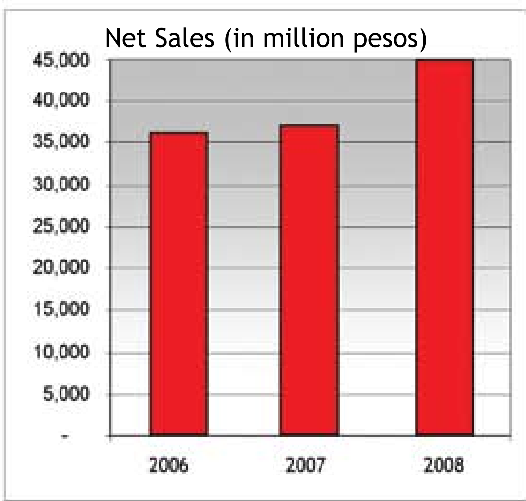
UNIVERSAL ROBINA CORPORATION

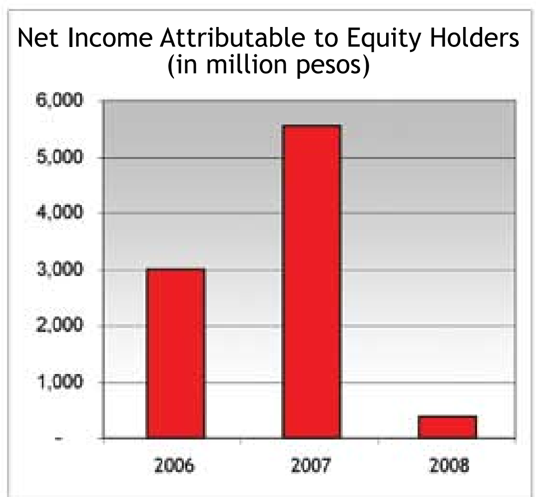
ANNUAL REPORT 2008

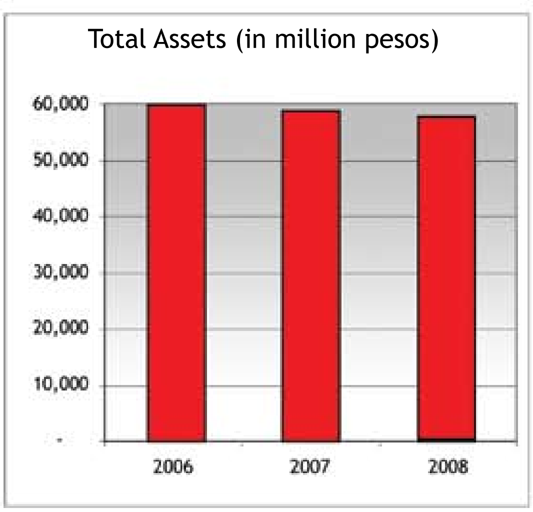
Table of Contents

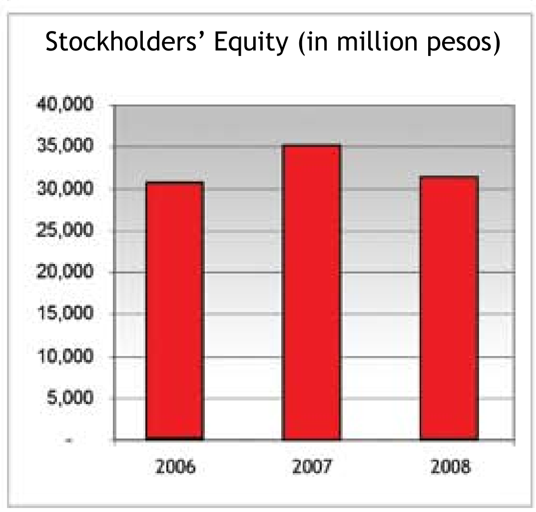
Financial Highlights

(in million pesos, except per share data)	Years ended September 30			2008 vs. 2007	
	2008	2007	2006	Inc/(Dec)	% growth
NET SALES	45,455	37,720	35,184	7,735	21%
INCOME FROM OPERATIONS	3,688	3,180	2,701	508	16%
NET INCOME TO EQUITY HOLDERS	381	5,557	3,019	(5,176)	-93%
Total Assets	57,930	58,834	59,690	(904)	-2%
Total Liabilities	25,786	23,835	28,463	1,951	8%
Stockholders' Equity	32,144	34,999	31,227	(2,855)	-8%
Per Share					
Earnings	0.17	2.50	1.42	(2.33)	-93%
Book Value	14.65	15.44	14.05	(0.79)	-5%









Message

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

To our shareholders,

Fiscal 2008 was a challenging year for the global economy and the Philippines. In the first half of the fiscal year, commodity prices worldwide peaked because of higher input costs, demand and supply imbalances, and speculative trading. Wheat prices increased three-fold from 2006 levels, pushing up prices of flour. Corn also rose significantly, on the back of higher demand for ethanol and other grain-based bio-fuels. The price of rice, our country's staple food, more than doubled, as speculators took advantage of tight supply. Crude oil jumped to an all-time high of US$147 a barrel, sending fuel pump prices and transport and freight costs to unprecedented levels. All these contributed to double-digit inflation from the middle of the year onwards.

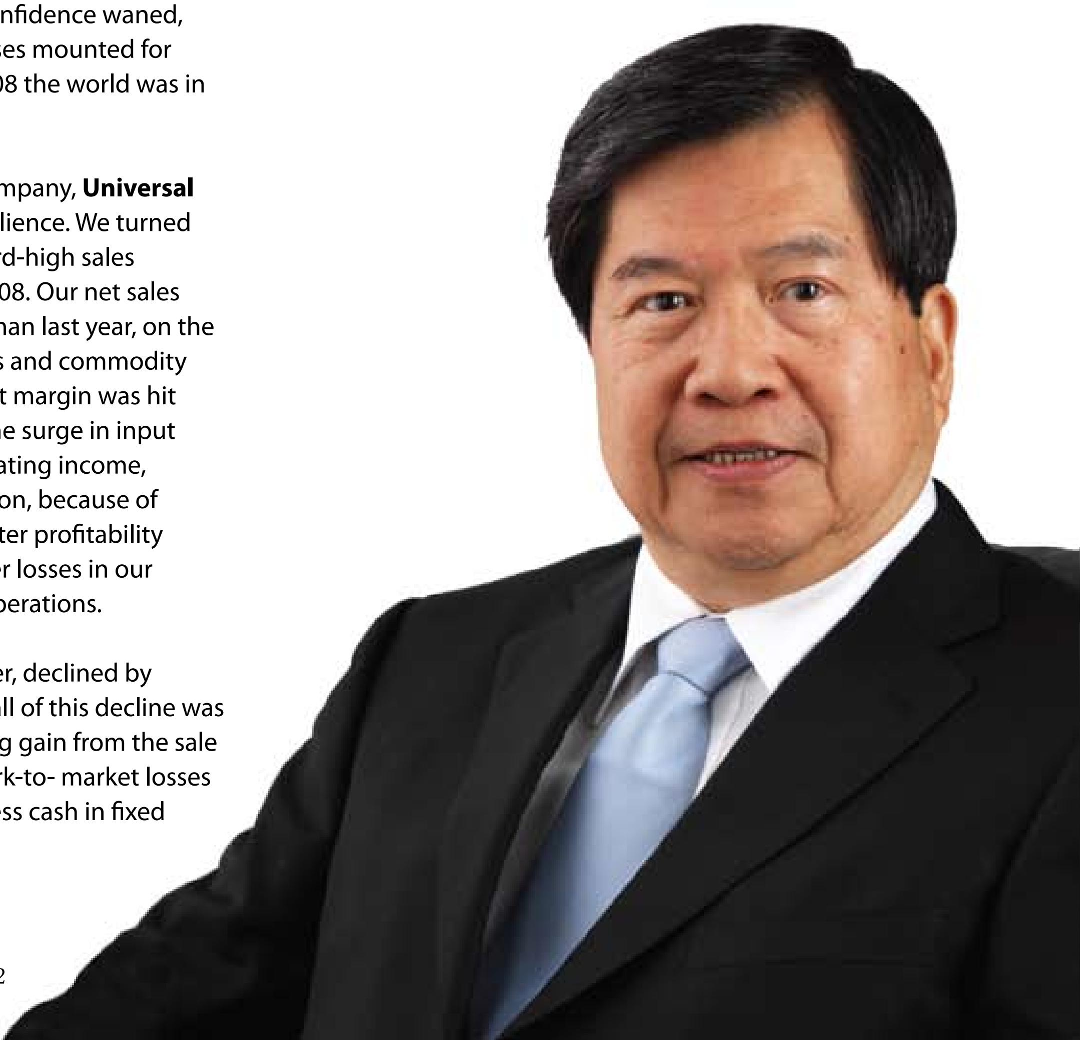
In the latter part of the fiscal year, the world witnessed the worst financial meltdown since the Great Depression. As major global banks strained under their losses from sub-prime lending and the trading of related mortgage backed securities, liquidity and access to credit dried up, borrowing costs increased, consumer confidence waned, thousands of jobs were slashed, and losses mounted for companies worldwide. By the end of 2008 the world was in the throes of a global recession.

However, against this backdrop, your company, **Universal Robina Corporation** (URC), showed resilience. We turned in a respectable performance, with record-high sales and strong operating profits for fiscal 2008. Our net sales reached Php 45.5 billion, 20.5% higher than last year, on the strength of the branded consumer foods and commodity foods groups. The company's gross profit margin was hit by around 3 percentage points due to the surge in input costs experienced during the year. Operating income, however, still grew 16.0% to Php 3.7 billion, because of improved operating efficiencies and better profitability in our commodity foods group and lower losses in our international branded consumer food operations.

URC's net income for the period, however, declined by 93.8% to Php 341 million. Substantially all of this decline was caused by the absence of a non-recurring gain from the sale of RLC shares last fiscal year, and the mark-to- market losses arising out of the investment of our excess cash in fixed income securities, a direct consequence of the financial turmoil worldwide.

However, on an operating and cashflow basis, URC remains strong. URC's core earnings before tax, which is operating profit after net finance costs, and after equity earnings and other revenues-net, for fiscal year 2008, grew 7.9%, reaching Php 3.5 billion from Php 3.2 billion reported in the same period last year. Operating income before interest, taxes, depreciation, and amortization (EBITDA) showed even healthier growth, up 16.7% to Php 6.4 billion from last year's figure of Php 5.5 billion.

> *"However, against this backdrop, your company, Universal Robina Corporation (URC), showed resilience. We turned in a respectable performance with record-high sales and strong operating profits for fiscal 2008."*



Our balance sheet remains healthy. On the asset side, our cash balance declined due to the deployment of the same for capital expenditures, mostly for the expansion of our overseas beverage lines, as well as two strategic acquisitions – PASSI sugar mills and the Granny Goose brand. We also redeemed our URC 08 bond amounting to US$110 million. In addition, we paid out Php 1.5 billion in dividends to our shareholders, and repurchased Php 917 million worth of URC stock, equivalent to 72.1 million shares.

We also reclassified approximately Php 6.3 billion of our trading assets from the financial assets at FVPL category, to available-for-sale investments category in the balance sheet. This will lessen the effects of volatile market movements on our income statement, as the difference between the carrying value and the market value of these bonds will be charged to equity, instead of through quarterly mark-to-market gains or losses.

Our inventory levels increased 31.6% this year, due to our growing sales volumes coupled with the higher cost of raw materials, but we expect this to normalize as we book lower commodity prices in the 2009 fiscal year.

Our only remaining long-term debt is URC's US$200 million bond, due in 2012 with a put option in 2010. URC ended the year in a net debt position of approximately Php 6 billion, and our net gearing ratio (calculated as financial debt less cash and cash equivalents, over equity) is a healthy 18.8%.

STRONG SALES GROWTH

Branded Consumer Foods Group

The Branded Consumer Foods Group (BCFG), comprised of BCFG Philippines, BCFG International, and Packaging, accounted for 76.5% of total URC sales in the fiscal year ended September 30, 2008. Revenues hit Php 34.8 billion in fiscal 2008, or 22.5% higher than last year.

BCFG Philippines

The growth in revenues was anchored on the stellar performance of domestic BCFG this fiscal year, accounting for 52.8% of total URC consolidated sales. The division hit a new record, growing net sales to Php 24.0 billion, or 19.2% higher than fiscal 2007.

Our Snackfoods business drove this rapid growth, surging 22.7% to reach Php 14.4 billion in fiscal 2008, as we reaped the benefits of our improved distribution coming out of last year's reorganization and re-tooling of our sales teams. This division accounted for 60.1% of BCFG Philippines' sales this year. We remain unchallenged as the number one Snackfoods player in the country, with market-leading positions in Savory Snacks, Candies, Chocolates, Cookies, and Pretzels.

Our Beverage business reached Php 5.8 billion in sales, growing 8.4% in sales value compared to last year. Higher coffee sales compensated for the flat sales performance of C2 sales. New products such as Nestle Pure Life and Nature's Harvest FAB helped drive growth in the PET segment, while the re-launch of our creamer, Cream-All, also contributed to sales growth.

In our Grocery division, sales grew 22.6% to Php 2.7 billion, as our Noodle products made significant inroads against its major competitors. After last year's flat sales, Hunts gained momentum, achieving double-digit growth this year.

However, rising input costs, particularly for raw materials, put a squeeze on our margins, taking off 3 percentage points. Judicious and calibrated spending helped mitigate the effect of this drop, with BCFG Philippines' operating income increasing 1% to Php 2.3 billion.

We launched 88 new stock keeping units (SKUs) in the last fiscal year, accounting for 4% of total BCFG Philippines' net sales.

BCFG International

In fiscal year 2008, BCFG International posted its highest revenue accomplishment ever, while accounting for 20.4% of total URC sales. Dollar sales surged to US$ 215 million, or 42.7% higher than last year, with increases recorded across the region. In peso terms, BCFG International grew 28.9%, hitting Php 9.3 billion. URC Thailand posted its 5th straight year of double-digit growth, reaching US$ 97 million in sales for fiscal 2008. URC Vietnam also showed great promise, hitting US$ 31 million in sales, or 423.4% growth versus last year, on the back of the rapid growth of C2 Green Tea in that country.

Operating losses increased slightly from US$ 7 million to US$7.3 million, primarily due to a reduction in gross margins by 3.5 percentage points from rising raw materials costs experienced in all countries, as well as sales contribution mix. Vietnam's gross profits have not yet been maximized, due to the large importation of C2 from the Philippines, which increased over-all cost of sales.

URC Packaging

Packaging sales increased to Php 1.5 billion, an increase of 44.0% versus last year, as we addressed the line start-up problems we experienced the previous year. Operations and maintenance was reorganized to improve profitability, while sales continued moving towards specialized and higher-value films. These initiatives lowered operating losses from Php 105 million last year to only Php 3 million in fiscal 2008.

Agro-Industrial Group

The Agro-Industrial Group, consisting of the Feeds and the Farms divisions, accounted for 12.3% of URC's total revenues in FY 2008. Net sales amounted to Php 5.6 billion, a decline of 1.4% from last year.

Feeds

The animal feeds business grew by 5.0% versus last year to Php 2.8 billion on the back of higher prices, but volumes dropped as the majority of backyard hog and poultry raisers nationwide contended with rising feed costs. Operating income declined 57.9% versus last year, hitting Php 173 million. Feeds profitability was affected by increased marketing and selling expenses, as well as the increase in global commodity prices of raw materials such as corn, feed wheat, and soya.

Farms

The farms business declined 7.0% versus last year to P2.8 billion. While hog prices were at historical highs at the end of the 2007 fiscal year, prices began declining at the end of the 3rd quarter and through the 4th quarter, caused by lower volumes due to an influx of cheap imported meat from China. Operating income dropped to Php 134 million, or 66.4% below last year, as the division suffered profit margin erosion due to higher input costs, mostly from the increased price of feeds.

Commodity Foods Group

The Commodity Foods Group, made up of our Sugar and Flour divisions, saw net sales improving by more than Php 1.4 billion versus last year, hitting Php 5.1 billion in fiscal 2008. The commodities group now accounts for 11.3% of the company's total revenues. Internal transfers to BCFG hit Php 3.7 billion, an increase of 43.8% compared to last year, due to strong biscuit, candy, and noodles sales.

Flour

Flour gross sales value is up 42.5% versus last year to Php 5.1 billion, on the back of numerous price increases to offset higher wheat costs worldwide. Sales volume to outside customers also grew, with net sales up 30.9% versus last year.

The division's operating income registered 72.6% growth versus last year, hitting Php 782 million. This was due to improved operating efficiencies, as well as having bookings of lower cost wheat inventory coupled with higher selling prices.

Sugar

URC Sugar had another banner year, with a 38.2% growth in gross sales and transfers, to Php 3.7 billion, due to increased production volume in our two Negros mills, after earlier delays caused by rainy weather at the start of the milling season. Our new PASSI mills, which were acquired early last fiscal year, also contributed to the increased sales.

Operating income was up 28.4% to Php 1.1 billion, due to more favorable sugar prices in the middle of the year. This was tempered by higher depreciation costs of our new SONEDCO mill expansion and PASSI mills, as well as higher cost of sales.

ACQUISITIONS

In fiscal 2008, two companies were integrated into the URC fold, with a tight strategic fit to further complement our operations.

At the start of the year, URC acquired the mills of PASSI (Iloilo) Sugar Central, the largest sugar miller on the island of Panay. This gave URC a strategic foothold in the underserved Panay market, while also providing us access to PASSI's high-quality raw sugar, which commands a premium in the market. PASSI began contributing to our topline almost immediately, with Php 644 million in sales for fiscal 2008.

At the end of the 3rd quarter of fiscal 2008, URC concluded negotiations with General Milling Corporation for the purchase of their snack manufacturing operations. URC acquired the manufacturing lines, brands, and trademarks of Granny Goose, one of the Philippines' favorite heritage brands and a leading competitor in the Corn Chips market. Granny Goose has already booked sales for URC, and will add another 4 market share points to our already dominant Savory Snacks market share.

WHAT LIES AHEAD

The coming fiscal year will be a challenge, as the economic worries plaguing the world make access to easy credit a thing of the past. Despite the support of governments and central banks worldwide, interest rates remain high as banks continue to be cautious. Remittances are seen to grow at a slower rate this year, and while there will be some relief from the high oil and commodity prices experienced in 2008, the specter of higher unemployment is still there to shake consumer confidence.

In the face of these challenges, URC will be taking steps to fulfill our responsibility to our shareholders. We will be rationalizing our capital expenditures, and spending money only on projects we deem will have the largest impact to our bottom line. We have also been reducing our working capital in order to be a leaner and more efficient organization. Inventory levels have been dropped for raw materials, packaging, and finished goods, and we will continue to find ways to squeeze out more efficiencies throughout the group. We will still pursue mergers and acquisitions, but will proceed cautiously and check whether candidates are a good fit for our company

For BCFG Philippines, we expect sales to continue their strong growth. Our distribution has improved tremendously in the past year, and we are now covering 124,000 accounts. We will move towards a Mega-RD system for some of our larger areas, for improved operational efficiencies, as well as complementary product coverage for existing accounts. For Snackfoods, we will optimize and boost the Granny Goose business through integration with our operations, improvements in product quality, and the launch of new variants. For Beverages, we will increase the productivity of our PET operations and launch new SKUs targeted to specific trade channels, to expand consumer usage. On the profitability side, we expect margins to improve, as commodity prices revert back to more realistic levels from the spikes they experienced earlier in the year.

We will continue building BCFG International to scale and improve operating efficiencies in the countries we operate in. URC will be purchasing a new cookies line for Thailand to increase capacity. Lower commodity prices and lower losses on our China operations should push our International division into the black in 2009, with improved margins in Malaysia and Thailand. Vietnam is expected to achieve profitability this coming fiscal year, thanks to the new production lines which will reduce C2 importation, increase sales, and prepare for exports to Malaysia and Indonesia. The latter country will also take delivery of its own C2 line, for commissioning in the second half of the 2009 fiscal year.

For the Agro-Industrial Group, we expect 2009 to be an improvement over the previous year. While the first quarter may be rough due to inventories of more expensive raw materials, we expect profits to recover, as commodity prices normalize. Our Feeds volumes should improve once backyard hog and poultry raisers resume business this year. The Farms business should also recover as prices return to lower levels due to the drop in input costs. Our ongoing farm expansion will increase capacities later in the year, and we will be perfectly positioned for the high demand expected in 2010.

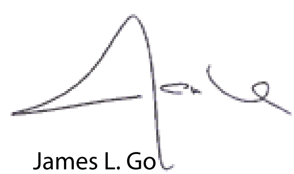
Our Commodity Foods Group will be facing challenges in the coming year. Flour volumes will improve, but we expect margins to be squeezed as we deplete our bookings of lower-cost wheat inventories. Sugar will be facing a challenge, as the Philippines experiences lowered sugar output this year due to high rains at the start of the harvesting season. This, coupled with the worldwide decline in commodity prices, may lead to lower volumes for the division in 2009. However, our new SONEDCO refinery should help maintain margins, as we almost double our production capacity of higher-margin refined sugar.

FINAL WORDS

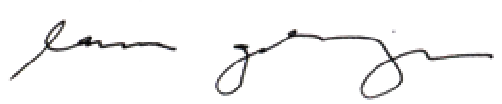
In these uncertain times, we have striven to ensure that URC will live up to its vision of being the best Philippine food and beverage conglomerate with a powerful presence throughout the ASEAN region and China, carrying a wide portfolio of strong brands, equipped with efficient systems and high-quality people.

We would like to express our sincere appreciation to our shareholders, trade partners, suppliers, employees, and consumers for your unwavering support over the past years. Rest assured that we continue to work everyday towards that goal, and we look forward to reaching that goal with you.

Maraming salamat po,

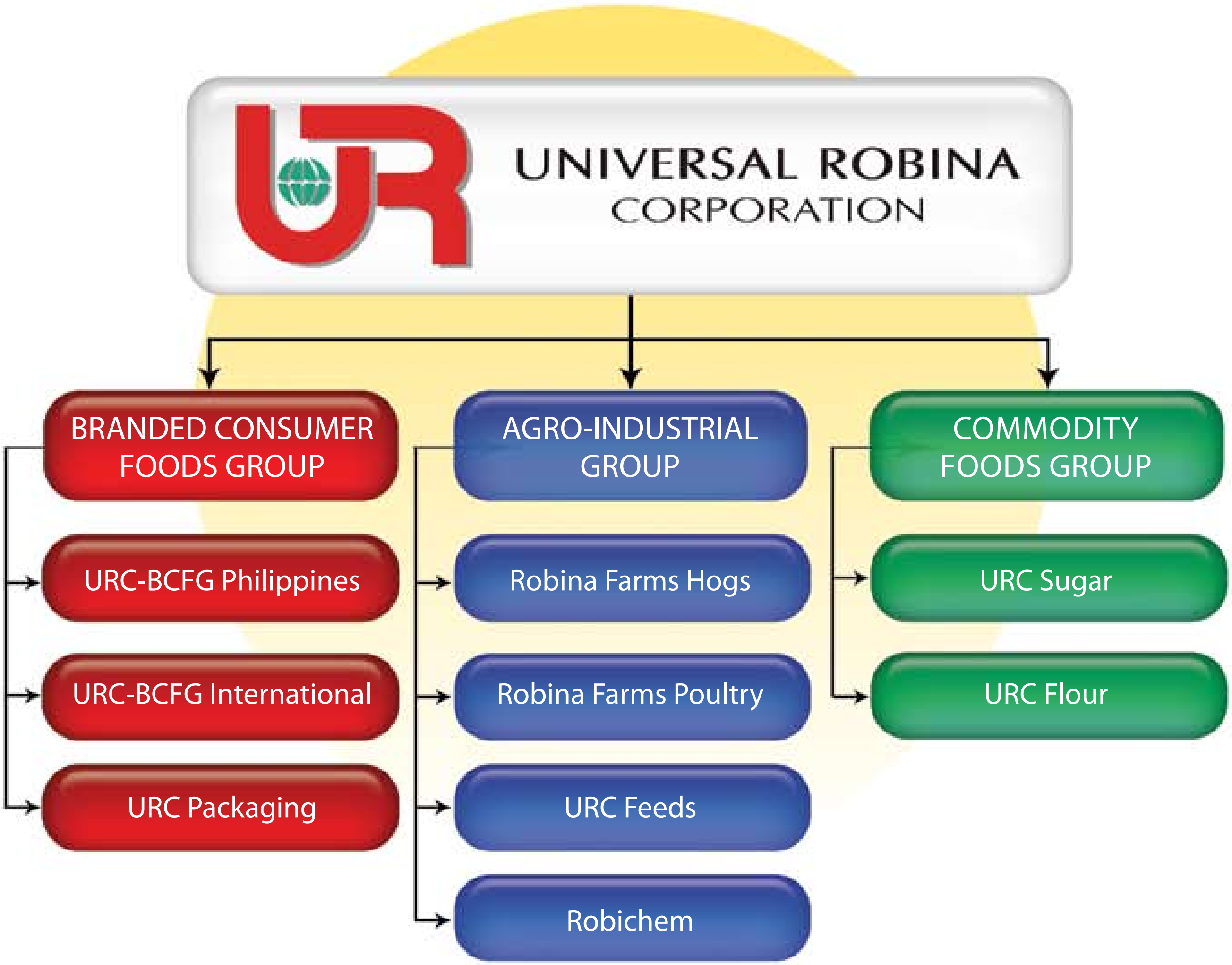


James L. Go
Chairman and CEO



Lance Y. Gokongwei
President and COO

Organizational Chart



Universal Robina Corporation has three main business lines:

- The Branded Consumer Foods Group is the largest business and the key driver of growth and profitability. It is composed of the Philippine, international and packaging businesses. In the Philippine BCFG, our main divisions are snack foods, beverages, grocery, which include the joint ventures Nissin-URC and Hunts URC, Exports and Packaging. Our international investments are in Thailand, Indonesia, Malaysia/Singapore, China/Hong Kong, and Vietnam

- The Agro-Industrial Group is composed of hog and poultry farms, branded feeds, and animal health products.

- The Commodity Foods Group has both flour and sugar.

The latter two groups provide URC with consistent cashflows and, in the case of commodities, consistent supply of raw materials for the Branded Consumer Foods Group.

Branded Consumer Foods Group
PHILIPPINES

Universal Robina Corporation (URC) is the leading branded convenience food and beverage company in the Philippines. Touted as the country's first 'Philippine multinational' as it has the widest geographical footprint among local food manufacturers, URC has blazed the trail for the branded foods industry. The company has shaped the competitive landscape of local consumer brands through its innovative products, wide distribution, and high-impact marketing. URC is best known for manufacturing and distributing high-performing products such as Chippy, Nova and other snack foods under the Jack 'n Jill mega brand, Nissin and Payless instant noodles, as well as Hunt's tomato-based products.

URC is also a trendsetter in the beverage industry with its coffee and ready-to-drink products. It grew the then-stagnating local beverage market with the successful launch and continuing promotion of C2 Cool & Clean Green Tea. Building on the emerging global trend of health and wellness, C2 spearheaded the expansion of a relatively new and potentially high-growth segment in the Philippine beverage industry: the green tea segment.

snackfoods

With a long heritage that began in the 1960s, URC's snack foods brands are well-loved by generations of Filipinos. Many have grown up with the comforting crunch of 'Chippy' and 'Chiz Curls', and today's young adults have fond memories of eating along to the well-loved 'Nips' jingle of days passed. From heritage brands such as these, to newer products such as Magic, Nova, and Dewberry, URC has developed the largest and most diverse portfolio of snackfood products in the Philippines to fill everyone's snacking needs. And now, the products you grew up with and continue to snack on are all under the "Jack 'n Jill" megabrand, a name synonymous with consistent quality, great value, and fun.

SAVORY SNACKS

URC is the market leader in savory snacks, and has welcomed Granny Goose snacks into its fold.

- Corn Chips – Chippy, Mr. Chips, Taquitos, Tostillas
- Natural Potato – Potato Chips, V-Cut
- Fabricated Potato – Piattos, Roller Coaster, Spuds
- Extruded / Pelletized – Curls, Poppins, Tosta, Kichi
- Multi-Grain – Nova
- Mixed Snacks – Pic-A
- Granny Goose – Tortillos, Chillos, Kornets

BISCUITS

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

- Cookies – Presto, Cream-O, Dewberry
- Crackers – Magic Flakes, Magic Creams, Magic Flavors, Magic Chips
- Wafers – Hello! Coated, Hello! Pipers, Hello! Glazed, Wafrets
- Pretzels – Choco Pretzels, Knots

CAKES

URC is an innovative player in the cakes category.

- Quake Bars
- Quake Overload

CANDIES

URC is the market leader in candies.

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

CHOCOLATES

URC is the market leader in chocolates

- Enrobed – Cloud 9, Big Bang, Chooey
- Panned – Nips
- Moulded – Tivoli

beverages

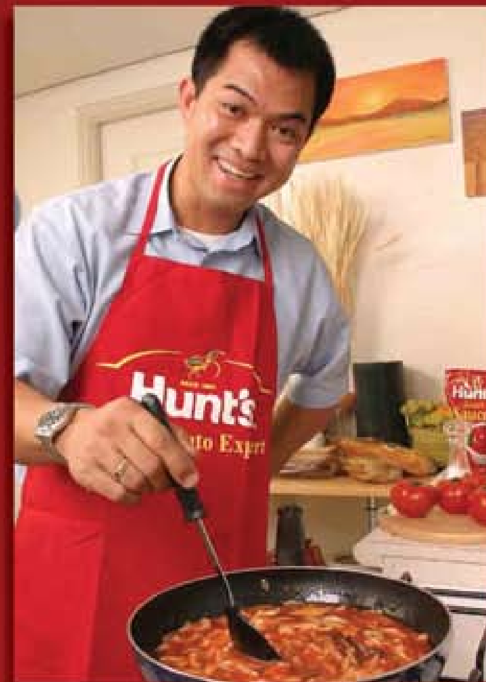
URC has grown the local beverage market by leaps and bounds ever since it produced the first locally manufactured coffee blend, Blend 45, in the 1960s. Other pioneering efforts include Great Taste Granules, the first concentrated coffee in the country, and Great Taste Mixes, the first complete 3-in-1 flavored coffee mix. Recent years have seen the rapid rise of the ready-to-drink tea category, revitalized by the launch of URC's flagship product, C2 Cool & Clean, the first locally-manufactured green tea-based beverage in handy PET bottles.

Expect to see more firsts in beverages, through URC's innovative products. With its wide array of beverage products, URC can definitely quench anyone's thirst.

BEVERAGES

URC participates in strategic segments in the Philippine beverage market that complement its snack food and biscuit products.

- Ready-to-Drink Tea – C2
- Juices – Refresh Flavored Drinks, Nature's Harvest FAB
- Bottled Water – Hidden Spring, Nestlè Pure Life
- Sports Drinks – Rush
- Pure Coffee – Great Taste Granules, Great Taste Premium
- Blended Coffee – Blend 45
- Creamer – Cream All
- Ready-to-Drink Coffee – Great Taste Iced Coffee
- Instant Coffee Mixes – Great Taste Coffee Mixes
- Cereal Drink – NutriVim



grocery

In response to the increasing need for lifestyle conveniences, URC manufactures an array of grocery products that are meant to make daily food preparation easier for Filipinos.

Its Payless brand offers a wide selection of affordable instant noodles in pouches and bowls, in regular and extra big servings. URC has also made Nissin's famous pre-flavored noodles readily available in the country, through its joint venture with Nissin Japan.

URC's joint venture with Hunt-Wesson Inc. has provided mothers with handy kitchen helpers in the form of tomato-based products such as pasta sauces and tomato sauce, as well as its market leading Pork and Beans. Swiss Miss products such as instant cocoa and ready-to-drink milkshakes are also manufactured under this joint venture.

PAYLESS

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

- Pouch Noodles -- Payless Mami, Payless Pancit Canton, Payless Fiesta
- Cup Noodles – Payless Busog Sarap Bowl

HUNTS-URC

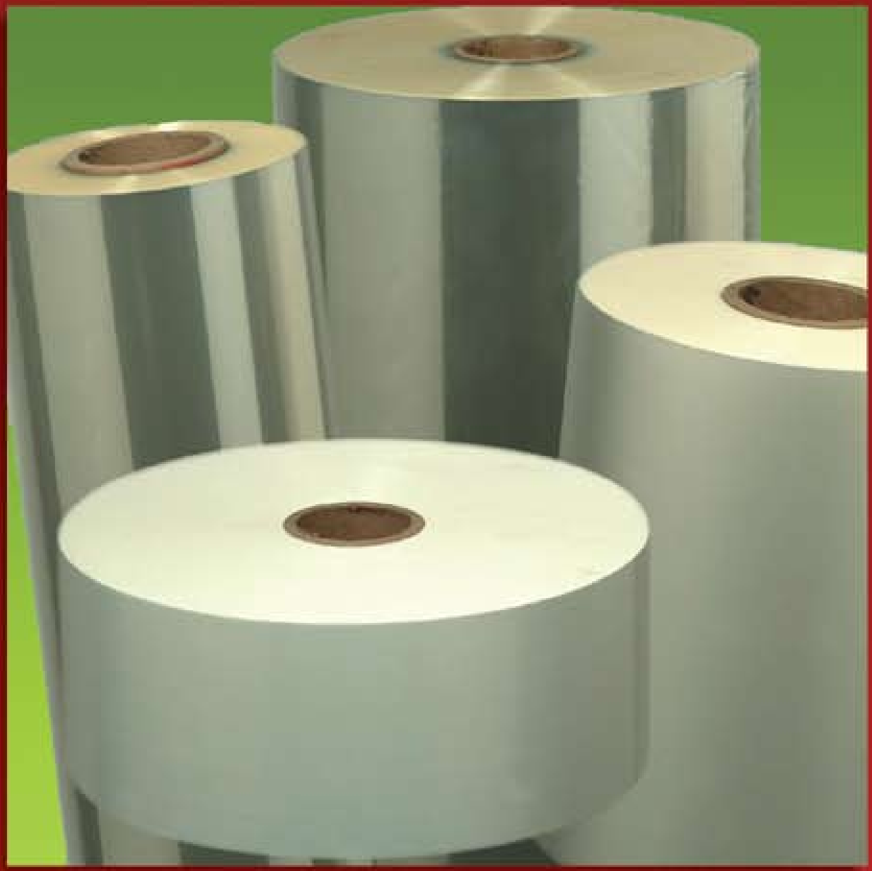
URC manufactures and markets tomato-based products, through its joint venture with Hunt-Wesson Inc. URC also manufactures and markets Swiss Miss products through this joint venture.

- Canned Beans – Hunt's Pork and Beans, Hunt's Baked Beans, Hunt's Chili Beans
- Sauces – Hunt's Tomato Sauce, Hunt's Spaghetti Sauce
- Tomato Paste – Hunt's Tomato Paste
- Others – Swiss Miss Cocoa Mix, Swiss Miss Milk Shakes, Swiss Miss Non-Dairy Creamer

NISSIN-URC

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

- Pouch Noodles – Nissin Yakisoba, Nissin Pancit Canton, Nissin Sotanghon, Nissin Ramen
- Cup Noodles – Nissin Cup Noodles, Nissin Yakisoba, Nissin Sotanghon



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 9001:2000 and Environmental ISO 14001:2004 Standards.

Branded Consumer Foods Group
INTERNATIONAL

With an eye towards the future, URC has been investing in product innovation, and has been serving many of the ASEAN countries for the past ten years. URC International's sales rocketed past the US$200 million mark for the first time in fiscal 2008, thanks to innovative products, strong operational focus, and a motivated and dedicated team. From wafers in Thailand, to potato chips in Singapore, and even cereals in China, URC International has provided consumers in six different countries within the region with the same exceptional quality that Filipinos have come to associate with the Universal Robina name.

At present, URC maintains 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 such as ACES, Tivoli, and Jigs, on supermarket shelves and in neighborhood stores throughout the region.

In April 2006, URC started manufacturing and selling C2 Green Tea in Vietnam, making URC Vietnam the first subsidiary outside the Philippines to manufacture and market C2. C2 is now one of the two market leaders in Vietnam and manufacturing is being expanded to meet strong market demand, as well as to export the product to other thirsty ASEAN nations. Your favorite C2 product is now also available in Malaysia and Indonesia, another testament to the multinational powerhouse that URC has become.

THAILAND

URC Thailand is URC International's largest subsidiary. It 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,
- Chocolates – Nips, Wiggles

MALAYSIA and 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, Fun Bite
- Biscuits – Cream-O, Magic, Dewberry
- Wafers – Cloud 9
- Candies – Dynamite, Cloud 9 Candies
- Chocolates – Nips, Cloud 9, Chooey Choco
- Beverages – C2

INDONESIA

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

- Snacks – Roller Coaster, Piattos, Sea Crunch, Poppins
- Wafers – Cloud 9 Wafrets
- Candies – Dynamite, Alus, Lush
- Chocolates – Chooey Choco, Cloud 9
- Beverages – C2

CHINA and 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 – Roller Coaster, Potato Chips, Beef Crunchies (HK only)
- Beverages (China only) – ACES Instant Cereal, ACES Oates, ACES Coffee, ACES Health drink, ACES Soya
- Chocolates (HK only) – Nips, Cloud 9
- Biscuits (HK only) – Cream-O, Magic, Dewberry

VIETNAM

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

- Snacks – Fun Bite, Potato Chips, Roller Coaster
- Biscuits – Cream-O, Magic
- Candies – Dynamite, Lush, Xcite, XO
- Beverages – C2

Consistent double-digit growth for URC Thailand

URC Thailand's continued double-digit annual growth is anchored on its success in introducing innovative and good quality products at popular price points, backed by cohesive manufacturing, marketing and sales organizations.

The first effort was the introduction of Tivoli Wafer which became an instant success in the mid-1990s. Then in 2004, the company launched a twin wafer called "Tivoli Twin" which helped seal URC Thailand's number one position in the wafer market.

In 2003, URC Thailand launched Fun-O cookies. This brand helped established URC as a major biscuit player in Thailand. From a few thousand cases in mid-2003, biscuits grew exceptionally such that the Company immediately increased its production capacities. The company also expanded its biscuits offerings with the launch of Dewberry, Magic Crackers - all under the Jack 'n Jill mega brand. Now, URC Thailand holds a strong number one position in the biscuit category in Thailand.

In 2004, URC Thailand successfully penetrated the tough snack market via the successful re-launch of Roller Coaster potato ring. This gave URC a platform to launch sheeted potato snack and mini potato rings by leveraging on the strength of Roller Coaster brand.

During the last five years, URC expanded and upgraded its production capabilities. This enabled URC to consistently come up with innovative and good quality products that meet the Thai consumers' preference.

C2 in Vietnam

The launch of C2 Green Tea in the Philippines was, and continues to be, a source of great pride for URC. This innovative product rode on the worldwide surge of interest in health and wellness back in 2004, and single-handedly grew the ready-to-drink tea segment in the Philippines. Much of the revitalization of the ready-to-drink beverage market can be attributed to C2, and consumers today have a gamut of drinking choices as competitors scrambled to replicate C2's success. More importantly, it reinforced Beverages as one of the major 'legs' of our Philippine branded consumer food business.

Beyond our shores, however, C2 was a relative unknown. URC Philippines had been shipping C2 to other countries, but volumes were thin, and supplies were always dependent on importers' orders. Thus, top management thought – why not try to replicate C2's success elsewhere in the region?

Vietnam was a perfect site for the C2 experiment. Unlike the Philippines during the pre-C2 era, Vietnam is basically a tea-drinking country – in fact, the raw tea leaves used for C2 were sourced from the northern highlands of Vietnam. In addition, URC International's operations in the country were still being established, with most products for sale still being sourced from Thailand. Thus, having our own manufacturing site (the first PET bottle line for URC outside the Philippines) would help improve scale and profitability. Finally, Vietnam could also serve as a test-bed for the sale of beverage products outside of the Philippines.

Vietnam sales of C2 commenced in March of 2006, with initial flavors of jasmine and lotus tea to simulate the flavors the locals were already accustomed to. However, slow sales were experienced; despite an advertising campaign and a strong initial push, the product just did not catch on with the general public.

Undeterred, URC returned to the drawing board. Advertising was revamped. Availability was improved, as the sales force plugged distribution and pricing gaps noted during the initial launch. Most importantly, the actual product was reformulated. Philippine flavors that were thought to be too sweet for the local populace – lemon and apple – were brought in, capturing Vietnamese taste buds.

Offtake soared higher and higher in the months after these moves. Marketing continued to pull in consumers with promos, while the young and dynamic sales force worked overtime pushing the product to new accounts. Soon, the C2 line was running at full capacity. URC Philippine even had to export C2 to Vietnam in the 2008 fiscal year just to meet the higher demand!

Thanks to the efforts of everyone on the ground, C2 became an astonishing success, pushing Vietnam into profitability in fiscal 2008 and turning it into a cornerstone of URC's international operations. With more lines coming online, the future looks bright for C2 in Vietnam, and soon, in the rest of the countries under URC International.

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.

In the latter part of 2008, RAP launched Robina Farms Premium Farm Products, a line of grocery 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.

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 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, Janssen Animal Health and Malaysian Vaccines Pharmaceuticals.

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 is sought after by consumers and viajeros due to its high lean meat percentage, overall meat quality and thin back fat.
- RF-Hogs production facilities, located in Rizal, Novaliches, Bulacan and Batangas maintain 15,500 sows at any given time, and is reputed to be among the most modern swine facilities in the country.

ROBINA FARMS – POULTRY

RF-Poultry business unit produces superior day-old broiler and layer chicks from the world-class breeds such as Hubbard, Shaver and Hyline.

- RF-Poultry production facilities are located in Cebu, Rizal and Bulacan, with a total farm capacity of 500,000 breeders.
- RF-Poultry is a formidable player in both the Layer and Broiler industries. It is the leader 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.

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. It has 3 milling plants - CMC Pasig, CMC Davao and URC Flour Plant, with a combined milling capacity of 1,550 MT per day. 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 URC BCFG Philippines and international, respectively.
- The Hard Flour brands: UNIVERSAL First Class Flour; GLOBE First Class Flour; and BLEND 100 Flour - contain high protein level recommended for making premium quality bread. On the other hand, the Soft Flour brands - WHITE ROSE and SAMPAGUITA - are ideal for making cookies, biscuits and pastries. Specialty flour brands are also available: CONTINENTAL All-Purpose Flour, best used for most baking needs; DAISY Cake Flour, excellent for baking light and fluffy cake bases; and FibrA+ Whole Wheat Flour, the same First Class Flour used for the production of breads, with the addition of high-fiber bran, Vitamin A and Iron, for more nutritious, high-fiber bread offerings. All of URC Flour's products in 25kg-packaging are also being sold in 1kg-packaging in selected baking supply stores. URC Flour Division also has the capability to do customized flour.
- Another retail product is URC Flour Premixes, which are ready-to-use flour preparations with just the addition of water to make the batter or dough. Available variants are Sweet Dough Premix, Pizza Premix, Brownie Premix, Caramel Bar, Pancake/ Waffle, Cake Muffin and Cookie.
- Other product offerings are flour-milling by-products such as wheat germ, bran and pollard, which are utilized by the Agro-Industrial Group.
- URC Flour also manufactures and sells spaghetti and macaroni products under the brand name EL REAL and toll manufactures for other food companies.

URC SUGAR DIVISION

- URC Sugar Division operates 4 sugar mills and 3 refineries across the country with combined capacities of 25,000 tons of sugar cane per day and 32,000 bags of refined sugar per day, respectively.
- In the Visayas region, URC has two mills and refineries on Negros island: URSUMCO, located in Manjuyod, Negros Oriental, and SONEDCO, located in Kabankalan City, Negros Occidental. In 2008, URC acquired the PASSI mill, one of the largest sugar producers in Panay province.
- In Northern Luzon, CARSUMCO is located in 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.

SPECIAL FEATURE

PASSI (ILOILO) SUGAR CENTRAL JOINS URC

PASSI (Iloilo) Sugar Central is considered one of the old-timers in the sugar industry, having been in operation since the late 1960s. However, unlike many other millers which had closed shop in the wake of collapsing sugar prices in the 1980s and 1990s, PASSI was able to survive during that period, as their major shareholders tided themselves over the crises with other business ventures. PASSI was also able to acquire another mill at the turn of the millennium, while other mills in Panay were shutting down. Thus, by 2006, PASSI was producing almost two-thirds of the raw sugar in Panay, controlling 2 out of the 3 mills on the island. However, the owners were getting older, and none of the children were that interested in running the day-to-day operations of the sugar mill. The owners themselves were also busy with growing their own individual businesses, in preparation for retirement.

Thus, in July 2007, the major shareholders of PASSI began to search for someone interested in acquiring the assets of the company – and top of mind was URC. As their representatives explained to us later, "URC has a reputation for fairness, integrity, professionalism, and a strong financial position. We do not want all our hard work to just go up in smoke, and we believe URC can take good care of, and grow, what we have built."

From URC's perspective, the deal made strategic sense. PASSI was one of the major sugar millers on Panay, a market that URC was not present in. The raw sugar produced by PASSI had a sterling reputation for quality. Finally, the new mills could also give URC additional headroom for raw sugar production, while also making the company one of the top sugar producers in the country.

By early October, the brief contract signing was held at the JG Summit boardroom in Manila. Mr. Lance Gokongwei, President of URC, and Mr. Pedro Siason, Treasurer of PASSI, concluded the deal turning over the operating assets of PASSI to URC. Afterwards, the teams had lunch in Crowne Plaza's 7 Corners, to celebrate the capping of the deal. Over the meal, one of the owners mentioned, quite wistfully, that it was strange how more than thirty years of work could just vanish with a few signatures. But, he said, he was content in the fact that their "baby" would be in URC's hands.

JG Summit president and COO Lance Gokongwei (center) turns over a mock-up key to the Arboleda family who represented the new residents of Jack 'n Jill Village. Looking on are (from left) Gawad Kalinga executive director Jose Luis Oquinena and Taguig City Mayor Sigfredo Tinga.

Finding a home at Jack 'n Jill Village

Thirty six families in Pinagsamahan Village, Taguig City are now the proud owners of new homes in the newly-completed Jack 'n Jill Village.

Jack 'n Jill Village is a joint project of Gawad Kalinga (GK), Universal Robina Corporation (URC) and JG Summit Holdings, Inc (JGSHI). The village aims to uplift the living condition of families residing in Taguig. A year since the inaugural groundbreaking, 36 out of the 44 units were turned over to the new homeowners to fulfill the promise of providing them with a roof over their heads and hope to face the future.

"Masayang-masaya kami dahil ngayon ay komportable na kami. 'Di na namin kailangan isipin pa kung saan kami titira (we are very happy because we now live comfortably. We don't have to worry about where we'll live)," shared Arselin Arboleda, one of the new residents in Jack 'n Jill Village. *"Kaya malaki ang pasasalamat namin sa Gawad Kalinga at kay Mr. Lance Gokongwei dahil nakamit namin ang aming pangarap na tirahan. Malaking bagay ito para sa amin lalo na sa aming anak* (That's why we are very thankful to Gawad Kalinga and Mr. Lance Gokongwei because we have fulfilled our dream of owning a house. This is a very big thing for us, especially for our children)," she added.

The key to the future

A festive mood hung in the air on the morning of the turn-over ceremonies. The spirit of unity was very much evident as kids, moms and dads of the new community performed special numbers to entertain the guests of honor, which included Taguig City Mayor Sigfredo Tinga, GK executive director Jose Luis Oquinena, GK founder Tony Meloto, and JGSHI president and COO Lance Gokongwei.

"We are very proud to be involved in such a noteworthy project, which gave my family, the JG Summit team and I a chance to be part of this community building effort," Gokongwei declared. "In these trying times, it is heartening to see the private sector, NGOs and the government, come together in an attempt to build a better life for Filipinos."

Mayor Tinga lauded the project as it underscores Taguig City's vision to unite its so-called "two cities" referring to the invisible yet felt division between Taguig's high-end community and the underprivileged residents. "With the help of GK and the private sector, this vision will be realized," he noted.

Mayor Tinga also reminded the residents that in spite of the generosity extended by the private sector, the families should not be complacent but instead do their part to better their lives.

The highlight of the event came when Gokongwei presented the mock-up key to the Arboledas as the representatives of the beneficiaries. It symbolized not just the key that will open the doors to their new homes but also the key that will unlock a new beginning in their lives.

A Christmas offering

In the hopes of spreading good tidings and Yuletide cheer, employees of Universal Robina Corporation (URC) as well as those of other JG Summit Business Units, shared their blessings with three families from the Gawad Kalinga community. Aside from a cash gift totaling to almost Php 170,000, the "adopted" families also received several presents in kind, which included food, clothes, baby needs, school supplies, houseware, furniture and an eye examination. Certain members of the families were even granted a scholarship and employment opportunities.

Gokongwei Brothers Foundation China Scholarship Program: Preparing the Philippines for global economic change

We live in troubled times. Dire predictions abound as vaunted industries from once great nations stand on the verge of collapse. Buzzwords like recession, economic slowdown and lay-offs strike fear as smaller economies such as ours await when or if these hit home.

But John Gokongwei, Jr. is upbeat.

While others may dwell unnecessarily on uncertainty, the visionary founder and chairman emeritus of JG Summit Holdings, Inc., is optimistic that the Philippines can weather the global financial storm, and be a better, more progressive country for it.

Gokongwei's efforts to help turn the economy around stem from his hopes for the country to improve its place in the world within the next 20 years.

Through his Gokongwei Brothers Foundation's (GBF) China Scholarship Program, he sent 34 young Filipinos – the first batch of scholars -- to China to immerse themselves in the country's culture. "I want them to learn what makes China tick and then be able to apply those learnings here," says Gokongwei.

Learning from the East

"I want to tell people that the world has changed. Developing Asian economies are overtaking Western countries. This is a dramatic power shift that we need to watch closely and, certainly, learn and benefit from," Gokongwei shares.

"I was in China in the 80's and back then, you could not find a decent restaurant. Now, I go there every year and I am overwhelmed by how developed and modern China is today. The fruits of the Chinese government's investment in infrastructure have paid off and now China is an emerging world superpower."

Gokongwei cites that China, currently one of the largest and most dynamic emerging economies, is now poised to become the main engine of growth for the world. "The time is right for us to look to the East for a new model for our country's growth," he said.

"This is why I thought it would be a good idea to send bright, eager young people to understand the country, learn the language, study politics and business and develop a stronger sense of how the Chinese were able to reinvent themselves in a span of 20 years!"

Looking for young leaders

A little more than a year ago, John Gokongwei sent off the GBF's first batch of scholars to China. Now that the program is over, the scholars are back and eager to use their experiences to benefit other young people. They have started a project called Project Hope Warrior, a series of talks at different universities, to encourage other young Pinoys to reach for their dreams and help their country.

"This is exactly what we set out to do," Gokongwei says. "Each young person can change the world. My goal is to equip young Filipinos with experience and understanding of a better way to do things from other countries. Then they can come up with their own conclusions as to how they can make an impact here."

Gokongwei is proud of what the Scholarship to China has accomplished and is looking forward to sending the next batch of young, idealistic Pinoys.

"We need hardworking, young people with leadership qualities if we want to change things for the better. It is my fervent hope that by coming back to the Philippines and leading their generation with positive change, the Philippines can truly be able to uplift its place in the world, he says."

Currently, GBF is accepting applications for the second batch of China Scholars.

Board of Directors & Management Teams

Board of Directors

JOHN L. GOKONGWEI, JR.
Director, Chairman Emeritus

JAMES L. GO
Director, Chairman and Chief Executive Officer

LANCE Y. GOKONGWEI
Director, President and Chief Operating Officer

PATRICK HENRY C. GO
Director, Vice President

FREDERICK D. GO
Director

JOHNSON ROBERT G. GO, JR.
Director

WILFRIDO E. SANCHEZ
Director

ROBERT G. COYIUTO, JR.
Director

PASCUAL S. GUERZON
Director

URC Branded Consumer Foods Group

Philippine Operations

BIENVENIDO S. BAUTISTA
Executive Vice-President and Managing Director,
URC Branded Consumer Foods Group,
Philippines and PT URC Indonesia

BENEDICTO A. SANCHEZ
Business Unit General Manager,
Beverage I Division

EDWIN S. TOTANES
Business Unit General Manager,
Beverage II Division

EDWIN R. CANTA
Business Unit General Manager,
Nissin Universal Robina Corporation

ALBERTINE P. MONTERON
Business Unit General Manager,
Hunts Universal Robina

URC Branded Consumer Foods Group

International Operations

PATRICK O. NG
Executive Vice President and Managing Director,
URC International Branded Consumer Foods Group and
Acting Business Unit General Manager, URC Vietnam

BIENVENIDO S. BAUTISTA
Executive Vice President
and Managing Director,
URC Indonesia

PREMCHAI NAVARASUCHITR
Business Unit General Manager,
URC Thailand

GRACE WIRANATA
Business Unit General Manager,
URC Indonesia

BRIAN M. GO
Business Unit General Manager,
URC China & URC Hong Kong

ERROL A. TAN
Business Unit General Manager,
URC Malaysia & URC Singapore

STANLEY M. P. POON
Asst. Business Unit General Manager,
URC Hong Kong

Agro-Industrial Group

VINCENT HENRY C. GO
Group Business Unit General Manager,
Agro-Industrial Group

DANTE J. PALABRICA
Business Unit General Manager,
Hogs Operations

WILLIAM F. LIM
Business Unit General Manager,
Poultry Operations

Commodity Foods Group

ELLISON DEAN C. LEE
Business Unit General Manager, Flour Division

RENATO P. CABATI
Business Unit General Manager, Sugar Division

Other Businesses

PATRICK HENRY C. GO
Business Unit General Manager, Packaging Division

EDUARDO G. YAP JR.
Business Unit General Manager, CFC Clubhouse Properties Inc.

Executive Officers

JAMES L. GO
Chairman and Chief Executive Officer

LANCE Y. GOKONGWEI
President and Chief Operating Officer

PATRICK HENRY C. GO
Vice President

BIENVENIDO S. BAUTISTA
Executive Vice President and Managing Director,
URC Branded Consumer Food Group,
Philippines and PT URC Indonesia

PATRICK O. NG
Executive Vice President and Managing Director,
URC International Branded Consumer Foods Group
and Acting Business Unit General Manager, URC Vietnam

EUGENIE M.L. VILLENA
Senior Vice President – Chief Financial Officer

CONSTANTE T. SANTOS
Senior Vice President – Corporate Controller

BACH JOHANN M. SEBASTIAN
Senior Vice President – Corporate Planning

GERALDO N. FLORENCIO
First Vice President – Controller

ESTER T. ANG
Vice President – Treasurer

ROSALINDA F. RIVERA
Corporate Secretary

Financial Statements

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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, 2008 and 2007 and for each of the three years in the period ended September 30, 2008. 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	LANCE Y. GOKONGWEI	CONSTANTE T. SANTOS
Chairman and Chief Executive Officer	President and Chief Operating Officer	SVP – Corporate Controller

JAN 1 3 2009

SUBSCRIBED AND SWORN to before me this ________ day of January, 2009 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	10201478	01.17.08	Pasig City
Lance Y. Gokongwei	10201477	01.17.08	Pasig City
Constante T. Santos	23710408	01.31.08	Pasig City

Doc No. 627
Page No. 27
Book No. VI
Series of 2009

MARY JANE V. FL...
NOTARY PUBLIC
UNTIL 31 DECEMBER 2010
IBP NO. 770490 / 1-08-09 / RIZAL
PTR NO. 5125089 / 1-08-09 PASIG
ROLL NO. 42280

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph
BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

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 balance sheets as at September 30, 2008 and 2007, and the consolidated statements of 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, 2008, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 of September 30, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky B. Lee-Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-1
Tax Identification No. 129-434-735
PTR No. 1566436, January 5, 2009, Makati City

January 12, 2009

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30	
	2008	2007 (As restated - Note 37)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱2,215,628,259**	₱5,045,041,438
Financial assets at fair value through profit or loss (Notes 8 and 9)	**5,979,184,879**	16,536,868,784
Receivables - net (Notes 10 and 34)	**6,175,873,872**	5,781,478,724
Inventories (Note 11)	**7,774,455,180**	5,903,328,679
Other current assets (Note 12)	**1,036,364,089**	607,201,493
	23,181,506,279	33,873,919,118
Assets of disposal group classified as held for sale (Note 38)	**197,416,861**	–
Total Current Assets	**23,378,923,140**	33,873,919,118
Noncurrent Assets		
Property, plant and equipment (Notes 6 and 13)	**24,327,344,376**	22,156,451,732
Available-for-sale investments (Notes 9 and 14)	**6,304,842,703**	–
Biological assets (Note 15)	**1,443,259,742**	1,050,568,773
Intangible assets (Note 16)	**1,646,762,912**	1,156,950,961
Net pension assets (Note 31)	**243,810,600**	92,534,300
Investments in an associate and a joint venture (Note 17)	**93,056,645**	89,872,575
Investment properties (Note 18)	**79,003,584**	82,601,829
Other noncurrent assets (Note 19)	**413,631,365**	331,002,621
Total Noncurrent Assets	**34,551,711,927**	24,959,982,791
	₱57,930,635,067	₱58,833,901,909

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 20, 23 and 30)	**₱8,069,508,132**	₱4,519,172,112
Accounts payable and other accrued liabilities (Notes 20, 21 and 34)	**4,964,941,584**	4,423,728,767
Trust receipts and acceptances payable (Notes 11 and 23)	**3,000,776,510**	385,279,591
Income tax payable	**20,761,736**	119,192,023
Current portion of long-term debt (Notes 22, 23 and 30)	**48,031,798**	5,072,751,025
	16,104,019,760	14,520,123,518
Liabilities directly associated with assets of disposal group classified as held for sale (Note 38)	**8,727,389**	–
Total Current Liabilities	**16,112,747,149**	14,520,123,518

(Forward)

	September 30	
	2008	2007 (As restated - Note 37)
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 22, 23 and 30)	**₱9,429,770,492**	₱9,064,974,890
Deferred tax liabilities - net (Note 32)	**243,687,670**	250,363,157
Total Noncurrent Liabilities	**9,673,458,162**	9,315,338,047
Total Liabilities	**25,786,205,311**	23,835,461,565
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 23)	**13,429,513,837**	13,429,513,837
Retained earnings (Note 23)	**19,198,256,317**	20,300,463,625
Deposits for future stock subscriptions (Note 23)	**26,043,533**	26,043,533
Cumulative translation adjustments (Note 39)	**575,323,807**	544,386,903
Unrealized loss on available-for-sale investments (Note 14)	**(826,240,308)**	–
Treasury shares (Note 23)	**(916,666,046)**	–
	31,486,231,140	34,300,407,898
Equity attributable to minority interests	**658,198,616**	698,032,446
Total Equity	**32,144,429,756**	34,998,440,344
	₱57,930,635,067	₱58,833,901,909

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30		
	2008	2007	2006
SALE OF GOODS AND SERVICES			
(Notes 6 and 34)	**₱45,454,500,015**	₱37,720,260,615	₱35,183,814,854
COST OF SALES (Notes 11, 24, 27, 28, and 34)	**34,599,920,30**	27,616,777,337	26,359,974,231
GROSS PROFIT	**10,854,579,710**	10,103,483,278	8,823,840,623
Selling and distribution costs			
(Notes 25, 27 and 28)	**(5,615,362,792)**	(5,119,182,316)	(4,790,405,938)
Market valuation gain (loss) on financial assets at fair value through profit or loss (Note 8)	**(2,264,036,590)**	451,809,003	923,670,697
General and administrative expenses (Notes 26, 27, 28 and 34)	**(1,551,015,226)**	(1,803,972,344)	(1,332,342,501)
Finance costs (Notes 6, 20, 22, 30 and 34)	**(1,273,599,234)**	(1,620,998,830)	(2,271,950,902)
Finance revenue (Notes 6 and 29)	**1,070,053,254**	1,562,117,043	2,319,815,409
Impairment losses (Notes 6, 10, 11, 13, and 16)	**(298,966,703)**	(344,666,537)	(283,979,473)
Foreign exchange losses - net	**(423,765,630)**	(255,323,511)	(259,222,224)
Gain on sale of investment (Notes 6 and 17)	–	2,858,765,293	–
Equity in net income of an associate and a joint venture (Notes 6 and 17)	**28,184,000**	23,287,500	319,996,500
Other revenues (expenses) - net (Notes 6 and 18)	**(14,279,143)**	97,966,109	(155,966,428)
INCOME BEFORE INCOME TAX	**511,791,646**	5,953,284,688	3,293,455,763
PROVISION FOR INCOME TAX (Notes 6 and 32)	**170,595,907**	452,255,980	382,364,589
NET INCOME	**₱341,195,739**	₱5,501,028,708	₱2,911,091,174
ATTRIBUTABLE TO			
Equity holders of the parent (Note 33)	**₱381,029,569**	₱5,556,978,624	₱3,018,916,609
Minority interest	**(39,833,830)**	(55,949,916)	(107,825,435)
	₱341,195,739	₱5,501,028,708	₱2,911,091,174
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
(Notes 23 and 33)	**₱0.17**	₱2.50	₱1.42

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended September 30, 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT												
	Paid-up Capital (Note 23)			Retained Earnings (Note 23)									
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Deposits for Future Stock Subscriptions (Note 23)	Cumulative Translation Adjustments (Note 39)	Unrealized Loss on Available-For-Sale Investments (Note 14)	Treasury Shares (Note 23)	Total	ATTRIBUT-ABLE TO MINORITY INTEREST	TOTAL EQUITY
Balances as of September 30,2007, as previously reported	₱2,221,851,481	₱11,207,662,356	₱13,429,513,837	₱17,300,463,625	₱3,000,000,000	₱20,300,463,625	₱26,043,533	₱544,386,903	₱–	₱–	₱34,300,407,898	₱695,294,888	₱34,995,702,786
Increase in minority interest (Note 37)	–	–	–	–	–	–	–	–	–	–	–	2,737,558	2,737,558
Balances as of September 30, 2007, as restated	2,221,851,481	11,207,662,356	13,429,513,837	17,300,463,625	3,000,000,000	20,300,463,625	26,043,533	544,386,903	–	–	34,300,407,898	698,032,446	34,998,440,344
Adjustments to foreign currency translation	–	–	–	–	–	–	–	30,936,904	–	–	30,936,904	–	30,936,904
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	(826,240,308)	–	(826,240,308)	–	(826,240,308)
Net income and expense for the year recognized directly in equity	–	–	–	–	–	–	–	30,936,904	(826,240,308)	–	(795,303,404)	–	(795,303,404)
Net income for the year	–	–	–	381,029,569	–	381,029,569	–	–	–	–	381,029,569	(39,833,830)	341,195,739
Total income (expense) recognized for the year	–	–	–	381,029,569	–	381,029,569	–	30,936,904	(826,240,308)	–	(414,273,835)	(39,833,830)	(454,107,665)
Purchase of treasury shares (Note 23)	–	–	–	–	–	–	–	–	–	(916,666,046)	(916,666,046)	–	(916,666,046)
Cash dividends (Note 23)	–	–	–	(1,480,499,319)	–	(1,480,499,319)	–	–	–	–	(1,480,499,319)	–	(1,480,499,319)
Effect of restatement of Acesfood Network Pte. Ltd. (Note 37)	–	–	–	(2,737,558)	–	(2,737,558)	–	–	–	–	(2,737,558)	–	(2,737,558)
Balances as of September 30, 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)	(₱916,666,046)	₱31,486,231,140	₱658,198,616	₱32,144,429,756

For the Year Ended September 30, 2007 (As restated - Note 37)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
	Paid-up Capital (Note 23)			Retained Earnings (Note 23)							
	Common Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Deposits for Future Stock Subscriptions (Note 23)	Cumulative Translation Adjustments (Note 39)	Total	ATTRIBUT-ABLE TO MINORITY INTEREST	TOTAL EQUITY
Balances as of September 30, 2006	₱2,221,851,481	₱11,207,662,356	₱13,429,513,837	₱13,254,343,977	₱3,000,000,000	₱16,254,343,977	₱26,043,533	₱765,869,023	₱30,475,770,370	₱751,244,804	₱31,227,015,174
Adjustments to foreign currency translation	–	–	–	–	–	–	–	(221,482,120)	(221,482,120)	–	(221,482,120)
Net income for the year	–	–	–	5,556,978,624	–	5,556,978,624	–	–	5,556,978,624	(55,949,916)	5,501,028,708
Total income (expense) recognized for the year	–	–	–	5,556,978,624	–	5,556,978,624	–	(221,482,120)	5,335,496,504	(55,949,916)	5,279,546,588
Increase in minority interest (Note 37)	–	–	–	–	–	–	–	–	–	2,737,558	2,737,558
Cash dividends (Note 23)	–	–	–	(1,510,858,976)	–	(1,510,858,976)	–	–	(1,510,858,976)	–	(1,510,858,976)
Balances as of September 30, 2007	₱2,221,851,481	₱11,207,662,356	₱13,429,513,837	₱17,300,463,625	₱3,000,000,000	₱20,300,463,625	₱26,043,533	₱544,386,903	₱34,300,407,898	₱698,032,446	₱34,998,440,344

For the Year Ended September 30, 2006

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
	Paid-up Capital (Note 23)			Retained Earnings (Note 23)							
	Common Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Deposits for Future Stock Subscriptions (Note 23)	Cumulative Translation Adjustments (Note 39)	Total	ATTRIBUT-ABLE TO MINORITY INTEREST	TOTAL EQUITY
Balances as of September 30, 2005	₱1,686,479,549	₱6,843,501,476	₱8,529,981,025	₱11,762,281,005	₱3,000,000,000	₱14,762,281,005	₱26,043,533	₱993,318,822	₱24,311,624,385	₱948,579,793	₱25,260,204,178
Cumulative effect of change in accountin policy for financial instruments as of October 1, 2005	–	–	–	(75,100,307)	–	(75,100,307)	–	–	(75,100,307)	–	(75,100,307)
Balances as of October 1, 2005, as adjusted	1,686,479,549	6,843,501,476	8,529,981,025	11,687,180,698	3,000,000,000	14,687,180,698	26,043,533	993,318,822	24,236,524,078	948,579,793	25,185,103,871
Adjustments to foreign currency translation	–	–	–	–	–		–	(227,449,799)	(227,449,799)	(89,509,554)	(316,959,353)
Net income for the year	–	–	–	3,018,916,609	–	3,018,916,609	–	–	3,018,916,609	(107,825,435)	2,911,091,174
Total income (expense) recognized for the year	–	–	–	3,018,916,609	–	3,018,916,609	–	(227,449,799)	2,791,466,810	(197,334,989)	2,594,131,821
Issuance of common shares of stock	282,400,000	4,364,160,880	4,646,560,880	–	–	–	–	–	4,646,560,880	–	4,646,560,880
Stock dividends (Note 23)	252,971,932	–	252,971,932	(252,971,932)	–	(252,971,932)	–	–	–	–	–
Cash dividends (Note 23)	–	–	–	(1,198,781,398)	–	(1,198,781,398)	–	–	(1,198,781,398)	–	(1,198,781,398)
Balances as of September 30, 2006	₱2,221,851,481	₱11,207,662,356	₱13,429,513,837	₱13,254,343,977	₱3,000,000,000	₱16,254,343,977	₱26,043,533	₱765,869,023	₱30,475,770,370	₱751,244,804	₱31,227,015,174

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2008	2007 (As restated - Note 37)	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱511,791,646**	₱5,953,284,688	₱3,293,455,763
Adjustments for:			
Depreciation and amortization of:			
Property and equipment (Note 13)	**2,687,054,654**	2,172,452,012	1,990,987,053
Investment properties (Note 18)	**3,598,245**	3,598,245	3,598,245
Intangible assets (Note 16)	**2,767,636**	1,383,818	–
Market valuation loss (gain) on financial assets at fair value through profit or loss (Notes 4 and 8)	**2,264,036,590**	(451,809,003)	(923,670,697)
Finance costs (Note 30)	**1,273,599,234**	1,620,998,830	2,271,950,902
Finance revenue (Note 29)	**(1,070,053,254)**	(1,562,117,043)	(2,319,815,409)
Foreign exchange loss - net	**423,765,630**	255,323,511	259,222,224
Impairment losses on:			
Available-for-sale investments (Note 14)	**11,674,554**	–	–
Receivables (Note 10)	**94,901,001**	141,230,297	43,290,658
Inventories (Note 11)	**192,391,148**	–	–
Property and equipment (Note 13)	–	203,436,240	–
Goodwill (Note 16)	–	–	240,688,815
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks (Note 15)	**(280,333,605)**	(276,815,236)	(244,709,188)
Loss (gain) on sale of financial assets at fair value through profit or loss	**2,106,621**	(48,028,750)	(250,535,563)
Equity in net income of an associate and a joint venture (Note 17)	**(28,184,000)**	(23,287,500)	(319,996,500)
Loss (gain) on sale of property and equipment	**2,693,255**	(5,325,919)	(15,321,831)
Gain on sale of investment (Note 17)	–	(2,858,765,293)	–
Amortization of debt issuance costs	**12,971,614**	26,473,920	19,739,316
Market valuation gain on derivative transactions (Note 4)	**29,724,214**	(2,179,639)	–
Loss on reacquisition of long-term debt	–	–	14,523,978
Operating income before working capital changes	**6,134,505,183**	5,149,853,178	4,063,407,766
Decrease (increase) in:			
Receivables	**(862,890,472)**	(860,365,880)	(1,109,168,022)
Inventories	**(2,063,517,649)**	(511,738,312)	316,204,821
Other current assets	**(458,886,810)**	(487,764,768)	18,944,885
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**108,676,565**	48,908,263	794,525,773
Trust receipts and acceptances payable	**2,615,496,919**	(275,867,725)	(567,908,862)
Cash generated from operations	**5,473,383,736**	3,063,024,756	3,516,006,361
Interest paid	**(1,064,823,152)**	(1,688,635,192)	(2,375,737,859)
Interest received	**1,337,706,170**	1,617,886,531	2,473,385,348
Income taxes paid	**(275,701,681)**	(320,674,234)	(237,980,553)
Net cash provided by operating activities	**5,470,565,073**	2,671,601,861	3,375,673,297

(Forward)

	Years Ended September 30		
	2008	2007 (As restated - Note 37)	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	**(₱4,986,813,079)**	(₱3,837,068,215)	(₱5,830,795,216)
Subsidiaries, net of cash acquired (Note 37)	**–**	(94,841,444)	–
Proceeds from sale of:			
Property and equipment	**88,822,745**	114,959,438	328,575,448
Investment in an associate (Note 17)	**–**	4,750,661,204	–
Net disposal of financial assets at fair value through profit or loss	**936,842,414**	1,631,288,512	5,500,501,747
Decrease (increase) in:			
Biological assets	**(112,357,364)**	43,249,916	180,609,264
Intangible assets	**(492,579,587)**	–	–
Net pension assets	**(151,276,300)**	143,812,100	(66,235,600)
Other noncurrent assets	**(87,923,963)**	(164,343,162)	(495,814,416)
Investments in an associate and a joint venture	**–**	–	316,584,062
Dividends received (Note 17)	**24,999,930**	–	171,391,485
Net cash provided by (used in) investing activities	**(4,780,285,204)**	2,587,718,349	104,816,774
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Long-term debt	**(4,672,895,239)**	(5,178,787,070)	(3,596,331,326)
Short-term debt	**(253,721,480)**	(35,000,000)	(423,512,167)
Proceeds from short-term debt	**3,804,089,036**	527,754,321	2,230,655,543
Cash dividends paid (Note 23)	**(1,480,499,319)**	(1,510,858,976)	(1,198,781,397)
Increase (decrease) in minority interests (Note 37)	**–**	2,737,558	(89,509,553)
Proceeds from issuance of common shares of stock	**–**	–	4,646,560,880
Purchase of treasury shares (Note 23)	**(916,666,046)**	–	–
Net cash provided by (used in) financing activities	**(3,519,693,048)**	(6,194,154,167)	1,569,081,980
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,829,413,179)**	(934,833,957)	5,049,572,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,045,041,438**	5,979,875,395	930,303,344
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,215,628,259**	₱5,045,041,438	₱5,979,875,395

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" 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., 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 consolidated 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 35). 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.

The accompanying consolidated financial statements of the Group were authorized for issue by the Audit Committee (AC) and the Board of Directors (BOD) on January 12, 2009.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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 point-of-sale costs.

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 (except certain consolidated foreign subsidiaries), is the Philippine Peso (further discussion under Foreign Currency Translation/Transactions).

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

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

Subsidiaries	Country of Incorporation	Effective Percentage of Ownership 2008	2007	2006
CFC Clubhouse, Incorporated	Philippines	**100.00**	100.00	100.00
CFC Clubhouse Property, Inc.	- do -	**100.00**	100.00	100.00
URC Confectionary Corporation	- do -	**100.00**	100.00	100.00
CFC Corporation	- do -	**100.00**	100.00	100.00
South Luzon Greenland, Inc. (Note 35)	- do -	**100.00**	100.00	–
Bio-Resource Power Generation Corporation (formerly Universal Robina Sugar Milling Corporation)	- do -	**100.00**	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 Asean Brands Co., Ltd.	- do -	**77.00**	77.00	77.00
Hong Kong China Foods Co., Ltd.	- do -	**77.00**	77.00	77.00
URC International Co. Ltd. (URCICL)	- do -	**77.00**	77.00	77.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	**100.00**	100.00	100.00
Shanghai Peggy Foods Co., Ltd.	China	**100.00**	100.00	100.00
Tianjin Pacific Foods Manufacturing Co., Ltd.	- do -	**100.00**	100.00	100.00
URC China Commercial Co. Ltd.	- do -	**100.00**	100.00	100.00
Xiamen Tongan Pacific Food Co., Ltd.	- do -	**100.00**	100.00	100.00
Panyu Peggy Foods Co., Ltd.	- do -	**90.00**	90.00	90.00
URC Hong Kong Company Limited (formerly Hong Kong Peggy Snack Foods Co., Limited)	Hong Kong	**100.00**	100.00	100.00
PT URC Indonesia	Indonesia	**100.00**	100.00	100.00
URC Snack Foods (Malaysia) Sdn. Bhd. (formerly Pacific World Sdn. Bhd.)	Malaysia	**91.52**	91.52	91.52
Ricellent Sdn. Bhd.	- do -	**54.03**	54.03	54.03
URC Foods (Singapore) Pte. Ltd. (formerly Pan Pacific Snacks Pte. Ltd.)	Singapore	**100.00**	100.00	100.00
Acesfood Network Pte. Ltd. (Note 35)	- do -	**96.08**	96.08	–
Advanson International Pte. Ltd. (Note 37)	- do -	**100.00**	–	–
URC (Thailand) Co., Ltd. (formerly Thai Peggy Foods Co. Ltd.)	Thailand	**100.00**	100.00	100.00
URC Vietnam Co., Ltd.	Vietnam	**100.00**	100.00	100.00

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

Minority 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 income and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Acquisitions of minority 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 for the adoption of a new accounting standard, amendments to accounting standards and certain Philippine Interpretations that are discussed below. Except for the amendments to PAS 39 and PFRS 7, the adoption of the new and amended standards, as well as the Philippine Interpretations, did not have any effect on the consolidated financial statements of the Group. They did, however, give rise to additional disclosures.

- PFRS 7, *Financial Instruments: Disclosures*

  The Group adopted PFRS 7 which introduces new disclosures to improve the information about financial instruments. PFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. PFRS 7 replaces Philippine Accounting Standard (PAS) 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. The adoption of this Standard resulted in the inclusion of additional disclosures such as market risk sensitivity analysis (Note 4), contractual maturity analysis of financial liabilities for liquidity risk (Note 4) and aging analysis on financial assets that are either past due or impaired (Note 4).

  In December 2007, the Financial Reporting Standards Council approved an amendment to the transition provision of PFRS 7 that gives transitional relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments under paragraphs 31 to 42 of PFRS 7. In relation to such relief, the Group is allowed not to present comparative information for the new risk disclosures under paragraphs 31 to 42 of PFRS 7 unless the disclosure was previously required under PAS 30 or PAS 32.

  Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements of the Group, where applicable (Note 4).

- Amendment to PAS 1, *Presentation of Financial Statements: Capital Disclosures*

  This amendment requires the Group to make new disclosures to enable users of the consolidated financial statements to evaluate the Group's objectives, policies and processes for managing capital (Note 23).

- Amendments to PAS 39 and PFRS 7, *Reclassification of Financial Assets*

  The Group adopted the amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, which allow reclassifications of certain financial instruments held-for-trading to either held-to-maturity, loans and receivables or available-for-sale categories, as well as certain instruments from available-for-sale (AFS) investments to loans and receivables.

  The effective date of the amendments is July 1, 2008. At that date, the Group reclassified certain financial instruments out of the FVPL category and into the AFS investments category. The adoption of the amendments to PAS 39 and PFRS 7 did not result in the restatement of prior year financial statements. The related disclosures are in Note 9 to the consolidated financial statements.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*

  This Philippine Interpretation becomes effective for financial years beginning on or after June 1, 2006. It establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The adoption of this Philippine Interpretation did not have any effect on the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*

  This Philippine Interpretation prohibits the reversal of impairment losses on goodwill and available-for-sale (AFS) equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. The adoption of this Philippine Interpretation did not have any effect on the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*

  This Philippine Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if: (a) the entity chooses or is required to buy those equity instruments (i.e. treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. The Group currently does not have any active stock option plan, and therefore does not expect this Philippine Interpretation to have any significant impact on its consolidated financial statements.

<u>Significant Accounting Policies</u>

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

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

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

<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 (3) 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
Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments fair value through profit or loss valued at fair value through profit or loss (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 reporting date.

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

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

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

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

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

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

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

For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge). In 2008 and 2007, the Group did not apply hedge accounting treatment for its derivative transactions.

The fair values of the Group's derivative instruments are calculated by using certain standard valuation methodologies and quotes obtained from third parties.

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

The Group has identified certain derivatives that are embedded in host contracts (such as debt instruments). These embedded derivatives include foreign currency denominated derivatives in purchase orders. Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments at FVPL, and when their economic risks and characteristics are not closely related to those of their respective host contracts.

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 (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under the Interest income account in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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 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 Equity section of the consolidated balance sheet, if any.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Interest earned on holding AFS investments are reported as interest income using the EIR. Where the Group holds more than one (1) investment in the same security these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

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. 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.

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

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 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.

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group (Note 4).

AFS investments
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from

equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

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. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is recorded under Interest Income account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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 balance sheet.

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 condition are accounted for as follows:

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

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

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

Assets Held for Sale
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 (1) 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 prior years' consolidated statement of income and consolidated statement of cash flows are re-presented. The results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in the consolidated statement of income and consolidated statement of cash flows as items associated with discontinued operations.

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

Land is stated at cost less any impairment in value.

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

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against current operations and are no longer capitalized.

Construction in-progress are transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

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

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

Land improvements	20 years
Buildings and improvements	10-30 years
Machinery and equipment	10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years

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

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

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

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

<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.

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 consolidated statement of income in the year of retirement or disposal.

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

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

<u>Biological Assets</u>
The biological assets of the Group are divided into two (2) major categories with sub-categories as follows:

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

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

A biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs, except for a biological asset where fair value is not clearly determinable. Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs.

The Group is unable to measure fair values reliably for its poultry livestock breeders in the absence of: (a) an 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 point-of-sale costs.

Agricultural produce is the harvested product of the Group's biological asset. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the asset's life processes of the agricultural produce ceases. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale cost shall be included in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick.

Biological assets at cost
The cost of an item of 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 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 (2) to three (3) 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 point-of-sale costs
Swine livestock are measured at their fair values less point-of-sale costs. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Point-of-sale costs 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 point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in the consolidated statement of income in the period in which it arises.

Investments in an Associate and a Joint Venture
The Group's 19% investment in Robinsons Land Corporation (RLC), an associate, is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. In 2007, the Group sold its investment in RLC (Note 17).

The Group also has a 50% interest in Hunt-Universal Robina Corporation (HURC), a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two (2) or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investments in its associate and joint venture are accounted for using the equity method of accounting. Under the equity method, the investments in associate and joint venture are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture. The consolidated statement of income reflects the share of the results of operations of the associate and joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associate and joint venture.

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with PAS 14, *Segment Reporting*.

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

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

<u>Intangible Assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful lives. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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

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

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

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

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

	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

<u>Impairment of Nonfinancial Assets</u>
This accounting policy applies primarily to the Group's property, plant and equipment (Note 13), investment properties (Note 18), investment in an associate and a joint venture (Note 17), and intangible assets with finite lives (Note 16).

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

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

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

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

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

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

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

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

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

<u>Short-term and Long-term Debt</u>
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

<u>Debt Issuance Costs</u>
Debt issuance costs are amortized using the EIR method and unamortized debt issuance costs are offset against the related carrying value of the loan in the consolidated balance sheet. When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations (see accounting policy on Financial Instruments).

<u>Treasury Shares</u>
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 consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

<u>Provisions</u>
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value

of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated statement of 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 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 balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of the any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

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

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 balance sheet date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the balance sheet 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 balance sheet 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 balance sheet date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recognized.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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.

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. A reassessment is made after inception of the lease only if one (1) 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
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

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

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in-progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate.

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

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries (except for 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 balance sheet date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Subsidiaries	Country of Incorporation	Functional Currency
URCPL	British Virgin Islands	US Dollar
URC Asean Brands Co. Ltd.	- do -	- do -
Hong Kong China Foods Co. Ltd.	- do -	- do -
URCICL	- do -	- do -
URCL	Cayman Islands	- do -
Shanghai Peggy Foods Co., Ltd.	China	Chinese Yuan
Tianjin Pacific Foods Manufacturing Co., Ltd.	- do -	- do -
URC China Commercial Co. Ltd.	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Panyu Peggy Foods Co., Ltd.	- do -	- do -
URC Hong Kong Company Limited (formerly Hong Kong Peggy Snacks Foods Co., Limited)	Hong Kong	HK Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (formerly Pacific World Sdn. Bhd.)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd. (formerly Pan Pacific Snacks Pte. Ltd.)	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd. (formerly Thai Peggy Foods Co. Ltd.)	Thailand	Thai Baht
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong

As of reporting 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 balance sheet date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

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

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

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

Subsequent Events
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 balance sheet 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, 2008

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

Effective in 2009

- PFRS 1, *First-time Adoption of PFRS - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

- PFRS 8, *Operating Segments*
  PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group will assess the impact of this Standard to its current manner of reporting segment information.

- Amendments to PAS 1, *Presentation of Financial Statements*
  This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income' (OCI). Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. The Group will assess and evaluate the options available under the amendment to PAS 1, and will comply with such changes once effective.

- PAS 23, *Borrowing Costs*
  The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  Amendments to PAS 27 will be effective on January 1, 2009 which has changes in respect of the holding companies separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. The Group does not expect significant changes in its accounting policies when it adopts the foregoing accounting changes effective January 1, 2009.

- Amendment to PAS 32, *Financial Instruments: Presentation and PAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) The instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) The instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) All instruments in the subordinate class have identical features, (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008)
This Philippine Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This Philippine Interpretation is not relevant to the Group.

- Philippine Interpretation IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008)
This Philippine Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received and is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this Philippine Interpretation will have no impact on the Group's consolidated financial statements, as no such scheme currently exists.

- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008)
This Philippine Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group will assess the impact of adoption when it applies Philippine Interpretation IFRIC 14 in 2008.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008)
This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Currently, the Group has no hedges of a net investment in a foreign operation.

Improvements to PFRSs
In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. These are the separate transitional provisions for each standard:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

PAS 1, *Presentation of Financial Statements*
- Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

PAS 16, *Property, Plant and Equipment*
- The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and PAS 36, *Impairment of Assets*.
- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 19, *Employee Benefits*

- Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
- Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
- Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*

- Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

PAS 23, *Borrowing Costs*

- Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the EIR method.

PAS 28, *Investment in Associates*

- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 29, *Financial Reporting in Hyperinflationary Economies*

- Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

PAS 31, *Interest in Joint ventures*

- If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*

- When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

PAS 38, *Intangible Assets*

- Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*

- Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.
- When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4 *Insurance Contracts*, this is a change in circumstance, not a reclassification.
- Removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Properties*

- Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

PAS 41, *Agriculture*

- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*

Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*

This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

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 (Notes 4, 8, 14 and 21). Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated balance sheet 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 financial assets and financial liabilities which require use of accounting judgments and estimates follow:

	2008	2007
Financial assets at FVPL (Note 8)	**₱5,968,487,826**	₱16,536,713,409
Derivative assets (included under Financial assets at FVPL account in the consolidated balance sheets) (Note 8)	**10,697,053**	155,375
AFS investments (Note 14)	**6,304,842,703**	–
Derivative liabilities (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets) (Note 21)	**(40,421,267)**	(7,266,667)

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.

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.

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 (Note 36).

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet 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.

Estimation of allowance for impairment losses on trade and other receivables
The Group maintains allowances for impairment losses on trade 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 receivables that it deems uncollectible.

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 receivables would increase recorded operating expenses and decrease current assets.

Provisions for impairment losses on trade receivables amounted to ₱94.9 million, ₱141.2 million and ₱43.3 million in 2008, 2007 and 2006, respectively. Total receivables, net of allowance for impairment losses, amounted to ₱6.2 billion and ₱5.8 billion as of September 30, 2008 and 2007, respectively (Note 10).

Determination of NRV of inventories
The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided 100% for nonmoving items for more than one (1) year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

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

Inventory obsolescence and market decline (included under Impairment Losses account in the consolidated statement of income) amounted to ₱192.4 million in 2008 (Note 11). The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱7.8 billion and ₱5.9 billion as of September 30, 2008 and 2007, respectively (Note 11).

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

As of September 30, 2008 and 2007, the balances of the Group's depreciable property, plant and equipment and investment properties follow:

	2008	2007
Property, plant and equipment - net (Note 13)	**₱21,348,348,949**	₱19,463,828,376
Investment properties - net (Note 18)	**79,003,584**	82,601,829

Fair values less estimated point-of-sale costs of biological assets
The fair values of swine are determined based on current market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Point-of-sale costs 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, 2008 and 2007, the Group's biological assets carried at fair values less estimated point-of-sale costs amounted to ₱1.2 billion and ₱1.0 billion as of September 30, 2008 and 2007, respectively (Note 15).

Impairment of nonfinancial assets
The Group assesses the impairment of 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 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.

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 determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

As of September 30, 2008 and 2007, the balances of the Group's nonfinancial assets, net of accumulated depreciation and amortization and impairment losses follow:

	2008	2007 (As restated)
Property, plant and equipment (Note 13)	**₱24,327,344,376**	₱22,156,451,732
Intangible assets (Note 16)	**1,646,762,912**	1,156,950,961
Investments in an associate and a joint venture (Note 17)	**93,056,645**	89,872,575
Investment properties (Note 18)	**79,003,584**	82,601,829

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 31). 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.

As of September 30, 2008 and 2007, the balances of the Group's net pension assets, actuarial losses and other employee benefits follow:

	2008	2007
Net pension assets (Note 31)	**₱243,810,600**	₱92,534,300
Unrecognized actuarial losses - net (Note 31)	**16,093,100**	92,534,300
Other employee benefits (Note 28)	**582,317,915**	527,715,556

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized deferred tax assets amounting to ₱372.2 million and ₱363.2 million as of September 30, 2008 and 2007, respectively (Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱243.7 million and ₱250.4 million as of September 30, 2008 and 2007, respectively (Note 32).

As of September 31, 2008 and 2007, the Group has certain subsidiaries which enjoy the benefits of an ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse within the ITH period (Note 35).

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. The Parent Company 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 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.

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

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, 2008, 2007 and 2006, approximately 20.4%, 19.1% and 22.1% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 93.3% and 76.9% of the Group's debt is denominated in US Dollar as of September 30, 2008 and 2007, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The Group does not have any foreign currency hedging arrangements.

The table below summarizes the Group's exposure to foreign currency risk as of September 30, 2008.

	Euro	US Dollar	Total
Assets			
Cash and cash equivalents	₱–	₱56,496,511	₱56,496,511
Financial assets at FVPL			
Private bonds	710,394,136	–	710,394,136
Government bonds	474,499,900	–	474,499,900
	1,184,894,036	56,496,511	1,241,390,547
Liabilities			
Short-term debt	1,361,755,943	–	1,361,755,943
Trust receipts and acceptances payable	–	845,761,280	845,761,280
	1,361,755,943	845,761,280	2,207,517,223
Net Foreign Currency-Denominated Liabilities	₱176,861,907	₱789,264,769	₱966,126,676

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

The following table sets 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, 2008 follow:

Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	Euro
₱5.00	(₱83,875,108)	(₱13,045,665)
(₱5.00)	83,875,108	13,045,665

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. The effect on equity (as a result of a change in fair value of equity instruments held as FVPL investments as of September 30, 2008) due to a reasonably possible change in equity indices, with all other variables held constant, will increase equity by ₱375.5 million if equity indices will increase by 1.0%. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy has been revised to target a ratio of 99.42% fixed rate debt for US Dollar-denominated debts.

As of September 30, 2008 and 2007, 99.7% and 98.84% of the Group's borrowings are at a fixed rate of interest, respectively.

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

	2008								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
US Dollar loans	US$1,327,114	US$–	US$–	US$–	US$–	US$1,327,114	₱62,440,708	₱–	₱62,440,708
Interest rate	USD LIBOR + 0.75%	–	–	–	–				
Fixed rate									
US Dollar loans	US$91,435,389	US$	US$–	US$199,127,866	US$–	US$290,563,255	13,712,047,997	(41,046,858)	13,671,001,139
Interest rate	2.95% to 8.69%	–	–	8.25%	–				
Euro loans	€20,089,134	€–	€–	€–	€–	€20,089,134	1,365,615,959	–	1,365,615,959
Interest rate	4.6% to 5.10%	–	–	–	–				
Thailand Baht loans	THB1,079,610,000	THB–	THB–	THB–	THB–	THB1,079,610,000	1,492,234,130	–	1,492,234,130
Interest rate	5.375%	–	–	–	–				
China Yuan loans	RMB86,800,000	RMB–	RMB–	RMB–	RMB–	RMB86,800,000	597,941,418	–	597,941,418
Interest rate	5.375%	–	–	–	–				
Local currencies:									
Fixed rate									
Philippine Peso loans	₱3,312,458,089	₱–	₱–	₱–	₱46,395,489	₱3,358,853,578	3,358,853,578	–	3,358,853,578
Interest rate	6.75%	–	–	–	7.5%				
							₱20,589,133,790	(₱41,046,858)	₱20,548,086,932

	2007										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Euro)	Total (In US Dollar)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)
Liabilities:											
Foreign currencies:											
Floating rate											
Euro loans	€1,797,498	€–	€–	€–	€–	€–	€1,797,498	US$–	₱116,961,425	(₱2,499,103)	₱114,462,322
Interest rate	EURIBOR/ USD LIBOR + 0.75%	–	–	–	–	–					
US Dollar loans	US$–	US$2,211,856	US$–	US$–	US$–	US$–	–	2,211,856	99,622,015	–	99,622,015
Interest rate	–	USD LIBOR + 0.75%	–	–	–	–					
Fixed rate											
US Dollar loans	US$187,048,008	US$	US$–	US$–	US$200,000,000	US$–	–	387,048,008	17,647,857,560	(51,545,838)	17,596,311,722
Interest rate	4.30% to 9.00%	–	–	–	8.25%	–					
Euro loans	€19,474,897	€–	€–	€–	€–	€–	19,474,897	–	1,179,428,247	–	1,179,428,247
Interest rate	4.32% to 5.01%	–	–	–	–	–					
Local currencies:											
Fixed rate											
Philippine Peso loans	₱–	₱–	₱–	₱–	₱–	₱52,353,312	–	–	52,353,312	–	52,353,312
Interest rate	–	–	–	–	–	7.5%					
							€21,272,395	US$389,259,864	₱19,096,222,559	(₱54,044,941)	₱19,042,177,618

The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income before income tax and equity in 2008:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	Change in Equity
1.5%	(₱1,039,387)	(₱472,491,233)
(1.5%)	1,039,387	472,491,233

Other than the potential impact on income before income tax, there is no other effect on equity.

Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments. The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

The credit risk is concentrated to the following customers:

Type of Customers	Percentage
Related parties	20.0%
Third parties:	
Supermarkets and convenience stores	41.4
Distribution companies	38.6
	80.0
Total	100.0%

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk (including derivatives) of the Group as of September 30, 2008 and 2007, without considering the effects of collaterals and other credit risk mitigation techniques.

	2008	2007 (As restated)
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand amounting to ₱108.6 million and ₱137.8 million as of September 30, 2008 and 2007, respectively) (Note 7)	**₱2,107,051,132**	₱4,907,194,621
Receivables - net (Note 10):		
Trade receivables	**4,389,616,993**	3,366,090,767
Due from related parties	**448,124,520**	896,599,119
Interest receivable	**142,815,439**	410,468,355
Advances to officers, employees and suppliers	**477,809,078**	441,906,587
Other receivables	**717,507,842**	666,413,896
Total loans and receivables	**8,282,925,004**	10,688,673,345
Financial assets at FVPL (Note 8):		
Financial assets at FVPL		
Private bonds	**4,343,133,416**	9,981,812,179
Equity securities	**1,625,354,410**	2,202,652,517
Government securities	**–**	4,352,248,713
Derivative assets (included under Financial Assets at FVPL account in the consolidated balance sheets)	**10,697,053**	155,375
Total financial assets at FVPL	**5,979,184,879**	16,536,868,784
AFS investments (Note 14):		
Private bonds	**4,080,459,883**	–
Government securities	**2,224,382,820**	–
Total AFS investments	**6,304,842,703**	–
Asset of disposal group classified as held for sale	**35,711**	–
	₱20,566,988,297	₱27,225,542,129

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.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. 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, 2008 before taking into account any collateral held or other credit enhancements, are categorized by geographic location as follows:

	Philippines	Asia (excluding Philippines)	United States	Total
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand amounting to ₱108.6 million as of September 30, 2008) (Note 7)	₱1,034,485,455	₱428,022,880	₱644,542,797	₱2,107,051,132
Receivables - net (Note 10):				
Trade receivables	3,149,286,334	1,240,330,659	–	4,389,616,993
Due from related parties	341,478,640	52,526,442	54,119,438	448,124,520
Interest receivable	343,428	–	142,472,011	142,815,439
Advances to officers, employees and suppliers	282,841,359	194,967,719	–	477,809,078
Other receivables	506,382,175	211,125,667	–	717,507,842
Total loans and receivables	5,314,817,391	2,126,973,367	841,134,246	8,282,925,004
Financial assets at FVPL (Note 8):				
Financial assets at FVPL				
Private bonds	–	–	4,343,133,416	4,343,133,416
Equity securities	677,335,726	–	948,018,684	1,625,354,410
Derivative assets (included under Financial Assets at FVPL account in the consolidated balance sheets)	–	–	10,697,053	10,697,053
Total financial assets at FVPL	677,335,726	–	5,301,849,153	5,979,184,879
AFS investments (Note 14):				
Private bonds	–	–	4,080,459,883	4,080,459,883
Government securities	–	–	2,224,382,820	2,224,382,820
Total AFS investments	–	–	6,304,842,703	6,304,842,703
Asset of disposal group classified as held for sale	–	35,711	–	35,711
	₱5,992,153,117	₱2,127,009,078	₱12,447,826,102	₱20,566,988,297

ii. Concentration by industry

The table below shows the industry sector analysis of the Group's financial assets as of September 30, 2008 before taking into account any collateral held or other credit enhancements.

	Manufacturing	Financial Intermediaries	Agriculture	Others*	Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand amounting to ₱108.6 million as of September 30, 2008) (Note 7)	₱–	₱2,107,051,132	₱–	₱–	₱2,107,051,132
Receivables - net (Note 10):					
Trade receivables	3,731,126,864	–	7,897,980	650,592,149	4,389,616,993
Due from related parties	229,887,675	41,812,012	361,663	176,063,170	448,124,520
Interest receivable	246,676	142,472,011	–	96,752	142,815,439
Advances to officers, employees and suppliers	458,827,826	–	8,667,873	10,313,379	477,809,078
Other receivables	–	–	–	717,507,842	717,507,842
Total loans and receivables	4,420,089,041	2,291,335,155	16,927,516	1,554,573,292	8,282,925,004
Financial assets at FVPL (Note 8):					
Financial assets at FVPL					
Private bonds	–	4,343,133,416	–	–	4,343,133,416
Equity securities	–	948,018,684	–	677,335,726	1,625,354,410
Derivative assets (included under Financial Assets at FVPL account in the consolidated balance sheets)	–	10,697,053	–	–	10,697,053
Total financial assets at FVPL	–	5,301,849,153	–	677,335,726	5,979,184,879
AFS investments (Note 14):					
Private bonds	–	4,080,459,883	–	–	4,080,459,883
Government securities	–	2,224,382,820	–	–	2,224,382,820
Total AFS investments	–	6,304,842,703	–	–	6,304,842,703
Assets of disposal group classified as held for sale	35,711	–	–	–	35,711
	₱4,420,124,752	₱13,898,027,011	₱16,927,516	₱ 2,231,909,018	₱20,566,988,297

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors*

c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets as of September 30, 2008 gross of allowance for impairment losses:

	Neither Past Due Nor Impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	or Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand amounting to ₱108.6 million as of September 30, 2008) (Note 7)	₱2,107,051,132	₱–	₱–	₱–	₱2,107,051,132
Receivables (Note 10):					
Trade receivables	730,102,616	3,401,009,687	258,504,690	224,312,699	4,613,929,692
Due from related parties	448,124,520	–	–	–	448,124,520
Interest receivable	142,471,964	343,475	–	–	142,815,439
Advances to officers, employees and suppliers	250,552,643	227,207,235	49,200	–	477,809,078
Other receivables	335,879,638	380,929,727	698,477	–	717,507,842
Total loans and receivables	4,014,182,513	4,009,490,124	259,252,367	224,312,699	8,507,237,703
Financial assets at FVPL (Note 8):					
Financial assets at FVPL					
Private bonds	3,309,502,787	871,015,007	162,615,622	–	4,343,133,416
Equity securities	1,568,894,410	56,460,000	–	–	1,625,354,410
Derivative assets (included under Financial Assets at FVPL account in the consolidated balance sheets)	10,697,053	–	–	–	10,697,053
Total financial assets at FVPL	4,889,094,250	927,475,007	162,615,622	–	5,979,184,879
AFS investments (Note 14):					
Private bonds	2,026,384,076	345,307,290	1,214,728,955	494,039,562	4,080,459,883
Equity securities	–	1,870,137,471	354,245,349	–	2,224,382,820
Total AFS investments	2,026,384,076	2,215,444,761	1,568,974,304	494,039,562	6,304,842,703
Assets of disposal group classified as held for sale	35,711	–	–	–	35,711
	₱10,929,696,550	₱7,152,409,892	₱1,990,842,293	₱718,352,261	₱20,791,300,996

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 in the Philippines in terms of resources and profitability.

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. 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
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. 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.

The table below summarizes the maturity profile of the Group's financial liabilities as of September 30, 2008 based on undiscounted contractual payments.

	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities	₱804,409,356	₱1,804,196,127	₱2,188,299,743	₱–	₱4,796,905,226
Due to related parties (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets)	127,615,090	–	–	–	127,615,090
Short-term debt	–	6,095,840,860	2,075,439,361	–	8,171,280,221
Trust receipts and acceptances payable	–	384,769,438	2,706,697,806	–	3,091,467,244
Long-term debt (including current portion)	7,293,907	64,067,617	610,536,846	11,212,452,555	11,894,350,925
Total financial liabilities at amortized cost	939,318,353	8,348,874,042	7,580,973,756	11,212,452,555	28,081,618,706
Financial liabilities at FVPL:					
Derivative liabilities (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets)	40,421,267	–	–	–	40,421,267
Liabilies directly associated with assets classified as held for sale	8,695,853	–	–	–	8,695,853
	₱988,435,473	₱8,348,874,042	₱7,580,973,756	₱11,212,452,555	₱28,130,735,826

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 consolidated statements of income.

The Group's freestanding derivatives that are not designated as hedges consist of:

	2008			2007		
	Currency Forwards	**Currency Options**	**Total**	Currency Forwards	Currency Options	Total
Notional amounts	**US$46,215,992**	**US$50,600,000 €750,000**	**US$96,815,992 €750,000**	US$1,000,000	US$200,000	US$1,200,000
Derivative assets (included under Financial assets at FVPL account in the consolidated balance sheets) (Note 8)	**₱754,743**	**₱9,942,310**	**₱10,697,053**	₱–	₱155,375	₱155,375
Derivative liabilities (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets) (Note 21)	**₱19,373,529**	**₱21,047,738**	**₱40,421,267**	₱1,884,564	₱5,382,103	₱7,266,667

The Group's freestanding derivatives represents foreign currency forwards and foreign currency options that are all due within one year from respective balance sheet dates.

Fair value changes on derivatives
The net movements in fair value changes of all derivative instruments in 2008 and 2007 are as follows:

	2008	2007
Balance at beginning of year:		
Derivative assets	**₱155,375**	₱3,200,097
Derivative liabilities	**(7,266,667)**	(12,491,028)
Net changes in fair value of derivatives	**(29,724,214)**	(2,179,639)
Fair value of settled instruments	**7,111,292**	4,359,278
Balance at end of year:		
Derivative assets (Note 8)	**₱10,697,053**	₱155,375
Derivative liabilities (Note 21)	**(₱40,421,267)**	(₱7,266,667)

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, accounts payable and other accrued liabilities and trust receipts and acceptances payable
Carrying amounts approximate their fair values due to the relatively short-term maturity of these instruments.

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

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

Fair values of quoted equity securities are based on quoted prices published in markets. Fair values of unquoted equity investments approximate carrying amounts (cost less allowance for impairment) due to the unpredictable nature of future cash flows and lack of suitable methods of arriving at reliable fair value.

Derivative financial instruments
The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of forward exchange derivatives embedded in nonfinancial contracts is calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards.

Currency options are valued using the simple option pricing model of Bloomberg.

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.

The following table summarizes the carrying amounts and fair values of the financial assets and financial liabilities by category as of September 30, 2008 and 2007.

	2008		2007 (As restated)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱2,215,628,259**	**₱2,215,628,259**	₱5,045,041,438	₱5,045,041,438
Receivables	**5,727,749,352**	**5,727,749,352**	4,884,879,605	4,884,879,605
Due from related parties (included under Receivables account in the consolidated balance sheets)	**448,124,520**	**448,124,520**	896,599,119	896,599,119
Total loans and receivables	**8,391,502,131**	**8,391,502,131**	10,826,520,162	10,826,520,162
Financial assets at FVPL:				
Financial assets at FVPL				
Private bonds	**4,343,133,416**	**4,343,133,416**	9,981,812,179	9,981,812,179
Equity securities	**1,625,354,410**	**1,625,354,410**	2,202,652,517	2,202,652,517
Government securities	**–**	**–**	4,352,248,713	4,352,248,713
Derivative assets (included under Financial assets at FVPL account in the consolidated balance sheets)	**10,697,053**	**10,697,053**	155,375	155,375
Total financial assets at FVPL	**5,979,184,879**	**5,979,184,879**	16,536,868,784	16,536,868,784
AFS investments:				
Private bonds	**4,080,459,883**	**4,080,459,883**	–	–
Government securities	**2,224,382,820**	**2,224,382,820**	–	–
Total AFS investments	**6,304,842,703**	**6,304,842,703**	–	–
	₱20,675,529,713	**₱20,675,529,713**	₱27,363,388,946	₱27,363,388,946
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable and other accrued liabilities	**₱4,837,326,494**	**₱4,837,326,494**	₱4,089,574,237	₱4,089,574,237
Due to related parties (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets)	**127,615,090**	**127,615,090**	334,154,530	334,154,530
Short-term debt	**8,069,508,132**	**8,069,508,132**	4,519,172,112	4,519,172,112
Trust receipts and acceptances payable	**3,000,776,510**	**3,000,776,510**	385,279,591	385,279,591
Long-term debt (including current portion)	**9,477,802,290**	**11,817,551,774**	14,137,725,915	17,117,522,953
Total financial liabilities at amortized cost	**25,513,028,516**	**27,852,778,000**	23,465,906,385	26,445,703,423
Financial liabilities at FVPL:				
Derivative liabilities (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets)	**40,421,267**	**40,421,267**	7,266,667	7,266,667
	₱25,553,449,783	**₱27,893,199,267**	₱23,473,173,052	₱26,452,970,090

6. **Business Segment Information**

For management purposes, the Group is organized into business units based on their products and services, and has three (3) 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 began operations of its PET bottle manufacturing plant to supply the packaging requirements of products in PET bottle format.

- The agro-industrial products segment engages in hog and poultry farming, manufactures and distributes animal feeds and soya products and manufactures and distributes animal health products.

- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and revenue), market valuation gain (loss), foreign exchange loss and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group's business segment information follows:

	2008				
	Branded Consumer Food Segment	Agro-Industrial Segment	Commodity Food Segment	Adjustments and Eliminations	Total
			(In Thousand Pesos)		
Sale of Goods and Services					
Third party	₱34,763,058	₱5,570,334	₱5,121,108	₱–	₱45,454,500
Inter-segment	4,891,954	2,973,112	3,740,531	(11,605,597)	–
	₱39,655,012	₱8,543,446	₱8,861,639	(₱11,605,597)	₱45,454,500
Result					
Segment result	₱1,685,398	₱217,952	₱1,784,852	₱–	₱3,688,202
Finance revenue (Note 29)					1,070,053
Finance costs (Notes 20, 22 and 30)					(1,273,599)
Equity in net income of an associate and a joint venture (Note 17)					28,184
Impairment losses					(298,967)
Other revenues (expenses) - net					(2,702,081)
Income before income tax					511,792
Provision for income tax					(170,596)
Net income					₱341,196
Other Information					
Segment assets	₱28,276,245	₱4,676,191	₱8,171,169	₱–	₱41,123,605
Investment in an associate and a joint venture					93,057
Unallocated corporate assets					16,713,973
Total assets					₱57,930,635
Segment liabilities	₱6,192,129	₱1,158,590	₱3,689,740	₱–	₱11,040,459
Unallocated liabilities					14,745,746
Total liabilities					₱25,786,205
Capital expenditures (Note 13)	₱2,830,712	₱791,961	₱1,364,140	₱–	₱4,986,813
Depreciation and amortization (Note 27)	₱2,121,883	₱207,991	₱363,546	₱–	₱2,693,420
Non-cash expenses other than depreciation and amortization					
Impairment losses on:					
Inventories (Note 11)	₱12,959	₱179,432	₱–	₱–	₱192,391
Receivables (Note 10)	94,901	–	–	–	94,901
AFS investment (Note 14)	11,675	–	–	–	11,675
	₱119,535	₱179,432	₱–	₱–	₱298,967

	2007 (As restated - Note 37)				
	Branded Consumer Food Segment	Agro-Industrial Segment	Commodity Food Segment	Adjustments and Eliminations	Total
	(In Thousand Pesos)				
Sale of Goods and Services					
Third party	₱28,370,359	₱5,647,937	₱3,701,965	₱–	₱37,720,261
Inter-segment	3,265,165	2,375,669	2,600,364	(8,241,198)	–
	₱31,635,524	₱8,023,606	₱6,302,329	(₱8,241,198)	₱37,720,261
Result					
Segment result	₱1,249,737	₱697,258	₱1,233,333	₱–	₱3,180,328
Gain on sale of equity investment (Note 17)					2,858,765
Finance revenue (Note 29)					1,562,117
Finance costs (Notes 20, 22 and 30)					(1,620,999)
Equity in net income of an associate and a joint venture (Note 17)					23,288
Impairment losses					(344,666)
Other revenues (expenses) - net					294,451
Income before income tax					5,953,284
Provision for income tax					(452,255)
Net income					₱5,501,029
Other Information					
Segment assets	₱26,665,456	₱3,654,421	₱6,064,615	₱–	₱36,384,492
Investment in an associate and a joint venture					89,873
Unallocated corporate assets					22,359,537
Total assets					₱58,833,902
Segment liabilities	₱6,050,051	₱601,332	₱900,762	₱–	₱7,552,145
Unallocated liabilities					16,283,317
Total liabilities					₱23,835,462
Capital expenditures (Note 13)	₱2,452,751	₱367,993	₱1,016,324	₱–	₱3,837,068
Depreciation and amortization (Note 27)	₱1,958,370	₱75,707	₱143,357	₱–	₱2,177,434
Non-cash expenses other than depreciation and amortization					
Impairment losses on:					
Receivables (Note 10)	₱141,230	₱–	₱–	₱–	₱141,230
AFS investment (Note 14)	203,436	–	–	–	203,436
	₱344,666	₱–	₱–	₱–	₱344,666

	2006				
	Branded Consumer Food Segment	Agro-Industrial Segment	Commodity Food Segment	Adjustments and Eliminations	Total
			(In Thousand Pesos)		
Sale of Goods and Services					
Third party	₱26,596,746	₱5,082,758	₱3,504,311	₱–	₱35,183,815
Inter-segment	1,607,301	2,275,294	2,090,690	(5,973,285)	–
	₱28,204,047	₱7,358,052	₱5,595,001	(₱5,973,285)	₱35,183,815
Result					
Segment result	₱1,025,354	₱657,847	₱1,017,891	₱–	₱2,701,092
Finance revenue (Note 29)					2,319,815
Finance costs (Notes 20, 22 and 30)					(2,271,951)
Equity in net income of an associate and a joint venture (Note 17)					319,996
Impairment losses					(283,979)
Other revenues (expenses) - net					508,483
Income before income tax					3,293,456
Provision for income tax					(382,365)
Net income					₱2,911,091
Other Information					
Segment assets	₱25,027,816	₱3,351,385	₱5,273,461	₱–	₱33,652,662
Investment in an associate and a joint venture					1,958,481
Unallocated corporate assets					24,078,802
Total assets					₱59,689,945
Segment liabilities	₱5,718,080	₱501,244	₱1,129,802	₱–	₱7,349,126
Unallocated liabilities					21,113,804
Total liabilities					₱28,462,930
Capital expenditures (Note 13)	₱4,093,163	₱1,350,911	₱386,721	₱–	₱5,830,795
Depreciation and amortization (Note 27)	₱1,707,999	₱150,149	₱136,437	₱–	₱1,994,585
Non-cash expenses other than depreciation and amortization					
Impairment losses on:					
Goodwill (Note 16)	₱240,689	₱–	₱–	₱–	₱240,689
Receivables (Note 10)	43,290	–	–	–	43,290
	₱283,979	₱–	₱–	₱–	₱283,979

Geographical Segments
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 sales by geographical market, regardless of where the goods were produced, and the carrying amounts of segment assets and additions to property, plant, equipment, and intangible assets by geographical area in which the assets are located.

	2008		
	Domestic	**Foreign**	**Total**
	(In Thousand Pesos)		
Sale of goods and services	**₱36,185,351**	**₱9,269,149**	**₱45,454,500**
Segment assets	**₱47,568,532**	**₱10,362,103**	**₱57,930,635**
Capital expenditures (Note 13)	**₱4,051,036**	**₱935,777**	**₱4,986,813**
Depreciation and amortization (Note 27)	**₱1,979,082**	**₱714,338**	**₱2,693,420**
Non-cash expenses other than depreciation and amortization			
Impairment losses on:			
Receivables (Note 10)	**₱94,901**	**₱–**	**₱94,901**
AFS investments	**–**	**11,675**	**11,675**
Inventories	**192,391**	**–**	**192,391**
	₱287,292	**₱11,675**	**₱298,967**

	2007 (As restated - Note 37)		
	Domestic	Foreign	Total
	(In Thousand Pesos)		
Sale of goods and services	₱30,528,379	₱7,191,882	₱37,720,261
Segment assets	₱49,375,242	₱9,458,660	₱58,833,902
Capital expenditures (Note 13)	₱3,030,932	₱806,136	₱3,837,068
Depreciation and amortization (Note 27)	₱1,520,550	₱656,884	₱2,177,434
Non-cash expenses other than depreciation and amortization			
Impairment losses on:			
Receivables (Note 10)	₱141,230	₱–	₱141,230
Property and equipment (Note 13)	203,436	–	203,436
	₱344,666	₱–	₱344,666

	2006		
	Domestic	Foreign	Total
	(In Thousand Pesos)		
Sale of goods and services	₱27,396,584	₱7,787,231	₱35,183,815
Segment assets	₱49,743,001	₱9,946,944	₱59,689,945
Capital expenditures (Note 13)	₱4,140,667	₱1,690,128	₱5,830,795
Depreciation and amortization (Note 27)	₱1,377,048	₱617,537	₱1,994,585
Non-cash expenses other than depreciation and amortization			
Impairment losses on:			
Goodwill (Note 16)	₱–	₱240,689	₱240,689
Receivables (Note 10)	43,291	–	43,291
	₱43,291	₱240,689	₱283,980

7. Cash and Cash Equivalents

This account consists of:

	2008	2007 (As restated - Note 37)
Cash on hand	**₱108,577,127**	₱137,846,817
Cash in banks	**729,054,382**	515,458,143
Short-term investments	**1,377,996,750**	4,391,736,478
	₱2,215,628,259	₱5,045,041,438

Cash in banks earns interest at the respective bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 3.2% to 5.4% and 4.1% to 5.8%, in 2008 and 2007, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2008	2007
Investments held-for-trading	**₱5,968,487,826**	₱16,536,713,409
Derivative assets (Notes 3, 4 and 5)	**10,697,053**	155,375
	₱5,979,184,879	₱16,536,868,784

Investments that are held-for-trading consist of:

	2008	2007
Private bonds	**₱4,343,133,416**	₱9,981,812,179
Equity securities	**1,625,354,410**	2,202,652,517
Government securities	**–**	4,352,248,713
	₱5,968,487,826	₱16,536,713,409

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

Net market valuation loss on financial assets at FVPL amounted to ₱2.3 billion in 2008. Net market valuation gain of financial assets at FVPL amounted to ₱451.8 million and ₱923.7 million in 2007 and 2006, respectively.

9. Reclassification of Financial Assets

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 balance sheets. The recent global credit crunch had prompted the amendments to be issued by the International Accounting Standards Board, 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:

	September 30, 2007	July 1, 2008	September 30, 2008
Private bonds	₱5,416,514,163	₱4,885,178,163	₱4,080,459,883
Government securities	2,482,946,123	2,337,022,421	2,224,382,820
	₱7,899,460,286	₱7,222,200,584	₱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 FVPL at July 1, 2008 amounted to ₱1.3 billion, which is included under Market Valuation Loss on Financial Instruments at FVPL in the 2008 consolidated statement of income.

If the reclassification had not been made, the Group's statement of income for the year ended September 30, 2008 would have included an additional market valuation loss on FVPL on the reclassified trading assets amounting to ₱826.2 million.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the year ended September 30, 2008.

Reduction in interest income	(₱4,472,252)
Provision for impairment losses	(11,674,554)
Foreign exchange losses	(74,970,771)

10. Receivables

This account consists of:

	2008	2007 (As restated - Note 37)
Trade receivables	**₱4,613,929,692**	₱3,574,791,465
Advances to officers, employees and suppliers	**477,809,078**	441,906,587
Due from related parties (Note 34)	**448,124,520**	896,599,119
Interest receivable	**142,815,439**	410,468,355
Others	**717,507,842**	666,413,896
	6,400,186,571	5,990,179,422
Less allowance for impairment losses	**224,312,699**	208,700,698
	₱6,175,873,872	₱5,781,478,724

Others include receivable from URC Retirement Plan amounting to ₱131.0 and ₱132.7 million as of September 30, 2008 and 2007, respectively.

<u>Allowance for Impairment Losses on Trade Receivables</u>
Changes in allowance for impairment losses on trade receivables follow:

	2008		
	Individual Assessment	**Collective Assessment**	**Total**
Balances at beginning of year	**₱201,384,207**	**₱7,316,491**	**₱208,700,698**
Provision for impairment losses (Note 6)	**88,656,201**	**6,244,800**	**94,901,001**
Write offs	**(79,289,000)**	**–**	**(79,289,000)**
Balances at end of year	**₱210,751,408**	**₱13,561,291**	**₱224,312,699**

	2007		
	Individual Assessment	Collective Assessment	Total
Balances at beginning of year	₱343,684,733	₱16,420,813	₱360,105,546
Provision for impairment losses (Note 6)	136,668,558	4,561,739	141,230,297
Write offs	(278,969,084)	(13,666,061)	(292,635,145)
Balances at end of year	₱201,384,207	₱7,316,491	₱208,700,698

Aging Analysis
The aging analysis of the Group's receivables as of September 30, 2008 follows:

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	₱740,790,431	₱1,809,583,326	₱516,591,929	₱131,276,922	₱1,191,374,385	₱224,312,699	₱4,613,929,692
Due from related parties	448,124,520	–	–	–	–	–	448,124,520
Interest receivable	142,472,011	200,356	143,072	–	–	–	142,815,439
Advances to officers, employees and suppliers	238,911,073	12,618,009	199,854,867	16,824,185	9,600,944	–	477,809,078
Others	347,521,208	254,322,033	69,201,165	7,821,100	38,642,336	–	717,507,842
	₱1,917,819,243	₱2,076,723,724	₱785,791,033	₱155,922,207	₱1,239,617,665	₱224,312,699	₱6,400,186,571

11. Inventories

This account consists of:

	2008	2007
At cost:		
Raw materials	**₱2,545,062,362**	₱1,855,797,593
Finished goods	**1,751,042,825**	1,358,168,438
	4,296,105,187	3,213,966,031
At NRV:		
Goods in-process	**135,327,500**	127,880,688
Containers and packaging materials	**996,108,728**	959,536,372
Spare parts and supplies	**1,128,048,470**	904,731,722
	2,259,484,698	1,992,148,782
Materials in-transit	**1,218,865,295**	697,213,866
	₱7,774,455,180	₱5,903,328,679

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3.0 billion and ₱0.4 billion as of September 30, 2008 and 2007, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory variances written down as expense (included under the Cost of sales account in the consolidated statements of income) amounted to ₱44.4 million, ₱32.0 million and ₱57.0 million in 2008, 2007 and 2006, respectively.

Inventory obsolescence and market decline (included under the Impairment losses account in the consolidated statements of income) amounted to ₱192.4 million in 2008.

12. **Other Current Assets**

This account consists of:

	2008	2007
Input value-added tax	**₱792,557,645**	₱408,463,933
Prepaid expenses	**229,976,892**	193,382,651
Others	**13,829,552**	5,354,909
	₱1,036,364,089	₱607,201,493

The increase in input value-added tax is due to various acquisitions of property, plant and equipment during the year and advance value-added tax for certain raw materials.

Prepaid expenses include advertising and insurance amounting to ₱111.0 million and ₱63.7 million, respectively as of September 30, 2008 and ₱31.7 million and ₱39.0 million, respectively as of September 30, 2007.

13. **Property, Plant and Equipment**

The composition of and movements in this account follow:

	2008				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱969,963,845	₱1,369,336,414	₱7,072,849,996	₱28,082,149,332	₱37,494,299,587
Additions (Note 6)	549,261,763	280,850,755	962,449,541	2,063,868,932	3,856,430,991
Acquisitions of subsidiaries (Note 37)	21,345,573	–	–	49,923,755	71,269,328
Disposal group held for sale (Note 38)	(41,955,827)	–	(117,233,613)	(26,485,605)	(185,675,045)
Disposals and other adjustments	(300,000)	68,599,231	236,021,459	383,728,063	688,048,753
Balance at end of year	1,498,315,354	1,718,786,400	8,154,087,383	30,553,184,477	41,924,373,614
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	–	713,057,521	3,027,140,515	14,477,028,010	18,217,226,046
Depreciation and amortization (Note 6)	–	20,574,163	273,000,759	1,933,906,088	2,227,481,010
Disposals and other adjustments	–	–	(18,637,825)	(78,991,003)	(97,628,828)
Balance at end of year	–	733,631,684	3,281,503,449	16,331,943,095	20,347,078,228
Net Book Value	₱1,498,315,354	₱985,154,716	₱4,872,583,934	₱14,221,241,382	₱21,577,295,386

	2008				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱1,716,919,711	₱1,605,179,902	₱1,491,920,360	₱230,739,151	₱42,539,058,711
Additions (Notes 6 and 37)	347,867,724	243,621,316	486,316,607	52,576,441	4,986,813,079
Acquisitions of subsidiaries (Note 37)	–	–	–	–	71,269,328
Disposal group held for sale (Note 38)	(247,161)	(6,141,536)	–	–	(192,063,742)
Disposals and other adjustments	(43,674,016)	(6,677,179)	(780,872,486)	–	(143,174,928)
Balance at end of year	2,020,866,258	1,835,982,503	1,197,364,481	283,315,592	47,261,902,448
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	1,230,381,904	934,999,029	–	–	20,382,606,979
Depreciation and amortization (Note 6)	334,388,411	125,185,233	–	–	2,687,054,654
Disposals and other adjustments	(38,659,918)	1,185,185	–	–	(135,103,561)
Balance at end of year	1,526,110,397	1,061,369,447	–	–	22,934,558,072
Net Book Value	₱494,755,861	₱774,613,056	₱1,197,364,481	₱283,315,592	₱24,327,344,376

	2007 (As restated - see Note 37)				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱958,734,712	₱1,317,046,756	₱6,365,865,314	₱24,555,481,500	₱33,197,128,282
Additions (Notes 6 and 37)	31,371,406	52,289,658	706,984,682	3,361,771,389	4,152,417,135
Acquisition of a subsidiary (Note 37)	–	–	–	169,282,889	169,282,889
Disposals and other adjustments	(20,142,273)	–	–	(4,386,446)	(24,528,719)
Balance at end of year	969,963,845	1,369,336,414	7,072,849,996	28,082,149,332	37,494,299,587
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	–	686,332,793	2,806,351,132	12,503,631,352	15,996,315,277
Depreciation and amortization (Note 6)	–	26,724,728	220,317,309	1,750,694,264	1,997,736,301
Impairment losses (Notes 6 and 27)	–	–	–	203,436,240	203,436,240
Disposals and other adjustments	–	–	472,074	19,266,154	19,738,228
Balance at end of year	–	713,057,521	3,027,140,515	14,477,028,010	18,217,226,046
Net Book Value	₱969,963,845	₱656,278,893	₱4,045,709,481	₱13,605,121,322	₱19,277,073,541

	2007 (As restated - see Note 37)				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱1,661,748,178	₱1,436,955,455	₱591,516,328	₱1,703,378,173	₱38,590,726,416
Additions (Notes 6 and 37)	88,620,714	168,265,356	900,404,032	(1,472,639,022)	3,837,068,215
Acquisition of a subsidiary (Note 37)	–	–	–	–	169,282,889
Disposals and other adjustments	(33,449,181)	(40,909)	–	–	(58,018,809)
Balance at end of year	1,716,919,711	1,605,179,902	1,491,920,360	230,739,151	42,539,058,711
Accumulated Depreciation, Amortization and Impairment Losses					
Balance at beginning of year	1,188,136,996	842,371,620	–	–	18,026,823,893
Depreciation and amortization (Note 6)	81,592,697	93,123,014	–	–	2,172,452,012
Impairment losses (Notes 6 and 27)	–	–	–	–	203,436,240
Disposals and other adjustements	(39,347,789)	(495,605)	–	–	(20,105,166)
Balance at end of year	1,230,381,904	934,999,029	–	–	20,382,606,979
Net Book Value	₱486,537,807	₱670,180,873	₱1,491,920,360	₱230,739,151	₱22,156,451,732

The total cost of fully depreciated property, plant and equipment which are still in use amounted to ₱8.0 billion and ₱7.7 billion as of September 30, 2008 and 2007, respectively.

Property, plant and equipment with an aggregate net book value of ₱97.3 million have been pledged as security for certain long-term debt as of September 30, 2008 and 2007 (Note 22).

14. Available-for-Sale Investments

As of September 30, 2008, this account consists of:

Private bonds	₱4,080,459,883
Government securities	2,224,382,820
	₱6,304,842,703

In 2008, the Group recognized impairment losses on AFS investments amounting to ₱11.7 million (Note 9). As of September 30, 2008, net unrealized loss on market revaluation amounted to ₱826.2 million is shown as a separate component of equity in the consolidated balance sheets.

15. Biological Assets

Movements in this account follow:

	2008				
	Swine (At Fair Values Less Estimated Point-of-Sale Costs)			Poultry (At Cost)	
	Mature	Immature	Sub-total	Mature	Total
Cost					
Balance at beginning of year	₱692,772,061	₱273,462,319	₱966,234,380	₱138,024,030	₱1,104,258,410
Additions	1,434,647,245	788,664,241	2,223,311,486	555,610,525	2,778,922,011
Disposal	(1,430,057,316)	(811,635,368)	(2,241,692,684)	(428,248,980)	(2,669,941,664)
Gain arising from changes in fair value less estimated point of-sale costs	140,109,450	140,224,155	280,333,605	–	280,333,605
Balance at end of year	837,471,440	390,715,347	1,228,186,787	265,385,575	1,493,572,362
Accumulated Depreciation					
Balance at beginning of year	–	–	–	53,689,637	53,689,637
Depreciation	–	–	–	81,504,856	81,504,856
Disposal	–	–	–	(84,881,873)	(84,881,873)
Balance at end of year	–	–	–	50,312,620	50,312,620
Net Book Value at End of Year	₱837,471,440	₱390,715,347	₱1,228,186,787	₱215,072,955	₱1,443,259,742

	2007				
	Swine (At Fair Values Less Estimated Point-of-Sale Costs)			Poultry (At Cost)	
	Mature	Immature	Sub-total	Mature	Total
Cost					
Balance at beginning of year	₱555,415,570	₱209,979,070	₱765,394,640	₱97,225,296	₱862,619,936
Additions	1,312,996,220	409,051,179	1,722,047,399	119,355,254	1,841,402,653
Disposal	(1,321,813,233)	(476,209,662)	(1,798,022,895)	(78,556,520)	(1,876,579,415)
Gain arising from changes in fair value less estimated point of-sale costs	146,173,504	130,641,732	276,815,236	–	276,815,236
Balance at end of year	692,772,061	273,462,319	966,234,380	138,024,030	1,104,258,410
Accumulated Depreciation					
Balance at beginning of year	–	–	–	45,616,483	45,616,483
Depreciation	–	–	–	85,923,741	85,923,741
Disposal	–	–	–	(77,850,587)	(77,850,587)
Balance at end of year	–	–	–	53,689,637	53,689,637
Net Book Value at End of Year	₱692,772,061	₱273,462,319	₱966,234,380	₱84,334,393	₱1,050,568,773

The Group has about 180,718 and 167,841 heads of swine as of September 30, 2008 and 2007, respectively, and about 468,211 and 413,231 heads of poultry as of September 30, 2008 and 2007, respectively.

16. Intangible Assets

The composition of and movements in this account follow:

	2008			
	Goodwill	**Trademark**	**Product Formulation**	**Total**
Cost				
Balance at beginning of year	**₱1,113,484,248**	**₱285,539,346**	**₱–**	**₱1,399,023,594**
Additions (Note 37)	**17,579,587**	**50,000,000**	**425,000,000**	**492,579,587**
Balance at end of year	**1,131,063,835**	**335,539,346**	**425,000,000**	**1,891,603,181**
Accumulated Amortization and Impairment Losses				
Balance at beginning of year	**240,688,815**	**1,383,818**	**–**	**242,072,633**
Amortization during the year	**–**	**2,767,636**	**–**	**2,767,636**
Balance at end of year	**240,688,815**	**4,151,454**	**–**	**244,840,269**
Net Book Value at End of Year	**₱890,375,020**	**₱331,387,892**	**₱425,000,000**	**₱1,646,762,912**

	2007		
	Goodwill	Trademark	Total
Cost			
Balance at beginning of year	₱1,085,237,005	₱190,223,400	₱1,275,460,405
Additions (Note 37)	28,247,243	95,315,946	123,563,189
Balance at end of year	1,113,484,248	285,539,346	1,399,023,594
Accumulated Amortization and Impairment Losses			
Balance at beginning of year	240,688,815	–	240,688,815
Amortization during the year	–	1,383,818	1,383,818
Balance at end of year	240,688,815	1,383,818	242,072,633
Net Book Value at End of Year	₱872,795,433	₱284,155,528	₱1,156,950,961

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 Southern Negros Development Corporation (SONEDCO) in 1998. The goodwill arising from the acquisitions of HCFCL, UABCL and Advanson was translated at the applicable year-end exchange rate.

Due to continued losses from operations in HCFCL, the allocated goodwill on this subsidiary was written down and a provision for impairment losses amounting to ₱240.7 million was recorded in 2006.

17. Investments in an Associate and a Joint Venture

This account consists of:

	2008	2007
Acquisition Cost		
Balance at beginning of year	**₱1,250,000**	₱1,197,593,846
Disposal	**–**	(1,196,343,846)
Balance at end of year	**1,250,000**	1,250,000
Accumulated Equity in Net Earnings		
Balance at beginning of year	**88,622,575**	760,887,140
Equity in net income during the year	**28,184,000**	23,287,500
Dividends received	**(24,999,930)**	–
Disposal	**–**	(695,552,065)
Balance at end of year	**91,806,645**	88,622,575
Net Book Value at End of Year	**₱93,056,645**	₱89,872,575

The Parent Company has an equity interest in Hunt-Universal Robina Corporation (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 also had an equity interest in Robinsons Land Corporation (RLC), where it exercised significant influence. In 2007, the Parent Company sold its investment in RLC. Total gain on sale of said investments in common shares of RLC amounted to ₱2.9 billion.

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

	Percentage of Ownership		Equity in Net Assets	
	2008	2007	**2008**	2007
			(In Million Pesos)	
HURC	**50.0**	50.0	**₱93.1**	₱89.9

Summarized financial information of HURC as of September 30, 2008 and 2007 which are accounted for under the equity method follow:

	2008	2007
	(In Thousand Pesos)	
Current assets	**₱355,731**	₱239,345
Noncurrent assets	**7,105**	4,323
Current liabilities	**(273,730)**	(161,454)
Noncurrent liabilities	**(6,473)**	(4,999)
Revenue	**733,742**	614,149
Costs and expenses	**(649,024)**	(546,143)
Net income	**55,417**	45,060

18. Investment Properties

Movements in this account follow:

	2008	2007
Cost		
Balance at beginning and end of year	**₱107,947,364**	₱107,947,364
Accumulated Depreciation		
Balance at beginning of year	**25,345,535**	21,747,290
Depreciation (Notes 25 and 27)	**3,598,245**	3,598,245
Balance at end of year	**28,943,780**	25,345,535
Net Book Value at End of Year	**₱79,003,584**	₱82,601,829

The investment properties consist of land, building and plant which are made available for lease to others.

The aggregate fair value of the Group's investment properties amounted to ₱240.0 million as of September 30, 2008 and 2007, 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 revenue (expenses) - net account in the consolidated statements of income) amounted to ₱54.5 million, ₱50.3 million and ₱50.0 million in 2008, 2007 and 2006, respectively. Direct operating expenses, included under General and Administrative Expense in the consolidated statements of income arising from investment properties amounted to ₱0.2 million, ₱0.2 million, and ₱0.3 million in 2008, 2007 and 2006, respectively.

19. Other Noncurrent Assets

This account consists of:

	2008	2007 (As restated - Note 37)
Input value-added tax	**₱171,456,867**	₱205,464,745
Miscellaneous deposits	**83,144,404**	74,419,424
Others	**159,030,094**	51,118,452
	₱413,631,365	₱331,002,621

20. Short-term Debt

This account consists of:

	2008	2007 (As restated - Note 37)
Parent Company		
Philippine Peso - with interest rate of 6.75% in 2008	**₱1,123,000,000**	₱–
Subsidiaries		
Foreign currencies - with interest rates ranging from 3.39% to 5.46% per annum in 2008 and 4.30% to 5.95% per annum in 2007	**6,946,508,132**	4,519,172,112
	₱8,069,508,132	₱4,519,172,112

Interest is based on prevailing market rates and repriced quarterly. Accrued interest payable on the Group's short-term debt (included under Accounts payable and other accrued liabilities account in the consolidated balance sheets) amounted to ₱91.3 million and ₱21.1 million as of September 30, 2008 and 2007, respectively.

21. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2008	2007 (As restated - Note 37)
Trade payables	**₱3,307,224,907**	₱2,568,212,666
Accrued expenses	**1,105,488,749**	1,151,334,365
Due to related parties (Note 34)	**127,615,090**	334,154,530
Customers' deposits	**80,397,227**	58,131,585
Derivative liabilities (Notes 3 and 4)	**40,421,267**	7,266,667
Others	**303,794,344**	304,628,954
	₱4,964,941,584	₱4,423,728,767

Other payables include advances to stockholders amounting to ₱107.6 million and ₱101.0 million in 2008 and 2007, respectively, as well as withholding tax payable amounting to ₱65.6 million and ₱52.3 million in 2008 and 2007, respectively.

The Accrued expenses account includes accruals for:

	2008	2007
Advertising and promotions	**₱425,096,130**	₱403,611,208
Interest payable	**208,776,082**	291,476,641
Freight and handling costs	**125,711,137**	100,707,839
Others	**345,905,400**	355,538,677
	₱1,105,488,749	₱1,151,334,365

Other accrued expenses include accrued 13th month pay amounting to ₱95.8 million and ₱88.8 million in 2008 and 2007, respectively, and accrued contracted services amounting to ₱85.6 million and ₱90.5 million in 2008 and 2007, respectively.

22. Long-term Debt

This account (net of debt issuance costs) consists of:

	Maturities	Interest Rates	**2008**	2007
Parent Company:				
Foreign currencies				
HypoVereinsbank term loan facilities	Various dates through 2009	EURIBOR/ USD LIBOR + 0.75%	**₱62,440,707**	₱214,084,334
Subsidiaries:				
Foreign currencies:				
URCPL US$125 million guaranteed notes	2008	9.00%	**–**	4,912,482,077
URC US$200million guaranteed notes	2012	8.25%	**9,368,966,095**	8,958,806,192
			9,368,966,095	13,871,288,269
Philippine Peso				
Philippine Sugar Corporation restructured loan	2013	7.50%	**46,395,488**	52,353,312
			9,415,361,583	13,923,641,581
			9,477,802,290	14,137,725,915
Less current portion			**48,031,798**	5,072,751,025
			₱9,429,770,492	₱9,064,974,890

Long-term debt is shown net of unamortized debt issuance costs totaling ₱41.0 million (US$0.9 million) and ₱54.0 million (US$1.2 million) as of September 30, 2008 and 2007, respectively (Note 4).

Repayments of the long-term debt follow:

	2008	2007
Due in:		
2008	**₱–**	₱5,072,751,025
2009	**48,031,798**	46,253,466
2010	**27,698,579**	26,809,413
2011	**7,401,385**	7,401,385
2012	**9,417,969,442**	8,958,806,194
Thereafter	**17,747,944**	25,704,432
	₱9,518,849,148	₱14,137,725,915

The exchange rates used to restate the foreign currency borrowings were ₱47.05 to US$1.00 and ₱45.04 to US$1.00 as of September 30, 2008 and 2007, respectively.

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

Parent Company HypoVereinsbank Term Loan Facilities
The Parent Company entered into two (2) credit term loan facilities with HypoVereinsbank to finance the supply of certain property and equipment for its biaxially-oriented polypropylene plant and flour mill plant. The loans obtained from said facility shall bear interest at floating rate based on the EURIBOR/USD LIBOR plus 0.75%. The loan shall be payable in fourteen (14) equal, consecutive, semi-annual payments starting six (6) months after the weighted average delivery period of all units or, at the latest, starting six (6) months after August 1, 2002, whichever date shall occur earlier, with the last repayment installment due October 15, 2009.

These loans contain negative covenants that, among others, prohibit merger or consolidation with other entities, dissolution, liquidation or winding-up except with any of its subsidiaries; prohibit purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

As of September 30, 2008 and 2007, the outstanding balance of the loan obtained from the term loan facilities amounted to ₱62.4 million (US$1.3 million) and ₱214.1 million (US$4.8 million), respectively.

URCPL US$125 Million Guaranteed Notes Due 2008
On February 5, 2003, URCPL issued US$125.0 million, 9% guaranteed notes due 2008 which are unconditionally and irrevocably guaranteed by the Parent Company. Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest, on February 6, 2008. Related terms and conditions provide for financial covenants to be complied with by URCPL and URC.

As of September 30, 2007, the outstanding balance of the notes amounted to ₱4.9 billion (US$109.7 million). The loan was fully settled in 2008.

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. 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.

As of September 30, 2008 and 2007, the outstanding balance of the notes amounted to ₱9.4 billion (US$199.1 million) and ₱9.0 billion (US$199.0 million), respectively.

Philippine Sugar Corporation Restructured Loan
Republic Act (RA) No. 7202 dated February 24, 1992 provided for, among others, the condonation of all penalties and surcharges on loans granted to sugar producers from crop year 1974-1975 up to and including 1984-1985. The guidelines for the implementation of RA No. 7202 was issued under Executive Order No. 31 dated October 29, 1992, directing all government lending financial institutions to write off from their respective books the interest in excess of 12% yearly and all penalties and surcharges due.

Certain property and equipment of a certain subsidiary with net book value of ₱97.3 million as of September 30, 2008 and 2007 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 ₱2.6 million and ₱2.9 million as of September 30, 2008 and 2007, respectively.

Total interest expense and other related charges on all of these long-term debts amounted to ₱806.9 million, ₱1.4 billion and ₱1.8 billion in 2008, 2007 and 2006, respectively (Note 30).

23. Equity

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

	2008	2007	2006
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:			
Balance at beginning of year	**2,221,851,481**	2,221,851,481	1,686,479,549
Issuance of common shares of stock during the year	**–**	–	535,371,932
Balance at end of year	**2,221,851,481**	2,221,851,481	2,221,851,481

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, 2008 and 2007.

	2008	2007 (As restated - Note 37)
(a) Short-term debt	**₱8,069,508,132**	₱4,519,172,112
Trust receipts payable	**3,000,776,510**	385,279,591
Long-term debt	**9,477,802,290**	14,137,725,915
	₱20,548,086,932	₱19,042,177,618
(b) Capital	**₱32,144,429,756**	₱34,998,440,344
(c) Debt-to-capital ratio (a/b)	**0.64:1**	0.54:1

The Group's policy is to keep the debt-to-capital ratio at the 1.5:1 level.

Transaction costs on the issuance of additional common shares in February 2006 amounting to ₱19.3 million have been accounted for as a deduction against additional paid-in 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, 2008 and 2007.

Deposits for Future Stock Subscriptions
On August 3, 2001, the Parent Company's BOD approved the issuance of 55.7 million shares to JGSHI, Robinson's Supermarket Corporation and a certain stockholder in exchange for two (2) parcels of land and certain marketable securities which were valued at ₱250.5 million. This was reflected as Deposits for future stock subscriptions in the consolidated balance sheets pending approval of the Philippine SEC.

On June 19, 2003, the Philippine SEC approved the issuance of 49.9 million shares for the two (2) parcels of land.

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

	2008	2007	2006
Date of declaration	**April 17, 2008**	April 19, 2007	April 20, 2006
Dividend per share	**₱0.68**	₱0.68	₱0.54
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.2 billion
Date of record	**May 16, 2008**	May 18, 2007	May 19, 2006
Date of payment	**June 12, 2008**	June 14, 2007	June 15, 2006

The Group intends to maintain an annual cash dividend payment ratio of 50% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings
In 2003, the Group's BOD approved the appropriation of retained earnings amounting to ₱3.0 billion for the Group's expansion plans.

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.

As of September 30, 2008, the Parent Company has outstanding treasury shares of 72.1 million shares amounting to ₱916.7 million, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

24. Cost of Sales

This account consists of:

	2008	2007	2006
Raw materials used	**₱26,558,862,561**	₱20,964,162,832	₱19,975,260,129
Direct labor (Note 28)	**915,861,232**	817,733,243	741,356,852
Overhead costs (Notes 26 and 27)	**7,529,632,027**	5,969,474,472	5,659,055,964
Total manufacturing costs	**35,004,355,820**	27,751,370,547	26,375,672,945
Goods in-process	**(7,446,812)**	27,097,141	(60,810,866)
Cost of goods manufactured	**34,996,909,008**	27,778,467,688	26,314,862,079
Finished goods	**(396,988,703)**	(161,690,351)	45,112,152
	₱34,599,920,305	₱27,616,777,337	₱26,359,974,231

Overhead costs include research and development cost amounting to ₱41.1 million, ₱26.5 million and ₱29.3 million in 2008, 2007 and 2006, respectively.

25. Selling and Distribution Costs

This account consists of:

	2008	2007	2006
Advertising and promotions	**₱2,533,425,686**	₱2,346,564,689	₱2,347,929,155
Freight and other selling expenses	**2,231,839,684**	2,038,261,862	1,874,294,290
Compensation and benefits (Note 28)	**626,034,810**	552,941,525	452,753,908
Depreciation and amortization (Note 27)	**111,669,770**	80,666,522	57,273,438
Repairs and maintenance	**45,214,322**	43,219,005	32,222,306
Other selling and distribution costs	**67,178,520**	57,528,713	25,932,841
	₱5,615,362,792	₱5,119,182,316	₱4,790,405,938

26. General and Administrative Expenses

This account consists of:

	2008	2007	2006
Compensation and benefits (Note 28)	**₱608,486,528**	₱784,979,618	₱600,807,483
Depreciation and amortization (Note 27)	**158,941,108**	234,369,163	123,739,621
Repairs and maintenance	**46,124,157**	32,540,510	27,276,993
Other general and administrative expenses	**737,463,433**	752,083,053	580,518,404
	₱1,551,015,226	₱1,803,972,344	₱1,332,342,501

27. Depreciation, Amortization and Impairment Losses

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

	2008	2007	2006
Cost of sales	**₱2,422,809,657**	₱1,862,398,389	₱1,813,572,239
General and administrative expenses	**158,941,108**	234,369,163	123,739,621
Selling and distribution costs	**111,669,770**	80,666,522	57,273,438
	₱2,693,420,535	₱2,177,434,074	₱1,994,585,298

Impairment Losses on Property and Equipment
In 2007, the Group recorded a provision for impairment losses on certain machinery and equipment relating to its packaging operations amounting to ₱203.4 million (Note 13) (included in Impairment Losses account in the consolidated statements of income). The recoverable amount was determined as the higher of the assets' net selling price and value in use. The Group used the net selling price in computing for the provision on impairment losses.

28. Personnel Expenses

Personnel expenses consist of:

	2008	2007	2006
Salaries and wages	**₱1,681,713,584**	₱1,531,700,153	₱1,365,425,299
Other employee benefits	**582,317,915**	527,715,556	500,440,853
Pension expense (income) (Note 31)	**(72,623,000)**	144,599,400	(55,251,591)
	₱2,191,408,499	₱2,204,015,109	₱1,810,614,561

The breakdown of consolidated personnel expenses follows:

	2008	2007	2006
Cost of sales	**₱956,887,161**	₱866,093,966	₱757,053,170
Selling and distribution costs	**626,034,810**	552,941,525	452,753,908
General and administrative expenses	**608,486,528**	784,979,618	600,807,483
	₱2,191,408,499	₱2,204,015,109	₱1,810,614,561

29. Finance Revenue

This account consists of:

	2008	2007	2006
Income from investments in financial assets at FVPL	**₱852,732,825**	₱1,211,892,358	₱2,044,697,457
Dividend income	**110,574,933**	100,145,952	177,903,257
Bank interest income	**104,951,723**	249,801,776	96,913,776
Others	**1,793,773**	276,957	300,919
	₱1,070,053,254	₱1,562,117,043	₱2,319,815,409

30. Finance Costs

This account consists of finance costs arising from:

	2008	2007	2006
Long-term debt	**₱806,947,618**	₱1,407,852,157	₱1,814,587,075
Short-term debt	**426,128,872**	210,818,317	443,065,132
Others	**40,522,744**	2,328,356	14,298,695
	₱1,273,599,234	₱1,620,998,830	₱2,271,950,902

31. **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 December 16, 2008.

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

The amounts recognized in the Parent Company's balance sheets follow:

	2008	2007
Present value of funded obligation	**₱1,113,492,800**	₱934,438,200
Fair value of plan assets	**1,341,210,300**	1,218,540,900
Funded status	**227,717,500**	284,102,700
Unrecognized actuarial losses - net	**16,093,100**	92,534,300
Less asset not recognized due to limit	**–**	284,102,700
Net plan assets	**₱243,810,600**	₱92,534,300
Asset limit to be recognized in the consolidated balance sheets	**₱243,810,600**	₱92,534,300
Net plan assets in excess of the asset ceiling limit (not recognized in the consolidated balance sheets)	**₱–**	₱284,102,700

As of September 30, 2008 and 2007, asset ceiling test follows:

	2008	2007
(a) Retirement asset	**₱243,810,600**	₱373,637,000
(b) Asset ceiling limit		
i. Unrecognized actuarial loss	**16,093,100**	92,834,300
ii. Present value of available reduction in future contributions	**227,717,500**	–
Limit	**243,810,600**	92,834,300
Lower of (a) and (b)	**₱243,810,600**	₱92,534,300

Components of the Parent Company's pension expense (income) follow:

	2008	2007	2006
Current service cost	**₱55,595,900**	₱47,374,300	₱35,275,200
Interest cost	**88,771,600**	66,350,900	67,463,600
Expected return on plan assets	**(67,019,700)**	(81,406,000)	(76,195,900)
Amortization of past service cost	**132,355,700**	–	–
Loss (gain) recognized under limit on net assets	**(284,102,700)**	111,492,900	(82,266,691)
Total pension expense (income)	**(₱74,399,200)**	₱143,812,100	(₱55,723,791)

Past service costs recognized in 2008 were brought about by improvements in the Parent Company's retirement plan.

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

	2008	2007
Balance at beginning of year	**₱934,438,200**	₱753,987,300
Current service cost	**55,595,900**	47,374,300
Interest cost	**88,771,600**	66,350,900
Past service cost	**132,355,700**	–
Benefits paid	**(16,115,800)**	(7,614,900)
Actuarial losses (gains) - net (Note 3)	**(81,552,800)**	74,340,600
Balance at end of year	**₱1,113,492,800**	₱934,438,200

Movements in the fair value of plan assets follow:

	2008	2007
Balance at beginning of year	**₱1,218,540,900**	₱1,162,943,500
Expected return on plan assets	**67,019,700**	81,406,000
Actual contributions	**76,877,100**	–
Benefits paid	**(16,115,800)**	(7,614,900)
Actuarial gains (losses) - net	**(5,111,600)**	(18,193,700)
Balance at end of year	**₱1,341,210,300**	₱1,218,540,900
Actual return on plan assets	**₱61,908,100**	₱63,212,300

There are no reimbursement rights recognized as a separate asset as of September 30, 2008 and 2007.

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 at the balance sheet date follow:

	2008	2007	2006
Discount rate	**8.27%**	9.50%	8.80%
Salary rate increase	**5.50%**	7.00%	6.00%
Expected rate of return on plan assets	**8.27%**	5.50%	6.94%
Experience adjustments gains (losses) - net	**(₱176,556,600)**	₱78,783,300	(₱181,622,700)
Turnover rate	**0.00% - 21.96%**	0.00% - 25.00%	0.00% - 15.00%

The Group's plan assets consist of the following:

	2008		2007		2006	
	Amount	**%**	Amount	%	Amount	%
Cash	**₱76,906,537**	**5.73**	₱27,090	–	₱26,130	–
Receivables	**1,395,296,498**	**104.03**	1,351,241,612	110.89	1,289,301,558	110.87
Liabilities (Notes 10 and 34)	**(130,992,735)**	**(9.76)**	(132,727,802)	(10.89)	(126,384,188)	(10.87)
	₱1,341,210,300	**100.00**	₱1,218,540,900	100.00	₱1,162,943,500	100.00

The Group expects to contribute about ₱50.4 million into the pension fund for the year ending in 2009.

Amounts for the current annual period and the prior period are as follows:

	2008	2007
Defined benefit obligation	**₱1,113,492,800**	₱934,438,200
Plan assets	**1,341,210,300**	1,218,540,900
Surplus	**227,717,500**	284,102,700
Experience adjustments on		
Plan assets	**(176,556,600)**	78,783,300
Plan liabilities	**(5,111,600)**	(18,194,700)

The following tables summarize the components of total net pension expense recognized in subsidiary's statements of income, and the funded status and amounts recognized in the balance sheets.

	2008	2007
Present value of defined benefit obligation	**₱4,995,500**	₱3,229,100
Unrecognized actuarial loss	**(1,530,100)**	(1,539,900)
Liability to be recognized in the balance sheets	**₱3,465,400**	₱1,689,200

Components of other subsidiary's total pension expense follow:

	2008	2007	2006
Current service cost	**₱567,200**	₱390,200	₱211,200
Interest cost	**306,800**	185,000	110,200
Amortization amounts for:			
Past service cost	**826,100**	–	–
Actuarial net losses	**76,100**	43,000	6,000
Increase in liability	**–**	169,100	144,800
Total pension expense	**₱1,776,200**	₱787,300	₱472,200

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

	2008	2007
Balance at beginning of year	**₱3,229,100**	₱2,022,000
Current service cost	**567,200**	390,200
Interest cost	**306,800**	185,000
Past service cost	**826,100**	–
Actuarial losses - net	**66,300**	607,700
Increase in liability	**–**	24,200
Balance at end of year	**₱4,995,500**	₱3,229,100

Principal actuarial assumptions at the balance sheet date follow:

	2008	2007	2006
Discount rate	**7.96% to 8.07%**	9.50%	9.03%
Salary rate increase	**5.50%**	7.00%	6.00%

32. Income Taxes

Provision for income tax consists of:

	2008	2007	2006
Current	**₱177,271,394**	₱295,655,261	₱256,450,512
Deferred	**(6,675,487)**	156,600,719	125,914,077
	₱170,595,907	₱452,255,980	₱382,364,589

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

	2008	2007
Deferred tax assets on:		
Foreign subsidiaries	**₱235,973,362**	₱210,782,925
Impairment losses on trade receivables and property and equipment	**123,418,430**	138,522,917
Inventory write-downs	**11,888,464**	13,869,875
Pension liabilities	**954,840**	–
	372,235,096	363,175,717
Deferred tax liabilities on:		
Undistributed income of foreign subsidiaries	**328,125,000**	281,250,000
Foreign exchange gain - net	**130,554,504**	235,403,541
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**84,100,082**	96,885,333
Pension assets	**73,143,180**	–
	615,922,766	613,538,874
Net deferred tax liabilities	**₱243,687,670**	₱250,363,157

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

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	34.75%
Tax effects of:			
Decline in value of financial assets at FVPL	**154.83**	(2.66)	(3.55)
Net income of subsidiaries for which no tax was provided	**(127.78)**	(8.15)	(14.87)
Nondeductible interest expense	**1.30**	–	0.14
Income exempt from tax	**–**	(1.50)	(4.88)
Equity in net income of an associateand a joint venture	**(1.93)**	(0.14)	(3.49)
Interest income subjected to final tax	**(3.04)**	(0.06)	(0.19)
Gain on sale of investment (Note 17)	**–**	(16.81)	–
Change in tax rates	**(4.53)**	–	–
Others	**(20.52)**	1.92	3.70
Effective income tax rate	**33.33%**	7.60%	11.61%

<u>RA No. 9337</u>
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 ₱27.1 million, ₱22.3 million and ₱19.2 million in 2008, 2007 and 2006, respectively.

33. Earnings Per Share

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

	2008	2007	2006
Net income attributable to equity holders of the parent	**₱381,029,569**	₱5,556,978,624	₱3,018,916,609
Weighted average number of common shares	**2,180,503,348**	2,221,851,481	2,127,851,482
Basic/dilutive EPS	**₱0.17**	₱2.50	₱1.42

The weighted average number of common shares take 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 financial statements.

There were no potential dilutive shares in 2008, 2007 and 2006.

34. 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:

	2008	2007 (As restated - Note 27)
Due from related parties (shown under Receivables account in the consolidated balance sheets) (Note 10)	**₱448,124,520**	₱896,599,119
Due to related parties (shown under Accounts payable and other accrued liabilities account in the consolidated balance sheets) (Note 21)	**₱127,615,090**	₱334,154,530

The Group's significant transactions with related parties follow:

(a) Sales to related parties amounted to ₱704.7 million, ₱641.0 million and ₱586.3 million in 2008, 2007 and 2006, respectively.

(b) The Group purchases polypropylene resin for BOPP film from JG Summit Petrochemical Corporation (JGSPC), an affiliate. BOPP film is used as one (1) of the raw materials for the Group's packaging division. Said purchases amounted to ₱917.3 million, ₱559.3 million and ₱568.3 million in 2008, 2007 and 2006, respectively.

(c) The Group also purchases power from Litton Mills, Inc. and JGSPC. Said purchases amounted to ₱181.8 million, ₱139.4 million and ₱129.0 million in 2008, 2007 and 2006, respectively.

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

(e) The Group leases certain properties from JGSHI. Expenses relating to said lease amounted to ₱16.9 million, ₱15.4 million and ₱10.7 million in 2008, 2007 and 2006, respectively.

(f) The Group leases certain properties to various related parties. Rent income earned from said properties amounted to ₱54.5 million, ₱50.3 million and ₱49.6 million in 2008, 2007 and 2006, respectively.

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

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

	2008	2007	2006
Short-term employee benefits	**₱125,595,342**	₱116,756,552	₱87,864,148
Post-employment benefits	**12,313,759**	2,533,899	1,707,426
	₱137,909,101	₱119,290,451	₱89,571,574

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, 2008 and 2007, the Group's plan asset includes a due to the Parent Company amounting to ₱131.0 million and ₱132.7 million, respectively (Notes 10 and 31).

35. Registration with the BOI

Certain operations of consolidated subsidiaries are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these consolidated subsidiaries 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.

URSUMCO
In 2005, the five (5)-year ITH granted to URSUMCO under its old BOI registration as a new domestic producer of refined sugar in 1995 expired. However, the following incentives are still available to URSUMCO under said BOI registration: (a) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) exemption from wharfage dues and any export tax, duty impost and fees for ten (10) years from date of registration; (d) exemption from taxes and duties on imported spare parts and supplies for certain producers; and (e) other non-fiscal incentives that may be applicable.

In 2004, URSUMCO applied for a new registration with the BOI as expanding producer of refined sugar and molasses. The application for registration for the new activity was approved and granted by the BOI in April 2004. Under the terms of its new registration, URSUMCO is entitled, among others, to the following incentives: (a) ITH for a period of three (3) years from April 2004 or actual start of operations, whichever is earlier; (b) tax credits on taxes and duties on raw materials and supplies used in the manufacture of export products and forming parts thereof for ten (10) years from start of commercial operations; (c) additional deduction from taxable income on wages subject to certain terms and conditions; (d) exemption from wharfage dues and any export tax, duty impost and fees for ten (10) years from date of registration; (e) exemption from taxes and duties on imported spare parts and supplies for export producers with Customs Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production; and (f) importation of consigned equipment for a period of ten (10) years from date of registration. ITH ended March 2007.

The new corporate name of URSUMCO is Bio-Resource Power Generation Corporation.

SONEDCO
In November 2005, SONEDCO was registered with the BOI as a new producer of refined sugar and its by-product (molasses) on a pioneer status.

Under the terms of the registration and subject to certain requirements, SONEDCO is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of six (6) 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 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 and any export tax, duty, impost and fees; (h) importation of consigned equipment for a period of ten (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 printed flexible packaging materials on a non-pioneer status, and as a new producer of PET bottles on a non-pioneer status.

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 four (4) years from April 2007 (as a new producer of printed flexible packaging materials) and from January 2007 (as a new producer of PET bottles); (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 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 and any export tax, duty, impost and fees (h) importation of consigned equipment for a period of ten (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.

36. 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 (1) to five (5) 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 account in the consolidated statements of income) amounted to ₱76.9 million, ₱55.0 million and ₱62.4 million in 2008, 2007 and 2006, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2008	2007	2006
Within one (1) year	**₱16,953,651**	₱14,199,136	₱44,005,896
After one (1) year but not more than five (5) years	**67,814,604**	59,982,842	2,319,970
	₱84,768,255	₱74,181,978	₱46,325,866

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

Future minimum rentals receivable under noncancellable operating leases follow:

	2008	2007	2006
Within one (1) year	**₱55,934,613**	₱50,329,035	₱49,968,169

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.

37. Business Combinations and Purchase Agreements

The Group engaged in the following business acquisitions and purchase transactions in 2007:

Acquisition of South Luzon Greenland, Inc. and Purchase of Assets from Nestlé Waters Philippines Inc.
On March 1, 2007, the Group wholly acquired the related assets of the water business of Nestlé Waters Philippines, Inc. (NWPI) for an aggregate amount of approximately US$5.0 million (₱248.9 million).

In connection with the foregoing acquisition, the Group's BOD also approved the following: (a) the assignment and purchase from NWPI of the "Hidden Spring" trademark and copyright; (b) the purchase from the NWPI of the buildings/improvements and accessories, plants, machinery; (c) laboratory equipment, and furniture; (d) the acquisition of the water source and manufacturing site, through the purchase of all the outstanding shares of stock of South Luzon Greenland, Inc. (SLGI) which are owned by NWPI and Nestlé Philippines, Inc. Retirement Fund; (e) the assignment and transfer to the Group by NWPI of all of its financial claims from SLGI consisting of shareholder's advances; (f) the purchase from NWPI of its inventory of finished products, raw and packaging materials, the consideration for which is not included in the purchase price mentioned above and shall be determined on closing date; and (g) the execution of a licensing agreement with Société Des Produits Nestlé S.A., pursuant to which the Group shall be licensed to manufacture, promote, distribute and sell, the products carrying the "Nestlé Pure Life" trademark in the Philippines.

SLGI was acquired for an aggregate amount of ₱7.7 million in 2007. The fair values of the identifiable assets and liabilities of SLGI as of the date of acquisition were:

Cash	₱565,944
Property and equipment	31,458,905
Other current assets	40,778
Liabilities	(24,398,499)
Total assets acquired	₱7,667,128
Cash consideration	₱7,667,128

Acquisition of Acesfood Network Pte. Ltd.
On May 10, 2007, the Group acquired 96.08% of the assets and assumed the liabilities of Acesfood Network Pte. Ltd. (Acesfood) for a total consideration of SGD3.0 million (approximately ₱95.3 million), inclusive of costs directly attributable to the acquisition. As a result, the Group assumed 96.08% ownership interest in Acesfood. The acquisition was accounted for as a business combination and the fair value adjustments as of September 30, 2007 were provisional as the Group had sought an independent valuation for the assets owned by Acesfood. The results of this valuation had not been received as of the date the 2007 consolidated financial statements were authorized for issue by management.

As of June 30, 2008, the valuation had been finalized and the fair values of the assets acquired and liabilities assumed have been determined. The final allocation of the cost of acquisition to the identifiable assets, liabilities and goodwill is shown below:

Cash and cash equivalents	₱1,650,389
Receivables	292,491,056
Inventories	62,565,111
Due from affiliates	346,855,240
Trademark (Note 16)	84,014,765
Property, plant and equipment	169,282,889
	956,859,450
Accounts payable and other liabilities	455,442,096
Due to affiliates	210,840,906
Short-term debt	101,686,122
Loans payable	109,104,923
Other current liabilities	10,005,616
	887,079,663

(Forward)

Net assets	69,779,787
Minority interest (3.92%)	(2,737,558)
Total net assets acquired	67,042,229
Goodwill arising on acquisition	28,247,244
Consideration, satisfied by cash	₱95,289,473

The upward (downward) adjustments to the provisional values arose from the following accounts:

Cash and cash equivalents	(₱10,444,787)
Receivables	237,129,870
Inventories	4,114,316
Due from affiliates	304,496,968
Trademark	84,014,765
Property, plant and equipment	(110,214,633)
Goodwill	28,247,243
Other noncurrent assets	(176,344,526)
	₱360,999,216
Accounts payable and other accrued liabilities	(₱80,925,122)
Short term debt	101,686,122
Loans payable	109,104,923
Due to affiliates	218,390,118
Other current liabilities	10,005,617
Minority interest	2,737,558
	₱360,999,216

The 2007 comparative information has been restated to reflect this adjustment. The decrease in depreciation expense on the property and equipment from the acquisition date to September 30, 2007 amounted to ₱3.1 million.

Acesfood contributed an ₱82.9 million loss, from May 10, 2007 (the date of acquisition) to September 30, 2007, to the income for the year of the Group. If the combination had taken place at the beginning of that year, the income for the Group would have been ₱341.2 million.

The fair value of the trade receivables amounted to ₱182.9 million. The gross amount of trade receivables is ₱182.9 million. None of the trade receivables have been impaired and it is expected the full contractual amount can be collected.

The goodwill of ₱28.2 million comprises the fair value of expected synergies arising from acquisition.

<u>Purchase of Assets from PASSI (Iloilo) Sugar Central, Inc.</u>
On October 3, 2007, the Parent Company purchased the manufacturing assets of PASSI (Iloilo) Sugar Central, Inc. (PASSI). Costs incurred by the Parent Company that are directly attributable to the purchase amounted to ₱13.9 million, and are included in the cost of the acquisition. PASSI operates two (2) sugar mills with a combined milling capacity of over 8,000 tons of cane per day.

The fair values of the manufacturing assets of PASSI as of the date of acquisition were:

	PASSI 1	PASSI 2	Total
Land	₱247,564,737	₱210,310,206	₱457,874,943
Land improvements	217,352	76,504	293,856
Building	59,858,084	16,572,381	76,430,465
Furniture and fixtures	380	145	525
Machinery and equipment	124,430,246	33,755,071	158,185,317
Transportation equipment	371,386	715,019	1,086,405
Total net assets acquired	₱432,442,185	₱261,429,326	₱693,871,511

Acquisition of Advanson International Pte. Ltd.
On December 14, 2007, the Group acquired 1.8 million shares (representing 100.0% ownership) of Advanson International Pte. Ltd. and its wholly-owned subsidiary, Jiangsu Acesfood (collectively referred to as Advanson), for an aggregate purchase price of US$1.7 million and RMB2.0 million (approximately ₱61.2 million), inclusive of costs directly associated with the acquisition.

The fair value of the identifiable assets and liabilities of Advanson as of the date of the acquisition were:

Cash and cash equivalents	₱1,949,608
Due from affiliates	2,581,871
Other receivables	1,820,572
Property, plant and equipment (Note 13)	71,269,328
Other noncurrent assets	8,822,946
	86,444,325
Short term loan	28,666,698
Due to affiliates	344,000
Other liabilities	13,824,939
	42,835,637
Total net assets acquired	43,608,688
Goodwill arising from acquisition	17,579,587
Cash consideration	₱61,188,275

From the date of acquisition, Advanson has contributed a ₱0.1 loss to the income for the year. If the combination had taken place at the beginning of the year, the profit for the year for the Group would have been ₱341.2 million.

The goodwill of ₱17.6 million comprises the value of expected synergies arising from the acquisition.

Purchase of Assets from General Milling Corporation
In June 2008, the Group entered into a purchase agreement with General Milling Corporation (GMC) and with its foreign affiliate, wherein their snack manufacturing assets and certain intangible assets (Note 16) were acquired by the Group. GMC is the second largest corn chips manufacturer in the Philippines. It produces and sells corn and wheat-based snacks such as Kornets, Tortillos, and Brew Bud under the "Granny Goose" trademark.

38. Disposal Group Held for Sale

In May 2008, the Group, through Hong Kong Peggy Foods Co., Ltd. (HK Peggy) 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).

As of September 30, 2008, the sale has not been fully consummated as there are closing conditions that have not been met. As such, the assets and liabilities of TPFMC have been presented separately at the balance sheets as assets and liabilities of disposal group classified as held for sale.

The operations result of TPFMC for the year ended September 30, 2008 is presented below:

Interest income	₱7,413,011
Operating and other expenses	(36,072,977)
Loss for the period from disposal group	₱28,659,966

The major classes of assets and liabilities classified as held for sale as of September 30, 2008 follow:

Assets:	
Cash and cash equivalents	₱57,900
Property, plant and equipment (Note 13)	192,063,742
Other assets	5,295,219
	197,416,861
Liabilities:	
Accounts payable	31,536
Due to subsidiaries	8,695,853
	8,727,389
	₱188,689,472

39. Supplemental Disclosures of Noncash Investing Activity

The Group's noncash investing activity pertains to the movement of the Cumulative Translation Adjustment account.

	2008	2007	2006
Cumulative translation adjustment	**₱30,936,903**	(₱221,482,120)	(₱227,449,799)

In 2008, the Group reclassified certain trading assets from the Financial assets at FVPL category to the AFS investments category in the consolidated balance sheets (Note 9).

UNIVERSAL ROBINA CORPORATION

INTERNATIONAL

URC Foods (Singapore) Pte Ltd
168 Tagore Lane
Singapore 787574
Tel: 65-65520314
Fax: 65-65520127

URC (Thailand) Co. Ltd
Head Office
122-123 Moo 7, Rajpattana Road,
Khwang Sapansung,
Khet Sapansung, Bangkok
10240 Thailand
Tel: 662-5174800
Fax: 662-5171416

Thailand Factory
Samutsakorn Industrial Estate,
1/123, MU 2, Sub-District Thasai
Samutsakorn 74000
Tel: 6634-490031
Fax: 6634-490298

URC Snack Foods (Malaysia) Sdn Bhd
Marketing & Sales Office
No.1 Jalan Jurunilia U1/20, Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam, Selangor Darul Ehsan
Tel: 603-55695855; 603-55694561 to 63
Fax: 603-55691775; 603-55695993

Head Office / Factory
PLO 370 Jalan Perak Tiga,
Kawasan Perindustrian 81700
Pasir Gudang, Johor Bahru
Malaysia
Tel: 607-2513199; 607-2510948
Fax: 607-2513398; 607-2529819

URC Vietnam Co. Ltd.
Head Office / Factory
No. 26, Road 6
Vietnam Singapore Industrial Park
Thuan An District,
Binh Duong Province
Vietnam
Tel: 84-650-767009 to 16
Fax: 84-650-767025

Sales & Marketing Office
No. 18A, Lam Son Street,
Ward 2, Tan Binh Dist, Ho Chi Minh City
Vietnam
Tel: 848-8487773 to 76
Fax: 848-8487770

PT URC Indonesia
Head Office / Factory
Jl. Sulawesi Blok M-27
MM 2100 Industrial Town
Cikarang Barat, Bekasi 17530
Indonesia
Tel: 6221-899 82585
Fax: 6221-8998 2586

Marketing & Sales Office
Menara Hijau, Lt. 6
Jl MT Haryono Kav. 33
Jakarta 12770
Indonesia
Tel: 6221-79192009
Fax: 6221-7985875

URC Hong Kong Co. Ltd.
14/F. ,Units A & B Wing Shan Ind. Bldg.
428 Cha Kwo Ling Rd.
Yau Tong, Kowloon
Tel: 852-27171475; 852-27171479
Fax: 852-27727052

Shanghai Peggy Foods Co., Ltd
No. 358 Jiajian road
Jiading District
Shanghai, China
Tel: 8621-59903123; 8621-59903127
Fax: 8621-59903164

PHILIPPINES

Branded Consumer Foods Group
CFC Administration Building
13 E. Rodriguez, Jr. Avenue,
Bagong Ilog, Pasig City
Tel: 671-2935 to 42/46/47

Universal Corn Products
UCP Compound
16 Santiago Street, Bagong Ilog, Pasig City
Tel: 671-8184; 671-8140
Telefax: 671-0575

Robina Farms
GBF Technical Training Center
Litton Mills Compound,
Amang Rodriguez Avenue,
Rosario, Pasig City
Tel: 395-1142 to 45; 395-1200
Fax: 395-1200 loc 22

URC - Flour Division
Pasig Boulevard, Bagong Ilog, Pasig City
Tel: 672-1578 to 80
Fax: 672-1581; 672-1574

URC - Sugar Division
22/F Robinsons Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
Tel: 637-5398; 637-5021
Fax: 637-3654

Independent Public Accountants
Sycip, Gorres, Velayo & Co.
Certified Public Accountants
SGV Building, 6760 Ayala Avenue
Makati City

Stock Transfer Agent
Bank of the Philippine Islands
16/F BPI Building
Ayala Avenue corner Paseo de Roxas
Makati City

UNIVERSAL ROBINA
CORPORATION
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda street
Ortigas Center, Pasig City
Tel: (632) 633-7631 to 40 / (632) 240-8801
Fax: (632) 633-9207 / (632) 240-9106
Website: www.urc.com.ph