2011 ANNUAL REPORT

UNIVERSAL ROBINA CORPORATION

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CORPORATION

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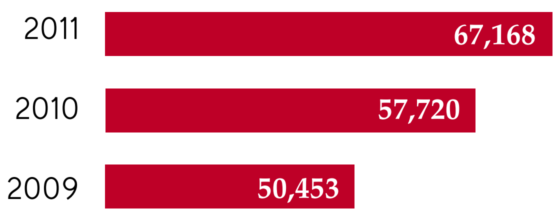
FINANCIAL HIGHLIGHTS

IN MILLION PESOS, EXCEPT PER SHARE DATA

	YEARS ENDED SEPTEMBER 30			2011 VS 2010	
	2011	2010	2009	Inc (Dec)	%Growth
Net Sales	67,168	57,720	50,453	9,448	16%
Income from Operations	6,889	7,678	4,651	(789)	-10%
Net Income to Equity Holders	4,636	7,817	3,887	(3,181)	-41%
Total Assets	68,374	65,359	60,918	3,015	5%
Total Liabilities	26,347	23,521	24,432	2,826	12%
Stockholders' Equity	42,027	41,838	36,486	189	0%
Per Share					
Earnings	2.25	3.75	1.81	(1.50)	-40%
Book Value	19.77	19.78	16.68	(0.01)	0%

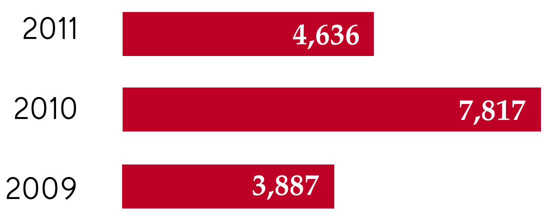
NET SALES

IN MILLION PESOS



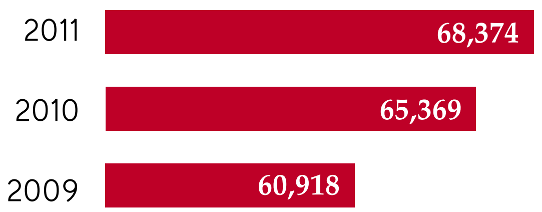
NET INCOME TO EQUITY HOLDERS

IN MILLION PESOS



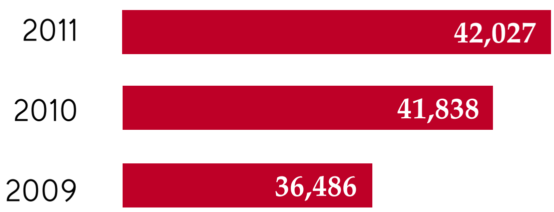
TOTAL ASSETS

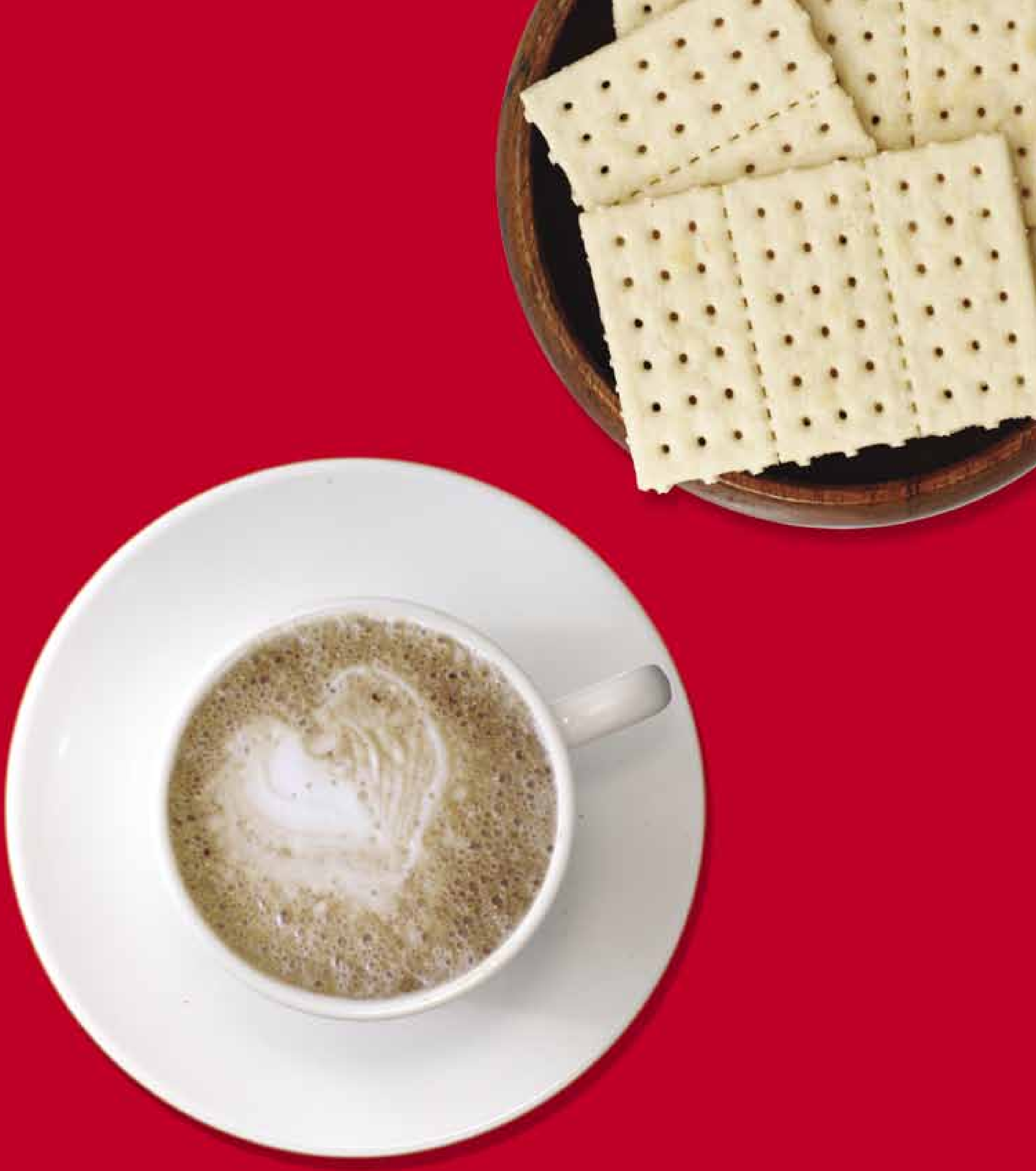
IN MILLION PESOS



STOCKHOLDERS' EQUITY

IN MILLION PESOS





MESSAGE
FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER AND THE PRESIDENT & CHIEF OPERATING OFFICER

James L. Go
CHAIRMAN AND CEO

TO OUR VALUED SHAREHOLDERS,

In a year that was hounded by difficult macroeconomic environment and market uncertainties, Universal Robina Corporation (URC) leveraged its competitive advantages and operational efficiencies to drive growth and performance. As a result, your Company was more than resilient when it turned in a solid fiscal year (FY) 2011 sales performance of Php67.2 billion, up 16.4% from the previous year.

Compared to 2010, which was primarily a story of economic recovery and growth, 2011 was a challenging year for the global economy. The debt crisis in Europe, the high unemployment rates in the US, the volatile political environment in the Middle-East and Africa, the destructive earthquake in Japan as well as the abnormal weather patterns, and most notably, “skyrocketing” commodity prices – were some of the major challenges that surfaced in 2011. With the world being deeply interconnected, even developments halfway across the globe affected the markets that URC competes in, namely the Philippines and Asia.

Locally, the economy grew modestly by 3.7% in 2011, way below the 7.6% growth the year before. Lower government spending, along with the financial crisis that hit the international economies, contributed to the weak growth of the country. Despite these downturns, however, the sustained inflow of OFW remittances and the flourishing BPO sector, which continually provided jobs to thousands of Filipinos, helped buoy up consumption spending.

For Southeast Asia and China, economic growth also slowed down (with the exception of Indonesia). Inflation was a concern in 2011 as the prices of goods and key inputs bolted upwards. Currencies in the region held their own versus the US dollar with the exception of the Vietnamese Dong, which significantly declined in value.

In the face of all these factors, your Company continued to thrive and managed to grow sales significantly. Sales growth was led by the outstanding performance of our International Branded Foods Business and Commodity Foods Group. The past year brought unprecedented cost inflation which affected our margins but we carefully evaluated our pricing, improved production efficiencies and implemented profitability enhancement programs to suppress the margin erosion. Operating income margins dropped by 300bps to 10.3% from 13.3% in FY 2010. This resulted in a 10.3% decline in operating income from Php7.7 billion to Php6.9 billion. Core earnings before tax likewise went down by 9.2% to Php7.0 billion compared to Php7.7 billion last year.

Our balance sheet remains healthy with strong cash levels. We continue to maintain our net cash position of Php2.3 billion from Php4.9 billion last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached Php10.2 billion for FY 2011 while capital expenditures accelerated by 27.3% to Php4.6 billion, with half of the funds going to the International BCFG to sustain growth. This trend will continue as URC further expands its international business.

STRONG SALES GROWTH

BRANDED CONSUMER FOODS GROUP

Branded Consumer Foods Group (BCFG), including our packaging division, was the Company's largest segment contributing about 75.3% of revenues for the FY 2011. Sales increased by Php7.3 billion or 16.9%, to Php50.6 billion in FY 2011. Operating income decreased though by Php282 million to Php4.5 billion in FY 2011 from Php4.8 billion in FY 2010.

BCFG PHILIPPINES

BCFG Domestic sales moderately grew by 6.8% from Php27.7 billion to Php29.6 billion in FY 2011 with our core business, Snackfoods, registering double digit growth. This was, however, partially offset by the decline in beverages sales. Our Beverage division was not immune to the overall category weakness triggered by the high inflationary environment and abnormally prolonged wet season. Our coffee business was affected by strong competition and changing consumer preferences, as consumer preference shifted to the 3in1 coffee mixes where the Company is not a strong participant. However, we acted quickly to excite the market and launched our Great Taste White Coffee mixes, a first in the market.

Our balanced and diverse product portfolio enabled us to lean on our Snackfoods leg at a time when the beverage market was highly pressured. We intensified our market dominance by launching successful products in the extruded and pelletized snacks segment, an area where we have not been previously active. This year, we have regained lost market shares with the successful launch and strong acceptance of our product, Chicharron ni Mang Juan in February. All in all, we have introduced 59 new products, which contributed to 3% of total sales and are confident that these will continue to contribute to the growth of our business in the coming months.

BCFG INTERNATIONAL

BCFG International sales significantly increased by 31.4% to Php19.2billion in FY 2011 against Php14.6 billion in FY 2010. In US dollar (US$) term, sales registered an increase of 38.9% from US$319 million in FY 2010 to US$443 million in FY 2011 due to the 36.5% jump in sales volume. All countries registered growth in sales. Thailand and Vietnam, our two biggest markets, contributed 75.3% of total international sales. Vietnam's growth was driven by strong RTD tea business and growing presence in the snackfoods categories especially biscuits. Thailand continued to solidify its leadership in biscuits and wafers and has built on the success of its Roller Coaster Flat Chips product. Malaysia on the other hand grew at a faster pace as we addressed and fixed sales and marketing issues. China and Indonesia also managed to attain double digit topline growth but we remain to be challenged in terms of profitability given the sub-scale level of both countries.

URC International's operating income managed to grow by 6.4% to Php1.4 billion from Php1.3 billion posted last year despite the effect of the commodity cost inflation. In US dollar amount, international operations operating income reached US$33 million, a 13.8% increase from US$29 million last year. The significant increase was attributed to the surging profits from Vietnam and Thailand.

URC PACKAGING

Sales for the packaging division went up by 90.7% to Php1.8 billion in FY 2011 from Php928 million recorded in FY 2010 due to increases in sales volume and prices.

COMMODITY FOODS GROUP

The Commodity Foods Group, composed of Sugar and Flour divisions, accounted for 14.2% of URC's total sales. The business remained strong with sales recorded at Php9.5 billion, up 30.5% against last year on the back of high prices for sugar as well as the strong sales coming from flour due to price adjustments. Operating income went up by 2.2% to Php2.9 billion for FY 2011.

FLOUR

Sales for our flour business amounted to Php3.8 billion, up 11.2% versus last year as a result of the approved price adjustments by the government to offset the high cost of wheat in the world market.

Our flour business managed to grow operating income by 14.9% to Php1.3 billion versus the previous year. Margin pressure was also alleviated by the implementation of price increases during the year as well as the temporary lifting of tariffs for imported wheat by the government. This translated to a one percentage point increase in operating income margins.

SUGAR

Sugar business ended the year with record sales of Php5.7 billion, a 47.6% increase versus last year due to the record high selling prices in the first three quarters of our fiscal year.

In FY 2011, operating income of our sugar business declined by 6.5% to Php1.5 billion as our margins declined by 16 percentage points to end the year at 27.0%. This was partly due to higher trucking and hauling subsidies and lower yields.

AGRO-INDUSTRIAL GROUP

The Agro-Industrial Group, consisting of Feeds and Farms divisions, accounted for 10.5% of the Company's total sales for FY 2011. Sales for the business declined to Php7.1 billion, from Php7.2 billion recorded in FY2010. Operating income declined to Php320 million, a 65.1% decline from FY 2010 due to higher input costs, lower selling prices and market valuation losses of our biological assets.

FEEDS

Our Feeds business managed to grow sales by 18.7% to Php3.5 billion due to good sales volumes and selling prices. However, the business also felt the squeeze in operating income with high prices of corn and soybean. FY 2011 Feeds operating income was at Php314 million, a decrease of 30.3% compared to the previous year.

FARMS

Our Farms business was challenged by both weak volumes and low selling prices of hogs and day old chicks resulting in lower sales of Php3.6 billion, down 15.2% versus last year. Profitability of our Farms business was also affected by the low selling prices of hogs, as well as the decrease in hogs inventory in the first semester and mark-to- market revaluation losses of our biological assets in FY 2011.

LOOKING AHEAD TO 2012 & BEYOND

We enter FY 2012 with an aim of sustaining the growth momentum of the business even as the global economic outlook remains gloomy. With the Eurozone debt crisis and slowdown in the US, global economic growth remains at risk. In spite of this, emerging economies growth outlook are on the positive side. Prices of commodities, however, though still higher than that of 2010 levels have slowly declined from 2011 peaks.

In the Philippines, the roll-out of infrastructure projects that will be made available to the private sector should benefit the economy. This should foster the tourism sector, improve the country's infrastructure and encourage more investments from both the local and foreign business groups. The robust growth of the BPO sector will likely continue in 2012 which will keep the economy afloat through employment opportunities and higher effective monthly wages. Meanwhile, inflow of remittances from overseas Filipinos is seen to be sustained. These factors are expected to fuel consumption and demand.

For the Company, we will continue to grow topline driven by the strong contribution coming from the International Branded Foods business as well as the resurgence of the domestic business. This will however be tempered by the lower sales from our Commodity Foods Group particularly due to lower prices of sugar. We expect intense competition to continue amongst the local and multinational players as well as some degree of price swings for some key commodities. However, we are confident that margins will slowly recover this fiscal year.

We have drawn out strategies that will enable us to immediately respond to challenges and take advantage of the opportunities brought about by changing market trends and industry dynamics.

OUR MAJOR INITIATIVES FOR FY2012 WILL BE THE FOLLOWING:

Implement more productivity initiatives and operational alignments to exact efficiencies out of our manufacturing platform and procurement process. We have begun to accelerate regional sourcing with the aim of optimizing our supply chain as well as improve the capacity utilization of our investments. We have also started consolidating our requirements for key inputs so we secure our supply and get favourable prices.

Continue to rationalize our distribution capabilities so we can cover more accounts and increase product availability. We will also efficiently use our advertising and promotions budget to further build the Jack 'n Jill and C2 brands across the ASEAN region through effective communication programs. We are now using the power of our brands and the size of the company as strong leverage to access a greater number of trade and consumer promotions programs.

Protect margins by vigilantly monitoring commodity prices and implement pricing actions when warranted as well as to launch higher priced products to balance our sales mix.

Increase CAPEX spending in strategic categories. We will enter the packaged cakes market in Thailand and Vietnam within the year. We are also planning to expand our beverage portfolio into growing segments like juices, energy drinks and tea extensions. We will follow through on the successful launch of our flanker brand Chicharron ni Mang Juan in the extruded/pelletized snacks segment with other formats and are building capacities in the ASEAN region that will enable us to build our chips business and capitalize on the trend towards localization of native delicacies. We have also invested in additional capacity upgrades for biscuits in Thailand and Vietnam, and chips lines for the different ASEAN countries.

Sustain the healthy margins coming from our Commodity Foods Group by securing cane supply and improving yields for sugar and locking better prices for wheat and freight for flour.

Recover our lost margins in the Agro-Industrial Business by improving sales volume for feeds and hogs and continue our drive to be a low cost producer.

Accelerate expansion with a budget of Php5.2 billion in capital expenditures, 13.6% increase from FY 2011, with the bulk of it going to the branded foods business as we see greater traction coming from our international business and the renewed growth of our domestic business.

CLOSING REMARKS

We began this letter by discussing the tough business environment we faced in the fiscal year that passed. So we end by thanking our Board of Directors, shareholders, trade partners, suppliers, employees and consumers for enabling us to achieve what we did in 2011. We thank you for the trust you have given our company and our products. As we look forward to 2012, we hope to continue sharing our story with you and together achieve our goal as a leading branded foods business in Southeast Asia.

Maraming salamat po.

James L. Go
CHAIRMAN AND CEO

Lance Y. Gokongwei
PRESIDENT AND COO

Lance Y. Gokongwei
PRESIDENT AND COO

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
- URC Feeds
- ROBICHEM

COMMODITY FOODS GROUP

- URC Sugar
- URC Flour

BRANDED CONSUMER FOODS GROUP

DOMESTIC

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 salty snacks, candies, chocolates and ready-to-drink tea and continues as a strong presence in beverages, biscuits, noodles and tomato-based products. •

SNACKFOODS

FOR MORE THAN FORTY YEARS, URC has delighted Filipinos with a wide variety of snacks, which include familiar, well-loved brands such as “Piattos”, “Chippy” “Chiz Curls”, “Cream-O”, “Maxx” and “Cloud 9”. For 2011, we capitalized on the ongoing trend towards localization of native delicacies by introducing our 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, we have consistently offered quality, great value and fun under the “Jack and 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, High Rock Potato Shoestring
FABRICATED POTATO	Piattos, Roller Coaster, High Rock Crisps
EXTRUDED PELLETIZED	Chiz Curls, Kichi, Chumbos, Mang Juan
MULTI-GRAIN	Nova
MIXED SNACKS	Pic-A
GRANNY GOOSE	Tortillos, Kornets

CAKES

URC is an innovative player in the cakes category.

Quake Bars
Presto Cakes
Quake Overload
Quezo Bar
Cream-O Cakes
Espesyal Mamon

BISCUITS

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

COOKIES	Presto, Cream-O, Dewberry, Nova
CRACKERS	Magic Flakes, Magic Creams, Magic Flavors, Magic Coated, Magic Thins
WAFERS	Wafrets, Cream-O Choco Sticks, Cream-O Wafer Bar
PRETZELS	Choco Pretzels, Knots

CHOCOLATES

URC is the market leader in chocolates

ENROBED	Cloud 9, Big Bang, Chooey
CEREAL BARS	Nova Multigrain Snack Bar
PANNED	Cream-O Chocolate Balls, Nips

CANDIES

URC is the market leader in candies.

HARD BOILED	Maxx, Dynamite
DEPOSITED	X.O.
GUMMIES & JELLIES	Star Jells
MARSHMALLOWS	Wiggles
SOFT	Lush, Pinoy Kendi
DRAGEE	Dynamite Chews

BEVERAGES

IT HAS BEEN 47 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. For 2011, URC intensified its presence in the coffee mixes segment by launching Great Taste 3 in 1 White Coffee. Things are kept fresh and exciting not only with new flavors, but also with memorable marketing campaigns such as "C2 Sarap ng Bukas" and "Coffee Twist Mocca Java" jingles, which bring our brands 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. •

READY-TO-DRINK TEA
C2

BOTTLED WATER
Hidden Spring
Refresh Mineral Water

JUICES

Refresh Flavored Drinks
OMJ! Oh My Juice

POWDERED COFFEE

INSTANT COFFEE — Great Taste Granules
Great Taste Premium
Great Taste Decaf
Blend 45

INSTANT COFFEE MIXES — Great Taste 3 in 1
Blend 45 3-in-1

READY-TO-DRINK COFFEE

Coffee Twist

CREAMER

Cream All

POWDERED MILK

Vitalac

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 Holdings, Co. Ltd.

URC has a joint venture with ConAgra Foods Inc. (U.S.), 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
DRY NOODLES	Payless Pancit Shanghai, Payless Xtra Big

NISSIN-URC

URC manufactures and markets instant noodles in cups and pouches through its joint venture with Nissin Foods Holdings, Co. Ltd.

POUCH NOODLES	Nissin Yakisoba, Nissin Ramen
CUP NOODLES	Nissin Cup Noodles, Nissin Yakisoba

HUNT'S-URC

URC manufactures and markets tomato-based products, through its joint venture, with ConAgra Foods Inc. (U.S.)

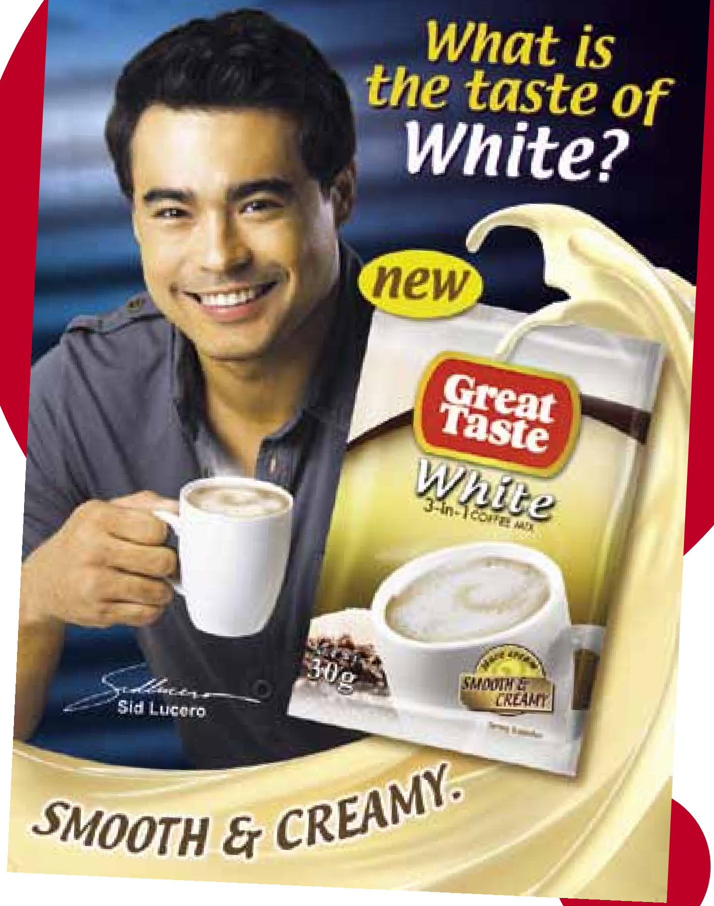
READY-TO-EAT BEANS	Hunt's Pork and Beans
SAUCES	Hunt's Tomato Sauce, Hunt's Spaghetti Sauce
TOMATO PASTE	Hunt's Tomato Paste

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. •

GREAT TASTE 3 IN 1 AND SID LUCERO

MAKE THE PERFECT MIX



LEADING FOOD AND beverage manufacturer Universal Robina Corporation (URC) has found the best endorser for the delicious and convenient Great Taste 3 in 1 in no less than Sid Lucero, whose perfect mix of talents, looks and substance truly exemplifies the brand.

A third-generation scion of the celebrity clan, the Eigenmann family, Sid Lucero's passion for acting is deep-seated. His innate talent has earned for himself several awards and recognitions from local and international award-giving bodies. But Sid's latest venture presents a side of him that fans rarely see onscreen: as himself, relaxing on a rare day off.

This is Sid's first commercial as the new endorser for Great Taste 3 in 1. "Sid was a natural choice for our brand," says brand manager Sarinah Edralin. "He's young and leads an active life with his acting career and different hobbies. Great Taste 3 in 1 provides the right mix of coffee, sugar and creamer that puts dynamic people like him in a good mood."

"I'm really flattered that I was asked to endorse Great Taste 3 in 1," says Sid, who is no stranger to commercials. He first appeared in an ad when he was eight-years old, and intermittently throughout his college years; he also previously starred in a short film by veteran commercial director Jun Reyes. "It's a lot more technical [than film]," Sid says, of acting for commercials, "but I enjoy it."

The 30-second TVC, directed by Sid Maderazo, follows the young actor's favorite chill activities: lounging about his pad, doing tricks on his longboard, jamming with friends, and enjoying a hot cup of coffee.

"It was so much fun [shooting] this commercial, because I was doing things that I like." Despite the excitement and glamour a of showbiz career and the exhilaration of winning acting awards, happiness all boils down to the simple joys for Sid. And yes, this includes a freshly made cup of Great Taste 3 in 1.

Great Taste 3 in 1 is available in Original, Brown and White variant. Its newest addition, Great Taste 3 in 1 White, comes in a very convenient 30g sachet for only P6.00 and is available in leading supermarkets, groceries, and convenience stores nationwide. •

ADORED BY AUDIENCES of diverse backgrounds and from different generations, Eugene Domingo is a certified showbiz gem. Today, her star shines even brighter as a powerhouse comedienne with her latest Best Actress win for Cinemalaya 2011 favorite Babae sa Septic Tank, and as a top endorser appearing in the new campaign for Universal Robina Corporation's (URC) Payless Instant Mami.

Eugene's lovable image as the funny best friend further catapulted her to numerous roles and projects. In 2009, she landed her star-making role in the movie Kimmy Dora: Kambal sa Kiyeme where she played twins with opposite personalities. Eugene's impressive and humorous portrayal of the characters turned audiences of various age groups into overnight fans.

It therefore comes as no surprise that Eugene Domingo's magnetic persona captured the attention of one of the country's biggest food manufacturers.

"Eugene Domingo is the perfect personality to represent Payless Instant Mami," says Marcia Gokongwei, general manager of the URC Noodles Group. "With her genuine outlook and quirky humor, she's the sort of person moms want to be best friends with. And that's what we hope people will find in a bowl of Payless Instant Mami when it comes to treating their kids."

Fans can catch Eugene in Payless Instant Mami's latest commercial. Showcasing her remarkable talent, the new commercial lets the comedienne play the role of a reliable sister who gets left to take care of her nephews and nieces.

From quirky best friend roles to full-fledged star-making turns, Eugene delights people of all ages. And just like Payless Instant Mami, Eugene continues to be everyone's best friend that never fails to add flavor to the lives of the young and the young-at-heart, on and off-screen. •

EUGENE DOMINGO IS PAYLESS' LATEST ENDORSER

CHICHARRON NI MANG JUAN TAPS YOUTUBE SENSATION MIKEY BUSTOS

UNIVERSAL ROBINA CORPORATION'S (URC) newest snack brand, Jack 'n Jill's Chicharron ni Mang Juan, found its ideal personification in innovative entertainer, Mikey Bustos.

It's not easy to make an online video hit, more so a series of them, but for Fil-Canadian Mikey Bustos, all it took were his innately spicy humor and his taste for uniquely Filipino experiences.

Mikey gained quite a following online among local and international audiences, thanks to his YouTube channel Mikey Bustos Daily Videos where his "Pinoy tutorials" went viral with thousands of hits and counting.

He has uploaded a total of 15 Pinoy tutorials, each providing humorous insights on Filipino-isms: from local accents to table manners and even balut-eating.

No stranger to Filipino flavors, Mikey further enjoyed homegrown dishes during an afternoon of fun, food and games at Bar One in Crowne Plaza where he was revealed as the endorser of Jack n' Jill's Chicharron ni Mang Juan.

"Our food is one of the many things that add to our rich culture, and being able to endorse Mang Juan and such cornerstone food items of our culture makes me feel so blessed from my deepest of roots," he says. "I'm honored to represent such an amazing and truly Pinoy brand."

Despite being raised in a Western society, Mikey makes sure that he stays close to his Filipino roots and insists that he is a true Pinoy at heart.

Mikey possesses a strong and authentic Filipino identity—a rare attribute from someone born and bred abroad—having been brought up in a strictly traditional Filipino household. "Me and my brother were raised in really old school traditions," he reveals. Mikey even has the Pinoy accent down, which is something he thanks his mom for.

"Mikey Bustos' complete package of dynamism, global connections, talent, technology and artistry is the embodiment of the contemporary Filipino, hence it's only fitting that he was chosen as the first endorser of Chicharron ni Mang Juan," says Teree Eugenio, Marketing VP of URC Snacks.

Made of dehydrated green peas but with the look and taste of real fried pork rinds sans the cholesterol, the snack comes in exciting flavors that are uniquely Pinoy—Espesyal Sukang Paombong, Espesyal Suka't Sili and Spicy Sisig. The Mang Juan snack line also includes Shing-a-Ling in Adobo and Asin ti Ilokos, and Kornicks.

The answer to every Pinoy's pursuit of chicharon with a kick, Chicharron ni Mang Juan is now available in grocery aisles and households nationwide. •

MAGIC IS SWEETER THE SECOND TIME AROUND

FOR JACK 'N JILL MAGIC AND JOHN LLOYD CRUZ

JACK 'N JILL MAGIC and John Lloyd Cruz heat up the local entertainment scene as they team up once again for the brand's advertising campaign.

"Magic is known for offering unlimited snacking possibilities. Likewise, John Lloyd has a wide acting range, portraying a variety of roles that showcase his talents," said Chris Fernandez, Universal Robina Corporation-Bakery marketing director. "Aside from his good looks and boyish charm, his versatility as an actor brings magic on- and off-screen."

"Endorsing a brand is very personal for me. It has to be a brand I believe in, whose products I really patronize. I think about whether or not it's in line with how I want to portray myself as an actor and as a person," John Lloyd said. "And that's exactly how I feel about Magic. I am so grateful and honored that they trusted me yet again to represent the brand."

Offering a world of flavors, Jack 'n Jill Magic makes snack time fun, a perfect match to today's generation of fun, exciting and spontaneous youth.

Bigger, brighter things are in the pipeline for both Jack 'n Jill Magic and John Lloyd in the coming year. "We're very confident that 2012 will be a fruitful year for Magic, especially since John Lloyd is here to endorse the brand," said Chris Fernandez. "Our sales improved since we got him as ambassador. In fact, one of our people doing field rounds shared a story with us. In the province, they heard someone say, 'pabili nga ng crackers na John Lloyd'." ("Can I buy John Lloyd crackers?")

Check out the new Magic TV commercials starring John Lloyd Cruz now showing at your favorite channels. Jack 'n Jill Magic products are available in supermarkets and convenience stores nationwide. •

BRANDED CONSUMER FOODS GROUP

INTERNATIONAL

2011 WAS AN OUTSTANDING year for URC International. After reaching US$319 million in net sales in 2010, URCI turned in a record-breaking performance, with a staggering US$443 million in net sales for fiscal 2011. In 2011, the division continued earning profits, making US$33 million in operating income.

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

At present, URC International operates manufacturing facilities in Thailand, Malaysia, China, Indonesia, and Vietnam, and also maintains 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, as well as other new and exciting brands on supermarket shelves and in neighborhood stores throughout the region. In 2006, URC introduced its ready-to-drink tea under the C2 brand in Vietnam and it has been an even bigger business than that of its Philippine version. •

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 Bite
BISCUITS	Cream-O, Fun-O, Magic, Dewberry
WAFERS	Tivoli, Lausanne
CANDIES	X.O., Dynamite, Lush, X-cite, Maxx
CHOCOLATES	Wiggles

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, Roller Coaster, Jigs
BISCUITS	Cream-O, Fun-O, Magic, Dewberry (SG Only)
WAFERS	Cloud 9
CANDIES	Dynamite, Cloud 9
CHOCOLATES	Nips, Cloud 9, Chooey Choco

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, Poppins, Sea Crunch, Stick
WAFERS	Cream-O
CANDIES	Dynamite, Maxx
CHOCOLATES	Chooey Choco
BEVERAGES	C2

CHINA & HONG KONG

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

SNACKS	Prawn Crackers, Potato Chips, Roller Coaster, Beef Crunchies (HK only)
BEVERAGES	(China Only) ACES Instant Cereal, ACES Oats, ACES Coffee
BISCUITS	Magic, Dewberry (HK only)
CANDIES & CHOCOLATES	(HK only) Dynamite, Lush, Nips

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
BISCUITS	Cream-O, Magic
CANDIES	Dynamite
BEVERAGES	C2, Rong Do, Jus

AGRO-INDUSTRIAL GROUP

URC IS ALSO ONE of the biggest players in the Agro-Industrial segment, and is involved in a wide range of 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 & 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.

Robichem is also the exclusive distributor of multinational companies namely Malaysian Vaccines Pharmaceuticals, and Vetnext Agri of India. •

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, though 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 HRI accounts with fresh table eggs. •

COMMODITY FOODS GROUP

URC IS A MAJOR player in the Philippines' flour and sugar industries, and its commodities businesses are vertically integrated with both the Branded Consumer Foods Group and the Agro-Industrial Group. •

URC FLOUR DIVISION

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 Food Group and URC International, respectively.

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. It allows for products with superior color and appearance. 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. 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 for other major food companies. •

URC SUGAR DIVISION

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.

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 milling and refining services, trade raw sugar, and sell refined sugar and molasses. PASSI provides sugar cane milling services and trades raw sugar and molasses. •

URC STEPS UP CAGAYAN DE ORO RELIEF EFFORTS

UNIVERSAL ROBINA CORPORATION'S (URC) employees spent last Christmas sorting, transporting and distributing over 1,000 boxes of URC products to victims of typhoon Sendong in Mindanao. Brands such as Nissin Yakisoba, Nissin Ramen, Cream-O, Cream-O Cakewich, Cloud 9, Wiggles, Quake, Tortillas, Maxx, Chumbos, Roller Coaster, Vega, Payless, Pancit Shanghai, Blend 45 and Tealicious were flown to the typhoon-stricken communities in Cagayan de Oro through Cebu Pacific. Employees of URC and other JG Summit companies also donated cash, clothes and other necessities.

In addition, the World Instant Noodles Association (WINA) partnered with URC to supply instant noodles to the affected areas through three organizations namely the Red Cross, ABS-CBN and Radio Mindanao Network (RMN).

Meanwhile, the Cagayan de Oro (CDO) Plant Management with Tambayayong, URC CDO's Labor-Management Council (LMC), provided clean drinking water to employees since water supply was cut off after the flood.

Typhoon Sendong, which ravaged Cagayan de Oro City in Mindanao last December 2011, resulted in more than a thousand fatalities. Homes, roads and bridges, estimated at more than Php 2 billion, were destroyed by flood waters and landslides.

The relief efforts for Sendong victims were spearheaded by URC's advocacy arm, URC CARES (Communication, Advocacy, Recognition, Engagement, Social Responsibility). This program promotes the spirit of volunteerism and a social entrepreneurial mindset among employees, in line with the company's commitment to create an engaged and productive community. •

BOARD OF DIRECTORS

BOARD OF DIRECTORS

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DIRECTOR
CHAIRMAN EMERITUS

Lance Y. Gokongwei
DIRECTOR, PRESIDENT AND
CHIEF OPERATING OFFICER

James L. Go
DIRECTOR, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Patrick Henry C. Go
DIRECTOR, VICE PRESIDENT

Frederick D. Go
DIRECTOR

Wilfrido E. Sanchez
DIRECTOR

Johnson
Robert G. Go, Jr.
DIRECTOR

Robert G. Coyiuto, Jr.
DIRECTOR

Pascual S. Guerzon
DIRECTOR

URC BRANDED
CONSUMER FOODS GROUP

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

INTERNATIONAL OPERATIONS

Patrick O. Ng
EXECUTIVE VICE PRESIDENT AND MANAGING DIRECTOR,
URC BRANDED CONSUMER FOODS GROUP
INTERNATIONAL

Edwin R. Canta
BUSINESS UNIT GENERAL MANAGER,
URC VIETNAM

Brian M. Go
BUSINESS UNIT GENERAL MANAGER,
URC CHINA & URC HONG KONG

Audie Ugalino
BUSINESS UNIT GENERAL MANAGER,
URC MALAYSIA & URC SINGAPORE

Premchai Navarasuchutir
BUSINESS UNIT GENERAL MANAGER,
URC THAILAND

Alvin Geronimo
DEPUTY GENERAL MANAGER,
URC INDONESIA

Stanley M. P. Poon
ASST. BUSINESS UNIT GENERAL MANAGER,
URC HONG KONG

AGRO-INDUSTRIAL
GROUP

Vincent Henry C. Go
GROUP GENERAL MANAGER,
AGRO-INDUSTRIAL GROUP

COMMODITY FOODS
GROUP

Ellison Dean C. Lee
BUSINESS UNIT GENERAL MANAGER,
FLOUR DIVISION

Renato P. Cabati
BUSINESS UNIT GENERAL MANAGER,
SUGAR GROUP DIVISION

PACKAGING
DIVISION

Patrick Henry C. Go
BUSINESS UNIT GENERAL MANAGER,
PACKAGING DIVISION (BOPP)
AND CFC FLEXIBLE PACKAGING DIVISION

EXECUTIVE OFFICERS

James L. Go
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lance Y. Gokongwei
PRESIDENT AND CHIEF OPERATING OFFICER

Patrick Henry C. Go
VICE PRESIDENT

Cornelio S. Mapa, Jr.
EXECUTIVE VICE PRESIDENT & MANAGING DIRECTOR, URC BRANDED CONSUMER FOODS GROUP, PHILIPPINES

Patrick O. Ng
EXECUTIVE VICE PRESIDENT & MANAGING DIRECTOR, URC BRANDED CONSUMER FOODS GROUP, INTERNATIONAL

Eugenie M.L. Villena
SENIOR VICE PRESIDENT
*Retired effective December 31, 2011

Constante T. Santos
SENIOR VICE PRESIDENT

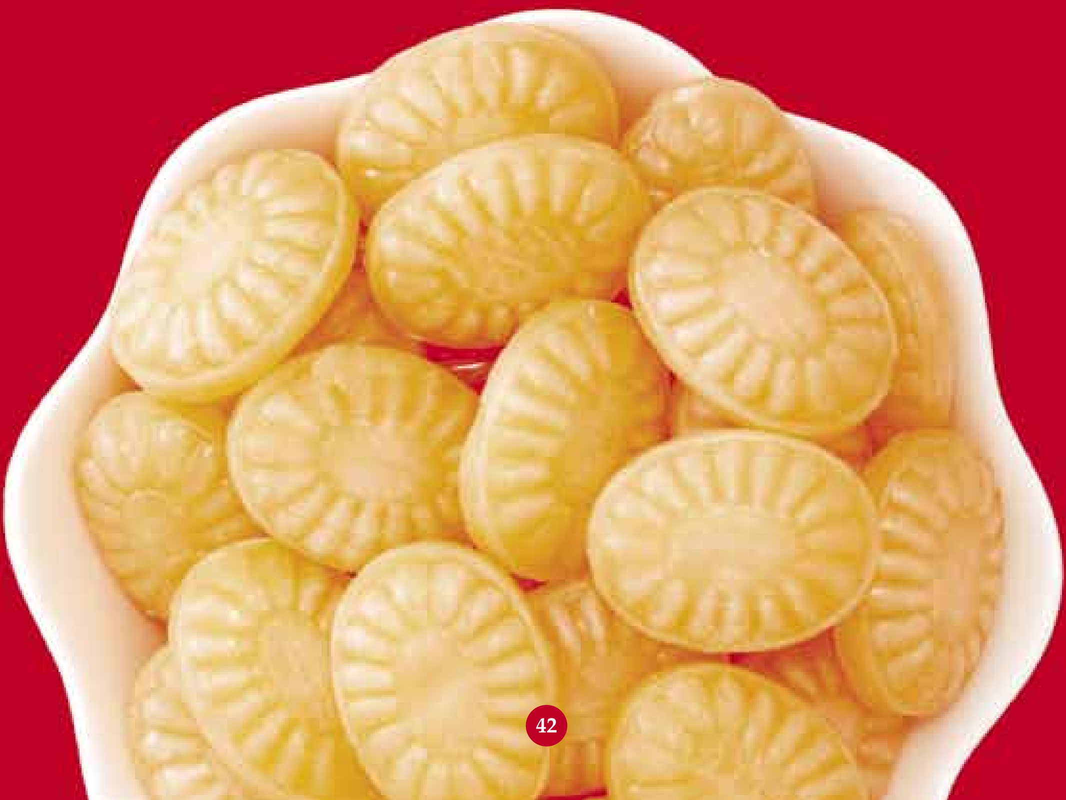
Bach Johann M. Sebastian
SENIOR VICE PRESIDENT

Geraldo N. Florencio
FIRST VICE PRESIDENT

Ester T. Ang
VICE PRESIDENT - TREASURER

Rosalinda F. Rivera
CORPORATE SECRETARY

FINANCIAL STATEMENTS



UNIVERSAL ROBINA CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

The management of Universal Robina Corporation and Subsidiaries is responsible for all information and representations contained in the financial statements as of September 30, 2011 and 2010 and for each of the three years in the period ended September 30, 2011. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company. Sycip, Gorres, Velayo and Co. (SGV), the independent auditors appointed by the stockholders, have examined the financial statements of the Company and its subsidiaries in accordance with the generally accepted auditing standards in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such examination in the attached report to the stockholders and Board of Directors.

JAMES L. GO
Chairman and
Chief Executive Officer

LANCE Y. GOKONGWEI
President and
Chief Operating Officer

CONSTANTE T. SANTOS
SVP - Corporate Controller

SUBSCRIBED AND SWORN to before me this 12th day of January, 2012 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	12183273	01.26.11	Pasig City
Lance Y. Gokongwei	12183274	01.26.11	Pasig City
Constante T. Santos	26344299	03.30.11	Pasig City

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Page No. 30
Book No. V
SERIES OF 2012

ATTY. ROMUALD C. PADILLA
NOTARY PUBLC
Until December 31, 2013
Roll No. 54298
TIN 170-266-059

SGV & Co
Ernst & Young

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, 2011 and 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2011 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-1
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174839, January 2, 2012, Makati City

January 12, 2012

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱4,546,881,527**	₱4,459,254,984
Financial assets at fair value through profit or loss (Notes 8, 9 and 35)	**10,652,071,697**	10,022,605,224
Available-for-sale investments (Notes 9 and 14)	**5,511,551,122**	6,748,394,466
Receivables (Notes 10 and 35)	**7,419,824,815**	6,550,949,865
Inventories (Note 11)	**9,724,784,656**	7,888,923,770
Biological assets (Note 15)	**911,265,129**	846,876,801
Other current assets (Note 12)	**651,357,138**	908,713,064
Total Current Assets	**39,417,736,084**	37,425,718,174
Noncurrent Assets		
Property, plant and equipment (Note 13)	**26,423,220,738**	25,312,012,092
Intangible assets (Note 16)	**1,463,851,176**	1,641,227,640
Biological assets (Note 15)	**459,053,688**	448,700,235
Investment in a joint venture (Note 17)	**89,966,944**	89,497,240
Investment properties (Note 18)	**68,149,307**	71,807,094
Deferred tax assets (Note 33)	**98,507,804**	28,258,903
Net pension assets (Note 32)	**–**	70,030,200
Other noncurrent assets (Note 19)	**353,198,160**	272,049,168
Total Noncurrent Assets	**28,955,947,817**	27,933,582,572
	₱68,373,683,901	₱65,359,300,746

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Notes 21 and 35)	**₱7,270,818,277**	₱6,513,309,554
Current portion of long-term debt (Notes 22 and 31)	**8,205,763,578**	7,401,385
Short-term debt (Notes 20, 23 and 31)	**5,749,632,635**	5,111,859,534
Trust receipts and acceptances payable (Notes 11 and 23)	**1,448,156,283**	–
Income tax payable	**408,699,778**	363,718,685
Total Current Liabilities	**23,083,070,551**	11,996,289,158

(Forward)

	September 30	
	2011	2010
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 22, 23 and 31)	**₱3,002,447,146**	₱11,218,947,385
Deferred tax liabilities (Note 33)	**237,004,193**	305,823,194
Net pension liability (Note 32)	**24,650,517**	–
Total Noncurrent Liabilities	**3,264,101,856**	11,524,770,579
Total Liabilities	**26,347,172,407**	23,521,059,737
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 23)	**13,455,557,370**	13,455,557,370
Retained earnings (Note 23)	**29,137,859,147**	28,418,631,895
Other comprehensive income (Note 24)	**581,744,696**	1,161,870,260
Treasury shares (Note 23)	**(2,414,026,153)**	(2,091,912,018)
	40,761,135,060	40,944,147,507
Equity attributable to non-controlling interests	**1,265,376,434**	894,093,502
Total Equity	**42,026,511,494**	41,838,241,009
	₱68,373,683,901	₱65,359,300,746

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended September 30		
	2011	2010	2009
SALE OF GOODS AND SERVICES (Notes 6 and 35)	**₱67,167,630,481**	₱57,719,996,079	₱50,452,959,964
COST OF SALES (Notes 25 and 35)	**50,645,273,658**	41,113,405,237	37,477,094,637
GROSS PROFIT	**16,522,356,823**	16,606,590,842	12,975,865,327
Selling and distribution costs (Note 26)	**(7,680,831,878)**	(7,091,008,271)	(6,375,564,469)
General and administrative expenses (Notes 27 and 35)	**(1,952,777,324)**	(1,837,374,186)	(1,949,610,685)
OPERATING INCOME	**6,888,747,621**	7,678,208,385	4,650,690,173
Market valuation gain (loss) on financial assets at fair value through profit or loss (Note 8)	**(1,157,315,912)**	2,007,094,315	702,171,028
Finance revenue (Notes 6 and 30)	**1,191,241,808**	1,222,064,699	1,199,778,108
Finance costs (Notes 6, 20, 22 and 31)	**(1,001,247,740)**	(1,034,199,841)	(1,413,667,907)
Impairment losses (Notes 6, 10, 11, 13, 14, 16 and 19)	**(167,210,935)**	(442,888,794)	(413,733,960)
Net foreign exchange losses	**(36,688,172)**	(335,280,036)	(46,098,433)
Equity in net income of a joint venture (Note 17)	**25,469,633**	26,194,500	25,246,000
Other expenses (Notes 11 and 38)	**(121,547,748)**	(201,943,816)	(273,874,169)
INCOME BEFORE INCOME TAX	**5,621,448,555**	8,919,249,412	4,430,510,840
PROVISION FOR INCOME TAX (Note 33)	**613,894,698**	780,999,818	322,645,282
NET INCOME	**5,007,553,857**	8,138,249,594	4,107,865,558
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale investments (Note 14)	**(437,926,411)**	426,550,754	1,094,654,675
Cumulative translation adjustments	**(142,199,153)**	(109,557,439)	(39,510,368)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(580,125,564)**	316,993,315	1,055,144,307
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱4,427,428,293**	₱8,455,242,909	₱5,163,009,865
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 34)	**₱4,636,270,925**	₱7,817,275,906	₱3,887,366,522
Non-controlling interests	**371,282,932**	320,973,688	220,499,036
	₱5,007,553,857	₱8,138,249,594	₱4,107,865,558
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱4,056,145,361**	₱8,134,269,221	₱4,983,159,968
Non-controlling interests	**371,282,932**	320,973,688	179,849,897
	₱4,427,428,293	₱8,455,242,909	₱5,163,009,865
EARNINGS PER SHARE (Note 34)			
Basic/diluted, for income attributable to equity holders of the parent	**₱2.25**	₱3.75	₱1.81

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 and 2009

	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	Deposits for Future Stock Subscriptions	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, 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
Balances as at October 1, 2008	₱2,221,851,481	₱11,207,662,356	₱13,429,513,837	₱16,198,256,317	₱3,000,000,000	₱19,198,256,317	₱26,043,533	₱575,323,807	(₱826,240,308)	(₱250,916,501)	(₱916,666,046)	₱31,486,231,140	₱658,198,616	₱32,144,429,756
Shares issued	5,787,452	20,256,081	26,043,533	–	–	–	(26,043,533)	–	–	–	–	–	–	–
Net income for the year	–	–	–	3,887,366,522	–	3,887,366,522	–	–	–	–	–	3,887,366,522	220,499,036	4,107,865,558
Other comprehensive income	–	–	–	–	–	–	–	1,138,771	1,094,654,675	1,095,793,446	–	1,095,793,446	(40,649,139)	1,055,144,307
Total comprehensive income	–	–	–	3,887,366,522	–	3,887,366,522	–	1,138,771	1,094,654,675	1,095,793,446	–	4,983,159,968	179,849,897	5,163,009,865
Purchase of treasury shares (Note 23)	–	–	–	–	–	–	–	–	–	–	(18,046,800)	(18,046,800)	–	(18,046,800)
Cash dividends (Note 23)	–	–	–	(538,133,683)	–	(538,133,683)	–	–	–	–	–	(538,133,683)	–	(538,133,683)
Adjustment of subscription receivable	–	–	–	–	–	–	–	–	–	–	–	–	(264,928,699)	(264,928,699)
Balances as at September 30, 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

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱5,621,448,555**	₱8,919,249,412	₱4,430,510,840
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 13)	**3,260,872,226**	3,274,434,292	3,032,551,786
Investment properties (Note 18)	**3,657,787**	3,598,245	3,598,245
Intangible assets (Note 16)	**1,614,455**	2,767,636	2,767,636
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**1,157,315,912**	(2,007,094,315)	(702,171,028)
Finance revenue (Note 30)	**(1,191,241,808)**	(1,222,064,699)	(1,199,778,108)
Finance costs (Note 31)	**1,001,247,740**	1,034,199,841	1,413,667,907
Net foreign exchange losses	**36,688,172**	335,280,036	46,098,433
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 15)	**128,310,166**	44,745,566	(96,802,397)
Impairment losses on:			
Receivables (Note 10)	**5,625,813**	163,552,126	228,279,324
Inventories (Note 11)	**4,005,060**	248,805	–
Property, plant and equipment (Note 13)	**10,065,297**	–	–
AFS investments (Note 14)	**–**	–	185,454,636
Intangibles (Notes 16 and 38)	**147,514,765**	–	–
Other assets (Note 19)	**–**	279,087,863	–
Loss (gain) on sale of:			
Property, plant and equipment	**(17,560,666)**	(17,970,284)	(20,027,685)
Net assets of disposal group classified as held for sale (Note 38)	**177,789,396**	31,708,814	–
AFS investments	**(69,390,963)**	(11,526,071)	(32,544,912)
Financial assets at fair value through profit or loss	**3,696,697**	(9,290,668)	689,613
Equity in net income of a joint venture (Note 17)	**(25,469,633)**	(26,194,500)	(25,246,000)
Amortization of debt issuance costs	**12,377,331**	15,168,074	13,055,003
Market valuation gain on derivative transactions (Note 8)	**(4,115,330)**	(10,558,618)	(68,991,233)
Gain on reacquisition of long-term debt (Note 22)	**–**	–	(20,831,560)
Operating income before working capital changes	**10,264,450,972**	10,799,341,555	7,190,280,500
Decrease (increase) in:			
Inventories	**(1,843,302,662)**	(1,771,130,996)	1,656,413,601
Receivables	**(981,073,652)**	187,222,647	(1,190,408,763)
Biological assets	**(203,051,947)**	225,556,783	(25,817,246)
Other current assets	**174,092,316**	(17,559,797)	241,651,156
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**686,348,971**	219,441,709	736,357,653
Trust receipts and acceptances payable	**1,439,785,594**	(478,448,886)	(2,522,327,624)
Net cash generated from operations	**9,537,249,592**	9,164,423,015	6,086,149,277

(Forward)

	Years Ended September 30		
	2011	2010	2009
Interest received	**₱1,163,170,777**	₱1,210,290,196	₱1,167,623,419
Interest paid	**(1,001,217,460)**	(1,058,388,561)	(1,452,370,556)
Income taxes paid	**(708,597,303)**	(562,185,659)	(164,625,871)
Net cash provided by operating activities	**8,990,605,606**	8,754,138,991	5,636,776,269
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(4,559,453,861)**	(3,582,808,089)	(3,874,730,827)
Financial assets at fair value through profit or loss	**(2,342,958,468)**	(2,583,863,699)	(704,716,194)
Proceeds from the sale of:			
Financial assets at fair value through profit or loss	**672,701,490**	1,173,940,289	116,662,599
AFS investments	**716,158,372**	655,977,635	46,711,388
Property, plant and equipment	**67,560,666**	62,569,987	94,067,106
Net assets of disposal group classified as held for sale (Note 38)	**107,920,453**	255,954,535	–
Decrease (increase) in:			
Other noncurrent assets	**(81,148,992)**	86,704,601	56,016,366
Net pension asset (liability)	**102,555,337**	70,988,000	102,792,400
Dividends received (Note 17)	**24,999,929**	24,999,993	29,999,912
Net cash used in investing activities	**(5,291,665,074)**	(3,835,536,748)	(4,133,197,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debt	**(5,111,859,534)**	(5,186,769,415)	(8,069,508,132)
Long-term debt	**(7,401,385)**	(338,237,308)	(267,811,455)
Proceeds from availment of:			
Long-term debt	**–**	–	3,044,655,646
Short-term debt	**5,747,104,738**	5,111,859,534	5,186,769,415
Cash dividends paid (Note 23)	**(3,917,043,673)**	(1,946,133,167)	(538,133,683)
Purchase of treasury shares (Note 23)	**(322,114,135)**	(1,157,199,172)	(18,046,800)
Net cash used in financing activities	**(3,611,313,989)**	(3,516,479,528)	(662,075,009)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**87,626,543**	1,402,122,715	841,504,010
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,459,254,984**	3,057,132,269	2,215,628,259
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱4,546,881,527**	₱4,459,254,984	₱3,057,132,269

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

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 (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 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		
		2011	2010	2009
CFC Clubhouse Property, Inc.	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	100.00
URC Confectionery Corporation	- do -	**–**	100.00	100.00
South Luzon Greenland, Inc.	- do -	**–**	100.00	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 -	**77.00**	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 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 Group obtains control, and continue to be consolidated until the date that such control ceases. 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-
Jiangsu Acesfood Industrial Co., Ltd.	-do-
Acesfood Network Pte. Ltd.	-do-
Acesfood Holdings Pte. Ltd.	-do-
Acesfood Distributors Pte. Ltd.	-do-
Advanson International Pte. Ltd.	-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.

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 comprehensive income on the date of acquisition.

Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the parent equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

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, 2010. 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, 2010, the Group early adopted the following new and amended accounting standards and interpretations which are mandatory for the Group beginning October 1, 2011.

Revised and Amended Standards

- Revised PAS 24, *Related Party Disclosures*
  The revised PAS is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities.

For these entities, the general disclosure requirements of PAS 24 will not apply. Instead, alternative disclosures have been included, requiring: (a) the name of the government and the nature of its relationship with the reporting entity; (b) the nature and amount of individually significant transactions during the year; (c) a qualitative or quantitative indication of the extent of other transactions that are collectively significant.

- Amendments to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)
  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- PFRS 7, *Financial Instruments: Disclosures*
  The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  The amendment is applicable for annual periods beginning January 1, 2011 and is applied retrospectively. Amendments to quantitative and credit risk disclosures are as follows:
  a. Clarify that only a financial asset whose carrying amount does not reflect the maximum exposure to credit risk needs to provide further disclosure of the amount that represents the maximum exposure to such risk;
  b. Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);
  c. Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;
  d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and
  e. Clarify that the additional disclosures required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

The following new Philippine Interpretations and amendments to existing PFRS, PAS and Philippine Interpretations, which became effective in January 1, 2010 (except when otherwise indicated) did not have any significant impact on the accounting policies, financial position or performance of the Group:

- Amendments to PFRS 7, *Financial Instruments: Disclosures-Enhanced Derecognition Disclosure Requirements* (effective July 1, 2011)
- Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters* (effective July 1, 2010)
- Amendments to PFRS 2, *Share Based Payment-Group Cash-settled Share-based Payment Arrangements*
- Amendments PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues* (effective February 1, 2010)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective July 1, 2010)

Improvements to PFRS
The omnibus amendments to PFRS issued in 2008, 2009 and 2010, were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the improvements to following standards resulted in changes in accounting policies but did not have any significant impact on the financial position or performance of the Group:

2008
PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- Clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and have no impact on the financial position or financial performance of the Group.

2009
PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- The amendment clarifies that the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5.
- The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.
- It also clarifies that the general requirements of PAS 1 still apply, particularly paragraphs 15 (to achieve a fair presentation) and 125 (sources of estimation uncertainty) of PAS 1.

PFRS 8, *Segment Reporting*
- Segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

PAS 1, *Presentation of Financial Statements*
- The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

PAS 7, *Statement of Cash Flows*
- The amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 17, *Leases*
- The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains. The amendments will be applied retrospectively.

PAS 36, *Impairment of Assets*
- The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8, before aggregation for reporting purposes.

PAS 39, *Financial Instruments: Recognition and Measurement*
- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell and acquire at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

- Gains or losses on cash flow hedges of a forecast transaction that subsequently result in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

2010

PFRS 3, *Business Combinations*

- The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at present ownership instrument's proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

PAS 1, *Presentation of Financial Statements*

- The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

PAS 27, *Consolidated and Separate Financial Statements*

- The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effects of Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

Other amendments resulting from Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards*
- PAS 34, *Interim Financial Reporting*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Significant Accounting Policies

Revenue Recognition

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

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

Sale of goods

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

Rendering of services

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

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

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

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

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

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

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS 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 comprehensive income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 profit amount.

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

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

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

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

Derivatives recorded at FVPL
The 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 profit or loss in the consolidated statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host

contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

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

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

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

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

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated 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 comprehensive income. Interest earned on holding AFS investments are reported as interest income using the effective interest rate 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 comprehensive income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

AFS investments held by the Group consist of private bonds, government and equity securities (Note 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 effective interest rate 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 effective interest rate 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 profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process.

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

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

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

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

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

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

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

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one 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 profit or loss in the consolidated statement of comprehensive income. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

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

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

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

The Group performs a regular review of the age and status of 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 (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 profit or loss in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss in the consolidated statement of comprehensive income, the impairment loss is reversed through the profit or loss in the consolidated statement of comprehensive income.

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

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

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition

of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is computed using the straight-line method over the estimated useful life (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 profit or loss in the consolidated statement of comprehensive 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' profit or loss in the consolidated statements of comprehensive income and consolidated statements 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 profit or loss in the consolidated statements of comprehensive income and consolidated statements 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 incurredduring 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	10-30
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 comprehensive income, in the year the item is derecognized. Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

<u>Investment Properties</u>

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:

Land improvements	10 years
Buildings and building improvements	10 to 30 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in a Joint Venture
The Group has a 50% interest in Hunt-Universal Robina Corporation (HURC), a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly 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 comprehensive income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity.

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (Note 13), investment properties (Note 18), investment in a joint venture (Note 17), intangible assets (Note 16) and biological assets at cost (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 profit or loss in the consolidated statement of comprehensive 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 profit or loss in the consolidated statement of comprehensive 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 useful lives 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.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings.

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

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

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

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

Pension Costs

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

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

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

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

Asset ceiling test

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

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the 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 effective interest rate method over the term of the loans.

Leases

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

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

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

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

Group as a lessee

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

A lease is depreciated over the useful life 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 estimated useful life of the asset and the lease term.

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

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

Group as a lessor

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

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other 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.	- do -	US Dollar
Hong Kong China Foods Co. Ltd.	- do -	- do -
URCICL	- do -	- do -
Shanghai Peggy Foods Co., Ltd.	China	Chinese Renminbi
URC China Commercial Co. Ltd.	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Panyu 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 statement 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 as part of profit and loss in the consolidated statement of comprehensive income.

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

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

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

Diluted EPS amounts are calculated by dividing the 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, 2011
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 2012 for adoption in fiscal year ending September 30, 2013

- PAS 12, *Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying value amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets are measured using revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 1, *Presentation of Financial Statements - Presentation of Items in Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no other impact on the Group's financial position and performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

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

- PFRS 10, *Consolidated Financial Statements* and PAS 27, *Separate Financial Statements*
  PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes issues raised in Standing Interpretations Committee (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* and PAS 28, *Investments in Associates and Joint Ventures*
  PFSR 11 replaces PAS 31, *Interest 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. This 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 that were previously in PAS 27 related to consolidated financial statements, as well as all fo the disclosures that were previously in PAS 31, and PAS 28. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when and 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. The Group is currently assessing the impact that this standard will have on the financial position or performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 19, *Employee Benefits*
  The International Accounting Standards Board (IASB) has issued numerous amendments to PAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns from plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the amendments. The amendments become effective for annual periods beginning on or after January 1, 2013.

- 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, joinly-controlled entities and associates in separate financial statements. This will have an effect on the separate financial statements of the Parent Company. 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.

Effective beyond 2013

- PFRS 9, *Financial Instruments*
  The first phase of PFRS 9, *Financial Instruments,* which is effective for annual periods beginning on or after January 1, 2015, addresses the classification and measurement of financial instruments. Phase 1 of PFRS 9 applies to all financial assets within the scope of PAS 39. The key requirements of PFRS 9 follow:

  - At initial recognition, all financial assets are measured at fair value.
  - Debt instruments may (if the Fair Value Option is not invoked) be subsequently measured at amortized cost if: (a) the asset is held within a business model whose objective is to hold the assets to collect contractual cash flows and (b) the contractual terms of the financial asset 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.
  - All equity investment financial assets are measured at fair value either through other comprehensive income or profit or loss. Entities must make an irrevocable choice for each instrument, unless they are held for trading, in which case they must be measured at fair value through profit or loss.
  - For financial liabilities to which the Fair Value Option is invoked.

3. Significant Accounting Judgments and Estimates

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

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

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

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.

Estimates

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

Impairment of AFS investments

Debt investments

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

The Group did not recognize any provision for impairment loss on its AFS debt investments in 2011 and 2010 but recognized a provision for impairment loss in 2009 amounting to ₱185.5 million which was included under 'Impairment losses' in the consolidated statements of comprehensive income (Note 14). As of September 30, 2011 and 2010, the carrying values of AFS debt investments amounted to ₱4.6 billion and ₱5.8 billion, respectively (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% 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 its AFS equity investments in 2011, 2010 and 2009. As of September 30, 2011 and 2010, the carrying values of AFS equity investments amounted to ₱894.2 million and ₱965.4 million, respectively (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 comprehensive income) amounted to ₱5.6 million, ₱163.6 million and ₱228.3 million in 2011, 2010 and 2009, respectively. Total receivables, net of allowance for impairment losses, amounted to ₱7.4 billion and ₱6.6 billion as of September 30, 2011 and 2010, respectively (Note 10).

Determination of NRV of inventories
The Group, in determining the NRV, considers any adjustment necessary for obsolescence, which is generally providing 100% 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 obsolescence and market decline (included under 'Impairment losses' in the consolidated statements of comprehensive income) amounted to ₱4.0 million in 2011, ₱0.2 million in 2010 and nil in 2009 (Note 11). The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱9.7 billion and ₱7.9 billion as of September 30, 2011 and 2010, respectively (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, 2011 and 2010, the balances of the Group's depreciable property, plant and equipment, intangible assets, biological assets and investment properties follow:

	2011	2010
Property, plant and equipment - net (Note 13)	**₱23,019,246,208**	₱22,339,995,538
Biological assets - breeders (Note 15)	**459,053,688**	448,700,235
Intangible assets (Note 16)	**240,223,400**	325,852,620
Investment properties - net (Note 18)	**68,149,307**	71,807,094

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, 2011 and 2010, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.2 billion and ₱1.1 billion, respectively (Note 15).

In 2011 and 2010, losses arising from changes in the fair market value of biological assets amounted to ₱128.3 million and ₱44.7 million, respectively, while 2009 gains arising from changes in the fair market value of biological assets amounted to ₱96.8 million (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 2011, the Group recognized impairment losses on its property, plant and equipment (included under 'Impairment losses' on the consolidated statements of comprehensive income) of ₱10.1 million (Note 13).

As of September 30, 2011 and 2010, the balances of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment losses follow:

	2011	2010
Property, plant and equipment (Note 13)	**₱26,423,220,738**	₱25,312,012,092
Intangible assets (Note 16)	**1,463,851,176**	1,641,227,640
Biological assets at cost (Note 15)	**136,756,240**	149,155,466
Investment in a joint venture (Note 17)	**89,966,944**	89,497,240
Investment properties (Note 18)	**68,149,307**	71,807,094

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 (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, 2011 and 2010, the balances of the Group's net pension asset (liability), actuarial losses and other employee benefits follow:

	2011	2010
Net pension asset (liability) (Note 32)	**(₱24,650,517)**	₱70,030,200
Unrecognized actuarial loss - net (Note 32)	**111,571,379**	73,698,428
Other employee benefits (Note 29)	**762,396,413**	767,086,012

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, 2011 and 2010, the Group recognized deferred tax assets amounting to ₱180.5 million and ₱219.3 million, respectively (Note 33), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱138.5 million and ₱277.6 million as of September 30, 2011 and 2010, respectively (Note 33).

As of September 30, 2011 and 2010, 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 (Note 36).

As of September 30, 2011 and 2010, the total amount of unrecognized deferred tax assets of the Group amounted to ₱166.6 million and ₱312.9 million, respectively (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.

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit and Collection Department of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS 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, 2011 and 2010, without considering the effects of collaterals and other credit risk mitigation techniques.

	2011	2010
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand amounting to ₱47.8 million and ₱45.2 million as of September 30, 2011 and 2010, respectively) (Note 7)	**₱4,499,089,671**	₱4,414,070,546
Receivables (Note 10):		
Trade receivables	**4,553,747,213**	3,794,884,843
Due from related parties	**1,602,667,129**	1,635,205,630
Advances to officers, employees and suppliers	**506,448,348**	540,220,182
Interest receivable	**222,289,907**	186,744,631
Other receivables	**534,672,218**	393,894,579
Total loans and receivables	**11,918,914,486**	10,965,020,411

(Forward)

	2011	2010
Financial assets at FVPL (Note 8):		
Held-for-trading:		
Private bonds	**₱7,374,656,667**	₱6,574,394,324
Equity securities	**3,132,619,171**	3,294,062,710
Government bonds	**135,633,633**	151,890,664
Derivative assets	**9,162,226**	2,257,526
Total financial assets at FVPL	**10,652,071,697**	10,022,605,224
AFS investments (Note 14):		
Debt securities:		
Private bonds	**₱2,451,989,177**	₱3,238,990,528
Government securities	**2,165,354,695**	2,543,989,688
Equity securities:		
Quoted	**894,207,250**	965,414,250
Total AFS investments	**5,511,551,122**	6,748,394,466
	₱28,082,537,305	₱27,736,020,101

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, 2011 and 2010 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2011					
	Philippines	**Asia**	**United States**	**Europe**	**Others***	**Total**
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (Note 7)	**₱3,306,431,717**	**₱1,192,657,954**	**₱–**	**₱–**	**₱–**	**₱4,499,089,671**
Receivables (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**

(Forward)

	2011					
	Philippines	**Asia**	**United States**	**Europe**	**Others***	**Total**
Financial assets at FVPL (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 (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.*

	2010					
	Philippines	Asia	United States	Europe	Others*	Total
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand) (Note 7)	₱3,153,417,607	₱1,260,652,939	₱–	₱–	₱–	₱4,414,070,546
Receivables (Note 10):						
Trade receivables	2,590,551,125	1,204,333,718	–	–	–	3,794,884,843
Due from related parties	1,635,205,630	–	–	–	–	1,635,205,630
Advances to officers, employees and suppliers	303,834,587	236,385,595	–	–	–	540,220,182
Interest receivable	40,823,270	19,240,064	58,487,433	51,252,059	16,941,805	186,744,631
Other receivables	116,731,336	209,556,142	67,607,101	–	–	393,894,579
Total loans and receivable	7,840,563,555	2,930,168,458	126,094,534	51,252,059	16,941,805	10,965,020,411
Financial assets at FVPL (Note 8):						
Held-for-trading:						
Private bonds	1,893,617,047	839,999,009	1,244,069,086	1,594,804,870	1,001,904,312	6,574,394,324
Equity securities	1,655,184,816	–	926,758,141	712,119,753	–	3,294,062,710
Government securities	–	120,844,686	–	–	31,045,978	151,890,664
Derivative assets	–	–	–	2,257,526	–	2,257,526
Total financial assets at FVPL	3,548,801,863	960,843,695	2,170,827,227	2,309,182,149	1,032,950,290	10,022,605,224
AFS investments (Note 14):						
Debt securities:						
Private bonds	–	379,175,308	761,354,929	2,046,873,879	51,586,412	3,238,990,528
Government securities	1,682,191,447	158,773,681	–	–	703,024,560	2,543,989,688
Equity securities:						
Quoted	21,720,000	943,694,250	–	–	–	965,414,250
Total AFS investments	1,703,911,447	1,481,643,239	761,354,929	2,046,873,879	754,610,972	6,748,394,466
	₱13,093,276,865	₱5,372,655,392	₱3,058,276,690	₱4,407,308,087	₱1,804,503,067	₱27,736,020,101

**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, 2011 and 2010 before taking into account any collateral held or other credit enhancements.

	2011						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-comunication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand) (Note 7)	₱–	₱4,499,089,671	₱–	₱–	₱–	₱–	₱4,499,089,671
Receivables (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 (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 (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.*

	2010						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-comuncation	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand) (Note 7)	₱–	₱4,414,070,546	₱–	₱–	₱–	₱–	₱4,414,070,546
Receivables (Note 10):							
Trade receivables	3,199,442,067	–	–	–	–	595,442,776	3,794,884,843
Due from related parties	16,200,971	33,251,887	114,950,079	25,730,524	13,067,525	1,432,004,644	1,635,205,630
Advances to officers,employees and suppliers	410,961,668	–	–	–	–	129,258,514	540,220,182
Interest receivable	239,293	41,610,736	12,333,966	7,142,918	10,432,426	114,985,292	186,744,631
Other receivables	90,935,210	–	–	–	–	302,959,369	393,894,579
Total loans and receivables	3,717,779,209	4,488,933,169	127,284,045	32,873,442	23,499,951	2,574,650,595	10,965,020,411
Financial assets at FVPL (Note 8):							
Held-for-trading:							
Private bonds	–	1,944,323,729	224,138,557	331,222,199	251,598,310	3,823,111,529	6,574,394,324
Equity securities	–	1,278,623,085	–	157,000	3,165,045	2,012,117,580	3,294,062,710
Government bonds	–	–	–	–	–	151,890,664	151,890,664
Derivative assets	–	2,257,526	–	–	–	–	2,257,526
Total financial assets at FVPL	–	3,225,204,340	224,138,557	331,379,199	254,763,355	5,987,119,773	10,022,605,224
AFS investments (Note 14):							
Debt securities:							
Private bonds	–	1,206,118,712	–	188,139,888	559,692,428	1,285,039,500	3,238,990,528
Government securities	–	–	–	–	–	2,543,989,688	2,543,989,688
Equity securities:							
Quoted	–	–	–	–	–	965,414,250	965,414,250
Total AFS investments	–	1,206,118,712	–	188,139,888	559,692,428	4,794,443,438	6,748,394,466
	₱3,717,779,209	₱8,920,256,221	₱351,422,602	₱552,392,529	₱837,955,734	₱13,356,213,806	₱27,736,020,101

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, 2011 and 2010, gross of allowance for impairment losses:

	2011				
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) (Note 7)	**₱4,499,089,671**	**₱–**	**₱–**	**₱–**	**₱4,499,089,671**
Receivables (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 (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 (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**

	2010				
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand) (Note 7)	₱4,414,070,546	₱–	₱–	₱–	₱4,414,070,546
Receivables (Note 10):					
Trade receivables	2,475,116,061	316,654,374	108,064,876	1,102,567,534	4,002,402,845
Due from related parties	1,635,205,630	–	–	–	1,635,205,630
Advances to officers, employees and suppliers	174,499,155	257,983,845	34,977,879	92,405,985	559,866,864
Interest receivable	186,503,500	–	–	241,131	186,744,631
Other receivables	100,072,750	90,701,078	39,566,827	349,175,033	579,515,688
Total loans and receivables	8,985,467,642	665,339,297	182,609,582	1,544,389,683	11,377,806,204
Financial assets at FVPL (Note 8):					
Held-for-trading:					
Private bonds	2,961,243,455	2,884,805,179	728,345,690	–	6,574,394,324
Government bonds	–	151,890,664	–	–	151,890,664
Equity securities	2,497,830,017	579,623,461	216,609,232	–	3,294,062,710
Derivative assets	2,257,526	–	–	–	2,257,526
Total financial assets at FVPL	5,461,330,998	3,616,319,304	944,954,922	–	10,022,605,224
AFS investments (Note 14):					
Debt securities:					
Private bonds	1,264,832,760	1,116,893,217	558,975,244	298,289,307	3,238,990,528
Government securities	2,066,075,933	477,913,755	–	–	2,543,989,688
Equity securities:					
Quoted	21,720,000	943,694,250	–	–	965,414,250
Total AFS investments	3,352,628,693	2,538,501,222	558,975,244	298,289,307	6,748,394,466
	₱17,799,427,333	₱6,820,159,823	₱1,686,539,748	₱1,842,678,990	₱28,148,805,894

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

The aging analysis of the Group's past due but not impaired receivables as of September 30, 2011 and 2010 are as follows:

	2011				
	Less than 30 Days	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Total**
Trade receivables	**₱476,674,954**	**₱71,219,300**	**₱22,842,895**	**₱382,173,049**	**₱952,910,198**
Advances to officers, employees and suppliers	**25,451,465**	**984,702**	**1,543,907**	**25,646,577**	**53,626,651**
Others	**47,436,286**	**22,324,427**	**1,020,203**	**14,585,537**	**85,366,453**
Balances at end of year	**₱549,562,705**	**₱94,528,429**	**₱25,407,005**	**₱422,405,163**	**₱1,091,903,302**

	2010				
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Total
Trade receivables	₱403,587,315	₱75,634,247	₱16,554,591	₱399,273,379	₱895,049,532
Advances to officers, employees and suppliers	10,796,900	5,673,457	4,404,666	51,884,280	72,759,303
Interest receivable	241,131	–	–	–	241,131
Others	51,612,718	18,016,074	22,974,423	70,950,709	163,553,924
Balances at end of year	₱466,238,064	₱99,323,778	₱43,933,680	₱522,108,368	₱1,131,603,890

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, 2011 and 2010 based on the remaining undiscounted contractual cash flows.

	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	₱3,892668,502	₱–	₱–	₱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	215,953,534	6,336,373	–	–	222,289,907
Other receivables	382,205,889	35,928,058	116,538,271	–	534,672,218
	4,030,957,511	7,100,316,470	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
	₱5,517,276,883	₱7,306,249,075	₱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
	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

	2010				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,062,804,340	₱3,368,999,477	₱–	₱–	₱4,431,803,817
Receivables:					
Trade receivables	248,210,224	2,923,802,963	622,871,656	–	3,794,884,843
Due from related parties	1,635,205,630	–	–	–	1,635,205,630
Advances to officers, employees and suppliers	1,010,171	279,005,722	260,204,289	–	540,220,182
Interest receivable	–	186,744,631	–	–	186,744,631
Other receivables	209,530,563	36,452,232	147,911,784	–	393,894,579
	3,156,760,928	6,795,005,025	1,030,987,729	–	10,982,753,682
Financial assets at FVPL:					
Held-for-trading:					
Private bonds	–	74,853,493	6,846,735,993	–	6,921,589,486
Equity securities	–	–	3,294,062,710	–	3,294,062,710
Government securities	–	832,623	160,113,228	–	160,945,851
Derivative assets	–	2,257,526	–	–	2,257,526
	–	77,943,642	10,300,911,931	–	10,378,855,573
AFS investments:					
Debt securities:					
Private bonds	–	129,844,052	3,403,640,308	–	3,533,484,360
Government securities	–	90,068,249	2,868,554,469	–	2,958,622,718
Equity securities:					
Quoted	–	–	965,414,250	–	965,414,250
	–	219,912,301	7,237,609,027	–	7,457,521,328
	₱3,156,760,928	₱7,092,860,968	₱18,569,508,687	₱–	₱28,819,130,583
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses	₱1,738,981,712	₱3,057,896,091	₱1,358,406,496	₱–	₱6,155,284,299
Due to related parties	320,901,501	–	–	–	320,901,501
Short-term debt	–	5,126,271,722	–	–	5,126,271,722
Long-term debt (including current portion)	–	45,763,791	778,214,698	12,539,490,772	13,363,469,261
	2,059,883,213	8,229,931,604	2,136,621,194	12,539,490,772	24,965,926,783
Financial liabilities at FVPL:					
Derivative liabilities	–	12,826,639	–	–	12,826,639
	₱2,059,883,213	₱8,242,758,243	₱2,136,621,194	₱12,539,490,772	₱24,978,753,422

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, 2011, 2010 and 2009, approximately 28.6%, 25.3% and 23.8% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 70.6% and 73.9% of the Group's debt is denominated in US Dollar as of September 30, 2011 and 2010, 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:

	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	**2,268,311,559**	**183,677,618**	**–**	**2,451,989,177**
Government securities	**1,792,889,515**	**372,465,180**	**–**	**2,165,354,695**
Equity securities: Quoted	**–**	**872,487,250**	**–**	**872,487,250**
	4,205,777,223	**13,770,034,889**	**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	**₱3,484,641,273**	**₱612,285,593**	**₱60,339,474**	**₱4,157,266,340**

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

	2010			
	Euro	US Dollar	Other	Total
Assets				
Cash and cash equivalents	₱–	₱1,925,497,273	₱712,863,030	₱2,638,360,303
Receivables	–	584,106,067	2,239,041,333	2,823,147,400
Financial assets at FVPL				
Held-for-trading:				
Private bonds	–	6,481,934,776	92,459,548	6,574,394,324
Government bonds	–	151,890,664	–	151,890,664
Equity securities	–	1,638,877,894	–	1,638,877,894
Derivative assets	2,257,526	–	–	2,257,526
AFS investments				
Debt securities:				
Private bonds	211,483,249	3,027,507,279	–	3,238,990,528
Government securities	470,231,511	2,073,758,177	–	2,543,989,688
Equity securities: Quoted	–	943,694,250	–	943,694,250
	683,972,286	16,827,266,380	3,044,363,911	20,555,602,577
Liabilities				
Accounts payable and other accrued liabilities	–	147,910,022	2,356,847,218	2,504,757,240
Short-term debt	771,931,723	3,856,289,691	483,638,120	5,111,859,534
Long-term debt (including current portion)	–	8,215,279,157	–	8,215,279,157
	771,931,723	12,219,478,870	2,840,485,338	15,831,895,931
Net Foreign Currency-Denominated Assets (Liabilities)	(₱87,959,437)	₱4,607,787,510	₱203,878,573	₱4,723,706,646

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, 2011, 2010 and 2009:

2011		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	**US Dollar**	**Euro**
₱5.00	**₱70,023,512**	**₱293,938,034**
(5.00)	**(70,023,512)**	**(293,938,034)**

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

2009		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	₱185,378,998	₱69,165,335
(5.00)	(185,378,998)	(69,165,335)

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, 2011 and 2010 are deemed immaterial. As of September 30, 2011 and 2010, 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 ₱43.72 to US$1.00 and ₱43.88 to US$1.00 as of September 30, 2011 and 2010, 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 2011, 2010 and 2009, 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 ₱23.4 million, ₱25.0 million and ₱8.6 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 ₱8.3 million and ₱9.4 million as of September 30, 2011 and 2010, 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, 2011 and 2010, 100.0% 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:

	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

	2010								
	<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	US$87,882,627	US$187,592,000	US$–	US$–	US$–	US$275,474,627	12,087,826,651	(16,257,803)	12,071,568,848
Interest rate	0.29% to 1.12%	8.25%							
Euro loans	€12,913,368	€–	€–	€–	€–	€12,913,368	771,931,723	–	771,931,723
Interest rate	0.83% to 0.95%								
Thailand Baht loans	THB339,500,006	THB–	THB–	THB–	THB–	THB339,500,006	483,638,120	–	483,638,120
Interest rate	2.35% to 2.40%								
Local currencies:									
Fixed rate									
Philippine Peso loans	₱–	₱–	₱–	₱3,033,105,818	₱–	₱3,033,105,818	3,033,105,818	(22,036,205)	3,011,069,613
Interest rate				7.5% to 8.75%					
							16,376,502,312	(38,294,008)	16,338,208,304

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 2011, 2010 and 2009:

	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

	2009			
	Reasonably Possible Changes in:			
	Interest rates		Market prices	
Changes in:	1.5%	(1.5%)	1.5%	(1.5%)
Income Before Income Tax	(₱498,391)	₱498,391	(₱195,854,362)	₱212,933,804
Equity	–	–	(403,396,607)	458,748,396

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 0.2% to 2.65% in 2011 and 0.3% to 4.75% in 2010.

The following table summarizes the carrying amounts and fair values of the financial assets and financial liabilities by category as of September 30, 2011 and 2010:

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱4,546,881,527**	**₱4,546,881,527**	₱4,459,254,984	₱4,459,254,984
Receivables:				
Trade receivables	**4,553,747,213**	**4,553,747,213**	3,794,884,843	3,794,884,843
Due from related parties	**1,602,667,129**	**1,602,667,129**	1,635,205,630	1,635,205,630
Advances to officers, employees and suppliers	**506,448,348**	**506,448,348**	540,220,182	540,220,182
Interest receivable	**222,289,907**	**222,289,907**	186,744,631	186,744,631
Other receivables	**534,672,218**	**534,672,218**	393,894,579	393,894,579
Total loans and receivables	**11,966,706,342**	**11,966,706,342**	11,010,204,849	11,010,204,849
Financial assets at FVPL:				
Held-for-trading:				
Private bonds	**7,374,656,667**	**7,374,656,667**	6,574,394,324	6,574,394,324
Equity securities	**3,132,619,171**	**3,132,619,171**	3,294,062,710	3,294,062,710
Government bonds	**135,633,633**	**135,633,633**	151,890,664	151,890,664
Derivative assets	**9,162,226**	**9,162,226**	2,257,526	2,257,526
Total financial assets at FVPL	**10,652,071,697**	**10,652,071,697**	10,022,605,224	10,022,605,224
AFS investments:				
Debt securities:				
Private bonds	**2,451,989,177**	**2,451,989,177**	3,238,990,528	3,238,990,528
Government securities	**2,165,354,695**	**2,165,354,695**	2,543,989,688	2,543,989,688
Equity securities:				
Quoted	**894,207,250**	**894,207,250**	965,414,250	965,414,250
Total AFS investments	**5,511,551,122**	**5,511,551,122**	6,748,394,466	6,748,394,466
	₱28,130,329,161	**₱28,130,329,161**	₱27,781,204,539	₱27,781,204,539
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable and other accrued liabilities:				
Trade payable and accrued expenses	**₱6,824,408,921**	**₱6,824,408,921**	₱6,155,284,299	₱6,155,284,299
Due to related parties	**335,279,536**	**335,279,536**	320,901,501	320,901,501
Short-term debt	**5,749,632,635**	**5,749,632,635**	5,111,859,534	5,111,859,534
Trust receipts and acceptances payable	**1,448,156,283**	**1,448,156,283**	–	–
Long-term debt (including current portion)	**11,208,210,724**	**11,841,382,125**	11,226,348,770	13,363,469,261
Total financial liabilities at amortized cost	**25,565,688,099**	**26,198,859,500**	22,814,394,104	24,951,514,595
Financial liabilities at FVPL:				
Derivative liabilities	**24,387,060**	**24,387,060**	12,826,639	12,826,639
	₱25,590,075,159	**₱26,223,246,560**	₱22,827,220,743	₱24,964,341,234

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, 2011 and 2010, based on levels 1 and 2:

		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**

		2010	
	Level 1	Level 2	Total
Financial Assets			
Financial assets at FVPL:			
Held for trading:			
Private bonds	₱6,574,394,324	₱–	₱6,574,394,324
Equity securities	3,294,062,710	–	3,294,062,710
Government bonds	151,890,664	–	151,890,664
Derivative assets	–	2,257,526	2,257,526
Total financial assets at FVPL	10,020,347,698	2,257,526	10,022,605,224
AFS investments:			
Debt securities:			
Private bonds	3,238,990,528	–	3,238,990,528
Government securities	2,543,989,688	–	2,543,989,688
Equity securities:			
Quoted	965,414,250	–	965,414,250
Total AFS investments	6,748,394,466	–	6,748,394,466
	₱16,768,742,164	₱2,257,526	₱16,770,999,690
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative liabilities	₱–	₱12,826,639	₱12,826,639

As of September 30, 2011 and 2010, 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 snack foods, instant coffee products, instant noodles, chocolates, soft and hard candies, biscuits, tomato-based products and ready-to-drink beverages. This segment also includes the packaging division which manufactures BOPP films primarily used in packaging. In 2006, the Group, through its wholly owned subsidiary CCPI, began operations of its PET bottle manufacturing and flexible packaging plants to supply the packaging requirements in PET bottle and 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, manufactures and distributes animal and fish feeds and soya products and manufactures and distributes animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing and marketing. The peak season for sugar is during its crop season, which normally starts in 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, 2011, 2010 and 2009.

The Group's business segment information follows:

	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 (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 (Note 30)	₱20,151	₱355	₱1,536	₱1,169,200	₱–	1,191,242
Finance costs (Notes 20, 22 and 31)	(₱13,325)	(₱1,997)	(₱9,344)	(₱976,582)	₱–	(1,001,248)
Equity in net income of a joint venture (Note 17)	₱–	₱–	₱–	₱25,470	₱–	25,470
Market valuation loss on financial assets at FVPL (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						(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 (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 (Note 10)	₱949	₱–	₱4,677	₱–	₱–	₱5,626
Inventories (Note 11)	4,005	–	–	–	–	4,005
Property, Plant and Equipment (Note 13)	10,065	–	–	–	–	10,065
Intangibles (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 (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 (Note 30)	₱21,167	₱210	₱3,991	₱1,196,697	₱–	1,222,065
Finance costs (Notes 20, 22 and 31)	(₱19,440)	(₱270)	(₱6,767)	(₱1,007,723)	₱–	(1,034,200)
Equity in net income of a joint venture (Note 17)	₱–	₱–	₱–	₱26,195	₱–	26,195
Market valuation gain on financial assets at FVPL (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 (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 (Note 19)	₱–	₱–	₱–	₱279,088	₱–	₱279,088
Receivables (Note 10)	43,250	–	8,696	111,606	–	163,552
Inventories (Note 11)	249	–	–	–	–	249
	₱43,499	₱–	₱8,696	₱390,694	₱–	₱442,889

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

	2009					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱39,161,396	₱5,845,671	₱5,445,893	₱–	₱–	₱50,452,960
Inter-segment	4,759,555	3,130,735	3,249,555	–	(11,139,845)	–
	₱43,920,951	₱8,976,406	₱8,695,448	₱–	(₱11,139,845)	₱50,452,960
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱6,117,225	₱623,960	₱1,773,989	(₱825,566)	₱–	₱7,689,608
Depreciation and Amortization (Note 28)	(2,307,028)	(249,809)	(458,688)	(23,393)	–	(3,038,918)
Earnings before interest and income tax (EBIT)	₱3,810,197	₱374,151	₱1,315,301	(₱848,959)	₱–	₱4,650,690
Finance revenue (Note 30)	₱21,898	₱230	₱823	₱1,176,827	₱–	1,199,778
Finance costs (Notes 20, 22 and 31)	(₱101,455)	(₱38,211)	(₱169,890)	(₱1,104,112)	₱–	(1,413,668)
Equity in net income of a joint venture (Note 17)	₱–	₱–	₱–	₱25,246	₱–	25,246
Market valuation gain on financial assets at FVPL (Note 8)	₱–	₱–	₱–	₱702,171	₱–	702,171
Impairment losses and others						(413,734)
Other expenses*						(319,972)
Income before income tax						4,430,511
Provision for income tax						(322,645)
Net income						₱4,107,866
Other Information						
Total assets	₱29,750,662	₱4,761,916	₱7,100,783	₱19,304,589	₱–	₱60,917,950
Total liabilities	₱6,599,462	₱950,332	₱1,217,170	₱15,664,656	₱–	₱24,431,620
Capital expenditures (Note 13)	₱3,189,704	₱333,517	₱258,828	₱92,682	₱–	₱3,874,731
Non-cash expenses other than depreciation and amortization						
Impairment losses on:						
Receivables (Note 10)	₱69,987	₱–	₱88,292	₱70,000	₱–	₱228,279
AFS investment (Note 14)	–	–	–	185,455	–	185,455
	₱69,987	₱–	₱88,292	₱255,455	₱–	₱413,734

* *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 operating segments adjusted by the subsequent take up of capitalization of borrowing costs at the consolidated level for qualifying assets 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:

	2011	2010	2009
		(In Thousands)	
Domestic	**₱47,949,495**	₱43,089,209	₱38,920,004
Foreign	**19,218,135**	14,630,787	11,532,956
	₱67,167,630	₱57,719,996	₱50,452,960

The Group has no significant 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 deferred tax assets and pension assets:

	2011	2010	2009
		(In Thousands)	
Domestic	**₱20,362,311**	₱20,400,110	₱20,813,666
Foreign	**8,495,129**	7,435,184	7,158,632
	₱28,857,440	₱27,835,294	₱27,972,298

7. **Cash and Cash Equivalents**

This account consists of:

	2011	2010
Cash on hand	**₱47,791,856**	₱45,184,438
Cash in banks	**616,980,982**	1,062,804,340
Short-term investments	**3,882,108,689**	3,351,266,206
	₱4,546,881,527	₱4,459,254,984

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 1.4% to 3.8%, 1.6% to 3.6%, and 0.1% to 6.4% in 2011, 2010 and 2009, respectively.

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

This account consists of:

	2011	2010
Investments held-for-trading	**₱10,642,909,471**	₱10,020,347,698
Derivative assets	**9,162,226**	2,257,526
	₱10,652,071,697	₱10,022,605,224

Investments held-for-trading consist of:

	2011	2010
Private bonds	**₱7,374,656,667**	₱6,574,394,324
Equity securities	**3,132,619,171**	3,294,062,710
Government securities	**135,633,633**	151,890,664
	₱10,642,909,471	₱10,020,347,698

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

The Group reported a net market valuation loss on financial assets at FVPL of ₱1.2 billion in 2011 while gains of ₱2.0 billion and ₱0.7 billion in 2010 and 2009, respectively. Breakdown of the market valuation gain (loss) per class of investment follows:

	2011	2010	2009
Private bonds	**(₱671,472,063)**	₱1,704,130,132	₱543,830,860
Equity securities	**(470,301,969)**	287,295,195	158,340,168
Government securities	**(15,541,880)**	15,668,988	–
	(₱1,157,315,912)	₱2,007,094,315	₱702,171,028

Interest income earned from private bonds amounted to ₱505.1 million, ₱486.9 million and ₱598.2 million in 2011, 2010, and 2009, respectively. Interest income from government securities amounted to ₱15.7 million, ₱5.9 million and nil in 2011, 2010, and 2009, respectively (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:

	2011			2010		
	Currency Forwards	**Currency Options**	**Total**	Currency Forwards	Currency Options	Total
Notional Amounts						
in USD	**US$980,390**	**US$–**	**US$980,390**	US$265,000	US$–	US$265,000
In Euro	**€900,000**	**€900,000**	**€1,800,000**	€19,512,607	€300,000	€19,812,607
Derivative assets	**₱1,609,333**	**₱7,552,893**	**₱9,162,226**	₱2,257,526	₱–	₱2,257,526
Derivative liabilities (Note 21)	**₱1,395,542**	**₱22,991,518**	**₱24,387,060**	₱327,335	₱12,499,304	₱12,826,639

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 2011 and 2010 are as follows:

	2011	2010
Balances at beginning of year:		
Derivative assets	**₱2,257,526**	₱5,457,006
Derivative liabilities	**(12,826,639)**	(20,085,920)
Net changes in fair value of derivatives	**4,115,330**	10,558,618
Fair value of settled instruments	**(540,391)**	(6,498,817)
Balances at end of year:		
Derivative assets	**₱9,162,226**	₱2,257,526
Derivative liabilities (Note 21)	**(₱24,387,060)**	(₱12,826,639)

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 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:

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

As of the reclassification date, effective interest rates on reclassified trading assets ranged from 6.06% to 18.94% with expected recoverable cash flows of ₱12.5 billion. Ranges of effective interest rates 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 comprehensive income.

Had the reclassification not been made, the Group's consolidated net income would have included an additional market valuation loss on financial assets at FVPL amounting to ₱437.9 million in 2011 while an additional market valuation gain of ₱426.6 million in 2010.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the years ended September 30, 2011 and 2010, respectively:

	2011	2010
Increase (reduction) in:		
Interest income - accretion	**₱7,474,245**	₱16,478,340
Foreign exchange losses	**(23,298,431)**	(42,496,452)

The reclassification is compliant with the criteria and rules set forth in the Philippine Securities and Exchange Commission (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:

	2011	2010
Trade receivables	**₱4,764,096,242**	₱4,002,402,845
Due from related parties (Note 35)	**1,602,667,129**	1,635,205,630
Advances to officers, employees and suppliers	**526,095,030**	559,866,864
Interest receivable	**222,289,907**	186,744,631
Others	**710,454,741**	579,515,688
	7,825,603,049	6,963,735,658
Less allowance for impairment losses	**405,778,234**	412,785,793
	₱7,419,824,815	₱6,550,949,865

Others include receivables from URC Retirement Plan amounting to ₱354.3 million and ₱306.7 million as of September 30, 2011 and 2010, respectively (Note 32).

Allowance for Impairment Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	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**

	2010			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱340,685,204	₱93,661,288	₱13,561,291	₱447,907,783
Provision for impairment losses	51,945,623	111,606,503	–	163,552,126
Accounts written-off	(198,674,116)	–	–	(198,674,116)
Balances at end of year	₱193,956,711	₱205,267,791	₱13,561,291	₱412,785,793

Allowance for impairment losses on other receivables includes ₱19.7 million for advances to officers, employees and suppliers, and ₱175.8 million and ₱185.6 million for other receivables as of September 30, 2011 and 2010, respectively.

11. **Inventories**

This account consists of:

	2011	2010
At cost:		
Raw materials	**₱4,915,009,092**	₱3,859,028,720
Finished goods	**2,090,752,080**	1,735,721,441
	7,005,761,172	5,594,750,161
At NRV:		
Goods in-process	**451,672,553**	122,000,683
Containers and packaging materials	**1,114,231,000**	998,338,402
Spare parts and supplies	**1,153,119,931**	1,173,834,524
	2,719,023,484	2,294,173,609
	₱9,724,784,656	₱7,888,923,770

Under the terms of the agreements covering liabilities under trust receipts totaling ₱1.4 billion as of September 30, 2011, 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 comprehensive income) amounted to ₱470.1 million, ₱459.7 million and ₱438.4 million in 2011, 2010 and 2009, respectively.

Inventory obsolescence and market decline (included under the 'Impairment losses' in the consolidated statements of comprehensive income) amounted to ₱4.0 million in 2011, ₱0.2 million in 2010 and nil in 2009.

In 2009, the Group recognized losses on its inventories which were severely damaged by a typhoon amounting to ₱111.0 million (included under 'Other expenses' in the consolidated statements of comprehensive income).

12. **Other Current Assets**

This account consists of:

	2011	2010
Input value-added tax (VAT)	**₱490,943,646**	₱774,828,066
Prepaid expenses	**160,413,492**	128,821,353
Others	**–**	5,063,645
	₱651,357,138	₱908,713,064

Prepaid expenses include prepaid insurance amounting to ₱69.4 million and ₱55.2 million in 2011 and 2010, respectively, and prepaid rent amounting to ₱13.2 million and ₱12.8 million in 2011 and 2010, respectively.

13. **Property, Plant and Equipment**

The composition of and movements in this account follow:

	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 (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 (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 (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 (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 (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 (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 (Note 6)	99,880,145	181,139,037	–	–	3,260,872,226
Impairment losses	–	–	–	–	10,065,297
Disposal of assets held for sale (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

	2010				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost:					
Balances at beginning of year	₱1,625,060,029	₱1,012,507,437	₱8,975,595,698	₱33,372,760,462	₱44,985,923,626
Additions (Note 6)	204,581,515	183,072,036	464,324,416	1,308,394,197	2,160,372,164
Disposals and other adjustments	(56,504,725)	(49,572,389)	112,129,393	353,856,399	359,908,678
Balances at end of year	1,773,136,819	1,146,007,084	9,552,049,507	35,035,011,058	47,506,204,468
Accumulated Depreciation, Amortization and Impairment Losses:					
Balances at beginning of year	–	286,175,723	2,847,858,428	19,079,604,630	22,213,638,781
Depreciation and amortization (Note 6)	–	48,218,998	420,354,548	2,523,672,797	2,992,246,343
Disposals and other adjustments	–	132,613,275	(37,801,549)	(392,734,452)	(297,922,726)
Balances at end of year	–	467,007,996	3,230,411,427	21,210,542,975	24,907,962,398
Net Book Value	₱1,773,136,819	₱678,999,088	₱6,321,638,080	₱13,824,468,083	₱22,598,242,070

	2010				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost:					
Balances at beginning of year	₱1,860,812,646	₱1,325,037,634	₱872,475,813	₱432,441,740	₱49,476,691,459
Additions (Note 6)	126,715,075	207,162,095	498,836,374	589,722,381	3,582,808,089
Disposals and other adjustments	(24,800,292)	79,528,727	(558,950,239)	(635,646,334)	(779,959,460)
Balances at end of year	1,962,727,429	1,611,728,456	812,361,948	386,517,787	52,279,540,088
Accumulated Depreciation, Amortization and Impairment Losses:					
Balance at beginning of year	1,339,439,972	623,023,754	–	–	24,176,102,507
Depreciation and amortization (Note 6)	100,295,550	181,892,399	–	–	3,274,434,292
Disposals and other adjustments	(161,281,814)	(23,804,263)	–	–	(483,008,803)
Balances at end of year	1,278,453,708	781,111,890	–	–	26,967,527,996
Net Book Value	₱684,273,721	₱830,616,566	₱812,361,948	₱386,517,787	₱25,312,012,092

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

Property, plant and equipment with an aggregate net book value of ₱34.3 million and ₱46.6 million have been pledged as security for certain long-term debt as of September 30, 2011 and 2010, respectively (Note 22).

In 2009, the Group recognized losses on property, plant and equipment which were destroyed by a typhoon amounting to ₱63.3 million (included under 'Other expenses' in the consolidated statements of comprehensive income).

Borrowing Costs

Borrowing costs capitalized as property, plant and equipment under construction amounted to nil and ₱1.6 million as of September 30, 2011 and 2010, respectively. 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 (Note 28):

	2011	2010	2009
Cost of sales	**₱3,041,569,926**	₱3,063,181,291	₱2,814,030,187
Selling and distribution costs	**115,416,392**	114,281,407	121,163,407
General and administrative expenses	**103,885,908**	96,971,594	97,358,192
	₱3,260,872,226	₱3,274,434,292	₱3,032,551,786

14. Available-for-Sale Investments

This account consists of:

	2011	2010
Debt securities:		
Private bonds	**₱2,451,989,177**	₱3,238,990,528
Government securities:		
Philippines	**1,459,530,167**	1,682,191,454
Others	**705,824,528**	861,798,234
	4,617,343,872	5,782,980,216
Equity securities:		
Quoted	**894,207,250**	965,414,250
	₱5,511,551,122	₱6,748,394,466

The Group did not recognize any provision for impairment loss on its AFS investments under private debt securities in 2011 and 2010 but recognized a provision for impairment loss in 2009 amounting to ₱185.5 million. As of September 30, 2011 and 2010, AFS investments include net unrealized gain on market revaluation of ₱257.0 million and ₱695.0 million, respectively, (Note 24) which are presented as components of 'Other comprehensive income'.

Interest income recognized from private bonds amounted to ₱219.3 million, ₱293.9 million and ₱256.4 million in 2011, 2010 and 2009, respectively. Interest income from government bonds amounted to ₱133.1 million, ₱190.7 million and ₱161.0 million in 2011, 2010 and 2009, respectively (Note 30).

Movements in the net unrealized gain on AFS investments follow:

	2011	2010
Balances at beginning of year	**₱694,965,121**	₱268,414,367
Net changes shown in other comprehensive income (Note 24):		
Fair value changes during the period	**(385,999,011)**	438,076,825
Fair value changes taken to profit and loss upon sale of AFS investments	**(51,927,400)**	(11,526,071)
	(437,926,411)	426,550,754
Balances at end of year	**₱257,038,710**	₱694,965,121

15. Biological Assets

Movements in this account follow:

	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
Disposals	(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
Disposals	(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
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

	2010						
	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	₱423,205,686	₱1,007,768,708	₱1,430,974,394	₱184,271,162	₱52,859,437	₱237,130,599	₱1,668,104,993
Additions	324,040,327	2,442,514,305	2,766,554,632	22,487,266	165,074,879	187,562,145	2,954,116,777
Disposals	(334,426,674)	(2,634,447,729)	(2,968,874,403)	(61,277,633)	(158,256,271)	(219,533,904)	(3,188,408,307)
Balances at end of year	412,819,339	815,835,284	1,228,654,623	145,480,795	59,678,045	205,158,840	1,433,813,463
Accumulated Depreciation:							
Balances at beginning of year	40,929,558	–	40,929,558	61,296,050	–	61,296,050	102,225,608
Depreciation	29,767,994	–	29,767,994	109,337,200	–	109,337,200	139,105,194
Disposals	(33,210,065)	–	(33,210,065)	(114,629,876)	–	(114,629,876)	(147,839,941)
Balances at end of year	37,487,487	–	37,487,487	56,003,374	–	56,003,374	93,490,861
Losses arising from changes in fair value less estimated costs to sell	(16,109,038)	(28,636,528)	(44,745,566)	–	–	–	(44,745,566)
Net Book Value at End of Year	₱359,222,814	₱787,198,756	₱1,146,421,570	₱89,477,421	₱59,678,045	₱149,155,466	₱1,295,577,036

The Group has about 206,201 and 170,624 heads of swine as of September 30, 2011 and 2010, respectively, and about 470,969 and 478,236 heads of poultry as of September 30, 2011 and 2010, respectively.

16. Intangible Assets

The composition of and movements in this account follow:

	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 (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**	**–**	**–**	**63,500,000**
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**

	2010			
	Goodwill	Trademark	Product Formulation	Total
Cost:				
Balances at beginning and end of year	₱1,131,063,835	₱335,539,346	₱425,000,000	₱1,891,603,181
Disposal of investment	(56,049,111)	–	–	(56,049,111)
Balances at end of year	1,075,014,724	335,539,346	425,000,000	1,835,554,070
Accumulated Amortization and Impairment Losses:				
Balances at beginning of year	240,688,815	6,919,090	–	247,607,905
Amortization during the year	–	2,767,636	–	2,767,636
Disposal of investment	(56,049,111)	–	–	(56,049,111)
Balances at end of year	184,639,704	9,686,726	–	194,326,430
Net Book Value at End of Year	₱890,375,020	₱325,852,620	₱425,000,000	₱1,641,227,640

The Group's goodwill pertains to: (a) the acquisition of Advanson International Pte. Ltd. (Advanson) in December 2007, (b) the acquisition of Acesfood Network Pte. Ltd. (Acesfood) in May 2007, (c) the excess of the acquisition cost over the fair values of the net assets acquired by Hong Kong China Foods Co. Ltd. (HCFCL) and URC Asean Brands Co. Ltd. (UABCL) in 2000, and (d) the acquisition of SONEDCO in 1998. 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, 2011. 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 2011, the Group recognized impairment loss of ₱63.5 million (included under 'Impairment losses' on the consolidated statements of comprehensive 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 (Note 38).

17. Investment in a Joint Venture

This account consists of:

	2011	2010
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	**88,247,240**	87,052,733
Equity in net income during the year	**25,469,633**	26,194,500
Dividends received	**(24,999,929)**	(24,999,993)
Balances at end of year	**88,716,944**	88,247,240
Net Book Value at End of Year	**₱89,966,944**	₱89,497,240

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	
	2011	2010	**2011**	2010
			(In Millions)	
HURC	**50.0**	50.0	**₱90.0**	₱89.5

Summarized financial information of HURC as of September 30, 2011 and 2010 which are accounted for under the equity method follow:

	2011	2010
	(In Thousands)	
Current assets	**₱334,311**	₱323,183
Noncurrent assets	**2,888**	4,596
Current liabilities	**257,347**	247,423
Noncurrent liabilities	**582**	2,025
Revenue	**657,819**	672,834
Costs and expenses	**(594,671)**	(606,939)
Net income	**50,939**	54,497

18. Investment Properties

Movements in this account follow:

	2011	2010
Cost:		
Balances at beginning and end of year	**₱107,947,364**	₱107,947,364
Accumulated Depreciation:		
Balances at beginning of year	**36,140,270**	32,542,025
Depreciation	**3,657,787**	3,598,245
Balances at end of year	**39,798,057**	36,140,270
Net Book Value at End of Year	**₱68,149,307**	₱71,807,094

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

The aggregate fair value of the Group's investment properties amounted to ₱192.4 million as of September 30, 2011 and 2010, respectively. 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 comprehensive income) amounted to ₱52.8 million, ₱56.6 million and ₱56.8 million in 2011, 2010 and 2009, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) arising from investment properties amounted to ₱0.2 million in 2011, 2010 and 2009.

19. Other Noncurrent Assets

This account consists of:

	2011	2010
Input VAT	**₱126,104,745**	₱142,769,763
Miscellaneous deposits	**151,494,331**	97,043,100
Others	**75,599,084**	32,236,305
	₱353,198,160	₱272,049,168

Other noncurrent assets is net of allowance for impairment losses amounting to ₱279.1 million as of September 30, 2011 and 2010.

20. Short-term Debt

This account consists of:

	2011	2010
US Dollar denominated loans - with interest rates ranging from 0.49% to 1.01% in 2011 and 0.29% to 1.12% in 2010	**₱4,409,925,140**	₱3,856,289,691
Euro denominated loans - with interest rates ranging from 1.44% to 1.76% in 2011 and 0.83% to 0.95% in 2010	**720,498,759**	771,931,723
Thai Baht denominated loans - with interest rates ranging from and 3.90% to 4.10% in 2011 and 2.35% to 2.40% in 2010	**391,364,325**	483,638,120
Singaporean Dollar denominated loans - with interest rates at 0.45%	**189,830,928**	–
Vietnam Dong denominated loans with interest rate of 4.35%	**38,013,483**	–
	₱5,749,632,635	₱5,111,859,534

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 ₱5.1 million and, ₱4.7 million as of September 30, 2011 and 2010, respectively (Note 21). Interest expense from the short-term debt amounted to ₱58.8 million, ₱54.7 million and ₱479.2 million in 2011, 2010 and 2009, respectively (Note 31).

21. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2011	2010
Trade payables	**₱4,753,740,196**	₱4,073,376,090
Accrued expenses	**1,544,764,922**	1,525,004,898
Due to related parties (Note 35)	**335,279,536**	320,901,501
Customers' deposits	**244,869,140**	249,489,794
Advances from stockholders	**223,218,179**	223,712,541
Derivative liabilities (Note 8)	**24,387,060**	12,826,639
Others	**144,559,244**	107,998,091
	₱7,270,818,277	₱6,513,309,554

As of September 30, 2011 and 2010, Others include withholding taxes payable amounting to ₱86.7 million and ₱24.3 million, respectively. The accrued expenses account includes:

	2011	2010
Advertising and promotions	**₱831,935,964**	₱644,703,076
Contracted services	**304,028,503**	384,961,068
Freight and handling costs	**160,409,857**	167,692,606
Interest payable	**145,914,993**	145,884,713
Others	**102,475,605**	181,763,435
	₱1,544,764,922	₱1,525,004,898

As of September 30, 2011 and 2010, Others include accrued utilities amounting to ₱76.5 million and ₱54.6 million, respectively.

22. **Long-term Debt**

This account consists of:

	Maturities	Interest Rates	**2011**	2010
Parent Company:				
Philippine Peso:				
₱3.0 billion loan facility	2014	8.75%	**₱2,984,699,202**	₱2,977,963,795
Subsidiaries:				
Foreign currencies:				
URC US$200 million guaranteed notes	2012	8.25%	**8,197,807,089**	8,215,279,157
Philippine Peso:				
Philippine Sugar Corporation restructured loan	2013	7.50%	**25,704,433**	33,105,818
			8,223,511,522	8,248,384,975
			11,208,210,724	11,226,348,770
Less current portion			**8,205,763,578**	7,401,385
			₱3,002,447,146	₱11,218,947,385

Long-term debt is shown net of unamortized debt issuance costs totaling ₱19.0 million and ₱38.3 million as of September 30, 2011 and 2010, respectively (Note 4).

Repayments of the long-term debt follow:

	2011	2010
Due in:		
2011	**₱–**	₱7,401,385
2012	**8,209,478,729**	8,239,493,432
2013	**8,553,226**	8,553,226
2014	**3,009,194,718**	3,009,194,718
	₱11,227,226,673	₱11,264,642,761

The exchange rates used to restate the foreign currency borrowings are ₱43.72 to US$1.00 and ₱43.88 to US$1.00 as of September 30, 2011 and 2010, respectively.

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

Parent Company HypoVereinsbank Term Loan Facilities
On October 14, 2009, the Parent Company fully settled the loan with a payment of ₱20.9 million (US$0.4 million).

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.

Reacquisition of bonds
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 consolidated statements of comprehensive 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). As of September 30, 2011 and 2010, the outstanding balance of the notes amounted to ₱8.2 billion (US$187.5 million) and ₱8.2 billion (US$187.2 million), respectively.

Philippine Sugar Corporation Restructured Loan
Certain property and equipment of a subsidiary with a net book value of ₱34.3 million and ₱46.6 million as of September 30, 2011 and 2010, 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 ₱1.4 million and ₱1.9 million as of September 30, 2011 and 2010, respectively. Total interest expense and other related charges on all of these long-term debts amounted to ₱940.4 million, ₱978.1 million and ₱920.2 million in 2011, 2010 and 2009, respectively (Note 31).

23. **Equity**

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

	2011	2010	2009
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 of year	**2,227,638,933**	2,227,638,933	2,221,851,481
Issuance of shares of stock	**–**	–	5,787,452
Balances at end of year	**2,227,638,933**	2,227,638,933	2,227,638,933
Outstanding shares	**2,061,501,933**	2,070,354,433	2,152,534,733

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, 2011 and 2010.

	2011	2010
(a) Short-term debt (Note 20)	**₱5,749,632,635**	₱5,111,859,534
Trust receipts payable	**1,448,156,283**	–
Long-term debt (Note 22)	**11,208,210,724**	11,226,348,770
	₱18,405,999,642	₱16,338,208,304
(b) Capital	**₱42,026,511,494**	₱41,838,241,009
(c) Debt-to-capital ratio (a/b)	**0.44:1**	0.39:1

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% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.0 per share. There have been no issuances of preferred stock as of September 30, 2011 and 2010.

Retained Earnings

Dividends

Details of the Group's dividend declarations follow:

	2011	2010	2009
Date of declaration	**May 11, 2011**	April 15, 2010	April 16, 2009
Dividend per share	**₱1.90**	₱0.94	₱0.25
Total dividends	**₱3.9 billion**	₱1.9 billion	₱0.5 billion
Date of record	**May 31, 2011**	May 5, 2010	May 15, 2009
Date of payment	**June 27, 2011**	May 20, 2010	June 10, 2009

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

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.

The Parent Company has outstanding treasury shares of 166.1 million, 157.3 million and 75.1 million shares amounting to ₱2.4 billion, ₱2.1 billion and ₱934.7 million as of September 30, 2011, 2010 and 2009, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

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:

	2011	2010
Cumulative translation adjustments	**₱324,705,986**	₱466,905,139
Net unrealized gain on AFS investments (Note 14):		
Balances at beginning of year	**694,965,121**	268,414,367
Changes in fair value during the period	**(385,999,011)**	438,076,825
Reclassification adjustment included in the profit or loss arising from disposal of AFS investment	**(51,927,400)**	(11,526,071)
Balances at end of year	**257,038,710**	694,965,121
	₱581,744,696	₱1,161,870,260

25. **Cost of Sales**

This account consists of:

	2011	2010	2009
Raw materials used	**₱38,195,240,177**	₱31,087,524,494	₱27,453,481,372
Direct labor	**2,403,857,461**	1,921,581,435	1,839,500,344
Overhead costs	**10,730,878,529**	8,722,196,943	7,559,340,626
Total manufacturing costs	**51,329,976,167**	41,731,302,872	36,852,322,342
Goods in-process	**(329,671,870)**	(23,585,629)	36,912,446
Cost of goods manufactured	**51,000,304,297**	41,707,717,243	36,889,234,788
Finished goods	**(355,030,639)**	(594,312,006)	587,859,849
	₱50,645,273,658	₱41,113,405,237	₱37,477,094,637

Overhead costs are broken down as follows:

	2011	2010	2009
Utilities and rental	**₱4,450,486,827**	₱2,816,362,105	₱2,236,872,052
Depreciation and amortization (Note 28)	**3,041,569,926**	3,063,181,291	2,814,030,187
Personnel expenses (Note 29)	**1,152,031,563**	1,206,049,347	1,050,079,322
Repairs and maintenance	**1,366,606,774**	1,130,407,098	984,909,684
Rental expense	**142,983,515**	125,954,362	140,328,813
Handling and delivery charges	**113,895,035**	97,648,773	92,264,695
Research and development	**43,632,441**	57,563,121	50,164,915
Others	**419,672,448**	225,030,846	190,690,958
	₱10,730,878,529	₱8,722,196,943	₱7,559,340,626

26. **Selling and Distribution Costs**

This account consists of:

	2011	2010	2009
Advertising and promotions	**₱3,512,877,794**	₱3,498,090,000	₱3,114,035,842
Freight and other selling expenses	**3,129,784,318**	2,624,431,964	2,299,306,118
Personnel expenses (Note 29)	**803,537,499**	752,436,505	740,394,239
Depreciation and amortization (Note 28)	**115,416,392**	114,281,407	121,163,407
Repairs and maintenance	**46,508,408**	49,047,841	40,945,695
Other selling and distribution costs	**72,707,467**	52,720,554	59,719,168
	₱7,680,831,878	₱7,091,008,271	₱6,375,564,469

27. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Personnel expenses (Note 29)	**₱991,406,027**	₱798,571,694	₱835,765,985
Travel and transportation	**204,318,063**	164,297,894	138,538,033
Depreciation and amortization (Note 28)	**109,158,150**	103,337,475	103,724,073
Repairs and maintenance	**81,139,260**	60,546,398	84,894,057
Taxes, licenses and fees	**76,426,067**	97,687,353	54,848,077
Security and contractual services	**46,877,314**	35,430,789	36,202,631
Communication	**43,969,017**	39,537,459	42,323,196
Utilities	**43,124,599**	41,698,906	37,873,917
Professional and legal fees	**39,568,135**	83,045,812	34,414,775
Rent expense	**30,942,901**	31,810,741	29,405,048
Stationery and office supplies	**26,914,522**	28,132,890	30,013,895
Other expenses	**258,933,269**	353,276,775	521,606,998
	₱1,952,777,324	₱1,837,374,186	₱1,949,610,685

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:

	2011	2010	2009
Cost of sales (Notes 13 and 25)	**₱3,041,569,926**	₱3,063,181,291	₱2,814,030,187
Selling and distribution costs (Notes 13 and 26)	**115,416,392**	114,281,407	121,163,407
General and administrative expenses (Note 13, 16, 18 and 27)	**109,158,150**	103,337,475	103,724,073
	₱3,266,144,468	₱3,280,800,173	₱3,038,917,667

29. Personnel Expenses

Personnel expenses consist of:

	2011	2010	2009
Salaries and wages	**₱2,087,085,557**	₱1,925,399,085	₱1,869,391,645
Other employee benefits	**762,396,413**	767,086,009	652,502,221
Pension expense (Note 32)	**97,493,119**	64,572,452	104,345,680
	₱2,946,975,089	₱2,757,057,546	₱2,626,239,546

The breakdown of personnel expenses follows:

	2011	2010	2009
Cost of sales (Note 25)	**₱1,152,031,563**	₱1,206,049,347	₱1,050,079,322
Selling and distribution costs (Note 26)	**803,537,499**	752,436,505	740,394,239
General and administrative expenses (Note 27)	**991,406,027**	798,571,694	835,765,985
	₱2,946,975,089	₱2,757,057,546	₱2,626,239,546

30. Finance Revenue

This account consists of:

	2011	2010	2009
Interest income from financial assets at FVPL (Note 8)	**₱520,838,056**	₱492,712,052	₱598,162,910
Interest income from AFS investments (Note 14)	**352,390,531**	484,530,587	417,368,572
Dividend income	**211,016,855**	189,654,704	125,800,210
Bank interest income	**105,983,256**	54,791,047	57,382,130
Others	**1,013,110**	376,309	1,064,286
	₱1,191,241,808	₱1,222,064,699	₱1,199,778,108

31. Finance Costs

This account consists of finance costs arising from:

	2011	2010	2009
Long-term debt (Note 22)	**₱940,439,248**	₱978,103,707	₱920,197,358
Short-term debt (Note 20)	**58,809,788**	54,705,591	479,225,813
Others	**1,998,704**	1,390,543	14,244,736
	₱1,001,247,740	₱1,034,199,841	₱1,413,667,907

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, 2011.

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:

	2011	2010
Present value of funded obligation	**₱1,351,799,927**	₱1,220,977,777
Fair value of plan assets	**1,221,431,248**	1,247,197,112
Funded status (unfunded obligation)	**(130,368,679)**	26,219,335
Unrecognized actuarial loss	**113,995,788**	72,951,908
Asset not recognized due to limit	**–**	(21,266,423)
Net plan asset (liability)	**(₱16,372,891)**	₱77,904,820
Asset limit to be recognized in the consolidated statements of financial position	**₱–**	₱77,904,820
Net plan assets in excess of the asset ceiling limit (not recognized in the consolidated statements of financial position)	**₱–**	₱21,266,423

As of September 30, 2011 and 2010, the asset ceiling test follows:

	2011	2010
(a) Retirement asset	**₱–**	₱77,904,820
(b) Asset ceiling limit		
i. Unrecognized actuarial loss	–	72,951,908
ii. Present value of available reduction in future contributions	–	26,219,335
Limit	–	99,171,243
Lower of (a) and (b)	**₱–**	₱77,904,820

Components of the Parent Company's pension expense follow:

	2011	2010	2009
Current service cost	**₱69,431,700**	₱59,860,000	₱32,126,200
Interest cost	**94,503,680**	102,068,419	92,085,900
Expected return on plan assets	**(48,391,248)**	(67,734,560)	(73,766,600)
Loss (gain) recognized under limit on net assets	**(21,266,423)**	(31,080,477)	52,346,900
Total pension expense	**₱94,277,709**	₱63,113,382	₱102,792,400

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

	2011	2010
Balances at beginning of year	**₱1,220,977,777**	₱1,038,335,900
Current service cost	**69,431,700**	59,860,000
Interest cost	**94,503,680**	102,068,419
Benefits paid	**(90,431,051)**	(142,232,831)
Actuarial losses	**57,317,821**	162,946,289
Balances at end of year	**₱1,351,799,927**	₱1,220,977,777

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

	2011	2010
Balances at beginning of year	**₱1,247,197,112**	₱1,354,691,200
Expected return on plan assets	**48,391,248**	67,734,560
Benefits paid	**(90,431,051)**	(142,232,831)
Actuarial gain (loss)	**16,273,939**	(32,995,817)
Balances at end of year	**₱1,221,431,248**	₱1,247,197,112
Actual return on plan assets	**₱64,665,187**	₱34,738,743

There are no reimbursement rights recognized as a separate asset as of September 30, 2011 and 2010.

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:

	2011	2010	2009
Discount rate	**7.17%**	7.74%	9.83%
Salary rate increase	**5.50%**	5.50%	5.50%
Expected rate of return on plan assets	**4.00%**	3.88%	5.00%
Experience adjustments losses	**₱1,502,508**	₱3,797,073	₱7,144,800
Turnover rate	**0.00% - 31.94%**	0.00% - 31.94%	0.00% - 27.94%

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

	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Cash	**₱35,992**	–	₱544,419	–	₱32,634	–
Receivables	**1,575,702,384**	**129.00**	1,553,392,757	124.55	1,512,183,064	111.63
Liabilities (Notes 10 and 35)	**(354,307,128)**	**(29.00)**	(306,740,064)	(24.55)	(157,524,498)	(11.63)
	₱1,221,431,248	**100.00**	₱1,247,197,112	100.00	₱1,354,691,200	100.00

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

	2011	2010	2009	2008	2007
Defined benefit obligation	**₱1,351,799,927**	₱1,220,977,777	₱1,038,335,900	₱1,113,492,800	₱934,438,200
Plan assets	**1,221,431,248**	1,247,197,112	1,354,691,200	1,341,210,300	1,218,540,900
Surplus (deficit)	**(130,368,679)**	26,219,335	316,355,300	227,717,500	284,102,700
Experience adjustments on					
Plan assets	**16,273,939**	(32,995,817)	6,390,700	(5,111,600)	(18,194,700)
Plan liabilities	**(1,502,508)**	(3,797,073)	(7,144,800)	(176,556,600)	78,783,300

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, 2011.

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.

	2011	2010
Present value of defined benefit obligation	**₱10,702,035**	₱7,128,100
Unrecognized actuarial loss (gain)	**(2,424,409)**	746,520
Liability to be recognized in the statements of financial position	**₱8,277,626**	₱7,874,620

Components of the subsidiaries' total pension expense follow:

	2011	2010	2009
Current service cost	**₱1,229,600**	₱650,680	₱1,090,600
Interest cost	**764,798**	678,990	402,260
Amortization amounts for:			
Actuarial net losses	**1,221,012**	129,400	60,420
Total pension expense	**₱3,215,410**	₱1,459,070	₱1,553,280

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

	2011	2010
Balances at beginning of year	**₱7,128,100**	₱4,878,260
Interest cost	**653,596**	678,990
Current service cost	**1,229,600**	650,680
Actuarial losses	**1,690,739**	920,170
Balances at end of year	**₱10,702,035**	₱7,128,100

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

	2011	2010	2009
Discount rate	**8.15% to 8.29%**	9.03% to 9.31%	11.52% to 13.00%
Salary rate increase	**5.50%**	5.50%	5.50%

33. **Income Taxes**

Provision for income tax consists of:

	2011	2010	2009
Current	**₱753,578,396**	₱747,807,884	₱321,960,595
Deferred	**(139,683,698)**	33,191,934	684,687
	₱613,894,698	₱780,999,818	₱322,645,282

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

	2011	2010
Deferred tax assets on:		
Impairment losses on trade receivables and property and equipment	**₱120,195,353**	₱183,366,409
Inventory write-downs	**22,200,106**	30,811,505
Pension liabilities	**15,936,241**	–
Foreign subsidiaries	**22,141,945**	5,120,386
	180,473,645	219,298,300
Deferred tax liabilities on:		
Net unrealized foreign exchange gain	**1,387,667**	136,201,362
Undistributed income of foreign subsidiaries	**202,060,961**	173,950,361
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**61,224,081**	99,717,131
Foreign subsidiaries	**35,345,959**	49,226,416
Pension assets	**–**	16,509,751
Borrowing costs	**18,951,366**	21,257,570
	318,970,034	496,862,591
Net deferred tax liabilities	**₱138,496,389**	₱277,564,291

As of September 30, 2011 and 2010, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱166.6 million and ₱312.9 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 and allowance for impairment on receivables of the Group's subsidiaries. NOLCO of the Group's subsidiaries amounted to ₱555.3 million and ₱1.2 billion in 2011 and 2010, respectively, while the allowance for impairment on receivables amounted to nil and ₱20.7 million, respectively.

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

	2011	2010	2009
Statutory income tax rate	**30.00%**	30.00%	31.10%
Tax effects of:			
Market valuation gain on financial assets at FVPL	**6.18**	(3.80)	(15.85)
Net income of subsidiaries for which no tax was provided	**(20.80)**	(19.54)	(10.23)
Nondeductible interest expense	**0.19**	0.05	0.03
Income exempt from tax	**(0.11)**	0.39	–
Equity in net income of a joint venture	**0.14**	–	(0.57)
Interest income subjected to final tax	**(0.27)**	(0.14)	(0.16)
Change in tax rates	**–**	–	(7.21)
Others	**(4.41)**	1.80	10.17
Effective income tax rate	**10.92%**	8.76%	7.28%

Republic Act (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 ₱32.9 million, ₱24.9 million and ₱27.6 million in 2011, 2010 and 2009, 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 2009, the Parent Company has excess MCIT over RCIT amounting to ₱79.2 million for which the Parent Company recognized deferred tax asset. The MCIT benefit was used up by the Parent Company in 2010.

34. Earnings Per Share

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

	2011	2010	2009
Net income attributable to equity holders of the parent	**₱4,636,270,925**	₱7,817,275,906	₱3,887,366,522
Weighted average number of common shares	**2,063,060,683**	2,084,282,583	2,149,408,719
Basic/dilutive EPS	**₱2.25**	₱3.75	₱1.81

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 2011, 2010, and 2009, respectively.

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:

	2011	2010
Due from related parties (shown under Receivables account in the consolidated statements of financial position) (Note 10):		
JGSHI	**₱672,356,936**	₱700,560,539
JG Summit Petrochemical Corp. (JGSPC)	**410,436,221**	114,950,079
Hongkong Peggy Foods, Inc.	**314,568,766**	336,460,519
Digital Telecom Philippines, Inc. (DTPI)	**34,316,075**	324,724,137
Cebu Air, Inc.	**34,013,299**	35,333,900
Robinsons Land Corporation	**28,425,304**	25,730,524
JG Summit Capital Services Corporation	**19,026,053**	19,025,995
Robinsons Convenient Store	**10,606,605**	10,581,749
Hunts - URC	**15,568,093**	11,184,974
Others*	**63,349,777**	56,653,214
	₱1,602,667,129	₱1,635,205,630

** Others include Robinsons Savings Bank Corp. and Unicon Insurance Brokers Corp.*

	2011	2010
Due to related parties (shown under Accounts payable and other accrued liabilities account in the consolidated statements of financial position) (Note 21)		
Shanghai Ding Feng Estate Development, Co., Ltd.	**₱157,945,310**	₱149,765,354
Robinson's Supermarket	**83,247,790**	66,377,114
Taicang Ding Feng Real Estate	**41,019,328**	–
Solid Finance Holdings, Inc.	**28,357,143**	28,441,833
Xiamen Pacific Estate Investment Co., Ltd.	**19,090,896**	19,090,896
Westpoint Industrial Corp.	**–**	37,690,415
Others*	**5,619,069**	19,535,889
	₱335,279,536	₱320,901,501

* *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 ₱890.0 million, ₱1,373.0 million and ₱752.2 million in 2011, 2010 and 2009, respectively. Trade receivables from HURC amounted to ₱148.3 million and ₱25.3 million as of September 30, 2011 and 2010, 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. The said purchases amounted to ₱813.2 million, ₱560.6 million and ₱565.3 million in 2011, 2010 and 2009, respectively. The Group also purchases power from JGSPC. The said purchases amounted to ₱266.2 million, ₱179.2 million and ₱118.1 million in 2011, 2010 and 2009, 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 ₱17.0 million for each of the years ended 2011, 2010 and 2009.

(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 ₱52.8 million, ₱55.7 million and ₱56.0 million in 2011, 2010 and 2009, respectively.

(f) As of September 30, 2011 and 2010, the Group has advances from stockholders amounting to ₱223.2 million and ₱223.7 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 ₱566.3 million and ₱590.2 million in 2011 and 2010, respectively. The bond investments earned interest of ₱43.0 million and ₱70.9 million in 2011 and 2010, respectively.

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

	2011	2010	2009
Short-term employee benefits	**₱122,776,609**	₱107,165,000	₱97,197,289
Post-employment benefits	**90,431,051**	17,932,318	17,710,737
	₱213,207,660	₱125,097,318	₱114,908,026

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, 2011 and 2010, the Group's plan assets include amounts due to the Parent Company totaling ₱354.3 million and ₱306.7 million, respectively (Notes 10 and 32). The Group's plan assets also include amounts due from JGSHI totaling ₱1.6 billion (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 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) ITH for a period of six years from October 1, 2008, (b) additional deduction from taxable income of fifty percent (50%) on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) importation of consigned equipment for a period of ten (10) years from date of registration subject to certain terms and conditions; (e) exemption from taxes and duties on imported spare parts and suppliers for certain producers; and (f) 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.

CFC Clubhouse Property, Inc.
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.

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 ₱62.4 million, ₱55.0 million and ₱54.3 million in 2011, 2010 and 2009, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2011	2010	2009
Within one year	**₱16,953,651**	₱16,953,651	₱17,207,956
After one year but not more than five years	**67,814,604**	67,814,604	68,831,823
	₱84,768,255	₱84,768,255	₱86,039,779

Operating Lease Commitments - Group as a Lessor
The Group has entered into a 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 ₱65.8 million, ₱57.1 million and ₱57.4 million in 2011, 2010 and 2009, 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, ₱2.9 million and ₱1.6 million in 2011, 2010 and 2009, 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 (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 (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).

	2011	2010	2009
Biological assets	**₱140,116,580**	₱139,105,194	₱158,024,602
Cumulative translation adjustment	**165,963,492**	80,543,982	1,138,771

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 12, 2012.

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