to ₱3.8 billion and ₱4.6 billion, respectively (see Note 14).

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

The Group did not recognize any impairment loss on AFS equity investments in 2012, 2011 and 2010. As of September 30, 2012 and 2011, the carrying value of AFS equity investments amounted to ₱950.8 million and ₱894.2 million, respectively (see Note 14).

Estimation of allowance for impairment losses on receivables
The Group maintains allowances for impairment losses on its trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible. The Group reviews its finance receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the profit or loss in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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

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

Provision for impairment losses on receivables (included under 'Impairment losses' on the consolidated statements of income) amounted to nil, ₱5.6 million and ₱163.6 million in 2012, 2011 and 2010, respectively. In 2012, the Group recovered impaired receivables amounting to ₱0.8 million. Total receivables, net of allowance for impairment losses, amounted to ₱7.5 billion and ₱7.4 billion as of September 30, 2012 and 2011, respectively (see Note 10).

Determination of NRV of inventories
The Group, in determining the NRV, considers any adjustment necessary for obsolescence, which is generally providing 100.00% allowance for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories.

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

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

Inventory written down as expense (included under the ‘Cost of sales’ in the consolidated statements of income) amounted to ₱673.6 million, ₱470.1 million and ₱459.7 million in 2012, 2011 and 2010, respectively (see Note 11).

The Group recognized impairment losses on its inventories amounted to nil, ₱4.0 million and ₱0.2 million in 2012, 2011 and 2010, respectively. The Group’s inventories, net of inventory obsolescence and market decline, amounted to ₱9.8 billion and ₱9.7 billion for September 30, 2012 and 2011, respectively (see Note 11).

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

As of September 30, 2012 and 2011, the balances of the Group’s depreciable property, plant and equipment, biological assets and investment properties follow:

	2012	2011
Property, plant and equipment - net (see Note 13)	**₱22,954,777,868**	₱23,019,246,208
Biological assets - breeders (see Note 15)	**428,961,591**	459,053,688
Investment properties - net (see Note 18)	**64,491,512**	68,149,307

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.

As of September 30, 2012 and 2011, the Group’s biological assets carried at fair values less estimated costs to sell amounted to ₱1.3 billion and ₱1.2 billion, respectively (see Note 15). In 2012, 2011 and 2010, losses arising from changes in the fair market value of biological assets amounted to ₱15.5 million, ₱128.3 million and ₱44.7 million, respectively (see Note 15).

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 other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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

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

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

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

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

In 2012 and 2011, the Group recognized impairment losses on its property, plant and equipment (included under 'Impairment losses' on the consolidated statements of income) of ₱7.7 million and ₱10.1 million, respectively (see Note 13). In 2012 and 2011, the Group recognized impairment losses on its trademark (included under 'Impairment losses' on the consolidated statements of income) of ₱190.2 million and ₱63.5 million, respectively. In 2011, the Group also recognized impairment losses on its goodwill (included under 'Impairment losses' on the consolidated statements of income) of ₱84.0 million, pertaining to disposed subsidiaries (see Notes 16 and 38).

As of September 30, 2012 and 2011, the balances of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment losses follow:

	2012	2011
Property, plant and equipment (see Note 13)	**₱27,918,634,454**	₱26,423,220,738
Intangible assets (see Note 16)	**1,273,627,776**	1,463,851,176
Biological assets at cost (see Note 15)	**182,704,353**	136,756,240
Investment in a joint venture (see Note 17)	**96,139,053**	89,966,944
Investment properties (see Note 18)	**64,491,512**	68,149,307

Estimation of pension and other benefits costs
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 32). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

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

As of September 30, 2012 and 2011, the balances of the Group's net pension liability, actuarial losses and other employee benefits follow:

	2012	2011
Net pension liability (see Note 32)	**₱11,063,529**	₱24,650,517
Unrecognized actuarial loss - net (see Note 32)	**338,537,178**	111,571,379
Other employee benefits (see Note 29)	**856,708,522**	762,396,413

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.

As of September 30, 2012 and 2011, the Group recognized deferred tax assets amounting to ₱187.3 million and ₱180.5 million, respectively (see Note 33), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱209.4 million and ₱138.5 million as of September 30, 2012 and 2011, respectively (see Note 33).

As of September 30, 2012 and 2011, the Group has certain subsidiaries which are under ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 36).

As of September 30, 2012 and 2011, the total amount of unrecognized deferred tax assets of the Group amounted to ₱186.6 million and ₱166.6 million, respectively (see Note 33).

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 investments, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiary is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes.

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

Risk Management Structure

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

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

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

AC

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

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;

c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

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

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

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four (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.

<u>Risk Management Policies</u>
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 investments 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.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk (including derivatives) of the Group as of September 30, 2012 and 2011, without considering the effects of collaterals and other credit risk mitigation techniques.

	2012	2011
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand amounting to ₱41.1 million and ₱47.8 million as of September 30, 2012 and 2011, respectively) [see Note 7]	**₱5,304,708,453**	₱4,499,089,671
Receivables (see Note 10):		
Trade receivables	**4,750,357,051**	4,553,747,213
Due from related parties	**1,258,154,460**	1,602,667,129
Advances to officers, employees and suppliers	**668,015,302**	506,448,348
Interest receivable	**224,439,145**	222,289,907
Other receivables	**560,066,957**	534,672,218
Total loans and receivables	**12,765,741,368**	11,918,914,486
Financial assets at FVPL (see Note 8):		
Held-for-trading:		
Private bonds	**8,688,367,888**	7,374,656,667
Equity securities	**1,915,005,913**	3,132,619,171
Government bonds	**208,194,297**	135,633,633
Derivative assets	**834,167**	9,162,226
Total financial assets at FVPL	**10,812,402,265**	10,652,071,697
AFS investments (see Note 14):		
Debt securities:		
Private bonds	**1,984,850,194**	2,451,989,177
Government securities	**1,862,178,302**	2,165,354,695
Equity securities:		
Quoted	**950,848,125**	894,207,250
Total AFS investments	**4,797,876,621**	5,511,551,122
	₱28,376,020,254	₱28,082,537,305

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of September 30, 2012 and 2011 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2012					
	Philippines	Asia	United States	Europe	Others*	Total
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱3,339,748,263	₱1,964,960,190	₱–	₱–	₱–	₱5,304,708,453
Receivables (see Note 10):						
Trade receivables	2,876,597,951	1,837,508,882	22,611,964	4,085,966	9,552,288	4,750,357,051
Due from related parties	1,258,154,460	–	–	–	–	1,258,154,460
Advances to officers, employees and suppliers	378,126,181	289,889,121	–	–	–	668,015,302
Interest receivable	29,312,678	90,127,557	63,816,788	41,182,122	–	224,439,145
Other receivables	560,066,957	–	–	–	–	560,066,957
Total loans and receivable	8,442,006,490	4,182,485,750	86,428,752	45,268,088	9,552,288	12,765,741,368
Financial assets at FVPL (see Note 8):						
Held-for-trading:						
Private bonds	2,154,828,172	1,710,785,803	791,774,427	3,403,203,095	627,776,391	8,688,367,888
Equity securities	309,145,085	202,333,519	386,255,710	1,017,271,599	–	1,915,005,913
Government securities	–	208,194,297	–	–	–	208,194,297
Derivative assets	–	–	–	834,167	–	834,167
Total financial assets at FVPL	2,463,973,257	2,121,313,619	1,178,030,137	4,421,308,861	627,776,391	10,812,402,265
AFS investments (see Note 14):						
Debt securities						
Private bonds	–	897,137,215	300,358,872	787,354,107	–	1,984,850,194
Government securities	1,458,912,093	32,492,119	–	–	370,774,090	1,862,178,302
Equity securities						
Quoted	21,720,000	–	–	929,128,125	–	950,848,125
Total AFS investments	1,480,632,093	929,629,334	300,358,872	1,716,482,232	370,774,090	4,797,876,621
	₱12,386,611,840	₱7,233,428,703	₱1,564,817,761	₱6,183,059,181	₱1,008,102,769	₱28,376,020,254

Includes Brazil and Mexico.

	2011					
	Philippines	Asia	United States	Europe	Others*	Total
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱3,306,431,717	₱1,192,657,954	₱–	₱–	₱–	₱4,499,089,671
Receivables (see Note 10):						
Trade receivables	2,852,468,084	1,685,469,151	10,946,298	3,776,437	1,087,243	4,553,747,213
Due from related parties	1,602,667,129	–	–	–	–	1,602,667,129
Advances to officers, employees and suppliers	372,684,322	133,764,026	–	–	–	506,448,348
Interest receivable	54,733,477	35,903,249	25,687,935	56,245,627	49,719,619	222,289,907
Other receivables	94,865,232	353,418,059	86,388,927	–	–	534,672,218
Total loans and receivable	8,283,849,961	3,401,212,439	123,023,160	60,022,064	50,806,862	11,918,914,486
Financial assets at FVPL (see Note 8):						
Held-for-trading:						
Private bonds	2,039,715,883	1,186,923,860	361,697,309	2,724,956,460	1,061,363,155	7,374,656,667
Equity securities	1,456,512,509	199,202,374	361,109,440	1,115,794,848	–	3,132,619,171
Government securities	–	106,808,471	–	–	28,825,162	135,633,633
Derivative assets	–	–	–	9,162,226	–	9,162,226
Total financial assets at FVPL	3,496,228,392	1,492,934,705	722,806,749	3,849,913,534	1,090,188,317	10,652,071,697
AFS investments (see Note 14):						
Debt securities						
Private bonds	–	889,537,156	725,620,840	756,304,325	80,526,856	2,451,989,177
Government securities	1,459,530,167	147,680,695	–	–	558,143,833	2,165,354,695
Equity securities						
Quoted	21,720,000	–	–	–	872,487,250	894,207,250
Total AFS investments	1,481,250,167	1,037,217,851	725,620,840	756,304,325	1,511,157,939	5,511,551,122
	₱13,261,328,520	₱5,931,364,995	₱1,571,450,749	₱4,666,239,923	₱2,652,153,118	₱28,082,537,305

Includes Brazil and Mexico.

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of September 30, 2012 and 2011 before taking into account any collateral held or other credit enhancements.

	2012						
	Manufacturing	**Financial Intermediaries**	**Petrochemicals**	**Tele-communication**	**Mining**	**Others***	**Total**
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand) [see Note 7]	**₱–**	**₱5,304,426,223**	**₱–**	**₱–**	**₱–**	**₱282,230**	**₱5,304,708,453**
Receivables (see Note 10):							
Trade receivables	**4,604,350,852**	**30,670,388**	**–**	**–**	**–**	**115,335,811**	**4,750,357,051**
Due from related parties	**393,845,840**	**46,458,902**	**617,321,039**	**68,520,364**	**–**	**132,008,315**	**1,258,154,460**
Advances to officers, employees and suppliers	**631,996,593**	**15,252,004**	**–**	**–**	**–**	**20,766,705**	**668,015,302**
Interest receivable	**3,912,346**	**133,191,981**	**11,949,887**	**6,068,891**	**6,837,674**	**62,478,366**	**224,439,145**
Other receivables	**560,066,957**	**–**	**–**	**–**	**–**	**–**	**560,066,957**
Total loans and receivables	**6,194,172,588**	**5,529,999,498**	**629,270,926**	**74,589,255**	**6,837,674**	**330,871,427**	**12,765,741,368**
Financial assets at FVPL (see Note 8):							
Held-for-trading:							
Private bonds	**64,368,241**	**5,020,295,912**	**490,960,258**	**349,661,185**	**49,133,909**	**2,713,948,383**	**8,688,367,888**
Equity securities	**–**	**1,522,847,509**	**–**	**–**	**2,174,225**	**389,984,179**	**1,915,005,913**
Government bonds	**–**	**–**	**–**	**–**	**–**	**208,194,297**	**208,194,297**
Derivative assets	**–**	**834,167**	**–**	**–**	**–**	**–**	**834,167**
Total financial assets at FVPL	**64,368,241**	**6,543,977,588**	**490,960,258**	**349,661,185**	**51,308,134**	**3,312,126,859**	**10,812,402,265**
AFS investments (see Note 14):							
Debt securities							
Private bonds	**–**	**1,120,850,363**	**277,864,687**	**91,537,672**	**139,017,375**	**355,580,097**	**1,984,850,194**
Government securities	**–**	**–**	**–**	**–**	**–**	**1,862,178,302**	**1,862,178,302**
Equity securities							
Quoted	**–**	**–**	**–**	**–**	**–**	**950,848,125**	**950,848,125**
Total AFS investments	**-**	**1,120,850,363**	**277,864,687**	**91,537,672**	**139,017,375**	**3,168,606,524**	**4,797,876,621**
	₱6,258,540,829	**₱13,194,827,449**	**₱1,398,095,871**	**₱515,788,112**	**₱197,163,183**	**₱6,811,604,810**	**₱28,376,020,254**

**Includes real state, agriculture, automotive, and electrical industries.*

	2011						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱–	₱4,499,089,671	₱–	₱–	₱–	₱–	₱4,499,089,671
Receivables (see Note 10):							
Trade receivables	4,203,941,406	–	–	–	–	349,805,807	4,553,747,213
Due from related parties	215,981,515	34,064,602	410,436,221	28,425,304	15,108,713	898,650,774	1,602,667,129
Advances to officers, employees and suppliers	231,988,407	–	–	–	–	274,459,941	506,448,348
Interest receivable	–	90,179,881	3,084,373	7,646,172	9,139,693	112,239,788	222,289,907
Other receivables	223,914,242	–	–	–	–	310,757,976	534,672,218
Total loans and receivables	4,875,825,570	4,623,334,154	413,520,594	36,071,476	24,248,406	1,945,914,286	11,918,914,486
Financial assets at FVPL (see Note 8):							
Held-for-trading:							
Private bonds	–	3,750,730,283	144,373,507	228,951,008	46,221,322	3,204,380,547	7,374,656,667
Equity securities	–	1,606,788,000	–	147,000	15,569,742	1,510,114,429	3,132,619,171
Government bonds	–	–	–	–	–	135,633,633	135,633,633
Derivative assets	–	9,162,226	–	–	–	–	9,162,226
Total financial assets at FVPL	–	5,366,680,509	144,373,507	229,098,008	61,791,064	4,850,128,609	10,652,071,697
AFS investments (see Note 14):							
Debt securities							
Private bonds	–	1,425,412,197	–	84,737,667	135,094,800	806,744,513	2,451,989,177
Government securities	–	–	–	–	–	2,165,354,695	2,165,354,695
Equity securities							
Quoted	–	872,487,250	–	–	–	21,720,000	894,207,250
Total AFS investments	–	2,297,899,447	–	84,737,667	135,094,800	2,993,819,208	5,511,551,122
	₱4,875,825,570	₱12,287,914,110	₱557,894,101	₱349,907,151	₱221,134,270	₱9,789,862,103	₱28,082,537,305

**Includes real state, agriculture, automotive, and electrical industries.*

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of September 30, 2012 and 2011, gross of allowance for impairment losses:

	2012				
	Neither Past Due Nor Impaired			**Past Due or Individually Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) [see Note 7]	**₱5,304,708,453**	**₱–**	**₱–**	**₱–**	**₱5,304,708,453**
Receivables (see Note 10):					
Trade receivables	**1,962,728,970**	**2,250,623,299**	**94,653,505**	**651,514,661**	**4,959,520,435**
Due from related parties	**1,258,154,460**	**–**	**–**	**–**	**1,258,154,460**
Advances to officers, employees and suppliers	**87,497,890**	**526,160,016**	**8,563,956**	**65,440,122**	**687,661,984**
Interest receivable	**7,576,801**	**181,583,186**	**35,279,158**	**–**	**224,439,145**
Other receivables	**198,035,921**	**155,578,645**	**39,209**	**375,495,958**	**729,149,733**
Total loans and receivables	**8,818,702,495**	**3,113,945,146**	**138,535,828**	**1,092,450,741**	**13,163,634,210**
Financial assets at FVPL (see Note 8):					
Held-for-trading:					
Private bonds	**882,500,848**	**6,677,086,079**	**1,128,780,961**	**–**	**8,688,367,888**
Government bonds	**–**	**208,194,297**	**–**	**–**	**208,194,297**
Equity securities	**1,570,633,683**	**344,372,230**	**–**	**–**	**1,915,005,913**
Derivative assets	**834,167**	**–**	**–**	**–**	**834,167**
Total financial assets at FVPL	**2,453,968,698**	**7,229,652,606**	**1,128,780,961**	**–**	**10,812,402,265**
AFS investments (see Note 14):					
Debt securities					
Private bonds	**–**	**1,984,850,194**	**–**	**–**	**1,984,850,194**
Government securities	**–**	**1,862,178,302**	**–**	**–**	**1,862,178,302**
Equity securities					
Quoted	**21,720,000**	**929,128,125**	**–**	**–**	**950,848,125**
Total AFS investments	**21,720,000**	**4,776,156,621**	**–**	**–**	**4,797,876,621**
	₱11,294,391,193	**₱15,119,754,373**	**₱1,267,316,789**	**₱1,092,450,741**	**₱28,773,913,096**

	2011				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) (see Note 7)	₱4,499,089,671	₱-	₱-	₱-	₱4,499,089,671
Receivables (see Note 10):					
Trade receivables	3,271,344,284	321,904,837	7,587,894	1,163,259,227	4,764,096,242
Due from related parties	1,602,667,129	-	-	-	1,602,667,129
Advances to officers, employees and suppliers	273,930,697	176,365,491	2,525,509	73,273,333	526,095,030
Interest receivable	222,289,907	-	-	-	222,289,907
Other receivables	225,136,402	223,816,130	353,233	261,148,976	710,454,741
Total loans and receivables	10,094,458,090	722,086,458	10,466,636	1,497,681,536	12,324,692,720
Financial assets at FVPL (see Note 8):					
Held-for-trading:					
Private bonds	98,509,718	4,241,697,419	3,034,449,530	-	7,374,656,667
Government bonds	-	-	135,633,633	-	135,633,633
Equity securities	2,440,942,233	544,239,970	147,436,968	-	3,132,619,171
Derivative assets	9,162,226	-	-	-	9,162,226
Total financial assets at FVPL	2,548,614,177	4,785,937,389	3,317,520,131	-	10,652,071,697
AFS investments (see Note 14):					
Debt securities					
Private bonds	-	892,176,379	1,559,812,798	-	2,451,989,177
Government securities	-	268,496,072	1,896,858,623	-	2,165,354,695
Equity securities					
Quoted	21,720,000	872,487,250	-	-	894,207,250
Total AFS investments	21,720,000	2,033,159,701	3,456,671,421	-	5,511,551,122
	₱12,664,792,267	₱7,541,183,548	₱6,784,658,188	₱1,497,681,536	₱28,488,315,539

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks, including an affiliated bank, in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of September 30, 2012 and 2011 are as follows:

As of September 30, 2012

	Past Due Nor Impaired				**Impaired**	
	Less than 30 Days	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Trade receivables	**₱80,150,320**	**₱134,423,830**	**₱43,145,205**	**₱184,631,922**	**₱209,163,384**	**₱651,514,661**
Advances to officers, employees and suppliers	**15,386,432**	**1,833,170**	**3,921,342**	**24,652,496**	**19,646,682**	**65,440,122**
Others	**10,545,041**	**4,713,115**	**244,214**	**190,910,812**	**169,082,776**	**375,495,958**
Balances at end of year	**₱106,081,793**	**₱140,970,115**	**₱47,310,761**	**₱400,195,230**	**₱397,892,842**	**₱1,092,450,741**

As of September 30, 2011

	Past Due Nor Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	₱403,587,315	₱75,634,247	₱16,554,591	₱457,134,045	₱210,349,029	₱1,163,259,227
Advances to officers, employees and suppliers	10,796,900	5,673,457	4,404,666	32,751,628	19,646,682	73,273,333
Others	33,212,662	18,016,074	22,974,423	11,163,294	175,782,523	261,148,976
Balances at end of year	₱447,596,877	₱99,323,778	₱43,933,680	₱501,048,967	₱405,778,234	₱1,497,681,536

e. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crisis; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

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.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2012 and 2011 based on the remaining undiscounted contractual cash flows.

	2012				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	**₱2,766,866,988**	**₱2,591,381,732**	**₱–**	**₱–**	**₱5,358,248,720**
Receivables:					
Trade receivables	**1,888,431,202**	**2,547,895,440**	**314,030,409**	**–**	**4,750,357,051**
Due from related parties	**1,258,154,460**	**–**	**–**	**–**	**1,258,154,460**
Advances to officers, employees and suppliers	**225,775,693**	**373,607,817**	**68,631,792**	**–**	**668,015,302**
Interest receivable	**–**	**224,439,145**	**–**	**–**	**224,439,145**
Other receivables	**228,554,569**	**313,364,162**	**18,148,226**	**–**	**560,066,957**
Total receivables	**6,367,782,912**	**6,050,688,296**	**400,810,427**	**–**	**12,819,281,635**
Financial assets at FVPL:					
Held-for-trading:					
Private bonds	**–**	**185,431,509**	**9,255,454,090**	**–**	**9,440,885,599**
Equity securities	**309,145,085**	**–**	**1,606,912,209**	**–**	**1,916,057,294**
Government securities	**–**	**2,907,715**	**217,852,936**	**–**	**220,760,651**
Derivative assets	**–**	**834,167**	**–**	**–**	**834,167**
Total financial assets at FVPL	**309,145,085**	**189,173,391**	**11,080,219,235**	**–**	**11,578,537,711**
AFS investments:					
Debt securities:					
Private bonds	**–**	**35,069,412**	**2,094,370,291**	**–**	**2,129,439,703**
Government securities	**–**	**30,495,857**	**1,958,358,335**	**–**	**1,988,854,192**
Equity securities:					
Quoted	**21,720,000**	**–**	**937,207,500**	**–**	**958,927,500**
Total AFS investments	**21,720,000**	**65,565,269**	**4,989,936,126**	**–**	**5,077,221,395**
	₱6,698,647,997	**₱6,305,426,956**	**₱16,470,965,788**	**₱–**	**₱29,475,040,741**
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	**₱1,784,409,047**	**₱2,646,660,961**	**₱2,548,402,782**	**₱–**	**₱6,979,472,790**
Due to related parties	**284,599,807**	**–**	**–**	**–**	**284,599,807**
Short-term debt	**–**	**8,601,326,050**	**–**	**–**	**8,601,326,050**
Trust receipts andacceptances payable	**–**	**1,156,041,243**	**2,331,957,745**	**–**	**3,487,998,988**
Long-term debt (including current portion)	**–**	**–**	**–**	**3,000,000,000**	**3,000,000,000**
Total financial liabilities at amortized cost	**2,069,008,854**	**12,404,028,254**	**4,880,360,527**	**3,000,000,000**	**22,353,397,635**
Financial liabilities at FVPL:					
Derivative liabilities	**–**	**4,680,533**	**–**	**–**	**4,680,533**
	₱2,069,008,854	**₱12,408,708,787**	**₱4,880,360,527**	**₱3,000,000,000**	**₱22,358,078,168**

	2011				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	₱664,772,838	₱3,892,668,502	₱–	₱–	₱4,557,441,340
Receivables:					
Trade receivables	1,163,259,227	2,795,046,032	595,441,954	–	4,553,747,213
Due from related parties	1,602,667,129	–	–	–	1,602,667,129
Advances to officers, employees and suppliers	2,098,894	370,337,505	134,011,949	–	506,448,348
Interest receivable	–	222,289,907	–	–	222,289,907
Other receivables	382,205,889	35,928,058	116,538,271	–	534,672,218
Total receivables	3,815,003,977	7,316,270,004	845,992,174	–	11,977,266,155
Financial assets at FVPL:					
Held-for-trading:					
Private bonds	–	109,041,032	7,658,770,032	–	₱7,767,811,064
Equity securities	1,464,599,372	–	1,668,019,799	–	3,132,619,171
Government securities	–	2,255,542	139,113,537	–	141,369,079
Derivative assets	–	9,162,226	–	–	9,162,226
	1,464,599,372	120,458,800	9,465,903,368	–	11,050,961,540
AFS investments:					
Debt securities:					
Private bonds	–	43,883,351	2,596,797,323	–	2,640,680,674
Government securities	–	41,590,454	2,287,296,942	–	2,328,887,396
Equity securities:					
Quoted	21,720,000	–	872,487,250	–	894,207,250
	21,720,000	85,473,805	5,756,581,515	–	5,863,775,320
	₱5,301,323,349	₱7,522,202,609	₱16,068,477,057	₱–	₱28,892,003,015
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	₱2,391,420,956	₱3,246,779,189	₱1,186,208,776	₱–	₱6,824,408,921
Due to related parties	335,279,536		–	–	335,279,536
Short-term debt	–	5,758,194,397	–	–	5,758,194,397
Trust receipts and acceptances payable	–	1,458,037,657	–	–	1,458,037,657
Long-term debt (including current portion)	–	46,039,468	8,638,396,001	3,417,925,406	12,102,360,875
Total financial liabilities at amortized cost	2,726,700,492	10,509,050,711	9,824,604,777	3,417,925,406	26,478,281,386
Financial liabilities at FVPL:					
Derivative liabilities	–	–	24,387,060	–	24,387,060
	₱2,726,700,492	₱10,509,050,711	₱9,848,991,837	₱3,417,925,406	₱26,502,668,446

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. As of September 30, 2012, 2011 and 2010, approximately 28.3%, 28.6% and 25.3% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 63.4% and 70.6% of the Group's debt is denominated in US Dollar as of September 30, 2012 and 2011, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk:

	2012			
	Euro	**US Dollar**	**Other**	**Total**
Assets				
Cash and cash equivalents	**₱157,047,121**	**₱3,924,899,466**	**₱1,144,432,675**	**₱5,226,379,262**
Receivables	**14,364,369**	**904,269,290**	**1,804,726,731**	**2,723,360,390**
Financial assets at FVPL				
Held-for-trading:				
Private bonds	**108,302,005**	**8,398,284,563**	**131,387,947**	**8,637,974,515**
Government bonds	**–**	**208,194,297**	**–**	**208,194,297**
Equity securities	**–**	**1,373,144,590**	**232,716,229**	**1,605,860,819**
Derivative assets	**834,167**	**–**	**–**	**834,167**
AFS investments				
Debt securities:				
Private bonds	**173,856,487**	**1,810,993,707**	**–**	**1,984,850,194**
Government securities	**120,623,566**	**1,741,554,736**	**–**	**1,862,178,302**
Equity securities:				
Quoted	**–**	**929,128,125**	**–**	**929,128,125**
	575,027,715	**19,290,468,774**	**3,313,263,582**	**23,178,760,071**
Liabilities				
Accounts payable and other accrued liabilities	**83,064**	**513,492,478**	**2,888,140,882**	**3,401,716,424**
Short-term debt	**523,168,875**	**6,078,141,358**	**987,226,651**	**7,588,536,884**
Trust Receipts	**–**	**3,464,360,214**	**–**	**3,464,360,214**
Long-term debt (including current portion)	**–**	**–**	**–**	**–**
	523,251,939	**10,055,994,050**	**3,875,367,533**	**14,454,613,522**
Net Foreign Currency-Denominated Assets	**₱51,775,776**	**₱9,234,474,724**	**(₱562,103,951)**	**₱8,724,146,549**

Other currencies include Singapore Dollar, Thai Baht, Chinese Yuan, Malaysian Ringgit, Indonesian Rupiah, and Vietnam Dong

	2011			
	Euro	US Dollar	Other	Total
Assets				
Cash and cash equivalents	₱19,592,778	₱3,418,469,545	₱982,698,157	₱4,420,760,480
Receivables	16,146,449	291,063,591	2,219,540,512	2,526,750,552
Financial assets at FVPL				
Held-for-trading:				
Private bonds	101,166,857	7,045,095,911	179,727,438	7,325,990,206
Government bonds	–	135,633,633	–	135,633,633
Equity securities	–	1,449,650,000	226,456,662	1,676,106,662
Derivative assets	7,670,065	1,492,161	–	9,162,226
AFS investments				
Debt securities:				
Private bonds	183,677,618	2,268,311,559	–	2,451,989,177
Government securities	372,465,180	1,792,889,515	–	2,165,354,695
Equity securities:				
Quoted	–	872,487,250	–	872,487,250
	700,718,947	17,275,093,165	3,608,422,769	21,584,234,881
Liabilities				
Accounts payable and other accrued liabilities	637,191	158,186,567	2,928,874,299	3,087,698,057
Short-term debt	720,498,759	4,409,925,140	619,208,996	5,749,632,895
Trust Receipts	–	391,830,500	–	391,830,500
Long-term debt (including current portion)	–	8,197,807,089	–	8,197,807,089
	721,135,950	13,157,749,296	3,548,083,295	17,426,968,541
Net Foreign Currency-Denominated Assets	(₱20,417,003)	₱4,117,343,869	₱60,339,474	₱4,157,266,340

Other currencies include Singapore Dollar, Thai Baht, Chinese Yuan, Malaysian Ringgit, Indonesian Rupiah, and Vietnam Dong

The following tables set forth the impact of the range of reasonably possible changes in the US Dollar and Euro - Philippine Peso exchange rate on the Group's income before income tax as of September 30, 2012, 2011 and 2010:

	2012	
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	**US Dollar**	**Euro**
₱5.00	**₱1,107,251,166**	**₱4,807,656**
(₱5.00)	**(1,107,251,166)**	**(4,807,656)**

	2011	
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱470,876,472	₱2,334,973
(₱5.00)	(470,876,472)	(2,334,973)

	2010	
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱525,044,127	(₱7,349,675)
(₱5.00)	(525,044,127)	7,349,675

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of September 30, 2012 and 2011 are deemed immaterial. As of September 30, 2012 and 2011, the impact of the changes in the exchange rates on the Group's cumulative translation adjustments in the statements of comprehensive income is also deemed immaterial.

The exchange rates used to restate the foreign currency-denominated financial assets and liabilities were ₱41.70 to US$1.00 and ₱43.72 to US$1.00 as of September 30, 2012 and 2011, respectively.

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. In 2012, 2011 and 2010, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱20.2 million, ₱23.4 million and ₱25.0 million, respectively, if equity prices will increase by 1%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on equity by ₱7.0 million and ₱8.3 million as of September 30, 2012 and 2011, respectively. An equal change in the opposite direction would have decreased equity and profit by the same amount.

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.

As of September 30, 2012 and 2011, 100.00% of the Group's borrowings are at a fixed rate of interest.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

	2012								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Fixed rate									
US Dollar loans	**$228,836,968**	**$–**	**$–**	**$–**	**$–**	**$228,836,968**	**9,542,501,572**	**–**	**9,542,501,572**
Interest rate	**0.49% to 1.45% and 3.50%**								
Euro loans	**€9,703,380**	**€–**	**€–**	**€–**	**€–**	**€9,703,380**	**523,168,875**	**–**	**523,168,875**
Interest rate	**0.41% to 0.57%**								
Thailand Baht loans	**THB593,800,000**	**THB–**	**THB–**	**THB–**	**THB–**	**THB593,800,000**	**803,161,391**	**–**	**803,161,391**
Interest rate	**3.30% to 3.85%**								
Singapore Dollar	**SGD5,408,958**	**SGD–**	**SGD–**	**SGD–**	**SGD–**	**SGD5,408,958**	**184,065,260**	**–**	**184,065,260**
Interest rate	**PBOC Reference Rate + 0.78%**								
Local currencies:									
Fixed rate									
Philippine Peso loans	**₱1,000,000,000**	**₱3,000,000,000**	**₱–**	**₱–**	**₱–**	**₱4,000,000,000**	**4,000,000,000**	**(9,544,074)**	**3,990,455,926**
Interest rate	**3.00%**	**8.75%**							
							15,052,897,098	**(9,544,074)**	**15,043,353,024**

	2011								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Fixed rate									
US Dollar loans	$297,421,726	$–	$–	$–	$–	$297,421,726	13,003,277,880	(3,715,151)	12,999,562,729
Interest rate	0.49% to 1.01% and 8.25%								
Euro loans	€12,182,818	€–	€–	€–	€–	€12,182,818	720,498,759	–	720,498,759
Interest rate	1.44% to 1.76%								
Thailand Baht loans	THB252,652,916	THB–	THB–	THB–	THB–	THB252,652,916	391,364,325	–	391,364,325
Interest rate	3.90% to 4.10%								
Singapore Dollar	SGD5,645,863	SGD–	SGD–	SGD–	SGD–	SGD5,645,863	189,830,928	–	189,830,928
Interest rate	PBOC Reference Rate + 1.15%								
Vietnam Dong loans	VND18,110,372,000	VND–	VND–	VND–	VND–	VND18,110,372,000	38,013,483	–	38,013,483
Interest rate	4.35%								
Local currencies:									
Fixed rate									
Philippine Peso loans	₱1,064,282,272	₱8,553,226	₱3,009,194,718	₱–	₱–	₱4,082,030,216	4,082,030,216	(15,300,798)	4,066,729,418
Interest rate	3% to 7.5%	7.5%	7.5% to 8.75%						
							18,425,015,591	(19,015,949)	18,405,999,642

The following tables set forth the estimated change in the Group's income before income tax and equity due to a reasonably possible change in interest rates and market prices of quoted bonds classified under financial assets at FVPL and AFS investments in 2012, 2011 and 2010:

	2012			
	Reasonably Possible Changes in:			
	Interest rates		**Market prices**	
Changes in:	**1.5%**	**(1.5%)**	**1.5%**	**(1.5%)**
Income Before Income Tax	**–**	**–**	**(₱1,946,060,405)**	**₱973,382,292**
Equity	**–**	**–**	**(457,410,580)**	**85,282,608**

	2011			
	Reasonably Possible Changes in:			
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	–	–	(₱1,454,452,029)	₱2,828,488,774
Equity	–	–	(509,096,490)	94,919,266

	2010			
	Reasonably Possible Changes in:			
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	(₱12,790)	₱12,790	(₱280,731,854)	₱310,076,381
Equity	–	–	(370,831,395)	423,744,666

5. Fair Value Measurement

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

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debt, and trust receipts and acceptances payable
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

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

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

Long-term debt
The fair value is determined using the discounted cash flow methodology, with reference to the Group's current incremental lending rates for similar types of loans. Discount curve used ranges from 0.63% to 3.12% in 2012 and 0.2% to 2.65% in 2011.

As of September 30, 2012 and 2011, the carrying amount of the Group's financial assets and liabilities approximates their respective fair values, except for the Group's long-term debt whose carrying value and fair value follows:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debt (including current portion)	**₱2,990,455,926**	**₱3,367,165,859**	₱11,208,210,724	₱11,841,382,125

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).

The following table shows the Group's financial instruments carried at fair value as of September 30, 2012 and 2011, based on levels 1 and 2:

		2012	
	Level 1	**Level 2**	**Total**
Financial Assets			
Financial assets at FVPL:			
Held for trading:			
Private bonds	**₱8,688,367,888**	**₱–**	**₱8,688,367,888**
Equity securities	**1,915,005,913**	**–**	**1,915,005,913**
Government bonds	**208,194,297**	**–**	**208,194,297**
Derivative assets	**–**	**834,167**	**834,167**
Total financial assets at FVPL	**10,811,568,098**	**834,167**	**10,812,402,265**
AFS investments:			
Debt securities:			
Private bonds	**1,984,850,194**	**–**	**1,984,850,194**
Government securities	**1,862,178,302**	**–**	**1,862,178,302**
Equity securities:		**–**	
Quoted	**950,848,125**	**–**	**950,848,125**
Total AFS investments	**4,797,876,621**	**–**	**4,797,876,621**
	₱15,609,444,719	**₱834,167**	**₱15,610,278,886**
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative liabilities	**₱–**	**₱4,680,533**	**₱4,680,533**

	2011		
	Level 1	Level 2	Total
Financial Assets			
Financial assets at FVPL:			
Held for trading:			
Private bonds	₱7,334,158,950	₱40,497,717	₱7,374,656,667
Equity securities	3,132,619,171	–	3,132,619,171
Government bonds	135,633,633	–	135,633,633
Derivative assets	–	9,162,226	9,162,226
Total financial assets at FVPL	10,602,411,754	49,659,943	10,652,071,697
AFS investments:			
Debt securities:			
Private bonds	2,451,989,177	–	2,451,989,177
Government securities	2,165,354,695	–	2,165,354,695
Equity securities:			
Quoted	894,207,250	–	894,207,250
Total AFS investments	5,511,551,122	–	5,511,551,122
	₱16,113,962,876	₱49,659,943	₱16,163,622,819
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative liabilities	₱–	₱24,387,060	₱24,387,060

As of September 30, 2012 and 2011, the Group has no financial instruments valued based on level 3.

6. Business Segment Information

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

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

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

Management monitors the operating results of 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 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 following tables present the financial information of each of the operating segments in accordance with PFRS except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the period ended September 30, 2012, 2011 and 2010.

The Group's business segment information follows:

	2012					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱56,256,548	₱7,370,321	₱7,574,809	₱–	₱–	₱71,201,678
Inter-segment	5,563,871	3,414,758	4,275,578	–	(13,254,207)	–
	₱61,820,419	₱10,785,079	₱11,850,387	₱–	(₱13,254,207)	₱71,201,678
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱8,120,177	₱607,241	₱3,353,584	(₱861,449)	₱–	₱11,219,553
Depreciation and amortization (see Note 28)	(2,586,532)	(248,212)	(553,528)	(30,756)	–	(3,419,028)
Earnings before interest and income tax (EBIT)	₱5,533,645	₱359,029	₱2,800,056	(₱892,205)	–	7,800,525
Finance revenue (see Note 30)	₱32,443	₱179	₱1,007	₱1,196,100	₱–	1,229,729
Finance costs (see Notes 20, 22 and 31)	(₱21,381)	(₱45,766)	(₱82,400)	(₱533,503)	₱–	(683,050)
Equity in net income of a joint venture (see Note 17)	₱–	₱–	₱–	₱31,172	₱–	31,172
Market valuation gain on financial assets at FVPL (see Note 8)	₱–	₱–	₱–	₱1,548,492	₱-	1,548,492
Impairment losses and others						(197,875)
Other expenses*						(581,766)
Income before income tax						9,147,227
Provision for income tax (see Note 33)						(989,341)
Net income						8,157,886
Other Information						
Total assets	₱34,674,268	₱4,979,679	₱8,160,809	₱22,172,559	₱–	₱69,987,315
Total liabilities	₱7,140,013	₱2,287,383	₱3,848,986	₱10,094,382	₱–	₱23,370,764
Capital expenditures (see Note 13)	₱4,382,421	₱208,149	₱516,056	₱22,566	₱–	₱5,129,192
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Property, Plant and Equipment (see Note 13)	₱7,651	₱–	₱–	₱–	₱–	₱7,651
Intangibles (see Note 16)	190,224	–	–	–	–	190,224
	₱197,875	₱–	₱–	₱–	₱–	₱197,875

* *Includes foreign exchange losses and other revenues (expenses).*

	2011					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱50,557,966	₱7,079,730	₱9,529,934	₱–	₱–	₱67,167,630
Inter-segment	4,610,521	3,266,357	3,957,040	–	(11,833,918)	–
	₱55,168,487	₱10,346,087	₱13,486,974	₱–	(₱11,833,918)	₱67,167,630
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱6,980,405	₱576,987	₱3,390,973	(₱793,473)	₱–	₱10,154,892
Depreciation and amortization (see Note 28)	(2,436,279)	(257,386)	(539,671)	(32,808)	–	(3,266,144)
Earnings before interest and income tax (EBIT)	₱4,544,126	₱319,601	₱2,851,302	(₱826,281)	₱–	6,888,748
Finance revenue (see Note 30)	₱20,151	₱355	₱1,536	₱1,169,200	₱–	1,191,242
Finance costs (see Notes 20, 22 and 31)	(₱13,325)	(₱1,997)	(₱9,344)	(₱976,582)	₱–	(1,001,248)
Equity in net income of a joint venture (see Note 17)	₱–	₱–	₱–	₱25,470	₱–	25,470
Market valuation gain on financial assets at FVPL (see Note 8)	₱–	₱–	₱–	(₱1,157,316)	₱–	(1,157,316)
Impairment losses and others						(167,211)
Other expenses*						(158,236)
Income before income tax						5,621,449
Provision for income tax (see Note 33)						(613,895)
Net income						5,007,554
Other Information						
Total assets	₱32,622,218	₱4,864,421	₱7,457,158	₱23,429,887	₱–	₱68,373,684
Total liabilities	₱7,985,157	₱1,633,099	₱2,398,489	₱14,330,427	₱–	₱26,347,172
Capital expenditures (see Note 13)	₱3,709,015	₱305,080	₱497,042	₱48,317	₱–	₱4,559,454
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (see Note 10)	₱949	₱–	₱4,677	₱–	₱–	₱5,626
Inventories (see Note 11)	4,005	–	–	–	–	4,005
Property, Plant and Equipment (see Note 13)	10,065	–	–	–	–	10,065
Intangibles (see Note 16)	84,015	–	–	63,500	–	147,515
	₱99,034	₱–	₱4,677	₱63,500	₱–	₱167,211

** Includes foreign exchange losses and other revenues (expenses).*

	2010					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱43,249,537	₱7,166,117	₱7,304,342	₱–	₱–	₱57,719,996
Inter-segment	5,045,887	3,124,832	3,842,742	–	(12,013,461)	–
	₱48,295,424	₱10,290,949	₱11,147,084	₱–	(₱12,013,461)	₱57,719,996
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱7,287,647	₱1,199,890	₱3,297,498	(₱826,026)	₱–	₱10,959,009
Depreciation and amortization (see Note 28)	(2,461,620)	(282,635)	(508,370)	(28,175)	–	(3,280,800)
Earnings before interest and income tax (EBIT)	₱4,826,027	₱917,255	₱2,789,128	(₱854,201)	₱–	₱7,678,209
Finance revenue (see Note 30)	₱21,167	₱210	₱3,991	₱1,196,697	₱–	1,222,065
Finance costs (see Notes 20, 22 and 31)	(₱19,440)	(₱270)	(₱6,767)	(₱1,007,723)	₱–	(1,034,200)
Equity in net income of a joint venture (see Note 17)	₱–	₱–	₱–	₱26,195	₱–	26,195
Market valuation gain on financial assets at FVPL (see Note 8)	₱–	₱–	₱–	₱2,007,094	₱–	2,007,094
Impairment losses and others						(442,889)
Other expenses*						(537,225)
Income before income tax						8,919,249
Provision for income tax						(780,999)
Net income						8,138,250
Other Information						
Total assets	₱29,639,640	₱4,768,924	₱7,258,597	₱23,692,139	₱–	₱65,359,300
Total liabilities	₱6,393,016	₱840,143	₱899,384	₱15,388,516	₱–	₱23,521,059
Capital expenditures (see Note 13)	₱2,784,330	₱276,476	₱484,857	₱37,145	₱–	₱3,582,808
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Other assets (see Note 19)	₱–	₱–	₱–	₱279,088	₱–	₱279,088
Receivables (see Note 10)	43,250	–	8,696	111,606	–	163,552
Inventories (see Note 11)	249	–	–	–	–	249
	₱43,499	₱–	₱8,696	₱390,694	₱–	₱442,889

** Includes foreign exchange losses and other revenues (expenses).*

Inter-segment Revenues
Intersegment 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 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.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore and Vietnam.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2012	2011	2010
		(In Thousands)	
Domestic	**₱51,044,862**	₱47,949,495	₱43,089,209
Foreign	**20,156,816**	19,218,135	14,630,787
	₱71,201,678	₱67,167,630	₱57,719,996

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	2012	2011	2010
		(In Thousands)	
Domestic	**₱20,583,499**	₱20,362,311	₱20,400,110
Foreign	**9,624,279**	8,495,129	7,435,184
	₱30,207,778	₱28,857,440	₱27,835,294

7. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	**₱41,124,944**	₱47,791,856
Cash in banks	**2,725,742,044**	616,980,982
Short-term investments	**2,578,966,409**	3,882,108,689
	₱5,345,833,397	₱4,546,881,527

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 1.2% to 3.9%, 1.4% to 3.8% and 1.6% to 3.6% in 2012, 2011 and 2010, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2012	2011
Investments held-for-trading	**₱10,811,568,098**	₱10,642,909,471
Derivative assets	**834,167**	9,162,226
	₱10,812,402,265	₱10,652,071,697

Investments held-for-trading consist of:

	2012	2011
Private bonds	**₱8,688,367,888**	₱7,374,656,667
Equity securities	**1,915,005,913**	3,132,619,171
Government securities	**208,194,297**	135,633,633
	₱10,811,568,098	₱10,642,909,471

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

The Group reported net market valuation gains on financial assets at FVPL of ₱1.5 billion and ₱2.0 billion in 2012 and 2010, respectively, while net market valuation losses of ₱1.2 billion in 2011. Breakdown of the market valuation gains (loss) per class of investment follows:

	2012	2011	2010
Private bonds	**₱855,860,481**	(₱671,472,063)	₱1,704,130,132
Equity securities	**669,815,481**	(470,301,969)	287,295,195
Government securities	**22,815,585**	(15,541,880)	15,668,988
	₱1,548,491,547	(₱1,157,315,912)	₱2,007,094,315

Interest income earned from private bonds amounted to ₱531.0 million, ₱505.1 million and ₱486.9 million in 2012, 2011, and 2010, respectively. Interest income from government securities amounted to ₱11.0 million, ₱15.7 million and ₱5.9 million in 2012, 2011, and 2010, respectively (see Note 30).

Derivative Financial Instruments
The Group's freestanding derivative financial instruments are accounted for as financial instruments at FVPL. Gains or losses arising from fair value changes on these derivative instruments are reported immediately in the profit or loss in the consolidated statements of comprehensive income.

The Group's freestanding derivatives consist of:

	2012			2011		
	Currency Forwards	**Currency Options**	**Total**	Currency Forwards	Currency Options	Total
Notional Amounts						
in USD	**US$–**	**US$–**	**US$–**	US$980,390	US$–	US$980,390
In Euro	**€–**	**€900,000**	**€900,000**	€900,000	€900,000	€1,800,000
Derivative assets	**₱–**	**₱834,167**	**₱834,167**	₱1,609,333	₱7,552,893	₱9,162,226
Derivative liabilities (Note 21)	**₱–**	**(₱4,680,533)**	**(₱4,680,533)**	₱1,395,542	₱22,991,518	₱24,387,060

The Group's freestanding derivatives represent currency forwards and currency options that are all due within one year from respective financial position dates.

Fair value changes on derivatives
The net movements in fair value of all derivative instruments in 2012 and 2011 are as follows:

	2012	2011
Balances at beginning of year:		
Derivative assets	**₱9,162,226**	₱2,257,526
Derivative liabilities	**(24,387,060)**	(12,826,639)
Net changes in fair value of derivatives	**12,226,523**	4,115,330
Fair value of settled instruments	**(848,055)**	(540,391)
Balances at end of year:		
Derivative assets	**₱834,167**	₱9,162,226
Derivative liabilities (see Note 21)	**(₱4,680,533)**	(₱24,387,060)

9. Reclassification of Financial Assets

In 2008, following the amendments to PAS 39 and PFRS 7, *Reclassification of Financial Assets*, the Group reclassified certain trading assets from the financial assets at FVPL category to the AFS investments category in the consolidated statements of financial position. The global credit crunch in 2008 had prompted the amendments to be issued by the International Accounting Standards Board (IASB), and the adoption of these amendments permitted the Group to revisit the existing classification of their financial assets. The Group identified assets eligible under the amendments, for which at July 1, 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The disclosures below detail the impact of the reclassifications to the Group.

The following table shows carrying values and fair values of the reclassified assets:

	2012	2011	2010	2009	2008
Private bonds	**₱1,984,850,194**	₱2,451,989,177	₱3,238,990,528	₱3,851,715,862	₱3,296,606,883
Government securities	**1,862,178,302**	2,165,354,695	2,543,989,688	2,559,491,290	2,224,382,820
Equity securities	**929,128,125**	872,487,250	943,694,250	896,441,088	783,853,000
	₱4,776,156,621	₱5,489,831,122	₱6,726,674,466	₱7,307,648,240	₱6,304,842,703

As of the reclassification date, EIRs on reclassified trading assets ranged from 6.06% to 18.94% with expected recoverable cash flows of ₱12.5 billion. Ranges of EIRs were determined based on weighted average rates by business.

Prior to reclassification, reduction in the fair values of the Group's financial assets at FVPL at July 1, 2008 amounted to ₱1.3 billion, which is included under 'Market valuation gain (loss) on financial assets at FVPL' in the 2008 consolidated statement of income.

Had the reclassification not been made, the Group's consolidated net income would have included an additional market valuation gain on financial assets at FVPL amounting to ₱393.5 million in 2012 while an additional market valuation loss of ₱437.9 million in 2011.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the years ended September 30, 2012 and 2011, respectively:

	2012	2011
Increase (reduction) in:		
Interest income - accretion	**₱9,004,095**	₱7,474,245
Foreign exchange losses	**(19,198,021)**	(23,298,431)

The reclassification is compliant with the criteria and rules set forth in the SEC Memorandum Circular No. 10, Series of 2008, on Amendments to PAS 39 and PFRS 7, as issued by the Philippine SEC.

10. **Receivables**

This account consists of:

	2012	2011
Trade receivables	**₱4,959,520,435**	₱4,764,096,242
Due from related parties (see Note 35)	**1,258,154,460**	1,602,667,129
Advances to officers, employees and suppliers	**687,661,984**	526,095,030
Interest receivable	**224,439,145**	222,289,907
Others	**729,149,733**	710,454,741
	7,858,925,757	7,825,603,049
Less allowance for impairment losses	**397,892,842**	405,778,234
	₱7,461,032,915	₱7,419,824,815

Others include receivables from URC Retirement Plan amounting to ₱373.9 million and ₱354.3 million as of September 30, 2012 and 2011, respectively (see Note 32).

Allowance for Impairment Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	2012			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of year	**₱196,787,738**	**₱195,429,205**	**₱13,561,291**	**₱405,778,234**
Recovery during the year	**(750,515)**	**–**	**–**	**(750,515)**
Accounts written-off	**(435,130)**	**(6,699,747)**	**–**	**(7,134,877)**
Balances at end of year	**₱195,602,093**	**₱188,729,458**	**₱13,561,291**	**₱397,892,842**

	2011			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱193,956,711	₱205,267,791	₱13,561,291	₱412,785,793
Provision for impairment losses	3,525,854	2,099,959	–	5,625,813
Accounts written-off	(694,827)	(11,938,545)	–	(12,633,372)
Balances at end of year	₱196,787,738	₱195,429,205	₱13,561,291	₱405,778,234

Allowance for impairment losses on other receivables includes ₱19.7 million for advances to officers, employees and suppliers as of September 30, 2012 and 2011, and ₱169.0 million and ₱175.8 million for other receivables as of September 30, 2012 and 2011, respectively.

11. **Inventories**

This account consists of:

	2012	2011
At cost:		
Raw materials	**₱4,914,866,990**	₱4,915,009,092
Finished goods	**2,172,592,347**	2,090,752,080
	7,087,459,337	7,005,761,172
At NRV:		
Goods in-process	**364,509,629**	451,672,553
Containers and packaging materials	**1,027,597,765**	1,114,231,000
Spare parts and supplies	**1,279,767,421**	1,153,119,931
	2,671,874,815	2,719,023,484
	₱9,759,334,152	₱9,724,784,656

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3.5 billion and ₱1.4 billion as of September 30, 2012 and 2011, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory written down as expense (included under the 'Cost of sales' in the consolidated statements of income) amounted to ₱673.6 million, ₱470.1 million and ₱459.7 million in 2012, 2011 and 2010, respectively.

The Group recognized impairment losses on its inventories amounted to nil, ₱4.0 million and ₱0.2 million in 2012, 2011 and 2010, respectively. The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱9.8 billion and ₱9.7 billion for September 30, 2012 and 2011, respectively.

12. Other Current Assets

This account consists of:

	2012	2011
Input value-added tax (VAT)	**₱290,724,709**	₱490,943,646
Prepaid expenses	**163,417,993**	160,413,492
	₱454,142,702	₱651,357,138

Prepaid expenses include prepaid insurance amounting to ₱66.2 million and ₱69.4 million in 2012 and 2011, respectively, and prepaid rent amounting to ₱15.8 million and ₱13.2 million in 2012 and 2011, respectively.

13. **Property, Plant and Equipment**

The composition of and movements in this account follow:

	2012				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost:					
Balances at beginning of year	₱1,861,511,843	₱1,137,422,773	₱10,189,106,715	₱37,350,139,182	₱50,538,180,513
Additions (see Note 6)	228,621,623	305,132,982	446,818,218	2,172,342,087	3,152,914,910
Disposals and other adjustments	–	5,453,200	(107,225,178)	(303,054,272)	(404,826,250)
Balances at end of year	2,090,133,466	1,448,008,955	10,528,699,755	39,219,426,997	53,286,269,173
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	–	470,848,675	3,956,210,084	22,726,266,375	27,153,325,134
Depreciation and amortization (see Note 6)	–	39,065,498	414,342,724	2,674,560,994	3,127,969,216
Impairment losses	–	–	–	7,651,176	7,651,176
Disposals and other adjustments	–	(2,535,082)	(107,490,935)	(297,139,240)	(407,165,257)
Balances at end of year	–	507,379,091	4,263,061,873	25,111,339,305	29,881,780,269
Net Book Value	₱2,090,133,466	₱940,629,864	₱6,265,637,882	₱14,108,087,692	₱23,404,488,904

	2012				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost:					
Balances at beginning of year	₱2,037,008,518	₱1,753,186,228	₱1,440,103,985	₱102,358,702	₱55,870,837,946
Additions (see Note 6)	117,622,231	162,477,525	1,007,889,688	688,287,640	5,129,191,994
Disposals and other adjustments	(79,290,412)	87,150,158	(173,124,798)	(191,692,097)	(761,783,399)
Balances at end of year	2,075,340,337	2,002,813,911	2,274,868,875	598,954,245	60,238,246,541
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	1,359,337,082	934,954,992	–	–	29,447,617,208
Depreciation and amortization (see Note 6)	99,945,261	187,455,404	–	–	3,415,369,881
Impairment losses	–	–	–	–	7,651,176
Disposals and other adjustments	(79,572,287)	(64,288,634)	–	–	(551,026,178)
Balances at end of year	1,379,710,056	1,058,121,762	–	–	32,319,612,087
Net Book Value	₱695,630,281	₱944,692,149	₱2,274,868,875	₱598,954,245	₱27,918,634,454

	2011				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost:					
Balances at beginning of year	₱1,773,136,819	₱1,146,007,084	₱9,552,049,507	₱35,035,011,058	₱47,506,204,468
Additions (see Note 6)	88,375,024	45,641,856	397,888,024	2,388,791,049	2,920,695,953
Disposal of assets held for sale (see Note 38)	–	(40,332,487)	(273,026,647)	(177,304,404)	(490,663,538)
Disposals and other adjustments	–	(13,893,680)	512,195,831	103,641,479	601,943,630
Balances at end of year	1,861,511,843	1,137,422,773	10,189,106,715	37,350,139,182	50,538,180,513
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	–	467,007,996	3,230,411,427	21,210,542,975	24,907,962,398
Depreciation and amortization (see Note 6)	–	48,019,284	418,613,522	2,513,220,238	2,979,853,044
Impairment losses	–	–	–	10,065,297	10,065,297
Disposal of assets held for sale (see Note 38)	–	(30,284,925)	(205,010,696)	(133,134,621)	(368,430,242)
Disposals and other adjustments	–	(13,893,680)	512,195,831	(874,427,514)	(376,125,363)
Balances at end of year	–	470,848,675	3,956,210,084	22,726,266,375	27,153,325,134
Net Book Value	₱1,861,511,843	₱666,574,098	₱6,232,896,631	₱14,623,872,807	₱23,384,855,379

	2011				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost:					
Balances at beginning of year	₱1,962,727,429	₱1,611,728,456	₱812,361,948	₱386,517,787	₱52,279,540,088
Additions (see Note 6)	94,935,093	172,170,867	1,269,291,246	102,358,702	4,559,451,861
Disposal of assets held for sale (see Note 38)	(6,652,393)	(13,717,016)	–	–	(511,032,947)
Disposals and other adjustments	(14,001,611)	(16,996,079)	(641,549,209)	(386,517,787)	(457,121,056)
Balances at end of year	2,037,008,518	1,753,186,228	1,440,103,985	102,358,702	55,870,837,946
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	1,278,453,708	781,111,890	–	–	26,967,527,996
Depreciation and amortization (see Note 6)	99,880,145	181,139,037	–	–	3,260,872,226
Impairment losses	–	–	–	–	10,065,297
Disposal of assets held for sale (see Note 38)	(4,995,160)	(10,299,855)	–	–	(383,725,257)
Disposals and other adjustments	(14,001,611)	(16,996,080)	–	–	(407,123,054)
Balances at end of year	1,359,337,082	934,954,992	–	–	29,447,617,208
Net Book Value	₱677,671,436	₱818,231,236	₱1,440,103,985	₱102,358,702	₱26,423,220,738

In 2012 and 2011, the Group recognized impairment losses of ₱7.7 million and ₱10.1 million on its machinery and equipment (included under 'Impairment losses' on the consolidated statements of income), respectively.

Property, plant and equipment with an aggregate net book value of ₱34.3 million have been pledged as security for certain long-term debt as of September 30, 2011. In December 2011, SONEDCO fully settled the long-term debt (see Note 22).

Borrowing Costs
No borrowing costs have been capitalized as property, plant and equipment under construction as 2012 and 2011. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2010 amounted to 8.75%.

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows (see Note 28):

	2012	2011	2010
Cost of sales	**₱3,216,808,941**	₱3,041,569,926	₱3,063,181,291
Selling and distribution costs	**86,640,875**	115,416,392	114,281,407
General and administrative expenses	**111,920,065**	103,885,908	96,971,594
	₱3,415,369,881	₱3,260,872,226	₱3,274,434,292

14. Available-for-Sale Investments

This account consists of:

	2012	2011
Debt securities:		
Private bonds	**₱1,984,850,194**	₱2,451,989,177
Government securities		
Philippines	**1,458,912,091**	1,459,530,167
Others	**403,266,211**	705,824,528
	3,847,028,496	4,617,343,872
Equity securities:		
Quoted	**950,848,125**	894,207,250
	₱4,797,876,621	₱5,511,551,122

The Group did not recognize any provision for impairment loss on its AFS investments under private debt securities in 2012, 2011 and 2010. As of September 30, 2012 and 2011, AFS investments include net unrealized gain on market revaluation of ₱650.5 million and ₱257.0 million, respectively, which are presented as components of 'Other comprehensive income' in Equity (see Note 24).

Interest income recognized from private bonds amounted to ₱202.6 million, ₱219.3 million and ₱293.9 million in 2012, 2011 and 2010, respectively. Interest income from government bonds amounted to ₱130.7 million, ₱133.1 million and ₱190.7 million in 2012, 2011 and 2010, respectively (see Note 30).

Movements in the net unrealized gain on AFS investments follow:

	2012	2011
Balances at beginning of year	**₱257,038,710**	₱694,965,121
Net changes shown in other comprehensive income (see Note 24):		
Fair value changes during the period	**446,319,850**	(385,999,011)
Fair value changes taken to profit and loss upon sale of AFS investments	**(52,853,822)**	(51,927,400)
	393,466,028	(437,926,411)
Balances at end of year	**₱650,504,738**	₱257,038,710

15. Biological Assets

Movements in this account follow:

	2012						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	Total
Cost:							
Balances at beginning of year	₱422,322,129	₱850,256,410	₱1,272,578,539	₱130,599,612	₱61,008,719	₱191,608,331	₱1,464,186,870
Additions	383,682,724	2,960,918,965	3,344,601,689	179,122,273	582,769,817	761,892,090	4,106,493,779
Disposal	(337,830,042)	(2,903,504,759)	(3,241,334,801)	(131,522,118)	(541,316,483)	(672,838,601)	(3,914,173,402)
Balances at end of year	468,174,811	907,670,616	1,375,845,427	178,199,767	102,462,053	280,661,820	1,656,507,247
Accumulated Depreciation:							
Balances at beginning of year	39,015,962	–	39,015,962	54,852,091	–	54,852,091	93,868,053
Depreciation	40,854,993	–	40,854,993	135,671,573	–	135,671,573	176,526,566
Disposal	(22,815,084)	–	(22,815,084)	(92,566,197)	–	(92,566,197)	(115,381,281)
Balances at end of year	57,055,871	–	57,055,871	97,957,467	–	97,957,467	155,013,338
Gains (losses) arising from changes in fair value less estimated costs to sell	(62,399,649)	46,874,989	(15,524,660)	–	–	–	(15,524,660)
Net Book Value at End of Year	₱348,719,291	₱954,545,605	₱1,303,264,896	₱80,242,300	₱102,462,053	₱182,704,353	₱1,485,969,249

	2011						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	Total
Cost:							
Balances at beginning of year	₱396,710,301	₱787,198,756	₱1,183,909,057	₱145,480,795	₱59,678,045	₱205,158,840	₱1,389,067,897
Additions	350,854,991	2,839,957,501	3,190,812,492	-	593,208,152	593,208,152	3,784,020,644
Disposal	(335,315,726)	(2,638,517,118)	(2,973,832,844)	(14,881,183)	(591,877,478)	(606,758,661)	(3,580,591,505)
Balances at end of year	412,249,566	988,639,139	1,400,888,705	130,599,612	61,008,719	191,608,331	1,592,497,036
Accumulated Depreciation:							
Balances at beginning of year	37,487,487	–	37,487,487	56,003,374	–	56,003,374	93,490,861
Depreciation	26,163,535	–	26,163,535	–	–	–	26,163,535
Disposal	(24,635,060)	–	(24,635,060)	(1,151,283)	–	(1,151,283)	(25,786,343)
Balances at end of year	39,015,962	–	39,015,962	54,852,091	–	54,852,091	93,868,053
Gains (losses) arising from changes in fair value less estimated costs to sell	10,072,563	(138,382,729)	(128,310,166)	–	–	–	(128,310,166)
Net Book Value at End of Year	₱383,306,167	₱850,256,410	₱1,233,562,577	₱75,747,521	₱61,008,719	₱136,756,240	₱1,370,318,817

The Group has about 217,796 and 206,201 heads of swine as of September 30, 2012 and 2011, respectively, and about 652,556 and 470,969 heads of poultry as of September 30, 2012 and 2011, respectively.

16. Intangible Assets

The composition of and movements in this account follow:

	2012			
	Goodwill	**Trademark**	**Product Formulation**	**Total**
Cost:				
Balances at beginning and end of year	**₱1,046,767,480**	**₱251,524,581**	**₱425,000,000**	**₱1,723,292,061**
Accumulated Amortization and Impairment Losses:				
Balances at beginning of year	**248,139,704**	**11,301,181**	**–**	**259,440,885**
Impairment losses during the year	**–**	**190,223,400**	**–**	**190,223,400**
Balances at end of year	**248,139,704**	**201,524,581**	**–**	**449,664,285**
Net Book Value at End of Year	**₱798,627,776**	**₱50,000,000**	**₱425,000,000**	**₱1,273,627,776**

	2011			
	Goodwill	Trademark	Product Formulation	Total
Cost:				
Balances at beginning of year	₱1,075,014,724	₱335,539,346	₱425,000,000	₱1,835,554,070
Disposal of investment (see Note 38)	(28,247,244)	(84,014,765)	–	(112,262,009)
Balances at end of year	1,046,767,480	251,524,581	425,000,000	1,723,292,061
Accumulated Amortization and Impairment Losses:				
Balances at beginning of year	184,639,704	9,686,726	–	194,326,430
Amortization during the year	–	1,614,455	–	1,614,455
Impairment losses during the year	63,500,000	84,014,765	–	147,514,765
Disposal of investment (see Note 38)	–	(84,014,765)	–	(84,014,765)
Balances at end of year	248,139,704	11,301,181	–	259,440,885
Net Book Value at End of Year	₱798,627,776	₱240,223,400	₱425,000,000	₱1,463,851,176

The Group's goodwill pertains to: (a) the acquisition of Advanson in December 2007, (b) the acquisition of Acesfood in May 2007 and (c) the excess of the acquisition cost over the fair values of the net assets acquired by HCFCL and UABCL in 2000. The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of September 30, 2012. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.3% to 10.0%. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

In 2012, the Group recognized impairment loss of ₱190.2 million (included under 'Impairment losses' on the consolidated statement of income) on trademark attributed to Shanghai Peggy, a wholly owned subsidiary of HCFCL. Shanghai Peggy manufactures branded consumer foods such as oats, biscuits and cereals.

In 2011, the Group recognized impairment loss of ₱63.5 million (included under 'Impairment losses' on the consolidated statement of income) on the goodwill attributed to SONEDCO. The Group also derecognized goodwill of ₱28.2 million and trademark of ₱84.0 million pertaining to the disposal of subsidiaries (see Note 38).

17. Investment in a Joint Venture

This account consists of:

	2012	2011
Acquisition Cost:		
Balances at beginning and end of year	**₱1,250,000**	₱1,250,000
Accumulated Equity in Net Earnings:		
Balances at beginning of year	**88,716,944**	88,247,240
Equity in net income during the year	**31,172,102**	25,469,633
Dividends received	**(24,999,993)**	(24,999,929)
Balances at end of year	**94,889,053**	88,716,944
Net Book Value at End of Year	**₱96,139,053**	₱89,966,944

The Parent Company has an equity interest in HURC, a domestic joint venture. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines.

The Parent Company's percentage of ownership in HURC and its related equity in the net assets is summarized below:

	Percentage of Ownership		Equity in Net Assets	
	2012	2011	**2012**	2011
			(In Millions)	
HURC	**50.0**	50.0	**₱96.1**	₱90.0

Summarized financial information of HURC as of September 30, 2012 and 2011 which are accounted for under the equity method follow:

	2012	2011
	(In Thousands)	
Current assets	**₱500,909**	₱334,311
Noncurrent assets	**2,213**	2,888
Current liabilities	**411,507**	257,347
Noncurrent liabilities	**–**	582
Revenue	**650,234**	657,819
Costs and expenses	**(569,959)**	(594,671)
Net income	**62,344**	50,939

18. **Investment Properties**

Movements in this account follow:

	2012	2011
Cost:		
Balances at beginning and end of year	**₱107,947,364**	₱107,947,364
Accumulated Depreciation:		
Balances at beginning of year	**39,798,057**	36,140,270
Depreciation	**3,657,795**	3,657,787
Balances at end of year	**43,455,852**	39,798,057
Net Book Value at End of Year	**₱64,491,512**	₱68,149,307

The investment properties consist of building and plant which are made available for lease to certain related parties (see Note 35).

The aggregate fair value of the Group's investment properties amounted to ₱192.4 million as of September 30, 2012 and 2011. The fair values of investment properties have been determined by qualified independent appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Total rental income earned from investment properties (included under 'Other expenses' in the consolidated statements of income) amounted to ₱64.7 million, ₱52.8 million and ₱56.6 million in 2012, 2011 and 2010, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱2.6 million in 2012 and ₱0.2 million both for 2011 and 2010.

19. **Other Noncurrent Assets**

This account consists of:

	2012	2011
Input VAT	**₱88,829,664**	₱126,104,745
Miscellaneous deposits	**257,812,178**	151,494,331
Others	**79,281,795**	75,599,084
	₱425,923,637	₱353,198,160

Other noncurrent assets is net of allowance for impairment losses amounting to ₱279.1 million as of September 30, 2012 and 2011.

20. **Short-term Debt**

This account consists of:

	2012	2011
US Dollar denominated loans - with interest rates ranging from 0.65% to 1.45% in 2012 and 0.49% to 1.01% in 2011	**₱6,078,141,358**	₱4,409,925,140
Philippine Peso denominated loan with interest rate at 3.00% in 2012	**1,000,000,000**	–
Euro denominated loans - with interest rates ranging from 0.41% to 0.57% in 2012 and 1.44% to 1.76% in 2011	**523,168,875**	720,498,759
Thai Baht denominated loans - with interest rates ranging from and 3.30% to 3.85% in 2012 and 3.90% to 4.10% in 2011	**803,161,391**	391,364,325
Singaporean Dollar denominated loans - with interest rates at 0.78% in 2012 and 0.45% in 2011	**184,065,260**	189,830,928
Vietnam Dong denominated loans with interest rate at 4.35% in 2011	**–**	38,013,483
	₱8,588,536,884	₱5,749,632,635

Interest is based on prevailing market rates. Accrued interest payable on the Group's short-term debt (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱10.8 million and ₱5.1 million as of September 30, 2012 and 2011, respectively (see Note 21). Interest expense from the short-term debt amounted to ₱431.5 million, ₱58.8 million and ₱54.7 million in 2012, 2011 and 2010, respectively (see Note 31).

21. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2012	2011
Trade payables	**₱5,205,697,374**	₱4,753,740,196
Accrued expenses	**1,457,090,391**	1,544,764,922
Due to related parties (see Note 35)	**284,599,807**	335,279,536
Customers' deposits	**207,167,134**	244,869,140
Advances from stockholders (see Note 35)	**218,904,217**	223,218,179
Derivative liabilities (see Note 8)	**4,680,533**	24,387,060
Others	**208,702,670**	144,559,244
	₱7,586,842,126	₱7,270,818,277

As of September 30, 2012 and 2011, Others include withholding taxes payable amounting to ₱121.8 million and ₱86.7 million, respectively. The accrued expenses account consists of:

	2012	2011
Advertising and promotions	**₱899,226,122**	₱831,935,964
Freight and handling costs	**191,287,113**	160,409,857
Contracted services	**150,812,491**	304,028,503
Interest payable	**24,254,634**	145,914,993
Others	**191,510,031**	102,475,605
	₱1,457,090,391	₱1,544,764,922

As of September 30, 2012 and 2011, Others include accrued utilities amounting to ₱96.6 million and ₱76.5 million, respectively.

22. Long-term Debt

This account consists of:

	Maturities	Interest Rates	**2012**	2011
Parent Company:				
Philippine Peso:				
₱3.0 billion loan facility	2014	8.75%	**₱2,990,455,926**	₱2,984,699,202
Subsidiaries:				
Foreign currency:				
URC US$200 million guaranteed notes	2012	8.25%	–	8,197,807,089
Philippine Peso:				
Philippine Sugar Corporation restructured loan	2013	7.50%	–	25,704,433
			–	8,223,511,522
			2,990,455,926	11,208,210,724
Less current portion			–	8,205,763,578
			₱2,990,455,926	₱3,002,447,146

Long-term debt is shown net of unamortized debt issuance costs totaling to ₱9.5 million and ₱19.0 million as of September 30, 2012 and 2011, respectively (see Note 4).

Repayments of the long-term debt follow:

	2012	2011
Due in:		
2012	**₱–**	₱8,205,763,578
2013	**–**	8,553,226
2014	**3,000,000,000**	3,009,194,718
	₱3,000,000,000	₱11,223,511,522

The exchange rates used to restate the foreign currency borrowings were ₱41.70 to US$1.00 and ₱43.72 to US$1.00 as of September 30, 2012 and 2011, respectively.

The following significant transactions affected the Group's long-term debt:

URC ₱3.0 Billion 8.75% Fixed Corporate Notes Due 2014
On March 24, 2009, URC issued fixed corporate notes amounting to ₱3.0 billion to various financial institutions for capital expenditures and general corporate purposes. The notes bear a fixed interest rate of 8.75%, payable semi-annually in arrears, and have a term of five (5) years, maturing on March 27, 2014.

The notes contain negative covenants that, among others, prohibit merger or consolidation with other entities if it is not the surviving entity, nor shall it create or form another corporation or subsidiary when a material adverse effect will result. The notes also contain affirmative covenants which include among others maintenance of a debt to equity ratio of not greater than 2.0 to 1.0 and interest coverage ratio of not lesser than 2.0 to 1.0.

URCPL 8.25% Guaranteed Notes Due 2012
On January 14, 2005, URCPL issued US$200.0 million 8.25% notes due 2012 guaranteed by the Parent Company (the guarantor). Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest on January 20, 2012. These corporate notes contain negative covenants which include among others maintenance of the guarantor of a debt to equity ratio of not greater than 2.0 to 1.0.

On October 29, 2008, the Group reacquired a portion of its bonds payable with a face value of ₱241.7 million (US$5.0 million) for a total proceeds of ₱228.0 million (US$4.5 million). The Group recognized gain on reacquisition of bonds amounting to ₱20.8 million (included under 'Other expenses' in the 2009 consolidated statements of income).

On February 20, 2010, the Group made a partial principal repayment on its bonds payable with a face value of ₱342.8 million (US$7.4 million). In January 2012, URCPL fully settled the said guaranteed notes with a total payment of ₱8.4 billion, including interest.

Philippine Sugar Corporation Restructured Loan
Certain property and equipment of a subsidiary with a net book value of nil and ₱34.3 million as of September 30, 2012 and 2011, respectively, were used to secure the loan.

The loan is payable in 25 equal annual amortizations of ₱9.9 million. Unpaid interest on the loan amounted to nil and ₱1.4 million as of September 30, 2012 and 2011, respectively. Total interest expense and other related charges on all of these long-term debts amounted to ₱205.8 million, ₱940.4 million and ₱978.1 million in 2012, 2011 and 2010, respectively (see Note 31). In December 2011, SONEDCO fully settled the loan with a total payment of ₱27.6 million, including interest.

23. Equity

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

	2012	2011	2010
Authorized shares	**2,998,000,000**	2,998,000,000	2,998,000,000
Par value per share	**₱1.00**	₱1.00	₱1.00
Issued shares:			
Balances at beginning and end of year	**2,227,638,933**	2,227,638,933	2,227,638,933
Outstanding shares	**2,181,501,933**	2,061,501,933	2,070,354,433

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio as of September 30, 2012 and 2011.

	2012	2011
(a) Short-term debt (see Note 20)	**₱8,588,536,884**	₱5,749,632,635
Trust receipts payable (see Note 11)	**3,464,360,214**	1,448,156,283
Long-term debt (see Note 22)	**2,990,455,926**	11,208,210,724
	₱15,043,353,024	₱18,405,999,642
(b) Capital	**₱46,616,551,604**	₱42,026,511,494
(c) Debt-to-capital ratio (a/b)	**0.32:1**	0.44:1

The Group's policy is to not to exceed a debt-to-capital ratio of 2:1 level. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares
The Group's authorized preferred shares of stock are 12.00% 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 ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2012 and 2011.

Retained Earnings
Dividends
Details of the Group's dividend declarations follow:

	2012	2011	2010
Date of declaration	**April 18, 2012**	May 11, 2011	April 15, 2010
Dividend per share	**₱1.90**	₱1.90	₱0.94
Total dividends	**₱3.9 billion**	₱3.9 billion	₱1.9 billion
Date of record	**May 8, 2012**	May 31, 2011	May 5, 2010
Date of payment	**June 1, 2012**	June 27, 2011	May 20, 2010

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings
In 2011, as approved by the BOD, the Group has appropriated retained earnings amounting to ₱5.0 billion for the Group's expansion plans. On the same date, however, the BOD also approved the reversal of the previously appropriated retained earnings amounting to ₱3.0 billion.

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

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

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

The details of the treasury shares follow:

	2012	2011	2010
Balances at beginning of year	**₱2,414,026,153**	₱2,091,912,018	₱934,712,846
Purchases during the year	**–**	322,114,135	1,157,199,172
Sale during the year	**(1,743,640,119)**	–	–
Balances at end of year	**₱670,386,034**	₱2,414,026,153	₱2,091,912,018

The Parent Company has outstanding treasury shares of 46.1 million, 166.1 million and 157.3 million shares as of September 30, 2012, 2011 and 2010, respectively. The Parent Company is restricted from declaring an equivalent amount of the treasury shares from the unappropriated retained earnings as dividends.

Equity Reserve

In August 2012, the Parent Company has acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represents the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included in "Equity Reserve" in the 2012 consolidated statements of changes in equity. The equity reserve from the acquisition will only be recycled in the consolidated statement of income in the event that the Group will lose its control over URCICL.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	₱1.00	₱1.00	–	929,890,908
	New common shares	309,963,636	₱1.00	₱21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
						2,181,501,933

The table below provides information regarding the number of stockholders of the Parent Company as of September 30, 2012, 2011 and 2010:

	2012	2011	2010
Common shares	**1,110**	1,146	1,189

24. Components of Other Comprehensive Income

The Group does not recognize income tax on the components of other comprehensive income as presented in the following table:

	2012	2011
Cumulative translation adjustments	**₱142,947,365**	₱324,705,986
Net unrealized gain on AFS investments (see Note 14):		
Balances at beginning of year	**257,038,710**	694,965,121
Changes in fair value during the period	**446,319,850**	(385,999,011)
Reclassification adjustment included in the profit or loss arising from disposal of AFS investment	**(52,853,822)**	(51,927,400)
Balances at end of year	**650,504,738**	257,038,710
	₱793,452,103	₱581,744,696

25. Cost of Sales

This account consists of:

	2012	2011	2010
Raw materials used	**₱40,177,314,934**	₱38,195,240,177	₱31,087,524,494
Direct labor	**2,028,691,748**	2,403,857,461	1,921,581,435
Overhead costs	**10,519,225,055**	10,730,878,529	8,722,196,943
Total manufacturing costs	**52,725,231,737**	51,329,976,167	41,731,302,872
Goods in-process	**87,162,924**	(329,671,870)	(23,585,629)
Cost of goods manufactured	**52,812,394,661**	51,000,304,297	41,707,717,243
Finished goods	**(81,840,267)**	(355,030,639)	(594,312,006)
	₱52,730,554,394	₱50,645,273,658	₱41,113,405,237

Overhead costs are broken down as follows:

	2012	2011	2010
Utilities and rental	**₱4,138,653,789**	₱4,450,486,827	₱2,816,362,105
Depreciation and amortization (see Note 28)	**3,216,808,941**	3,041,569,926	3,063,181,291
Repairs and maintenance	**1,445,307,713**	1,366,606,774	1,130,407,098
Personnel expenses (see Note 29)	**1,213,493,075**	1,152,031,563	1,206,049,347
Rental expense	**221,551,914**	142,983,515	125,954,362
Research and development	**81,251,615**	43,632,441	57,563,121
Handling and delivery charges	**58,187,875**	113,895,035	97,648,773
Others	**143,970,133**	419,672,448	225,030,846
	₱10,519,225,055	₱10,730,878,529	₱8,722,196,943

26. Selling and Distribution Costs

This account consists of:

	2012	2011	2010
Advertising and promotions	**₱4,001,355,991**	₱3,512,877,794	₱3,498,090,000
Freight and other selling expenses	**3,540,336,732**	3,129,784,318	2,624,431,964
Personnel expenses (see Note 29)	**911,511,275**	803,537,499	752,436,505
Depreciation and amortization (see Note 28)	**86,640,875**	115,416,392	114,281,407
Repairs and maintenance	**74,768,318**	46,508,408	49,047,841
Other selling and distribution costs	**82,263,177**	72,707,467	52,720,554
	₱8,696,876,368	₱7,680,831,878	₱7,091,008,271

27. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Personnel expenses (see Note 29)	**₱1,040,834,754**	₱991,406,027	₱798,571,694
Travel and transportation	**232,534,644**	204,318,063	164,297,894
Depreciation and amortization (see Note 28)	**115,577,860**	109,158,150	103,337,475
Taxes, licenses and fees	**84,868,260**	76,426,067	97,687,353
Security and contractual services	**56,038,408**	46,877,314	35,430,789
Professional and legal fees	**44,610,145**	39,568,135	83,045,812
Utilities	**43,696,135**	43,124,599	41,698,906
Communication	**41,513,708**	43,969,017	39,537,459
Rent expense	**33,839,986**	30,942,901	31,810,741
Repairs and maintenance	**33,161,801**	81,139,260	60,546,398
Stationery and office supplies	**26,052,378**	26,914,522	28,132,890
Other expenses	**220,994,280**	258,933,269	353,276,775
	₱1,973,722,359	₱1,952,777,324	₱1,837,374,186

28. **Depreciation and Amortization**

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment, investment in properties and intangible assets follows:

	2012	2011	2010
Cost of sales (see Notes 13, and 25)	**₱3,216,808,941**	₱3,041,569,926	₱3,063,181,291
Selling and distribution costs (see Notes 13 and 26)	**86,640,875**	115,416,392	114,281,407
General and administrative expenses (see Notes 13, 16, 18, and 27)	**115,577,860**	109,158,150	103,337,475
	₱3,419,027,676	₱3,266,144,468	₱3,280,800,173

29. **Personnel Expenses**

Personnel expenses consist of:

	2012	2011	2010
Salaries and wages	**₱2,180,367,474**	₱2,087,085,557	₱1,925,399,085
Other employee benefits	**856,708,522**	762,396,413	767,086,009
Pension expense (see Note 32)	**128,763,108**	97,493,119	64,572,452
	₱3,165,839,104	₱2,946,975,089	₱2,757,057,546

The breakdown of personnel expenses follows:

	2012	2011	2010
Cost of sales (see Note 25)	**₱1,213,493,075**	₱1,152,031,563	₱1,206,049,347
Selling and distribution costs (see Note 26)	**911,511,275**	803,537,499	752,436,505
General and administrative expenses (see Note 27)	**1,040,834,754**	991,406,027	798,571,694
	₱3,165,839,104	₱2,946,975,089	₱2,757,057,546

30. **Finance Revenue**

This account consists of:

	2012	2011	2010
Interest income from investments in financial assets at FVPL (see Note 8)	**₱542,013,555**	₱520,838,056	₱492,712,052
Interest income from AFS investments (see Note 14)	**333,262,515**	352,390,531	484,530,587
Dividend income	**204,844,077**	211,016,855	189,654,704
Bank interest income	**148,266,086**	105,983,256	54,791,047
Others	**1,343,035**	1,013,110	376,309
	₱1,229,729,268	₱1,191,241,808	₱1,222,064,699

31. **Finance Costs**

This account consists of finance costs arising from:

	2012	2011	2010
Long-term debt (see Note 22)	**₱205,774,105**	₱940,439,248	₱978,103,707
Short-term debt (see Note 20)	**431,509,913**	58,809,788	54,705,591
Others	**45,765,978**	1,998,704	1,390,543
	₱683,049,996	₱1,001,247,740	₱1,034,199,841

32. **Pension Costs**

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The Parent Company, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement fund is being administered and managed by certain stockholders as trustees. The latest actuarial valuation was made on September 30, 2012.

The following tables summarize the components of net pension expense (income) recognized in the Parent Company's statements of comprehensive income, and the funded status and amounts recognized in the statements of financial position.

The amounts recognized in the Parent Company's statements of financial position follow:

	2012	2011
Present value of funded obligation	**₱1,738,830,510**	₱1,351,799,927
Fair value of plan assets	**(1,389,545,391)**	(1,221,431,248)
Funded status (unfunded obligation)	**(349,285,119)**	(130,368,679)
Unrecognized actuarial loss	**349,285,119**	113,995,788
Net plan liability	**₱–**	₱16,372,891

Components of the Parent Company's pension expense follow:

	2012	2011	2010
Current service cost	**₱77,910,400**	₱69,431,700	₱59,860,000
Interest cost	**96,924,055**	94,503,680	102,068,419
Expected return on plan assets	**(48,857,250)**	(48,391,248)	(67,734,560)
Loss (gain) recognized under limit on net assets	**–**	(21,266,423)	(31,080,477)
Total pension expense	**₱125,977,205**	₱94,277,709	₱63,113,382

Movements in the Parent Company's present value of the defined benefit obligation follow:

	2012	2011
Balances at beginning of year	**₱1,351,799,927**	₱1,220,977,777
Current service cost	**77,910,400**	69,431,700
Interest cost	**96,924,055**	94,503,680
Benefits paid	**(52,813,232)**	(90,431,051)
Actuarial losses	**265,009,360**	57,317,821
Balances at end of year	**₱1,738,830,510**	₱1,351,799,927

Movements in the Parent Company's fair value of plan assets follow:

	2012	2011
Balances at beginning of year	**₱1,221,431,248**	₱1,247,197,112
Expected return on plan assets	**48,857,250**	48,391,248
Actual contributions	**142,350,096**	–
Benefits paid	**(52,813,232)**	(90,431,051)
Actuarial gain	**29,720,029**	16,273,939
Balances at end of year	**₱1,389,545,391**	₱1,221,431,248
Actual return on plan assets	**₱78,577,279**	₱64,665,187

There are no reimbursement rights recognized as a separate asset as of September 30, 2012 and 2011.

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

Principal actuarial assumptions of the Parent Company at the financial position date follow:

	2012	2011	2010
Discount rate	**5.60%**	7.17%	7.74%
Salary rate increase	**5.50%**	5.50%	5.50%
Expected rate of return on plan assets	**4.00%**	4.00%	3.88%
Experience adjustments gains (losses)	**(₱61,225,995)**	₱1,502,508	₱3,797,073
Turnover rate	**0.00% - 29.00%**	0.00% - 31.94%	0.00% - 31.94%

The Parent Company's plan assets consist of the following:

	2012		2011		2010	
	Amount	**%**	Amount	%	Amount	%
Cash	**₱38,097**	**–**	₱35,992	–	₱544,419	–
Receivables	**1,763,417,600**	**126.91**	1,575,702,384	129.00	1,553,392,757	124.55
Liabilities (Notes 10 and 35)	**(373,910,306)**	**(26.91)**	(354,307,128)	(29.00)	(306,740,064)	(24.55)
	₱1,389,545,391	**100.00**	₱1,221,431,248	100.00	₱1,247,197,112	100.00

Amounts for the current annual period and previous four annual periods of the Parent Company are as follows:

	2012	2011	2010	2009	2008
Defined benefit obligation	**₱1,738,830,510**	₱1,351,799,927	₱1,220,977,777	₱1,038,335,900	₱1,113,492,800
Plan assets	**1,389,545,391**	1,221,431,248	1,247,197,112	1,354,691,200	1,341,210,300
Surplus (deficit)	**(349,285,119)**	(130,368,679)	26,219,335	316,355,300	227,717,500
Experience adjustments on					
Plan assets	**29,720,029**	16,273,939	(32,995,817)	6,390,700	(5,111,600)
Plan liabilities	**61,225,995**	(1,502,508)	(3,797,073)	(7,144,800)	(176,556,600)

The Group's subsidiaries have both a funded, defined retirement contribution plan and an unfunded, noncontributory defined benefit plan covering all its regular employees. Both plans provide for retirement, separation, disability and death benefits to its members. Pension expense from the defined retirement contribution plan is based on the amount of contributions paid by the subsidiaries during the year.

Pension expense from defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation was made on September 30, 2012.

The following tables summarize the components of total net pension expense recognized in the subsidiaries' statements of comprehensive income, and the funded status and amounts recognized in the statements of financial position.

	2012	2011
Present value of defined benefit obligation	**₱21,811,470**	₱10,702,035
Unrecognized actuarial gain	**(10,747,941)**	(2,424,409)
Liability to be recognized in the statements of financial position	**₱11,063,529**	₱8,277,626

Components of the subsidiaries' total pension expense follow:

	2012	2011	2010
Current service cost	**₱1,826,200**	₱1,229,600	₱650,680
Interest cost	**876,440**	764,798	678,990
Amortization amounts for:			
Actuarial net losses	**83,263**	1,221,012	129,400
Total pension expense	**₱2,785,903**	₱3,215,410	₱1,459,070

Movements in the subsidiaries' present value of the defined benefit obligation follow:

	2012	2011
Balances at beginning of year	**₱10,702,035**	₱7,128,100
Interest cost	**876,440**	653,596
Current service cost	**1,826,200**	1,229,600
Actuarial losses	**8,406,795**	1,690,739
Balances at end of year	**₱21,811,470**	₱10,702,035

The subsidiaries' principal actuarial assumptions at the statement of financial position date follow:

	2012	2011	2010
Discount rate	**6.09% to 6.20%**	8.15% to 8.29%	9.03% to 9.31%
Salary rate increase	**5.50%**	5.50%	5.50%

33. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2012	2011	2010
Current	**₱918,424,497**	₱753,578,396	₱747,807,884
Deferred	**70,916,925**	(139,683,698)	33,191,934
	₱989,341,422	₱613,894,698	₱780,999,818

Components of the Group's net deferred tax liabilities follow:

	2012	2011
Deferred tax assets on:		
Impairment losses on trade receivables and property and equipment	**₱120,968,898**	₱120,195,353
Pension liabilities	**28,134,584**	15,936,241
Inventory write-downs	**23,439,329**	22,200,106
MCIT	**1,410,907**	–
NOLCO	**1,714,260**	–
Foreign subsidiaries	**11,644,434**	22,141,945
	187,312,412	180,473,645
Deferred tax liabilities on:		
Undistributed income of foreign subsidiaries	**268,093,259**	202,060,961
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**56,566,683**	61,224,081
Foreign subsidiaries	**35,212,730**	35,345,959
Net unrealized foreign exchange gain	**20,207,889**	1,387,667
Borrowing costs	**16,645,165**	18,951,366
	396,725,726	318,970,034
Net deferred tax liabilities	**₱209,413,314**	₱138,496,389

As of September 30, 2012 and 2011, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱186.6 million and ₱166.6 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized. The temporary difference wherein no deferred tax assets were recognized were from the NOLCO of the Group's subsidiaries. NOLCO of the Group's subsidiaries amounted to ₱535.3 million and ₱555.3 million in 2012 and 2011, respectively.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2012	2011	2010
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Market valuation loss (gain) on financial assets at FVPL	**(5.08)**	6.18	(3.80)
Net income of subsidiaries for which no tax was provided	**(10.90)**	(20.80)	(19.54)
Nondeductible interest expense	**0.15**	0.19	0.05
Income exempt from tax	**(0.08)**	(0.11)	0.39
Equity in net income of a joint venture	**0.10**	0.14	–
Interest income subjected to final tax	**(0.39)**	(0.27)	(0.14)
Others	**(2.98)**	(4.41)	1.80
Effective income tax rate	**10.82%**	10.92%	8.76%

RA No. 9337

RA No. 9337 was enacted into law which amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA were the reduction in the regular corporate income tax rate from 35% to 30% beginning January 1, 2009; and the reduction of nondeductible interest expense from 42% of interest income subjected to final tax to 33% beginning January 1, 2009.

Entertainment, Amusement and Recreation (EAR) Expenses

Revenue Regulation No. 10-2002 defines expenses to be classified as EAR expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. EAR expenses amounted to ₱36.8 million, ₱32.9 million and ₱24.9 million in 2012, 2011 and 2010, respectively.

MCIT

An MCIT of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In 2012, CCPI has excess MCIT over RCIT amounting to ₱1.4 million for which CCPI recognized deferred tax asset.

34. Earnings Per Share

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

	2012	2011	2010
Net income attributable to equity holders of the parent	**₱7,735,729,577**	₱4,636,270,925	₱7,817,275,906
Weighted average number of common shares	**2,096,501,933**	2,063,060,683	2,084,282,583
Basic/dilutive EPS	**₱3.69**	₱2.25	₱3.75

The weighted average number of common shares takes into account the treasury shares at year end. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares in 2012, 2011, and 2010.

35. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, various guarantees, regular banking transactions, leases and, management and administrative service agreements.

Intercompany transactions are eliminated in the accompanying consolidated financial statements. Related party transactions not eliminated are as follows:

	2012	2011
Due from related parties (shown under Receivables account in the consolidated statements of financial position) (see Note 10):		
JGSHI	**₱806,083,049**	₱672,356,936
Hongkong Peggy Foods, Inc.	**296,586,579**	314,568,766
JG Summit Petrochemical Corporation (JGSPC)	**35,465,263**	410,436,221
Robinsons Land Corporation	**33,698,496**	28,425,304
JG Summit Capital Services Corporation	**19,025,995**	19,026,053
Robinsons Convenient Store	**8,722,536**	10,606,605
Cebu Air, Inc.	**1,894,662**	34,013,299
Digital Telecom. Philippines, Inc. (DTPI)	–	34,316,075
HURC	–	15,568,093
Others*	**56,677,880**	63,349,777
	₱1,258,154,460	₱1,602,667,129

* *Others include Robinsons Savings Bank Corporation and Unicon Insurance Brokers Corporation*

	2012	2011
Due to related parties (shown under Accounts payable and other accrued liabilities account in the consolidated statements of financial position) (see Note 21)		
Shanghai Ding Feng Estate Development, Co., Ltd.	**₱151,567,215**	₱157,945,310
RSC	**55,402,524**	83,247,790
Solid Finance Holdings, Inc.	**27,079,065**	28,357,143
Xiamen Pacific Estate Investment Co., Ltd.	**19,090,896**	19,090,896
Taicang Ding Feng Real Estate	**13,193,129**	41,019,328
Others*	**18,266,978**	5,619,069
	₱284,599,807	₱335,279,536

** Others include Digitel Mobile Philippines, Inc.*

The Group's significant transactions with related parties follow:

(a) Sales to related parties (which include affiliates Robinson's Supermarket, Robinsons Convenient Store, HURC and Robinsons Handyman) amounted to ₱1.6 billion, ₱890.0 million and ₱1.4 billion in 2012, 2011 and 2010, respectively. Trade receivables from HURC amounted to ₱18.1 million and ₱148.3 million as of September 30, 2012 and 2011, respectively.

(b) The Group purchases polypropylene resin for BOPP film from JGSPC, an affiliate. BOPP film is used as one of the raw materials for the Group's packaging division. Said purchases amounted to ₱1.4 billion, ₱813.2 million and ₱560.6 million in 2012, 2011 and 2010, respectively. The Group also purchases power from JGSPC. The said purchases amounted to ₱301.4 million, ₱266.2 million and ₱179.2 million in 2012, 2011 and 2010, respectively.

(c) JGSHI provides the Group certain corporate services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications.

(d) The Group leases certain properties from JGSHI. Expenses relating to said lease amounted to ₱16.1 million for year ended 2012 and ₱17.0 million for each of the years ended 2011 and 2010.

(e) The Group leases certain properties to various related parties (which include DTPI, NURC and Robinsons, Inc.). Rent income earned from said properties amounted to ₱64.7 million, ₱52.8 million and ₱55.7 million in 2012, 2011 and 2010, respectively.

(f) As of September 30, 2012 and 2011, the Group has advances from stockholders amounting to ₱218.9 million and ₱223.2 million, respectively.

(g) The Group engages in regular bank transactions with Robinsons Savings Bank Corp., an affiliated local commercial bank.

(h) The Group has bond investments issued by JGSHI recorded as financial assets at FVPL amounting to nil and ₱566.3 million in 2012 and 2011, respectively. The bond investments earned interest of ₱21.8 million and ₱43.0 million in 2012 and 2011, respectively. In February 2012, the Group sold its 57.7 million shares of JGSHI bond investments with total proceeds of ₱1.4 billion.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2012	2011	2010
Short-term employee benefits	**₱135,360,688**	₱122,776,609	₱107,165,000
Post-employment benefits	**52,813,232**	90,431,051	17,932,318
	₱188,173,920	₱213,207,660	₱125,097,318

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

As of September 30, 2012 and 2011, the Group's plan assets include amounts due to the Parent Company totaling ₱373.9 million and ₱354.3 million, respectively (see Notes 10 and 32). The Group's plan assets also include amounts due from JGSHI totaling ₱1.8 billion (see Note 32).

36. Registration with the BOI

Certain operations of the Parent Company and consolidated subsidiaries are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these entities are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Robina Farms - Poultry
On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. In June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms - Hogs
On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Bio-Resource Power Generation Corporation
Bio-Resource Power Generation Corporation is registered with BOI as pioneer status under the Omnibus Investments Code of 1987 otherwise known as Executive Order No. 226. Under the terms of its registration, the company shall be entitled to certain incentives such as (a) additional deduction from taxable income of fifty percent (50%) on wages subject to certain terms and conditions; (b) employment of foreign nationals; (c) importation of consigned equipment for a period of ten (10) years from date of registration subject to certain terms and conditions; (d) exemption from taxes and duties on imported spare parts and suppliers for certain producers; and (e) other non-fiscal incentives that may be applicable.

SONEDCO
In November 2005, SONEDCO was registered with the BOI under the Omnibus Investments Code of 1987 as a new producer of refined sugar and its by-product (molasses) on a pioneer status and as expanding producer of raw sugar and it by-product (molasses) on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, SONEDCO is entitled to certain fiscal and non-fiscal incentives which were transferred to the Parent Company, on account of the transfer of its sugar milling operations: (a) ITH for a period of six years from November 2006; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for 10 years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations provided firm exports at least 70% of production output; (g) exemption from wharfage dues and any export tax, duty, impost and fees; (h) importation of consigned equipment for a period of 10 years from date of registration; and (i) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with CBMW exporting at least 70% of production.

CCPI

In June 2005, CCPI was registered with the BOI as a new producer of PET bottles on a non-pioneer status and as a new producer of printed flexible packaging materials on a non-pioneer status. In July 2010, the BOI granted the entity's request to upgrade the registration status of the PET bottles from non-pioneer to pioneer in relation to PET bottles' expiration of ITH incentive in May 2010. The change in status entitles to an extension of the ITH period for another two years reckoned from June 1, 2006 to May 31, 2012.

Under the terms of the registration and subject to certain requirements, CCPI is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of six years from June 2006 (as a new producer of PET bottles) and for a period of four years from April 2007 (as a new producer of printed flexible packaging materials); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for 10 years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to custom rules and regulations provided firm exports at least 70% of production output; (g) exemption from wharfage dues and any export tax, duty, impost and fees (h) importation of consigned equipment for a period of 10 years from date of registration; and (i) exemption from taxes and duties on imported spare parts and consumable supplies for exports producers with common branded manufacturing warehouse exporting at least 70% of production.

As of September 30, 2012, CCPI's ITH as new producer of PET bottles on a pioneer status has ended last May 31, 2012.

In July 7, 2010, CCPI was registered with BOI as a new export producer of printed flexible packaging materials on a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the CCPI is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2011 (as a new export producer of printed flexible packaging materials); (b) additional deduction from taxable income of 50% of the wages subject to certain terms and conditions; (c) simplification of customers procedures for the importation of equipment, spare parts, raw materials and supplies; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals; (f) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operation; (g) access to CBMW subject to Customs rules and regulations provided that CCPI's exports at least 70% of production output; (h) exemption from taxes and duties on imported spare parts and consumable supplies for export producer with CBMW exporting at least 70% of production; and (i) exports by CCPI of its registered export products shall be exempted from wharfage dues and any export tax, duty, impost and fee for a period of ten (10) years from date of registration.

CCPI's ITH as producer of printed flexible packaging materials has ended last March 31, 2011. As of September 30, 2011, CCPI is subjected to income tax for a period of six months starting April 1, 2011 for the year 2011 and onwards.

37. **Commitments and Contingencies**

Operating Lease Commitments - Group as a Lessee
The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' in the consolidated statements of comprehensive income) amounted to ₱70.7 million, ₱62.4 million and ₱55.0 million in 2012, 2011 and 2010, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2012	2011	2010
Within one year	**₱16,140,911**	₱16,953,651	₱16,953,651
After one year but not more than five years	**64,563,644**	67,814,604	67,814,604
	₱80,704,555	₱84,768,255	₱84,768,255

Operating Lease Commitments - Group as a Lessor
The Group has entered into a (1) one-year renewable, noncancellable lease with various related parties covering certain land and building where office spaces are located.

Future minimum rentals receivable under noncancellable operating leases amounted to ₱65.3 million, ₱65.8 million and ₱57.1 million in 2012, 2011 and 2010, respectively.

Finance Lease Commitments - Group as a 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 ranging from 30 to 50 years. The amortization on these leases (included under General and Administrative Expenses' in the consolidated statements of comprehensive income) amounted to ₱3.7 million, ₱3.7 million and ₱2.9 million in 2012, 2011 and 2010, respectively.

Others
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.

38. **Disposal Group Held for Sale**

In May 2008, the Group executed an agreement with Tianjin Hope Shipbuilding Construction Co., Ltd. (Tianjin) and Xinyuda Ocean Engineering (Hong Kong) Co., Ltd. (Xinyuda) to sell all the shares of stock of Tianjin Pacific Foods Manufacturing Co., Ltd. (TPFMC), a 100%-owned subsidiary of the Group, for a total consideration of RMB32.7 million (approximately ₱245.1 million).

In December 2009, the sale of TPFMC to Xinyuda was fully consummated, and the Group recognized a net loss on the disposal of the investment in TPFMC amounting to ₱31.7 million (included under the ‘Other expenses’ account in the consolidated statements of comprehensive income).

In September 2010, the Group decided to sell its wholly owned subsidiaries Shantou SEZ Toyo Food Industrial Co. Ltd. (Shantou SEZ Toyo) and Guangdong Acesfood Co. Ltd. (Guangdong Acesfood), both of which are registered in the People’s Republic of China.

In July 2011, the sales of Shantou SEZ Toyo and Guangdong Acesfood were fully consummated. The Group recognized a combined loss on disposal of subsidiaries of ₱177.8 million (included under ‘Other expenses’ in the consolidated statements of comprehensive income).

	Shantou SEZ Toyo	Guangdong Acesfood
Proceeds from Sale	RMB8.5 million	RMB7.9 million
(in Philippine Peso equivalent)	₱56.1 million	₱51.8 million

The table below shows the summary of the financial information for each subsidiary as of disposal date:

	Shantou SEZ Toyo	Guangdong Acesfood
Receivables	₱183	₱19,760,033
Inventories	486,716	2,950,000
Property, plant and equipment	96,718,200	30,589,490
Other current assets	6,717,919	76,545,689
Accounts payable and other accrued liabilities	–	682,920

Included in the loss on disposal is derecognized goodwill of ₱28.2 million pertaining to the disposed subsidiaries (see Note 16). In 2011, the Group recognized impairment loss on trademark of ₱84.0 million (included under ‘Impairment losses’ in the consolidated statements of comprehensive income) pertaining to the disposed subsidiaries (see Note 16).

39. Supplemental Disclosures to Cash Flow Statements

The Group’s noncash activities pertain to the movement of the cumulative translation adjustment account and the depreciation of biological assets (breeders) that are capitalized as part of the cost of new born biological assets (sucklings).

	2012	2011	2010
Biological assets	**₱137,531,997**	₱140,116,580	₱139,105,194
Cumulative translation adjustment	**181,758,621**	142,199,153	80,543,982

40. Approval for the Release of the Financial Statements

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on January 10, 2013.

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Espesyal
JACK'n JILL
PRETZELS
chocolate sticks
Great Taste
Brown
3-in-1 COFFEE MIX
25g
SWEET & RICH
JACK'n JILL
PANCIT ni Mang Juan
RỒNG ĐỎ
REFRESH
RỒNG ĐỎ
JACK'n JILL
DYNAMITE
JACK'n JILL
Magic
FLAKES
PREMIUM CRACKERS
Apat Dapat!