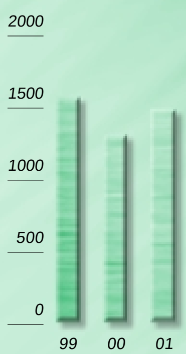
FINANCIAL HIGHLIGHTS

(In million pesos, except per share and statistical data)

	Years Ended September 30			2001 vs 2000 Increase (Decrease)	
	2001	2000	1999	Amount	%
Net Sales	**₱18,883**	₱15,706	₱13,768	₱3,177	20.23
Income from operations	**1,492**	1,305	1,574	187	14.28
Net Income	**1,062**	867	906	195	22.49
Total Assets	**₱33,162**	₱27,361	₱24,264	₱5,801	21.20
Total Liabilities	**14,678**	10,574	8,500	4,104	38.81
Stockholders' Equity	**18,484**	16,787	15,764	1,697	10.11
Per share					
Earnings	**₱ 0.65**	₱ 0.53	₱ 0.55	₱ 0.12	22.64
Book Value	**11.29**	10.26	9.63	1.04	10.11
Ratios					
Current Ratio	**1.77:1**	2.18:1	2.47:1		(18.81)
Debt to Equity Ratio	**0.79:1**	0.63:1	0.54:1		25.40

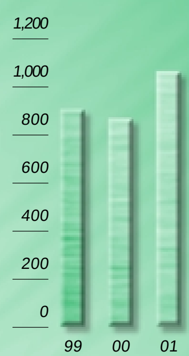
Operating Income

(in million pesos)



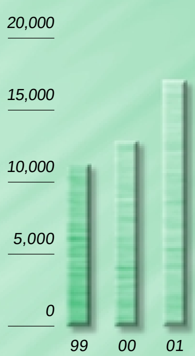
Net Income

(in million pesos)



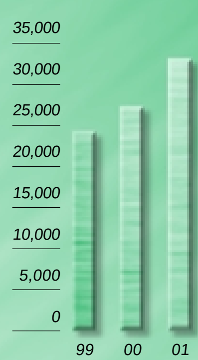
Current Assets

(in million pesos)

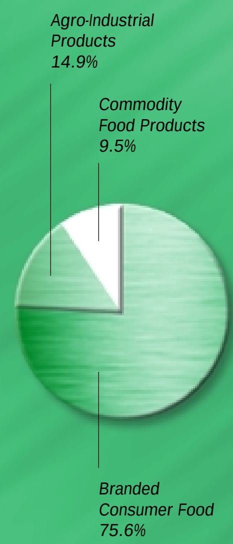


Total Assets

(in million pesos)



Net Sales Contribution



CHAIRMAN'S AND PRESIDENT'S MESSAGE

To Our Shareholders,

The year 2001 was an eventful year for both the Philippines and the world. In the Philippines, there was an emergence of a new government after a full-scale political leadership crisis towards the end of year 2000 and early 2001. The past year also ended with a tragedy caused by an act of terror that shocked the world and further slowed down economies in almost all parts of the world.

Although we bore witness to events that have no doubt affected our lives one way or another, URC remained resilient, registering PhP 18.88 billion in revenues, an increase of 20.23% over the previous fiscal year's PhP15.71 billion.

The resilience of URC was made possible by a sound financial position.

URC's gross profit increased by 23.70% from last year's PhP4.40 billion, resulting in PhP 5.44 billion for the year 2001. Income from operations improved by 14.28% to PhP 1.49 billion. This is attributed to the continued stellar performance of URC's Philippine operations. Net income totaled to PhP 1.06 billion, an increase of 22.4% from last year's PhP 867.5 million. Although URC still continues to bear the burden of investments in marketing and distribution channels in the overseas market, URC's regional operations revenue grew by 43.0% from the same period last year. The international operations account for 13.47% of total revenues of URC.

The resilience of URC was made possible by a sound financial position. URC's balance sheet continues to remain strong even as some of its ratios marginally dipped. Debt to equity ratio stood at PhP0.79: PhP1.00 compared to last year's PhP0.63: PhP1.00. In addition, current assets matched by each peso of current liability now stands at PhP 1.77 as compared to PhP2.18 in September 30, 2000.

The company's total assets have increased from PhP27.36 billion to PhP 33.16 billion as of September 30, 2001. Total liabilities amounted to PhP 14.68 billion from the previous year's PhP10.57 billion in indebtedness. Total stockholders' equity increased to PhP 18.48 billion while earnings per share also increased to PhP 0.65 compared to last year's PhP 0.53.

URC's branded consumer foods group heralded an impressive 13.0% increase in volume matched by a 13.8% increase in net sales value, propped up by a diverse product mix. The bulk, or 75.6% of URC's turnover is comprised of high margin branded products that contribute to the company's solid financial fundamentals. URC continues to be a part of the Filipino household as it continues making headway in new product launches and maintaining its market leadership position in core snack, candy, chocolates, cup noodle and canned beans categories and a formidable second player in the biscuit, tomato sauce and coffee categories.

The Company's Agro-Industrial and Farms group complemented the gains of the branded consumer foods group as it continues to build critical mass and high quality standards. The Agro-Industrial division registered a double-digit increase in volume and value sales with 42.7% and 44.5% respectively. The Farms division continues to grow further, paving a 17.5% and 33.0% increase over last year's sales volume and value. The Feeds business unit paralleled this increase with its 53.3% increase in volume and a 79.4% increase in sales value.

The Commodity foods division of URC also showed impressive results. Its flour business prospered with a 41.8% increase in volume sales while sugar sales value increased by 42.6%. Both divisions are expected to sustain its strong performance with internal consumption of sugar and flour bolstered as volume of sales of biscuits, candies and chocolates remain strong.

We have long ago envisioned URC to be the ASEAN's leading snack food manufacturer. URC's international food operations have focused on establishing the URC product range and the Jack 'n Jill brand across the ASEAN region and China.

URC International has managed to achieve significant market shares in key categories. We have established manufacturing capabilities in Thailand, Malaysia and China that complement the existing marketing and distribution structure. As a result, URC International has penetrated the snacks, candy and wafer segments in the ASEAN region. For instance, in Singapore, our company enjoys a 37% market share in the snacks category. In Hong Kong, URC has a 26% market share of the snacks market. On the other hand, Thailand boasts of a 27% market share of the wafer market and has become one of the major players in sugar confectionery. In Malaysia, 40% of the potato chips market was cornered by our brands.

JOHN GOKONGWEI, JR.

URC's International Operations contributed 13.47% of the total URC revenues for the year 2001. As we move along, we are expecting a sustained growth increase for our international operations as we implement regional initiatives and projects that will take URC closer to becoming the next regional powerhouse in snacks, candies, chocolates and biscuits and wafer segments.

Moving Forward

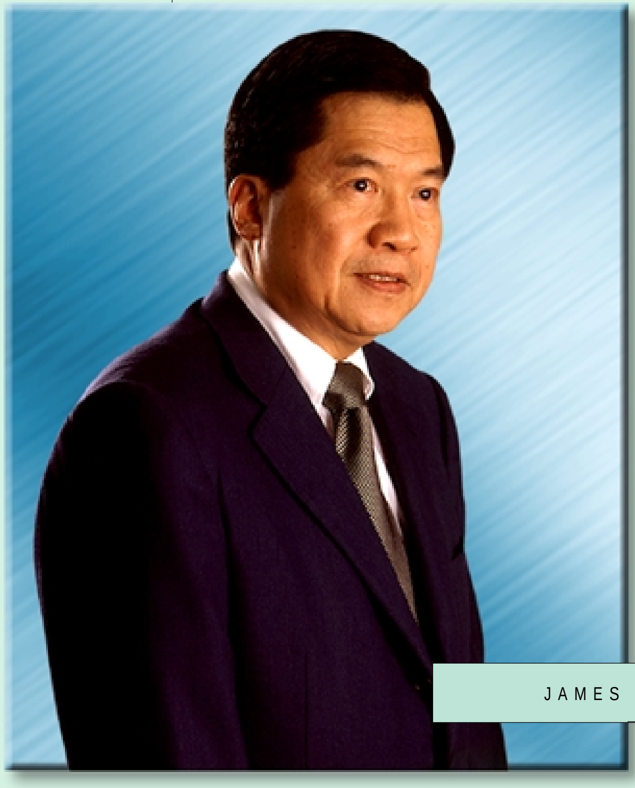
Your URC Management will focus on building our international business while maintaining operating margins and overall profitability in the Philippines. We maintain our long-term commitment to brand-building, not just in the Philippines but in the neighboring ASEAN countries and China as well.

With our expansion projects in Shanghai and Indonesia, coupled with the expansion of our flour and BOPP business, we remain committed to providing our shareholders continued value creation.

All these can only be achieved with your continued confidence and support. We extend our sincerest appreciation to all our suppliers, trade and business partners, and most specially, our consumers who have continued to patronize our products and have chosen URC as a business partner. We remain committed to our corporate vision of making your lives more fun and bringing you more value through high quality, innovative and value for your money products as URC becomes the next Regional Powerhouse.

JOHN GOKONGWEI, JR.[1]
Chairman

JAMES L. GO[2]
President and Chief Executive Officer



JAMES L. GO

[1] Retired as Chairman of the board effective December 31, 2001 and was elected Chairman Emeritus effective January 1, 2002.

[2] Resigned as President and Chief Executive Officer effective December 31, 2001 and was elected Chairman and Chief Executive Officer effective January 1, 2002.

OVERVIEW OF FISCAL YEAR 2001

Universal Robina Corporation continues to be at the forefront of branded consumer foods, agro-industrial and commodity food business in the Philippines.

Snacks

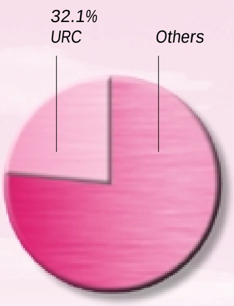
Value Market Share

Packaged Snack Foods

Chocolates

Volume Market Share

Chocolates



Snacks

URC Snacks has continued to dominate the packaged snackfoods category, ending the year with a total value market share of 48.4%, a remarkable increase over last year's 45.6%.

With the successful launch of the Jack 'n Jill Tostillas, the only locally manufactured baked and fried corn chip made from imported corn grains, seasoned with the finest and choicest flavorings, URC has introduced a second flavor, the Tostillas Smokey BBQ, to expand the already popular product line. An additional variant for the Taquitos line was also introduced in the market to maintain its strong foothold

URC snacks mounted highly successful Jack 'n Jill promotions such as the Looney Tunes In-Pack Promo for Mr. Chips, Roller Coaster and Chiz Curls brands, and the "Kiss Kiss and a Million" Promo for Chippy, Piattos and Nova brands. These resulted in incremental sales volume and value increase of 36% and 42%, respectively.

For year 2002, URC Snacks will have more exciting promotions centered on value-for-your-money proposition; new product launches and new flavor variants for brand building initiatives for new lines and brand strengthening for existing lines; improved merchandising displays and down-trade marketing to maintain and further strengthen its market share dominance.

Chocolates

URC Chocolates improved its total market volume by 5.2% as flagship products like Cloud 9, Big Bang, All Star, Chooey Choco, NIPS Regular, NIPS Peanut, Mini NIPS, Skids (Blueberry) continue to enjoy a huge consumer uptake. Total volume market share for the fiscal year 2001 is 32.1% while total value market share registered at 23%. URC's chocolate segment will continue to improve its sales performance with current trade favorites, Chooey Choco and Mini Nips and a host of new and exciting chocolate concepts.

Plans for year 2002 include further strengthening market share positions in the various chocolate market segments such as enrobed, moulded and panned products. New and exciting chocolate products will surely leave the consumers wanting for more.

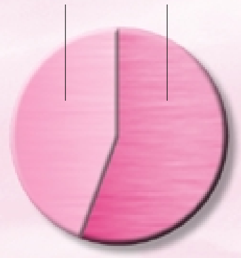
Candies

URC's current candy portfolio for the fiscal year ended 2001 carried a variety of candy brands, each equally popular in its own sub-segments. These are the following: Hard-boiled Candies (MAXX - Cherry, Honeymansi, Honey Lemon, Grape, Eucalyptus, Dalandan Orange); Hard-boiled with Center-fill (DYNAMITE - Mint-Choco, Melon-Melon); Deposited Candies (X.O. - Coffee, Butter Caramel, Lemon Iced Tea, Choco Shakes and FRUTZ - Sour Plum, Tamarind); Soft and Chewy (STAR FRUITS Assorted – Cherry, Lemon, Orange); Soft with Center-fill (LUSH - Choco-Choco); and lastly, Marshmallow (WIGGLES - Plain and Chocolate-coated).

The successful launch of new products contributed to a total volume market share of 43.0% versus last year's 41.3%. Existing candy brands such as MAXX, X.O., Dynamite and Wiggles encompass the hard candy segment, center filled and soft candy segments were further boosted by successful new product launches of MAXX Grape flavor variant, X.O. Chocolate Shake and Frutz, a soft and chewy candy line in sour plum and tamarind flavors. URC's trade sales value was up by 3.6%.

It is expected that URC, together with its Joyco joint venture, will continue to be a force to reckon with in the candy segment as it gears up for more product innovations and unique candy concepts. Company plans for the incoming fiscal year includes: pushing further for market shares in the established eucalyptus and menthol segment and at the same time, growing new candy segments through more than adequate trade exposure by a dedicated confectionery sales team, achieving product visibility through its wide range of SKUs and position products within the psychological purchase price threshold and dominating trade distribution through the expansion of current sub-distributor network.

Candies
Volume Market Share
Sugar Confectioneries



Biscuits

Value Market Share

Biscuits

URC's Biscuit segment showed a fun-filled year with the successful product launch of Club House Mini, the relaunch of Tic-Tac-Toe and its first cake offering, Quake Cake, a soft, chocolate center-filled cake and Mal 'O Pie, manufactured and imported from Korea, as flagship brands for its newly established bakery line. In 2001, Magic Flakes became the leading brand in the total crackers market growing by 13% versus the previous year. Presto Creams also became the number 1 cream filled cookie in the market. Jack 'n Jill Pretzel still remains a dominant and domineering leader in the Pretzel segment with 92% market share.

Value market share figures for the total biscuits segment improved from 18.8% to 19.6% with the crackers and cookies segments showing increases in market share figures from 24.2% to 26.7%. URC expects to solidify its current marker position with its new lines and manufacturing capabilities to support the growing demand.

Beverage

In line with URC Beverage's thrust of strengthening its position in the total Beverage market by being major players in strategic segments that complement our current snack foods line and our existing beverage products such as Blend 45 and Great Taste coffee mixes, Australian Dairy fresh milk and Cream-All non-dairy creamer, our company has recently entered the Juice segment via the powdered concentrates sub-segment.

URC introduced REFRESH Instant Drink Mix, an instant juice mix that captures the natural, refreshing goodness of citrus fruits like Dalandan and Valencia Orange. Packed with vitamins and micronutrients, REFRESH is positioned as a healthy way to quench your thirst.

URC's coffee line continues to be the second market leader with its Blend 45 and Great Taste brands. For the instant coffee segment, URC enjoys 38.7% of the instant mixes segment. In the ready to drink market segment, URC leads with a 90.8% market share.

Noodles and Pasta

Payless Instant Mami continues to be a Filipino household favorite with three product variants, Chicken, Beef and Bulalo. It continues with its unique value proposition for the consumer: KKK (Kasarapan, Kalusugan and Katipiran) through additional flavor improvements, price reduction and incorporation of more essential vitamins and product reformulation. Payless Pansit Canton continues to be a popular brand in the dry pouch market segment while Payless is the only major player in the wet pouch noodle segment that offers Bulalo flavor. El Real pasta sales continues to make headway in the low-priced market segment while a new pasta brand, the Payless Pasta was launched in fiscal year 2001 to further enhance market shares.

Dairy Products

The Dairy Products Division of URC continues to spearhead the industry with innovative packaging concepts such as the space-savers tubs for packaged ice cream. The division was also able to launch the Swiss Miss brand of ice cream – an internationally known brand - through a royalty agreement with ConArga Grocery; enter an exclusive distribution agreement with the likes of Sarah Lee and Hersheys. Presto-Tivoli packaged ice cream continues to be a favorite in the local brands as it continues to launch new and exciting ice cream concepts. The Foods and Industrial Service Division, a specialized unit, was established to cater to the culinary food segment and institutional accounts.

BOPP

URC-Packaging Division, producing Bi-axially Oriented Polypropylene (BOPP) films has continued to strengthen its share in both domestic and export market ending its 2001 fiscal year with a 20% growth in sales revenue compared to the same period last year. This is mainly attributable to higher sales of Plain films, Laminating films, Tape films and Heat-sealable films with increasing contribution of specialized films such as Matte, Pearlized, Metallizable and Cigarette films.

This state-of-the art fully computerized plant is located on a 20,000 square meter lot in Simlong, Batangas. It has an existing 30% local market share and has emerged as one of the leading players in the industry. As the plant has reached its near-maximum productivity level and the industry constantly evolving, Packaging Division decided to expand its manufacturing capacity by investing PhP 954.7 million for a second BOPP line to meet the increasing demands of the export market. Commercial operation for this 11,336 MT plant is targetted to commence by October 2002. In December 2001, the plant's Environmental Management System was certified to ISO 14001, the first among the URC group of companies. This is another milestone in the history of URC-Packaging Division, which is known as the first and only ISO 9002 certified BOPP plant in the Philippines for its Quality Management System.

Exports

URC's Export Division continues to be one of the fastest growing units of the company today, posting a remarkable 58% increase in sales value and 59% growth in volume this fiscal year 2001. The successful entry of its products in new markets such as India, Pakistan and Vietnam have strongly complemented its growing businesses in the twenty five other markets it has successfully sustained.

The company's ability to offer world class products at highly affordable prices has continued to work superbly well to its advantage in the international arena. Last August, this 'BEST VALUE' proposition was further strengthened with the alignment of URC's export operations with that of her International Division's Malaysian and Thai companies. This means that export customers and overseas consumers will greatly benefit from a more competitive URC, thus, further enhancing the company's global thrust. To become a formidable player in Asia, and in the long-term, make Jack 'n Jill and its other major brands, recognized global trademarks are among URC's top objectives. With its continued product innovation, stringent quality standards and access to Malaysian and Thai resources, URC is in an excellent position to achieve her goals.

URC JOINT VENTURES

Hunt Universal Robina Corporation

Hunt Universal Robina Corporation (HUR) was set up in 1993 as a 50%-50% joint venture between URC and Hunt-Wesson International (HWI), a subsidiary of ConAgra. For fiscal year 2001, HUR registered revenues of PhP 515.15 million and a net income of PhP 53.482 million. The joint venture's flagship products, Hunt's Pork and Beans remains a household favorite as well as Hunt's Tomato Sauce. The joint venture entity also declared a cash dividend of PhP 60 million and has remained debt-free since its inception with conservative inventory and working capital management.

Last year, HUR launched new and innovative products and brand to push further the joint venture's revenues. One of the successful launches was the Knott's Berry Farm Iced Tea, packaged in a revolutionary Tetra Prisma pack, a first in the Philippines. For the new fiscal year, HUR will continue to build market postion of the joint venture's core brand, Hunt's, as well as develop and expand new brands such as Swiss Miss and Knott's Berry Farm.

Nissin Universal Robina Corporation

Nissin Universal Robina Corporation (NUR), is a joint venture among URC and two renowned Japanese conglomerates, Nissin Foods and Mitsubishi. Nissin URC was initially engaged in the manufacturing and marketing of Nissin Cup Noodles in three popular flavors: chicken, beef and seafood. Located in the First Cavite Industrial Estate, it has since expanded its product line to include the equally successful Nissin Yakisoba and Nissin Mug with various flavor variants. Part of the joint venture's list of accolades is the honor of being the first URC plant facility to be awarded the ISO-9002 certification.

The joint venture entity earned a total revenue of PhP 662.4 million, up by 18.2% from last year's PhP 560.6 million. This jump in revenue is attributed to the successful product launches of new and exciting products such as Nissin Cup Noodles Shrimp and Nissin's Yakisoba in pouch packages. The re-launch of Nissin's Ramen also contributed to NUR's performance as various market segments were captured with the introduction of mini cups and pouch mami variants. All these product innovations were complemented by continuous quality and cost improvements, consumer promotions, merchandising and aggressive media presence as it aims to become the major brand in the instant meal market. Net income for the year 2001 registered at PhP 49.0 million.

Joyco Universal Robina Corporation

The joint venture alliance between Universal Robina Corporation and the Joyco Group of Spain, one of the largest bubble gum and lollipop manufacturers in the world, is a convergence of strengths from both business entities. With Joyco's technological expertise and worldwide brand following complemented by URC's branding strength, extensive distribution network and product innovation skills, the 50%-50% joint venture manufactures lollipop, bubble gum and chewing gum products in the Philippines and distributes these to a network of ASEAN countries such as Philippines, Malaysia, Thailand, Singapore and Indonesia.

Since its commercial operations in February 2001, the Joyco-URC plant in Calamba, Laguna has ramped up 128,828 cases of confectionery products.

URC INTERNATIONAL GROUP

URC is the fastest growing Philippine multinational in the region with sales and marketing presence in Hong Kong and Singapore, complemented by marketing, manufacturing and distribution capabilities in Thailand, Malaysia and China.

URC Snack Foods (Malaysia) Sdn. Bhd.

URC Malaysia was set up in 1982 in the Pasir Gudang Industrial Estate, 30 kilometers south of Johor Bahru, the state capital of Johor. This factory and main office are strategically located 40 kilometers from Singapore and 365 kilometers south of Kuala Lumpur. It has since then developed a well-entrenched sales and marketing, distribution network, complemented by an ex-truck operation, with 18 trucks operating within the West Malaysia network.

Despite the declining Malaysian economy in fiscal year 2001, URC Malaysia continued its growth achieving a commendable 9.5% increase over FY2000 in total company net sales. URC Malaysia maintained its leadership in the packaged snack foods category under the Jack n' Jill brand umbrella. URC's Potato Chips continued to be the market leader in the natural potato segment.

URC Malaysia has also tasted success in the relaunch of its hard and soft candy lines spearheaded by the Dynamite brand as well as the foray into Dun-kin Lollipops with URC's joint venture with Joyco of Spain. New products will be continuously developed to further boost URC's number two position in the Malaysian chocolate and confectionery category.

URC Foods (Singapore) Pte. Ltd.

URC Singapore markets and distributes URC products sourced mainly from Malaysia and Thailand with future plans to develop sourcing from Philippines. Jack n' Jill maintained its market leadership of the snack category with popular products such as Potato Chips and Roller Coaster, complemented by the successful launches of Lausanne and Nova. Singapore remains a strategic market and showcase for URC products in ASEAN. With these challenges in mind, URC Singapore will continue to strengthen our sales and marketing strategy with specific focus on the modern trade formats and continued efforts in supermarket, petrolmarts and convenience stores.

For Fiscal Year 2002 exciting new products in the confectionery, candies and biscuits categories will be launched to boost our range of products and market standing, as well as solidifying the market position of our flagship brand Jack n' Jill. URC Singapore also intends to maximize Singapore's global trade links and form strategic partnerships with Singaporean entrepreneurs to take advantage of Singapore's strength as a global distribution, logistics and financial hub.

Panyu Peggy Foods, Co. Ltd.

Panyu Peggy Foods, Co. Ltd. was established in July 1993 with its main factory and headquarter located in Panyu, Guangzhou, Guangdong Province. URC China has a network of field offices in 13 major cities including Beijing, Shanghai, Tianjin, and Xian. Manufacturing operations commenced in May 1996 with Potato Chips and Roller Coaster products. Its original product portfolio comprised of Jack 'n Jill Potato Chips, Jack 'n Jill Sun Ring, Jack 'n Jill Taste Point, and Tivoli choco-coated wafer. This was further enhanced by new product launches in 2001, including the successful Lausanne Wafers and Corn Curls.

For fiscal year 2001, Panyu Peggy generated a 28.4% improvement over the prior year's total income. URC China will continue to be aggressive in new product launches, quest for cost leadership through regional procurement and to become better entrenched in the local distribution channels.

URC Hongkong Company Limited

URC's Hongkong operations was established in 1999 with its main office in Kowloon, Hong Kong. URC Hongkong is engaged in the distribution of Potato Chips and other snack products from Malaysia; and, candies, chocolates, confectioneries and other Jack 'n Jill snack brands made by URC operations in China, Philippines and Thailand.

URC Hongkong finished the fiscal year with a number two position in the snack category with popular branded products such as: Potato Chips, Potato Rings, Beef Crunchies, Roller Coaster, Jigs, and Nova Multigrain. X.O. Coffee and Lemon candies also made a mark in the Hongkong SAR market. Apart from the SAR market, URC Hongkong also extends its reach to Macau as a secondary market through an efficient network of distributors and wholesalers. URC Hongkong will continue its aggressive sales and marketing initiatives as well as further developing its distribution.

URC (Thailand) Company Limited

URC Thailand was established in 1992 and has since become one of the leading confectionery companies in Thailand. The company is headquartered in Bangkok while its manufacturing plant is located in the Samutsakorn province. URC Thailand manufactures and distributes products under the umbrella of the Jack 'n Jill brand. Thai Peggy's product portfolio mix includes Tivoli chocolate coated wafer, Lausanne wafer filled with cream, Nips chocolate coated peanut, X.O. coffee and butter caramel candy, Dynamite mint candy filled with chocolate, Roller Coaster potato rings, and Gourmet Popcorn caramel coated popcorn.

Expansion on the Company's manufacturing capacity is well underway to match the increasing opportunities in the Thai market as it further strengthens its position in the confectionery segment, and also pursue growth of its export business. URC Thailand has made its way to the top slot in the wafer category with its flagship brands, Tivoli and Lausanne. In the candy category, URC Thailand is a strong number three with its Dynamite and X.O. brands battling it out in the hard candy segment.

URC Indonesia

Construction of the PT URC Indonesia plant commenced in mid-June 2001 and is progressing well according to plan. Target completion is slated for February 2002, with equipment commissioning and full scale plant operations scheduled to start shortly after. The plant is located in MM2100 Industrial Town (about 30 kilometers southwest of Jakarta), an industrial estate majority-owned and managed by the Marubeni Corporation of Japan.

Initial product lines will focus on candies and extruded snacks. To complement these, additional candies, snacks, chocolates and biscuits will be imported from other URC companies in the region to capitalize on the tariff reduction brought about the Asean Free Trade Agreement (AFTA) and subsequently, gain marketing presence in Indonesia.

Robina Farms

The Broiler Business Unit

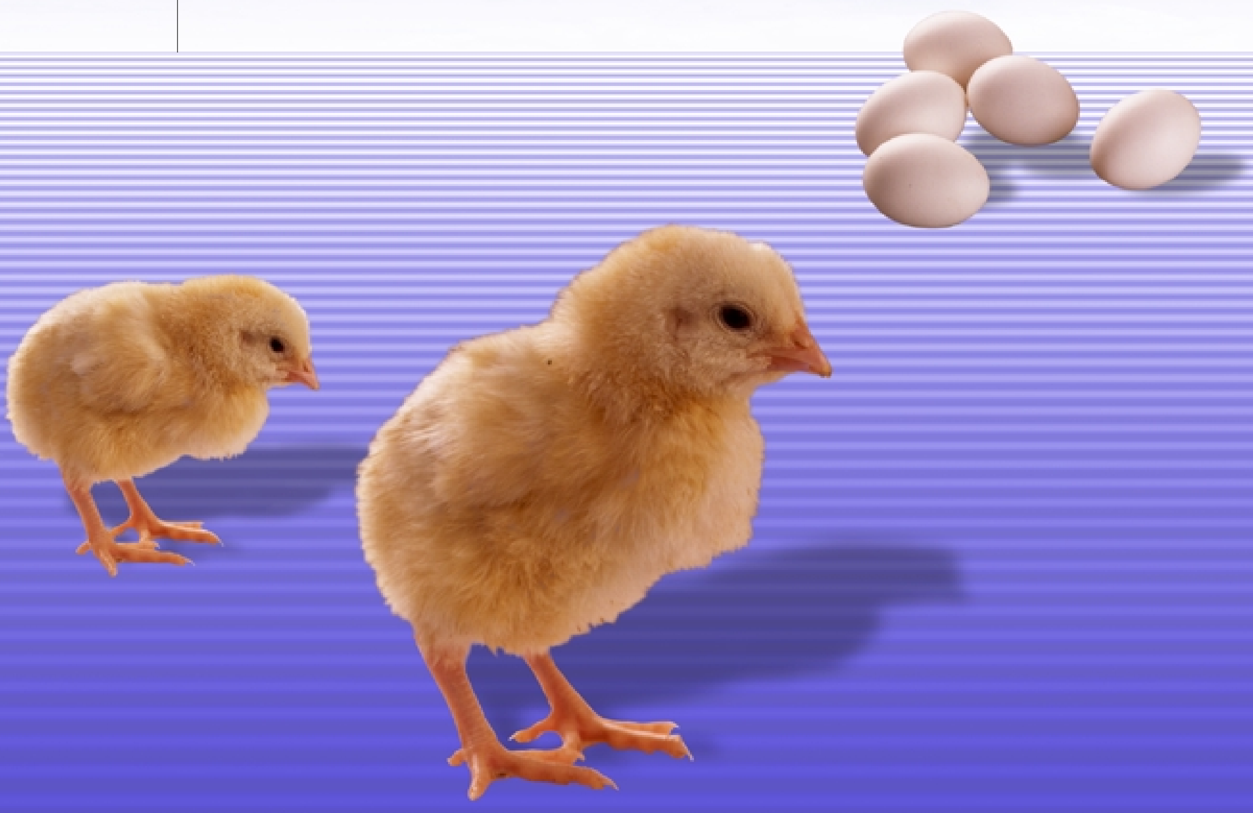
Robina Farms Broiler Business Unit (RFBBU) celebrated its 40th year in 2001 continuing long-time relationships with the biggest commercial farmers in Luzon via consistent chick quality, notable improvement in chicken genetics and customer-focused after-sales service. Market share improved to approximately 40%, from less than 30% in the previous year, as integrators diverted commercial sales to contract growing. This was also attributable to the grandparent operation of the Broiler Business Unit, vastly improving its productivity in 2001 by producing parent stocks at a rate of 167 eggs/GP compared with an industry standard of 140/GP. Cool-cell housing, the best caretakers and an improved male strain also contributed to such performance.

For FY 2002, the RFBBU is intent to lick the inevitable effects of the influx of imported chickens by further improving farm efficiency, striking lower cost deals with UCP feeds, renovating the hatchery, going ISO to further improve chick quality, and going into dressed chicken business by initially supplying the Big R Supercenters and Robinsons Supermarkets partial requirements.

The Piggery Business Unit

Fiscal Year 2001 was a banner year for the Robina Farms Piggery Unit as they finally saw the fruits of its expansion program, from 12,000 to 16,000 sows; a 3-year gestation project, which started in 1998 completed only in 2000. Increased productivity, coupled with vast improvements in pig husbandry and disease management leading to more and heavier pigs at a shorter growing period mainly characterized the operation of the business unit in 2001.

For incoming year, the Piggery Business Unit is gearing towards further operational improvements such as fine-tuning of its wet-feeding technology, cool-cell retrofitting of its weaning and growing houses, further improvements in its feed formulation, building up of lean-meat boar lines, computerization of operations, and the eventual supply of carcass to Big R Supercenters and Robinsons Supermarkets. All these are geared towards its main key performance target of more and heavier pigs sold per sow per year.



The Layer Business Unit

The year 2001 saw the Robina Farms Layer business unit bouncing back. Robina Farms' market share in the layer chick business in 2001 registered about 37%. For the coming year, the Layer Business Unit is gearing up for a further improved performance with the following strategic moves: manpower streamlining, improvement in breeder/hatch efficiency via improved bird nutrition and cost reduction in sales operations.

Robichem

Fiscal Year 2001 was a trying year for Robichem largely due to the volatile situation in the Philippine animal industry. Markets for chicken meat, eggs and pork were erratic due to the uncertainties of the national as well as global economies.

Despite the challenges however, Robichem managed to achieve its targets. Based on latest industry data, Robichem ranks 10^{th} in a field of more than 30 competitors, with a share of 4.3% of total market.

For FY 2002 Robichem plans to expand its product Lines by introducing new products which are seen to have a large potential in the market place. Also Robichem seeks to penetrate the very promising market of Biologicals via an exclusive distributorship Agreement with Malaysian Vaccines and Pharmaceuticals (MVP). Market research and product development are likewise in full gear for Robichem's entry into new product segments. Another major project of ROBICHEM for FY 2002 is the ISO certification of the Robichem manufacturing plant and warehouse in Antipolo City. Efforts towards this end are currently in progress. ISO certification is targeted for the first quarter of CY 2002.

Universal Corn Products

Universal Corn Products (UCP) showed a spectacular performance for the year 2001 with sales value up by 79%. This was achieved through improvements in both volume and value sales of feeds, meal and soya oil and glucose. UCP continues to upgrade its operations in order to meet higher customer standards, deflate raw materials, cost of feeds and production costs, aggressive marketing campaigns to develop new businesses, quality control improvements both for raw materials and finished goods and increase capacity utilization.

Sugar

URC's Sugar Business Unit engages in raw sugar production and refining through its three subsidiaries. The Universal Robina Sugar Milling Corporation (URSUMCO) and its division, the Cagayan Robina Sugar Milling Corporation (CARSUMCO) have refining capabilities while the Southern Negros Development Corporation (SONEDCO) has raw sugar production capabilities. The three sugar mills are capable of producing molasses, a by-product of raw sugar and refinery operations. URSUMCO's milling capacity is currently at 8,000 tons cane per day while its refinery capacity is 10,500 50-kilogram bags per day. On the other hand, CARSUMCO has rated capacities of 4,500 tons cane per day and 5,000 50-kilogram bags per day for milling and refinery, respectively. SONEDCO mills 5,000 tons cane per day.

For the fiscal year 2001, sugar sales volume, including sales to affiliates, increased due to URC's fast growing internal consumption of sugar from the continuing gains in the sales volumes of candies, chocolates and biscuits. URC's sugar business accounts for 5.7% of the country's sugar production in 2001. URSUMCO obtained its ISO 9002 Certificate last February 2001, the first sugar company to be awarded such distinction, as it continues to operate a quality management system.

CERTIFICATION INTERNATIONAL

ISO 9002

Flour

Continental Milling Company (CMC) currently manufactures various products in the different flour sub-segments. With its Manila and Davao flourmills capable of churning out almost 1,000 metric tons per day, CMC is one of the three largest flour millers in the country. For the fiscal year 2001, CMC posted commercial sales of PhP 1,429 million versus last year's PhP 959.1 million. Increase sales of biscuits and instant noodles also helped prop up sales of CMC. Market share increased from last year's 10% to 13% this year with the launch of several flour brands and a new brand of pasta, the Supersavers Italian Pasta, a joint development with Foods and Industrial Service Division (FISD).

CMC produces soft flour, which is used to make biscuits, and hard flour, utilized on pasta and breads. Part of the future expansion plans of CMC is the construction of the new Administrative building, Silo, new line (Mill E) and Quality Control laboratory, with a total cost of PhP 940.6 million and scheduled for completion on January 2003. The new line (Mill E), with a capacity of 550 metric tons per day, and Quality Control laboratory will be equipped with modern and highly technological equipment will which improve the capability of catering customized products to different market formulation requirements as well as achieve improvements in coloration and yield.

BOARD OF DIRECTORS

JOHN GOKONGWEI, JR.[1]

Chairman

JAMES L. GO[2]

President and
Chief Executive Officer

JOHNSON ROBERT L. GO, SR.

Vice Chairman and
Executive Vice President

[1] *Retired as Chairman of the Board effective December 31, 2001 and was elected Chairman Emeritus effective January 1, 2002.*

[2] *Resigned as President and Chief Executive Officer effective December 31, 2001 and was elected Chairman and Chief Executive Officer effective January 1, 2002.*

[3] *Resigned as Executive Vice President effective December 31, 2001 and was elected President and Chief Operating Officer effective January 1, 2002*

LANCE Y. GOKONGWEI[3]

Executive Vice President

PATRICK HENRY C. GO

Vice President

FREDERICK D. GO

Director

WILFRIDO E. SANCHEZ

Director

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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 consolidated financial statements as of September 30, 2001 and 2000 and for each of the three years in the period ended September 30, 2001. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgement 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 Board of Directors reviews the consolidated 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 consolidated financial statements of the Company and its subsidiaries in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of presentation upon completion of such examination, in the attached report to the stockholders.

John Gokongwei, Jr.
Chairman

Constante T. Santos
SVP - Controller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Universal Robina Corporation and Subsidiaries as of September 30, 2001 and 2000 and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as of September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the Philippines.

Sycip, Gorres, Velayo & Co.

January 11, 2002

CONSOLIDATED BALANCE SHEETS

	September 30	
	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	**₱ 547,789,740**	₱ 747,925,254
Temporary cash investments (Note 11)	**1,779,501,942**	2,710,300,640
Marketable equity securities - net of allowance for market decline amounting to ₱242,416,237 in 2001 and ₱199,509,996 in 2000	**172,892,321**	156,947,637
Receivables - net (Notes 2, 7 and 11)	**9,542,360,306**	5,105,744,357
Inventories - net (Note 3)	**4,926,312,099**	4,029,906,048
Other current assets (Note 12)	**307,139,679**	176,458,791
Total Current Assets	**17,275,996,087**	12,927,282,727
Deferred Income Tax - net (Note 12)	**154,477,188**	120,661,280
Equity Investments (Note 4)	**972,879,434**	834,960,774
Property, Plant and Equipment - net (Notes 5 and 8)	**13,150,070,700**	11,946,790,125
Other Assets - net (Notes 6 and 8)	**1,608,906,649**	1,531,518,778
	₱33,162,330,058	₱ 27,361,213,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable (Note 7)	**₱ 4,410,973,789**	₱ 1,372,450,000
Accounts payable and accrued expenses	**3,623,680,746**	3,189,063,157
Payable to affiliated companies (Note 11)	**983,191,413**	941,582,442
Income tax payable	**258,660,286**	158,296,210
Trust receipts and acceptances payable (Note 3)	**250,891,936**	97,563,330
Deferred income tax - net (Note 12)	**152,926,558**	107,397,406
Current portion of long-term debt (Note 8)	**60,949,208**	53,222,515
Total Current Liabilities	**9,741,273,936**	5,919,575,060
Deferred Credit - net (Note 9)	**16,065,988**	24,097,982
Long-term Debt - net of current portion (Note 8)	**3,597,000,281**	3,501,137,900
Minority Interests in Consolidated Subsidiaries	**1,324,373,283**	1,129,492,527
	14,678,713,488	10,574,303,469
Stockholders' Equity		
Capital stock (Note 10)	**1,636,607,993**	1,487,825,451
Additional paid-in capital	**6,668,951,032**	6,668,951,032
Deposits for future stock subscriptions (Note 8)	**250,465,533**	–
Revaluation increment in property - net (Note 5)	**82,039,498**	86,133,176
Cumulative translation adjustment	**688,173,857**	229,611,887
Retained earnings (Note 10)	**9,157,378,657**	8,314,388,669
	18,483,616,570	16,786,910,215
	₱ 33,162,330,058	₱ 27,361,213,684

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Years Ended September 30		
	2001	2000	1999
NET SALES AND SERVICES (Note 11)	**₱18,883,254,049**	₱15,705,503,256	₱13,767,597,530
COSTS OF SALES AND SERVICES (Note 11)	**13,444,975,759**	11,309,195,615	9,675,511,836
GROSS PROFIT	**5,438,278,290**	4,396,307,641	4,092,085,694
OPERATING EXPENSES (Note 15)	**3,946,750,582**	3,091,195,533	2,517,923,243
INCOME FROM OPERATIONS	**1,491,527,708**	1,305,112,108	1,574,162,451
OTHER INCOME (CHARGES)			
Investment income (Note 11)	**834,751,712**	480,472,687	569,780,568
Interest and other financing charges (Notes 5, 7, 8 and 11)	**(757,685,655)**	(561,620,434)	(956,003,183)
Equity in net earnings of affiliated companies (net of goodwill amortization) (Note 4)	**65,418,581**	64,686,719	51,219,472
Others - net (Notes 8, 9 and 13)	**(180,181,316)**	(403,878,165)	(81,871,378)
INCOME BEFORE INCOME TAX AND MINORITY INTERESTS	**1,453,831,030**	884,772,915	1,157,287,930
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 12 and 14)			
Current:			
Income tax	**316,252,245**	212,061,662	157,223,120
Final withholding tax on interest income	**6,627,679**	8,849,277	4,805,386
	322,879,924	220,910,939	162,028,506
Deferred	**10,713,144**	(166,824,588)	83,607,946
	333,593,068	54,086,351	245,636,452
INCOME BEFORE MINORITY INTERESTS IN NET INCOME (LOSS) OF SUBSIDIARIES	**1,120,237,962**	830,686,564	911,651,478
MINORITY INTERESTS IN NET INCOME (LOSS) OF SUBSIDIARIES	**58,167,834**	(36,766,232)	5,862,865
NET INCOME	**1,062,070,128**	867,452,796	905,788,613
RETAINED EARNINGS AT BEGINNING OF YEAR	**8,314,388,669**	7,517,233,195	6,681,741,904
Cash dividends - ₱ 0.05 per share	**(74,391,276)**	(74,391,000)	(74,391,000)
Stock dividends - 10%	**(148,782,542)**	–	–
Transfer of revaluation increment deducted from operations through additional depreciation charges (Note 5)	**4,093,678**	4,093,678	4,093,678
RETAINED EARNINGS AT END OF YEAR	**₱ 9,157,378,657**	₱ 8,314,388,669	₱ 7,517,233,195
Earnings Per Share (Note 16)	**₱ 0.65**	₱ 0.53	₱ 0.55

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**₱1,062,070,128**	₱ 867,452,796	₱ 905,788,613
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	**1,329,279,730**	1,227,099,564	971,131,879
Net unrealized foreign exchange gain	**(178,676,139)**	(86,070,872)	(255,121,620)
Amortizations of:			
Goodwill and deferred credit	**138,560,939**	54,259,098	4,845,441
Preoperating expenses	**24,746,166**	26,887,678	8,115,628
Equity in net earnings of affiliated companies (net of goodwill amortization)	**(65,418,581)**	(64,686,719)	(51,219,472)
Minority interests in net income (loss) of subsidiaries	**58,167,834**	(36,766,232)	5,862,865
Provisions for:			
Decline (recovery) in value of marketable equity securities	**42,906,241**	72,335,583	(145,113,231)
Doubtful accounts	**56,675,471**	46,000,000	30,800,000
Inventory losses	**4,999,605**	–	1,800,000
Gain on:			
Reacquisition of long-term debt	**(33,633,952)**	(48,658,342)	(60,163,188)
Sale of property and equipment	**(11,082,582)**	(15,301,491)	(6,133,204)
Dividends received	**27,499,921**	19,999,980	22,500,000
Deferred income tax	**10,713,144**	(166,824,588)	83,607,946
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Temporary cash investments	**1,255,618,088**	(323,917,805)	174,468,709
Marketable equity securities	**(32,807,392)**	616,200	(16,560,332)
Receivables	**(3,835,649,492)**	364,042,248	3,518,332,447
Inventories	**(868,747,027)**	65,696,375	(201,668,619)
Other current assets	**(114,842,525)**	(56,445,035)	47,781,838
Increase in:			
Accounts payable and accrued expenses	**373,320,422**	427,723,342	171,681,763
Payable to affiliated companies	**(54,441,528)**	218,864,716	256,579,656
Income tax payable	**100,458,871**	59,198,868	22,218,289
Trust receipts and acceptances payable	**147,038,670**	97,563,330	–
Net cash provided by (used in) operating activities	**(563,243,988)**	2,749,068,694	5,489,535,408

(*Forward*)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2001	2000	1999
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	**(₱ 1,926,185,435)**	(₱ 2,900,987,808)	(₱ 1,756,967,416)
Proceeds from sale of property and equipment	**23,323,888**	15,330,000	13,928,869
Decrease (increase) in:			
Equity investments	**(100,000,000)**	–	(269,655,402)
Other assets	**(85,493,918)**	(611,921,839)	101,309,619
Increase (decrease) in minority interests in consolidated subsidiaries	**(260,134)**	955,225,453	(4,440,000)
Dividends paid to minority interests in consolidated subsidiaries	–	–	1,500,393
Net cash used in investing activities	**(2,088,615,599)**	(2,542,354,194)	(1,914,323,937)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments (payments) of:			
Loans	**2,949,050,124**	251,950,000	(2,798,329,700)
Long-term debt	**(510,325,823)**	(126,803,996)	(568,994,393)
Payments of cash dividends	**(74,391,276)**	(74,391,000)	(74,391,000)
Net cash provided by (used in) financing activities	**2,364,333,025**	50,755,004	(3,441,715,093)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**87,391,048**	7,943,875	–
INCREASE IN CASH AND CASH EQUIVALENTS OF A CONSOLIDATED SUBSIDIARY DUE TO ACQUISITIONS OF SUBSIDIARIES	–	47,225,146	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(200,135,514)**	312,638,525	133,496,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**747,925,254**	435,286,729	301,790,351
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱ 547,789,740**	₱ 747,925,254	₱ 435,286,729
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest (net of amount capitalized of ₱ 24,230,769 in 1999)	**₱ 732,194,951**	₱ 470,248,842	₱ 953,286,772
Income taxes (including final taxes)	**222,515,848**	161,712,071	139,810,217

(Forward)

	Years Ended September 30		
	2001	2000	1999
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
a) Additions (reductions) due to foreign exchange differentials:			
Receivable from an affiliated company	**₱ 92,148,910**	₱ 92,809,573	₱ 169,855,820
Property, plant and equipment	**36,192,514**	(19,127,778)	(65,827,009)
Long-term debt	**36,192,514**	(19,127,778)	(65,827,009)
Equity advances	–	–	518,776,715
Other assets	–	–	(556,534,177)
Cumulative translation adjustment	**595,535,026**	298,197,256	–
b) Deposits for future stock subscriptions:			
Land	**224,422,000**	–	–
Marketable securities	**26,043,533**	–	–
c) Two foreign subsidiaries purchased majority of the capital stock of various companies for ₱2.8 billion. In conjunction with the acquisition, liabilities were assumed as follows:			
Fair value of assets acquired	–	2,999,885,085	
Consideration paid for the capital stock	–	2,773,437,644	–
Liabilities assumed	–	226,447,441	–

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements as of September 30, 2001 and 2000 and for each of the three years in the period ended September 30, 2001 represent the consolidation of the financial statements of Universal Robina Corporation (the Parent Company) and the following subsidiaries directly and indirectly owned by the Parent Company. Material intercompany balances and transactions and unrealized profits and losses are eliminated in consolidation.

	Percentage of Ownership	
Investee Companies	**Direct**	**Indirect**
CFC Corporation	100	–
Universal Robina (Cayman), Ltd.	100	–
Universal Robina Sugar Milling Corporation (URSUMCO)	100	–
Southern Negros Development Corporation (SONEDCO)	–	94
CFC Clubhouse, Incorporated (formerly CFC Keebler, Incorporated)	100	–
CFC Clubhouse Property, Inc. (formerly CFC Keebler Property, Inc.)	100	–
URC International Co. Ltd. (URCICL)	77	–
Hong Kong China Foods Co. Ltd. and Subsidiaries	–	77
URC Asean Brands Co. Ltd. and Subsidiaries	–	77
Nissin - Universal Robina Corporation	65	–

In March 2000, the Company invested in 49% of the common shares and 100% of the preferred shares of URCICL, a company incorporated in the British Virgin Islands. Subsequently, URCICL formed two wholly owned subsidiaries, namely Hong Kong China Foods Co. Ltd. and URC Asean Brands Co. Ltd., also incorporated in the British Virgin Islands. These two wholly owned subsidiaries in turn, acquired for approximately ₱2.8 billion majority ownership of the following companies:

Company Name	Percentage of Ownership
URC Hong Kong Company Limited (formely Hongkong Peggy Snacks Foods Co., Limited)	100.00
Tianjin Pacific Foods Manufacturing Co., Ltd.	100.00
Shanghai Peggy Foods Co., Ltd.	100.00
Xiamen Tongan Pacific Food Co., Ltd.	100.00
URC Foods (Singapore) Pte Ltd (formerly Pan Pacific Snacks Pte Ltd)	100.00
URC (Thailand) Co., Ltd. (formerly Thai Peggy Foods Co. Ltd.)	100.00

Company Name	Percentage of Ownership
Panyu Peggy Foods Co., Ltd.	90.00
URC Snack Foods (Malaysia) Sdn. Bhd. (formerly Pacific World Sdn. Bhd.)	91.52
Ricellent Sdn. Bhd.	54.03
Presto Trading Co. Ltd.	48.98

The foregoing acquisitions were accounted for as a purchase. The excess of the acquisition costs over the fair values of the net assets acquired resulted in goodwill of ₱1.149 billion (reflected under "Other Assets – Unamortized goodwill" in the consolidated balance sheets) which is being amortized on a straight-line basis over ten years. The investment in URCICL is being included in the accompanying financial statements on the basis of the Parent Company's ownership of about 77% of the equity capital (outstanding common and preferred shares) and the control of the financial and operating policies of URCICL and its subsidiaries.

Revenue Recognition

Revenue is recognized when the goods are shipped to the buyer. Revenues are measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates.

Service fees are recognized as revenue when the related services have been rendered.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potential noncollectibility of receivables.

The level of this allowance is based on management's evaluation of past collection experience and other factors that may affect collectibility.

Cash Equivalents and Temporary Cash Investments

All highly liquid short-term investments purchased with original maturities of three months or less from dates of acquisition are considered cash equivalents. Long-term debt securities which the Parent Company and Subsidiaries do not intend to hold to maturity are classified as temporary cash investments.

Marketable Equity Securities

Marketable equity securities are carried at the lower of aggregate cost or market value determined at balance sheet date. The cost of marketable equity securities sold, if any, is determined using the average cost method.

Inventories

Inventories are valued at the lower of cost or market, except for poultry and hog market stocks and by-products which are stated at market, and poultry and hog breeder stocks which are stated at cost less allowance for depreciation. Cost is determined by the average method for finished goods, goods in process, raw materials, containers and packaging materials; by the first-in, first-out method for spare parts and supplies; and by specific invoice cost for materials in transit.

An allowance for inventory losses is provided for slow moving, obsolete and defective inventories based on physical inspection and management evaluation.

Deferred Costs

URSUMCO and its subsidiary, SONEDCO, uses the sugar crop year as the basis for revenue and expense recognition in its operations. Off-milling costs incurred during the year, which are applicable to the next crop year, are deferred (included in the "Other Current Assets" account in the consolidated balance sheets) and will be charged to production when regular milling for next crop year commences.

Equity Investments

Equity investments, representing 20% or more of the voting stocks, or where the ownership interest is less than 20% but where significant influence is exercised because of common control, are valued under the equity method. As such, the cost of the investments is increased or decreased by the Parent Company's equity in net earnings or losses of the investees since dates of acquisition net of dividends received. Equity in net earnings is being adjusted for the straight-line amortization, over a ten-year period, of the difference between the cost of such investments and the proportionate share in the underlying net assets at dates of acquisition.

Property, Plant and Equipment

Generally, property, plant and equipment are stated at cost less accumulated depreciation. In accordance with accounting principles generally accepted in the Philippines, certain property, plant and equipment are carried at appraised values as determined by an independent firm of appraisers (see Note 5). Additions subsequent to appraisal dates are stated at cost.

Depreciation is computed on the straight-line method over the estimated useful lives of the properties ranging from 2 to 50 years.

The costs of maintenance and repairs are expensed when incurred; significant renewals and betterments, which improve or extend the useful lives of the properties are capitalized to the appropriate property accounts. When assets are retired or otherwise disposed of, the cost and appraisal increase and their related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Goodwill

The excess of the cost of an acquisition over the Parent Company's and its subsidiaries' interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet (included under Other Assets account). Goodwill is carried at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over a ten-year period.

Intangible Assets

Amounts paid for patents, trademarks and licenses are directly charged to operations.

Costs of acquisition of the new software, which is not an integral part of the related hardware, are directly charged to operations.

Debt Issuance Expenses

Underwriting fees and other expenses incurred in connection with the issuance of the Notes have been deferred and are being amortized over the lives of the respective debt securities issued.

Preoperating Expenses

Expenses incurred prior to the start of commercial operations were capitalized (included in the "Other Assets" account in the consolidated balance sheets) and are being amortized for a period of five years.

Borrowing Costs

Borrowing costs are generally recognized as expense in the year in which these costs are incurred, except those borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets which are capitalized as part of the cost of such fixed assets.

The capitalization of borrowing costs as part of the cost of fixed assets (a) commences when the expenditures and borrowing costs for the fixed assets are being incurred and activities that are necessary to prepare the fixed assets for their intended use are in progress; (b) is suspended during extended periods in which active development, improvement and construction of the fixed assets is interrupted; and (c) ceases when substantially all the activities necessary to prepare the fixed assets for their intended use are complete.

Foreign Currency Transactions

Foreign currency transactions are recorded in peso by applying to the foreign currency amount the exchange rate between the peso and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized in the income statement in the period in which they arise.

Foreign exchange translation adjustments on foreign currency denominated liabilities incurred in the acquisition and construction of property, plant and equipment are capitalized as part of the cost of the assets acquired or constructed.

In March 2000, the Accounting Standards Council issued Exposure Draft No. 37 (ED 37), *The Effects of Changes in Foreign Exchange Rates* (revised), which will eliminate the deferral of foreign exchange differentials but will allow the capitalization of foreign exchange differentials only under modified conditions. This was supposed to be effective on January 1, 2002 but will be likely be deferred. Upon adoption of ED 37, the Company will adopt the provisions on capitalization of foreign exchange losses on a prospective basis and eliminate the deferral of foreign exchange losses.

Foreign Operations

The operations of Universal Robina (Cayman), Ltd. is regarded as integral to the operations of the Parent Company. Accordingly, the translation principles are applied as if the transactions of the foreign operation had been those of the Parent Company, i.e. foreign currency monetary items are translated using the closing rate, non-monetary items are translated using the historical rate as of the date of transaction. Income and expense items are translated at the exchange rates that correspond with the dates of the underlying transactions. Resulting exchange differences are recognized in the income statement during the year.

Foreign Entities

URCICL and its subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are their respective local currencies. Accordingly, the financial statements of foreign entities are translated at the year-end exchange rates with respect to the balance sheet, and at the exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in "Cumulative translation adjustment" account in the Stockholders' Equity section of the consolidated balance sheets.

Deferred Income Tax

Deferred tax assets and liabilities are recognized for the (a) future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases, (b) carryforward benefit of excess of minimum corporate income tax over the regular income tax and (c) net operating loss carryover. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Retirement Costs

Retirement expense is determined using the attained age actuarial cost method. Unrecognized experienced adjustments and past service costs are amortized over the remaining average service lives of the employees.

Earnings Per Share

Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

2. Receivables

This account consists of:

	2001	2000
Trade	**₱ 1,996,405,559**	₱ 1,745,203,244
Affiliated companies (see Note 11)	**6,825,681,380**	2,297,024,892
Others	**787,028,777**	1,122,837,889
	9,609,115,716	5,165,066,025
Less allowance for doubtful accounts	**66,755,410**	59,321,668
	₱ 9,542,360,306	₱ 5,105,744,357

3. Inventories

This account consists of:

	2001	2000
Finished goods	**₱ 733,035,769**	₱ 572,560,305
Poultry and hog market stock and by-products	**472,296,953**	405,830,164

(Forward)

	2001	2000
Goods in process	**41,431,299**	38,034,924
Raw materials	**1,150,937,261**	967,114,185
Poultry and hog breeder stock	**89,693,164**	83,094,381
Container and packaging materials	**508,942,286**	408,269,453
Spare parts and supplies	**406,129,244**	403,721,596
Materials in transit	**1,537,929,487**	1,169,455,325
	4,940,395,463	4,048,080,333
Less allowance for inventory losses	**14,083,364**	18,174,285
	₱ 4,926,312,099	₱ 4,029,906,048

Under the terms of agreements covering liabilities under trust receipts totaling ₱ 250.9 million in 2001 and ₱ 97.6 million in 2000, certain inventories have been released to the Parent Company in trust for the banks. The Parent Company is accountable to these banks for the trusteed merchandise or their sales proceeds.

4. Equity Investments

This account consists of:

	2001	2000
Acquisition cost	**₱ 733,281,353**	₱ 633,281,353
Accumulated equity in net earnings:		
Balance at beginning of year	**201,679,421**	156,992,682
Equity in net earnings for the year (net of goodwill amortization of ₱4,126,155)	**65,418,581**	64,686,719
Dividends received	**(27,499,921)**	(19,999,980)
Balance at end of year	**239,598,081**	201,679,421
	₱ 972,879,434	₱ 834,960,774

The investments represent equity interests in Hunt-Universal Robina Corporation (50%), Joyco-Universal Robina Corporation (50%) and Robinsons Land Corporation (6%).

5. Property, Plant and Equipment

This account consists of:

	2001	2000
At cost:		
Land improvements	**₱ 417,996,323**	₱ 494,994,294
Buildings and improvements	**3,797,166,256**	3,313,245,663
Machinery and equipment	**13,754,180,023**	11,893,303,943
Transportation and equipment	**1,087,556,797**	1,015,885,375
Furniture, fixtures and equipment	**526,684,537**	458,915,435
	19,583,583,936	17,176,344,710
Less accumulated depreciation	**8,391,448,727**	7,100,536,274

(*Forward*)

	2001	2000
	11,192,135,209	10,075,808,436
Land	**877,218,671**	520,651,841
Equipment in transit	**619,875,220**	855,845,602
Construction in progress	**359,130,362**	388,679,330
	13,048,359,462	11,840,985,209
Appraisal increase:		
Land	**41,979,471**	41,979,471
Land improvements	**7,749,749**	7,749,749
Buildings and improvements	**523,188,339**	523,188,339
Machinery and equipment	**589,073,064**	589,073,064
Transportation equipment	**1,543,492**	1,543,492
Furniture, fixtures and equipment	**2,275,200**	2,275,200
	1,165,809,315	1,165,809,315
Less accumulated depreciation	**1,064,098,077**	1,060,004,399
	101,711,238	105,804,916
	₱ 13,150,070,700	₱ 11,946,790,125

Certain property, plant and equipment of the Parent Company and a consolidated subsidiary were appraised by independent firms of appraisers as of May 29, 1987 and September 26, 1977. The recording of such appraisals increased the valuation of these properties by about ₱1.2 billion. The net appraisal increase pertaining to these properties as of September 30, 2001 and 2000 amounted to about ₱101.7 million and ₱105.8 million, respectively, and the depreciation of appraisal increment for each of the three years then ended amounted to about ₱4.1 million. The amount of revaluation increment absorbed through depreciation is being transferred to Retained Earnings.

Certain property, plant and equipment of the Parent Company are used as collateral on a credit line extended by a local bank.

Depreciation charged to operations (including annual depreciation on appraisal increase of about ₱4.1 million) amounted to about ₱1.3 billion in 2001, ₱1.2 billion in 2000 and ₱971.1 million in 1999.

The change in property accounts, arising from restatements of foreign currency denominated liabilities to exchange rate as at balance sheet date is an increase of ₱36.2 million in 2001 and a decrease of about ₱19.1 million in 2000 and ₱65.8 million in 1999. Interest charges on loans capitalized to property accounts amounted to about ₱24.2 million in 1999.

In 2001, certain property and equipment with cost of about ₱74.1 million, which have become idle for an extended period, were separately included under “Other Assets” account in the consolidated balance sheets. These assets are carried at their estimated net realizable values or net carrying value, whichever is lower.

6. Other Assets

This account consists of:

	2001	2000
Unamortized goodwill - net	**₱ 1,302,154,234**	₱ 1,178,903,993
Others	**306,752,415**	352,614,785
	₱ 1,608,906,649	₱ 1,531,518,778

The unamortized goodwill resulting from URCICL's acquisition of various companies discussed in Note 1 has been translated at the year-end exchange rate in accordance with the current rate method of translating financial statements of foreign entities discussed also in Note 1.

7. Loans Payable

This account includes short-term promissory notes issued to and loans on certain trade receivables obtained from local banks. Interest is based on prevailing market rates.

8. Long-term Debt

This account consists of:

	2001	2000
Foreign Currencies:		
Balance of US$100 million, 8 3/8% Guaranteed Notes Due 2006, interest payable on June 19 and December 19 of each year	**₱3,349,275,996**	₱3,222,293,851
Balance of loan from a foreign bank, payable in 16 semi-annual installments starting March 11, 1998 at floating interest rate determined on a semi-annual basis	**228,355,073**	248,157,037
Philippine Pesos:		
Balance of restructured loans to Philippine Sugar Corporation payable in 25 equal annual amortizations of ₱9,884,321 (including interest amounting to ₱6,023,882 in 2001 and ₱6,293,214 in 2000)	**80,318,420**	83,909,527
	3,657,949,489	3,554,360,415
Less current portion	**60,949,208**	53,222,515
	₱ 3,597,000,281	₱ 3,501,137,900

On December 19, 1996, Universal Robina (Cayman) Ltd., a wholly owned subsidiary, issued US$100 million, 8 3/8% Notes Due 2006 (the Notes) 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 December 19, 2006. The subsidiary reacquired US$4.5 million in 2001 and US$12.0 million in 2000 worth of Notes which resulted to a gain of ₱33.6 million in 2001 and ₱48.7 million in 2000. The gain on reacquisition of Notes are included in the "Other Income" account in the consolidated statements of income and retained earnings.

Underwriting fees and other expenses incurred in connection with the issuance of the Notes have been deferred and are being amortized over the terms of the respective debt securities issued. Accumulated amortization amounted to ₱11.7 million and ₱10.0 million as of September 2001 and 2000. Debt issuance expenses are included in the "Other Assets" account in the consolidated balance sheets.

Republic Act (R.A.) 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 crop year 1984-1985. The guidelines for the implementation of R.A. 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.

Some of the loan agreements contain certain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, relate to the Company's ownership structure and nature of business, merger or consolidation with another entity, and acquisition of its own capital stock. Certain assets of a subsidiary are used to secure its loans.

9. Deferred Credit

This account represents the excess of the carrying book value of CFC Corporation as of September 30, 1993 over the value used as the basis for the exchange of the shares of stocks between J.G. Summit Holdings, Inc. (JGSHI), the major stockholder, and the Parent Company. This is being amortized over 10 years.

10. Capital Stock

This account consists of:

	2001	2000
Preferred stock - ₱1 par value		
Authorized - 2,000,000 shares		
Issued – none		
Common stock - ₱1 par value		
Authorized - 1,998,000,000 shares		
Issued – 1,636,607,993 shares in 2001 and 1,487,825,451 shares in 2000	**₱ 1,636,607,993**	₱ 1,487,825,451

The authorized preferred stock is 12% cumulative, nonparticipating, nonvoting and redeemable at par upon dissolution and liquidation of the Parent Company.

A portion of the retained earnings representing the undistributed earnings of the investee companies amounting to about ₱1.4 billion in 2001, ₱867.2 million in 2000 and ₱565.2 million in 1999 are not available for dividend declaration until received in the form of dividends.

On August 3, 2001, the Parent Company's Board of Directors approved the issuance of 55,659,008 shares to an affiliate and its major stockholder in exchange for two (2) parcels of land and certain marketable equity securities, respectively, valued at ₱250,465,533. This is reflected as deposits for future stock subscriptions in the Parent Company's 2001 balance sheet. The Securities and Exchange Commission has not yet approved these transactions.

11. Related Party Transactions

The Parent Company, in its regular conduct of business, has engaged in transactions with its major stockholder, JGSHI, and its affiliated companies. These transactions principally consist of sales, purchases and interest-bearing, at current rates, advances to and from these companies, and are shown under appropriate accounts in the consolidated financial statements.

Sales to and purchases from affiliated companies amounted to about ₱60.5 million and ₱1.2 billion, respectively, in 2001, ₱18.2 million and ₱557.0 million, respectively, in 2000, and ₱8.6 million and ₱492.0 million, respectively, in 1999.

Advances made to affiliated companies amounted to about ₱2.9 billion in 2001 and ₱2.2 billion in 2000. Advances received from affiliated companies amounted to about ₱606.7 million in 2001 and ₱1.2 billion in 2000. These advances generally bear current rates of interest.

In August 2001, Universal Robina (Cayman), Ltd. assigned certain investments in long-term debt securities, at their carrying values including accrued interest receivable, to JG Summit Philippines Ltd.

12. Provision for Income Tax

The components of the net deferred tax assets and liabilities of the Parent Company are as follows:

	2001	2000
Current:		
Deferred tax assets:		
Allowance for doubtful accounts	**₱16,160,000**	₱14,880,000
Unrealized foreign exchange loss on trust receipts and acceptances payable	**2,012,779**	–
Allowance for inventory losses	**320,000**	320,000
	18,492,779	15,200,000
Deferred tax liabilities:		
Unrealized foreign exchange gain on advances	**111,384,225**	84,052,958
Unrealized profit on excess of market value over cost of hog market stocks	**47,717,355**	32,310,585
Unrealized foreign exchange gain on money market placements	**9,372,583**	6,233,863

(Forward)

	2001	2000
Others	**2,945,174**	–
	171,419,337	122,597,406
Net current liabilities	**₱ 152,926,558**	₱ 107,397,406
Noncurrent:		
Deferred tax assets:		
Unrealized foreign exchange loss	**₱ 222,464,765**	₱ 193,315,357
Deferred tax liabilities:		
Unamortized capitalized interest	**47,497,099**	54,292,735
Unamortized past service cost	**11,780,698**	14,668,296
Others	**8,709,780**	3,693,046
	67,987,577	72,654,077
Net noncurrent assets	**₱ 154,477,188**	₱ 120,661,280

The net deferred tax assets of the consolidated subsidiaries amounting to ₱4,015,026 in 2001 and ₱3,014,925 in 2000 (included in the "Other current assets" account in the consolidated balance sheets) pertain mainly to the future tax consequences attributable to the allowance for doubtful accounts, allowance for inventory losses and unrealized foreign exchange differentials.

The reconciliation of statutory income tax rate to effective income tax rate follows:

	2001	2000	1999
Statutory income tax rate	**32.00**	32.25	33.25
Additions to (reductions in) income tax resulting from:			
Net income of a foreign subsidiary for which no tax was provided	**(8.73)**	(2.62)	(2.19)
Equity in net earnings of affiliated companies not subject to tax	**(1.44)**	(2.36)	(1.47)
Provision for decline (recovery) in value of marketable equity securities	**0.94**	2.64	(4.17)
Income entitled to tax holiday	**(0.92)**	(1.73)	(5.28)
Interest income subjected to final tax	**(0.78)**	(1.61)	(0.69)
Final withholding tax on interest income	**0.46**	0.32	0.42
Interest income exempt from tax	**(0.24)**	(0.23)	(0.04)
Reduction in allowable interest expense	**0.18**	0.13	0.24
Reversal of deferred income tax	–	(18.92)	–
Others	**1.48**	(1.75)	1.16
Effective income tax rate	**22.95**	6.12	21.23

13. Other Charges

The account includes, among others, provision for decline in value of marketable equity securities, write-offs, amortization of deferred charges and goodwill, foreign exchange loss, plant shutdown and other expenses, net of other income.

14. Registration with Government Authorities

Certain operations of the Parent Company and the consolidated subsidiaries are registered with the Board of Investments as preferred pioneer and nonpioneer activities. As registered enterprises, the companies are subject to certain requirements and are entitled to certain tax benefits and nontax incentives which are considered in computing the provision for income tax (see Note 12).

15. Retirement Costs

The Parent Company has a noncontributory retirement plan covering all its regular employees. The plan provides retirement, separation, disability and death benefits to its members. The Parent Company, however, reserves the right to discontinue, suspend or change the rate 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 trustee. As of July 1, 1998, the latest actuarial valuation, the unfunded present value of retirement benefits amounted to ₱174.4 million. The principal assumptions used to determine retirement benefits were an interest rate of 9% and average salary increase of 10% per annum.

Retirement costs charged to operations, including amortization of past service cost, amounted to about ₱180.8 million in 2001, ₱26.7 million in 2000, ₱40.6 million in 1999.

16. Earnings Per Share

Earnings per share amounts were computed as follows:

	2001	2000	1999
Net income attributable to stockholders	**₱ 1,062,070,128**	₱ 867,452,796	₱ 905,788,613
Divide by the weighted average number of outstanding common shares	**1,636,607,993**	1,636,607,993	1,636,607,993
	₱ 0.65	₱ 0.53	₱ 0.55

17. Others

Certain accounts in prior years financial statements have been reclassified to conform with the current year's presentation.

ORGANIZATIONAL STRUCTURE