Universal Robina

Annual Report 2016

AT A GLANCE

Universal Robina

Annual Report 2016

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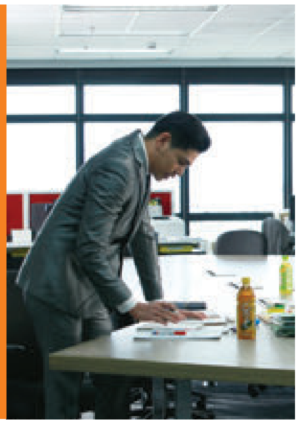

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Contact information of our Philippine and International offices

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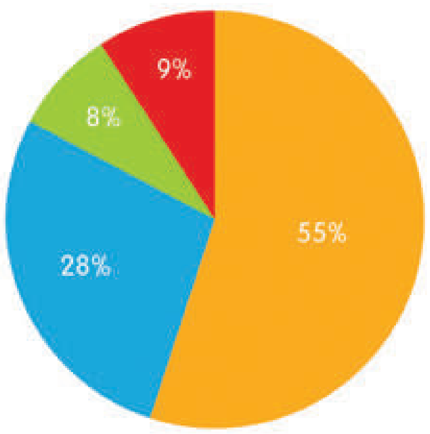
Financial Highlights

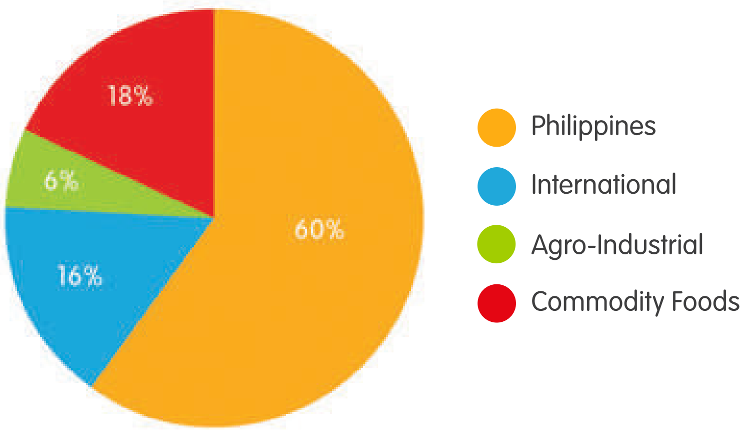
IN BILLION PESOS, EXCEPT PER SHARE DATA

	2016	2015	%growth
Income Statement			
Net Sales	111.63	109.05	2%
Gross Profit	36.54	35.25	4%
Operating Income	16.81	17.37	-3%
Core Earnings Before Taxes	15.90	16.35	-3%
Balance Sheet			
Total Assets	141.44	110.75	28%
Total Liabilities	66.17	45.39	46%
Stockholders' Equity	75.27	65.36	15%
Per Share			
Earnings	6.94	5.68	22%
Book Value	34.06	29.92	14%

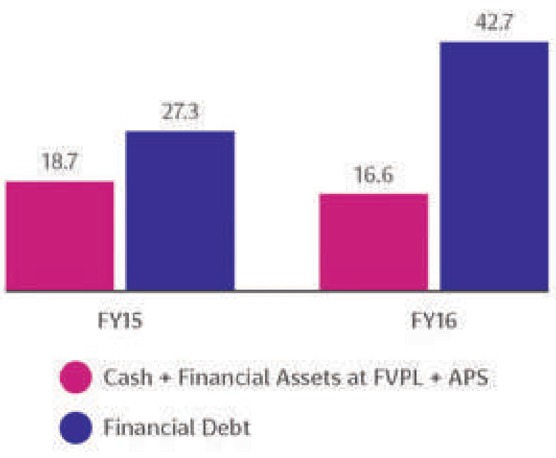
FY2016 Sales Split



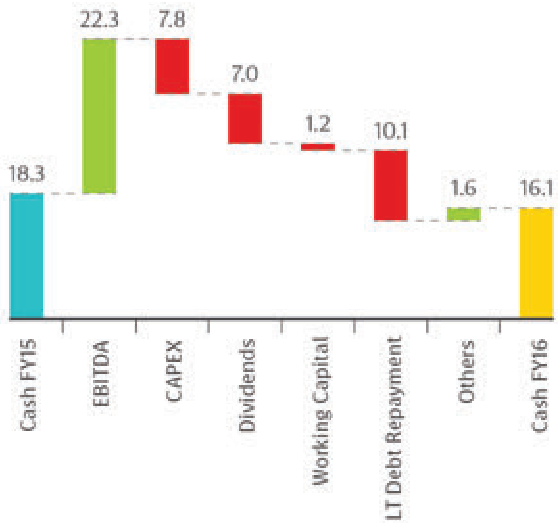
FY2016 EBIT Split



Cash and Financial Debt



Cash Position



2016 Key Highlights

OCT 2015

Launched Great Taste White Twin Pack which significantly contributed to domestic sales

Operated in full the first Poultry Biogas plant in the Philippines, in Naic, Cavite

NOV 2015

Introduced Griffin's in the Asian market, starting wih 12 SKUs in Singapore

DEC 2015

Implemented the first Philippine Laser De-beaking Technology in support of animal welfare

JAN 2016

Inaugurated our world-class AAA, CGMP, and ACCP-approved slaughterhouse and fabrication facility in Antipolo

FEB 2016

Acquired Balayan Sugar Mill in Batangas that made us the largest sugar producer in the Philippines based on capacity

MAR 2016

Launched new flavor of Nissin Cup Noodles, Creamy Seafood, which boosted local revenues

Opened our first meat shop under the Robina Farms brand in Antipolo to further expand our reach to consumers

MAY 2016

Invested in bargesto improve our Flour business' Logistics operations

JUN 2016

Launched Maxx's Gums Flip-Top Bottle, a soft and chewy candy format fit for modern trade

JUL 2016

Introduced Griffin's to the Philippines with seven SKUs (four chocolate-coated biscuits and three Cookie Bear for kids)

Calbee-URC carried our Jack 'n Jill Calbee pop-up stores that successfully engaged its target customers

Danone-URC launched the 330ml B'lue, a smaller-sized SKU to increase the product accessibility

AUG 2016

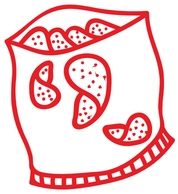
Celebrated our 60th anniversary and launched our new brand identity

SEP 2016

Launched Robina Farms' new brand identity - "Robina Raised, Family Safe. No Antibiotic. No Hormone."

Completed our acquisition of Snack Brands Australia, the second largest salty snacks player in Australia

Message of the Chairman and CEO



To Our Valued Shareholders,

Global growth remained tepid in the first half of 2016 as a combined result of forces and unexpected turn of events, such as Brexit; ongoing realignments in China and among commodity exporters; slow-moving trends in demographics and productivity growth and geopolitical uncertainties. Over the past few years, the fall in commodity prices affected many economies which exacerbated macroeconomic imbalances and dried up foreign currency in most of the emerging market regions. Asia's growth was held up amidst the difficult external environment. Domestic demand remained robust across much of the region and continued low commodity prices benefited commodity importers and kept the inflation low. This was mainly buoyed by the astonishing growth in the Chinese economy as private consumption remains strong and investment appears to be recovering albeit at a slow pace.

In the ASEAN region, the economy suffered from weak external demand and lackluster investment, while public spending failed to pick up the slack. Investors pulled dollar investments and shifted to the US due to its higher interest rates. Consumption was a source of growth in most ASEAN countries as exports grew slowly. These countries have to recalibrate their medium-term trade programs and tap other markets so as not to depend heavily on China's growth in exports. Zooming in to the Philippines, the surge in investment and strong consumption drove high growth supported by the sound macroeconomic fundamentals, highly competitive workforce and robust domestic demand. The Oceania region continues its solid growth with Australia's strong domestic household consumption and exports and New Zealand's growing inbound migration, tourism, and construction activities.

URC: CHALLENGING 2016

After several years of strong performance, URC's FY2016 was the most challenging by far. The company faced several issues such as the price competition in the Philippines for its key categories, namely coffee and salty snacks as well as the product recall in Vietnam for our two beverage brands, C2 and Rong Do. These resulted to a slower than expected sales growth vs last year (LY) of 2% to Php 111.6B. Divisions that still managed to grow include BCF Philippines and Indonesia, Sugar and Renewables (SURE), and Feeds.

Full year margins declined by 3%, amounting to Php 16.8B mainly attributable to the unexpected recall we faced in Vietnam in the second half (2H) and lower contribution from Farms. Our core earnings before tax registered at Php 15.9B which was a 3% decline due to our net finance cost of Php 684M as we continue to pay interest on our long-term debt used for the Griffin's acquisition and our share of equitized losses on our joint ventures with Calbee and Danone amounting to Php 234M as we continue to build brand equity and scale up distribution.

The business continued to maintain a strong balance sheet with robust cash flow generation at Php 16.1B as of September 2016. EBITDA reached Php 22.3B and cash flow from operations generated Php 21.1B. Major cash outflows for the period were CAPEX, dividends

James L. Go
Chairman

Lance Y. Gokongwei
President and Chief Executive Officer

and partial repayment of our long-term debt for the Griffin's acquisition amounting to Php 7.8B, Php 7.0B and Php 10.1B, respectively. On the other hand, our gearing ratio was at 0.57. We were in a net debt position of Php 26.1B due to the addition of a long-term debt to partially finance the acquisition of Snack Brands Australia amounting to AUD 484M. Total company's Net Debt to EBITDA ratio stood at 1.17x post SBA acquisition.

BRANDED CONSUMER FOODS GROUP: MANAGED TO NAVIGATE A VERY CHALLENGING FISCAL YEAR

Total BCF business experienced a very challenging fiscal year. After years of continued growth in topline and profitability, it faced two significant issues – the tougher competitive environment in the Philippines for our top two categories which are coffee and salty snacks, and the regulatory issue in Vietnam which forced us to recall two of our top selling brands in the 2H. Sales were flat amounting to Php 91.4B vs last year's Php 90.7B. The issue in Vietnam negatively affected results, but was offset by the slight increase in the Philippines and sustained momentum in Indonesia. Excluding Vietnam, total BCF sales increased by 4%. EBIT was at Php 14.0B compared to Php 14.5B LY as Vietnam pulled down overall results. Excluding Vietnam, BCF's EBIT grew by 2%.

BRANDED CONSUMER FOODS GROUP - PHILIPPINES: TOPLINE GREW SLOWER THAN EXPECTED AS A RESULT OF INCREASING COMPETITIVE PRESSURES

Sales grew slower than expected for the fiscal year amounting to Php 59.9B, a 4% increase from LY. On a positive note, BCF PH managed to grow sales volume by 10%, but was affected by two factors resulting to tepid growth on revenue and profitability. These factors were tougher comparable for coffee and the change in product mix which is now skewed towards lower value categories like C2 Solo, Water, Refresh Juices and Twin packs. Total BCF PH EBIT registered at Php 11.0B, a growth of 3% as we benefitted from lower input cost in 1H on major raw and packaging materials. However, spot prices of some key materials increased in the latter half of the year which resulted to a slight dip in full year EBIT margins of 17 basis points (bps).

Total Beverages was flat with mixed performances on Coffee and Ready-to-drink (RTD) Beverages. RTD Beverages was the fastest growing category at 18% driven by RTD Tea, Water and Juice while Coffee decreased by 5% brought about by the intense price competition in this saturated market. Instant coffee was challenged by the competitors' aggressive above-the-line (ATL) and below-the-line (BTL) marketing efforts and sustained decline in the total segment. Coffee Mixes was slightly flat despite the double-digit growth of Great Taste White as this was offset by lower sales of our non-white stock keeping units (SKU). Our Snack foods grew by 4% vs SPLY. Salty Snacks remained predominantly flat as sales gains from Multigrain and Natural Potato were pulled down by Corn Chips and Pelletized snacks. Bakery was up 6% with Biscuits and Cakes growing accordingly. Confectionery also grew by 6% with strong sales of Chocolates while Candies remained steady. Drilling down to channel performance, our Modern Trade grew faster at 7% vs Traditional Trade's 2% growth.

On our joint ventures, Nissin continues to grow by 13% especially on Nissin Cups, Payless Xtra Big, and Nissin Ramen. On the other hand, Calbee managed to grow by 49% grabbing 1% share of the total salty snacks category blocking other premium snacks to grow while Danone showed a strong performance with sales growth of 313% vs LY with higher modern trade sales supported by the airing of a TV Commercial campaign, on-site interactive activations in malls and universities complemented by digital media, and sales incentives. As of September 2016, B'lue already captured 14% in Sports, Energy & Functional Water segment in the modern trade.

Overall, BCF Philippines was able to defend market shares on coffee and snacks with continuous focus on innovation despite aggressive competition. We have also preserved our margins with our strong focus and discipline in advertising and promotions (A&P) investments as well as sourcing optimization for coffee.

BRANDED CONSUMER FOODS GROUP - INTERNATIONAL: TOPLINE AND EBIT RESULTS PULLED DOWN BY SIGNIFICANT DECLINE IN VIETNAM

2016 was a difficult year for our international business mainly due to Vietnam's product recall. This market is a significant contributor to revenue and profits thus the issue dragged down international and overall company results.

Total International's sales declined by 5%, amounting to Php 31.5B due to Vietnam and Griffin's weak private label business in Australia despite the growth of Indonesia, Thailand and Malaysia. Excluding Vietnam (VN), sales grew low single-digit. Total International EBIT registered at Php 3.0B, a 23% drop. Excluding VN, EBIT was partially flat driven by the decline in New Zealand and losses from Indonesia and Myanmar as we continue to invest on brand building and distribution.

Below are the highlights in major international markets where we operate.

Indonesia remains on track on its solid growth driven by all categories. We continue to grow in the modern retail convenience channels with the launch of new products such as Seaweed 85g, Ciken Bon, and Chicken Teriyaki 85g. The 85g is now our best-selling size in the modern trade coming from the original 50g. We also continue to do distribution drives for Cloud 9 Crunchy via freelance motorist program and retailers' redemption program.

Our Thailand business managed to grow in terms of local currency (LCY) despite the decline in exports due to currency devaluation of Nigeria, one of its markets. URC is still number one in biscuits and wafers categories in Thailand and this market is also showing signs of positive recovery in consumer sentiment as evident in our domestic sales last quarter. Candies and chocolates posted double-digit growths, and major categories like Snacks and Wafers were also up by mid to high single-digit growths. We continue to implement consumer and trade promotions to buoy up demand as well as introduce new products such as Roller Coaster Ring and Mini Ring Seaweed last June and Griffin's with seven SKUs last September.

Malaysia increased due to strong performances from Chocolates and Wafers. The market has also started to show signs of recovery in terms of market shares. Cloud 9 performed positively with Cloud 9 party packs and multipacks.

New Zealand sales for Griffin's were approximately flat vs the prior year due to lower volumes but higher Net Sales Value/kg (NSV/kg) as a result of premium pricing innovation, strategies to manage promotional pricing better and more efficient investments on trade spending. The Crackers business continued to exceed expectations with strong growth from Huntley and Palmers Flat breads which further provided 500 bps in market shares. Australia remained challenged in the private label space due to margin pressures coming from retailers and the entry of low priced biscuits. The branded bars business stabilized over the past few months despite the decline in the total category and we are currently the fourth largest player in the wrapped snacks category.

On our Vietnam business, the product recall in May pulled down total international results. The business was performing strongly during the first half of the year driven by our beverage sales supported by wholesaler programs and new products, but sales started to dip in the latter part of May due to the recall. On snack foods, we launched new products such as Salsa Tomato Potato Chips and Roller Coaster to strengthen our product portfolio.

Lastly, our youngest frontier market, Myanmar has been expanding this year with new distributor and product offerings. We have established a stronger distribution system with our new partner, which has four branches across the country. Our new snacks line, which manufactures Kyut Kyut and Chiz King, has also started its commercial run.

NON-BRANDED CONSUMER FOODS GROUP: TOPLINE BOOSTED BY SURE AND FEEDS WHILE FARMS DILUTED OPERATING INCOME

Total Non-Branded Consumer Foods Group composed of Commodity Foods Group (CFG) and Agro-Industrial Group (AIG), registered a double-digit topline growth of 11%, amounting to Php 19.1B from Php 17.2B SPLY driven by strong performances of Sugar and Feeds. In terms of EBIT, total Non-BCF was stable at Php 4.4B.

Agro-Industrial Group (AIG) was predominantly flat at 2% growth due to the negative performance of Farms.

Feeds increased by 21% resulting to Php 5.1B as a result of higher sales volume of hog feeds, dog food and game fowl feeds on the back of aggressive sales activities and the increase in distribution networks supported by the Kabalikat Farm Program covering hog and game fowl raisers. Farms, on the other hand, posted Php 4.1B, a 15% drop vs. last year. Live hogs were challenged due to lower average selling price while Fresh Meat Cuts (FMC) expanded from strong sales activities in Hotel & Restaurant Institutions (HRI) and meat shops. For this year, HRI customers and company-ran meat shops have grown to 70 accounts and 51 outlets respectively. AIG has initiated its farm to fork model supported by its innovations and has also inaugurated its world class triple A CGMP HACCP approved slaughter house and fabrication facility in Antipolo. Aside from these, AIG aggressively captured the quality conscious meat segment of the country as embodied by the Robina Farms brand with its key position of "Robina raised, Family safe products".

AIG posted an EBIT of Php 1.0B, down 10% vs last year as a result of mortalities on the Farms segment.

Commodity Foods Group (CFG) composed of SURE (Sugar and Renewables) and Flour divisions pushed up total Non-BCF business with 21% increase, amounting to Php 10.0B.

Flour was flat at Php 4.0B as higher sales volume was offset by lower average selling price. Despite Flour's sales decline, the segment managed to slightly grow its EBIT to Php 1.2B this year due to lower input costs on hard and soft wheat and freight cost. URC invested in barges that helped the business improve its logistics operations with regards to the transport of wheat from the vessel to the plant. We also launched our consumer bread brand, Baker John which is now available in selected Robinsons and Ministop stores.

Sugar reached Php4.0B, a 20% growth vs LY due to incremental sales from the recently acquired Balayan Sugar Mill which contributed 5% to total sales, and higher average selling price uplifting the decline in refined sugar's sales volume. Renewables also complemented CFG's favourable performance, growing more than twice its size last year.

Sugar's EBIT declined by 18% as a result of the increased trucking allowance rates in order to keep up with competitors and unsold sugar inventories in the fourth fiscal quarter.

LOOKING AHEAD: OUR ROAD TO RECOVERY BEGINS

Global recovery is likely to gain further momentum in 2017, reinforced by faster US growth owing to a stronger USD and fiscal stimulus, continued resilience in Europe, and positive Emerging Market growth. The ASEAN region will benefit from an improvement in global growth and rising demand from Developed Markets, while the faster pace of the US Fed rate hikes and a continued slowdown in China may negatively impact growth.

With these backdrop, salient points to be on guard are disruptions from geopolitical tensions, policy uncertainties, financial market volatilities, tougher competitive landscapes, regulatory changes, inflationary pressures and rapid changes in technology.

New external realities are both opportunities and threats to our business with the growth of modern retail convenience stores, a pronounced shift in consumer preferences aligned to global trends especially on Health, Wellness and Nutrition. We also expect the increased and heightened competition as the new normal with the global multinationals getting more aggressive to push in value price points and several ASEAN based players trying to build a regional presence with the ASEAN Economic Community (AEC) in place.

We will stay focused by leveraging on our core organizational competencies and capabilities on innovation & speed to market, supply chain flexibility, sales and channel expertise and technology driven productivity. Our overall aim is to take the URC business on the path to recovery in CY2017.

To address all of these external factors, let me share with you our plans:

Innovation & Better Portfolio Management

We will maintain our robust innovation pipeline with exciting new high quality products that will continue to provide strong value proposition in the mainstream and affordable premium pricing range. Our plan is to focus on innovation and make it more strategic by launching brands or entering into untapped segments within snack foods and non-alcoholic beverage segments. These include more premium iterations in snacking such as indulgent biscuits from Griffin's, premium salty snacks from SBA and Calbee, functional and on-the-go beverages in the Philippines and Vietnam as well as targeted launches under the Jack 'n Jill mega brand across the ASEAN. We also plan to re-excite the coffee market with two new innovations on the category to reinforce the strong market position of Great Taste White.

We have also started projects to evaluate our portfolio with the aim of improving our ability to sell and market products, improve order fill rates and simplify the business. Programs such

as SKU rationalization, cost-volume-profit optimization through better pricing/mix will be put in place on a more deliberate basis that will enable us to bring back sales momentum and maintain profitability for our total branded foods business.

Improve Customer Engagement & Channel Strategy

We plan to further rationalize our route-to-market, channel focus and distribution strategy with the aim of improving our overall customer engagement. We will continue to drive availability by expanding coverage as well as monitor account productivity and profitability.

Key programs include increasing our sales per point of distribution in the Philippines, rolling-out of a separate distribution arm for snack foods in Vietnam to provide focus and increase contribution to total sales and engaging additional distributor partners in Myanmar. With the growth in modern retail and convenience stores, we plan to increase our modern retail coverage in Indonesia, to work and partner closer with convenience stores in the Philippines, Thailand and Malaysia and to establish a total customer-centric strategy in Oceania by combining and realigning SBA and Griffin's under a single, more-focused commercial team. For our joint ventures with Calbee and Danone, we will continue to build scale in terms of distribution and launch relevant SKUs (e.g. portion-control package sizes, accessible price points) to provide better access in our affordable premium products.

Drive Operational Synergies, Productivities with Strong Focus on Quality Management & Food Safety

On our supply chain, we will continue to optimize our multinational presence and best-in-class regional practices across the total URC system through regional procurement, sourcing, manufacturing and product development. We believe that we can further extract additional gains in these areas as we expand our scale outside the Philippines.

We will also ensure that we are supported with outstanding manufacturing capabilities with extreme focus on quality management that is best in class. We have engaged SGS of Switzerland to do another round of assessment and recertification for our total BCF supply chain system and incorporate standards such as Food Safety System Certification (FSSC) 22000.

Continue to Invest Wisely in Growth and Capacity

Our CAPEX plans for 2017 will be targeted towards expanding our capacities and improving our handling & distribution and operational efficiencies throughout the business such as new lines for Nips, Conbar and Canister Making, and new factory building in Malaysia, new biscuits and candy plant in Thailand, new facility in Indonesia that will house a biscuits line, a bottle making equipment for our beverage business in Vietnam, and a mega DC warehouse and new Raw and Packaging Material warehouse in the Philippines. We also plan to deploy strategic investments to expand capacities on salty snacks in Australia with the growth of SBA's business aligned to our plan to optimize sourcing for total Oceania and eventual exports to Asia.

On our Non-branded foods business, key CAPEX items for 2017 will be the expansion of our hogs' sow level for AIG, flourmill expansion in Flour's Davao and Manila plants, and capacity expansion in Passi Mill for Sugar.

Drive Vietnam Recovery

We are now moving forward and are hopeful on the path to recovery after hurdling the significant challenge on the recall and getting the clearance from the Vietnam MOH last August 2016. We have to execute a phased approach to enable us to bring the business back on track. Our main focus continues to be the health and welfare of our consumers not only in Vietnam but in all of the markets we operate.

We will rebuild our Vietnam business and repair the damage both to our corporate reputation as well as to the equity of our two strong brands. We will always have a long view as a business and will keep the value of integrity as a core in the way we do and conduct business for all our stakeholders.

The short-term plan for CY2017 is to relaunch C2 and Rong Do as high quality brands of URC with a fresher look and packaging. This will be driven by a strong and authentic marketing campaign with a message on product provenance (ingredients from Vietnam, safe and traceable) as well as our own employees being ambassadors of the brand and communicating how we do things in quality and manufacturing.

We also plan to rebalance the overall product portfolio of our Vietnam business to minimize risk by strengthening both beverage and snack foods categories.

Sustainability

As URC embarks on its journey to become one of the premiere food and beverage companies in Asia and Oceania, it is incumbent to start harnessing and embracing sustainability as part of URC's core strategy. We are doing this to ensure continued business growth and guarantee that we stay relevant as an organization with a clear purpose to all our stakeholders. Together with the management team and our stakeholders, we will address existing gaps through innovation and other investments that must be made.

Starting this year, we will begin our sustainability journey and we will be releasing our first Sustainability Report aligned with the G4 standards of Global Reporting Initiative (GRI) that will consistently communicate our programs to our stakeholders showing our long-term commitments or key focus areas addressing material issues to the business and our stakeholders.

Consolidate SBA and Griffin's into URC Oceania to Extract Synergies

Our new strategic thrust post SBA acquisition is to leverage on the combined strengths of a strong URC parent, SBA and Griffin's to build a large, profitable and dynamic snacking business in the Oceania region. We will execute the plan with the consolidation of the business under a single leadership that will enable us to achieve quick wins and synergies better and faster. Key priorities include maintaining the strong growth momentum of SBA core salty snacks business in Australia, implementing best-in-class practices/operational discipline both in supply chain and sales coming from SBA to Griffin's to mitigate costs leakages and right-sizing the total organization to avoid duplications and harmonize decision making. With these priorities, we plan to start lifting overall profits in the next two years especially for Griffin's as well as make the organization leaner and more dynamic. Medium to longer term plans are also being considered related to operational efficiencies, asset productivity and capital optimization for total Oceania.

IN CLOSING,

2016 marked URC's 60th year from our humble beginnings as a small corn starch manufacturer in the Philippines in the 1950's to now a premiere multinational company in Asia and Oceania. Throughout these years, we remained true to our core organizational culture of being entrepreneurial with a strong drive to succeed and grit to compete.

We are now at an inflection point where we need to compete at a higher level across markets and to accelerate our organizational transformation to further strengthen our culture of innovation and dynamism. With this in mind, we plan to continue in bringing delight to our customers and make lives better for all our stakeholders in the years to come. This thrust is in line with our vision to be one of the leading FMCG players in Asia and Oceania regions.

Your support and confidence enabled us to continue to deliver value to you, our stakeholders despite the difficult challenges in the business landscape last year.

Thank you very much for your trust and partnership.

James L. Go
Chairman

Lance Y. Gokongwei
President and
Chief Executive Officer


CUP NOODLES
Sotanghon Chicken


TEAR HERE
JACK'n JILL
Tostillas
NACHO CHEESE FLAVORED TORTILLA CHIPS
NACHO CHEESE FLAVOR


Great Taste
White
3-in-1 COFFEE MIX
30g
Smooth & Caramelly

Our Company


JACK'n JILL
Potato Chips
Vcut
SPICY BARBECUE FLAVOR
Made from 100% real potatoes

Vision and Values

Our VISION is to be the best Philippine food and beverage company with a powerful presence throughout the ASEAN and Oceania region, carrying a wide portfolio of delightful brands of exceptional quality and value, equipped with efficient systems and engaged human capital. We are committed in making lives a truly fun experience.

Central to this vision are our core values:

PASSION TO WIN

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

DYNAMISM

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

INTEGRITY

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

COURAGE

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

Who We Are

Universal Robina Corporation (URC) is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational." URC has established a strong presence in ASEAN and has further expanded its reach to the Oceania region through the acquisition of Griffin's Food Limited, the number one snack foods company in New Zealand, and Snack Brands Australia, the second largest salty snacks player in Australia. URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and day-old pullets, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through Distillery and Cogeneration divisions.

Celebrating 60 Years

Last August 20, 2016, we celebrated our 60th anniversary. Our employees enjoyed the activity booths, sponsored by the different URC product divisions, that showcased how much we've achieved throughout our years of operations. The overall message of the celebration was very clear: to thank all employees for being part of our wonderful journey and for their significant contribution in making URC one of the largest branded snack foods & beverage, agro-industrial and commodity foods companies in the Philippines.

Transforming the URC Brand

Over the past years, we have become a very successful local player and have emerged as a significant regional player. Our transformation reflects our ambition to become a borderless multinational company offering innovative and exciting products across the globe.

Our Brand Promise

Delighting consumers with brands of exceptional quality and value. We make life better.

KEY FOCUS AREAS OF TRANSFORMATION

IDENTITY
From a corporate brand to a dynamic consumer brand

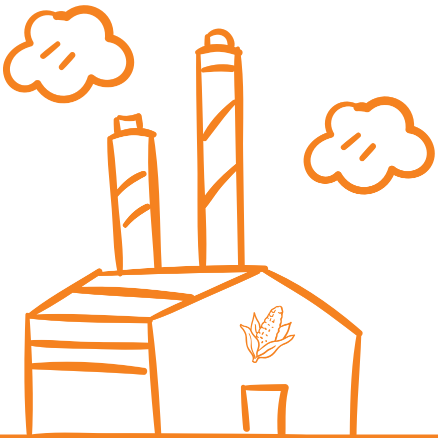
LEADERSHIP
From a visionary patriarch leadership to a team of entrepreneurial leaders

INNOVATION
From tactical product development to strategic innovation leadership

PRODUCTS
From price fighter brands to multi-tiered mainstream and premium segments

PRESENCE
From a leading local player to a dominant multinational with strong portfolio of brands

60+ years of delightfully satisfying consumers



AGE OF MANUFACTURING

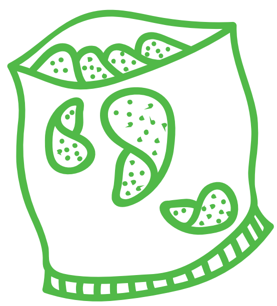
1950

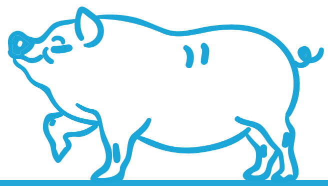
Started as corn starch manufacturer (Agro-Industrial)

AGE OF BRANDS

1960

Entered branded consumer foods business and launched brands such as Blend 45, Chippy and Potato Chips





AGE OF DOMESTIC EXPANSION

1970

- Ventured on flour milling business
- Entered into the hogs business

1980

- Entered sugar milling & refinery business
- Launched Cloud 9 and Piattos

AGE OF GLOBALIZATION

2000

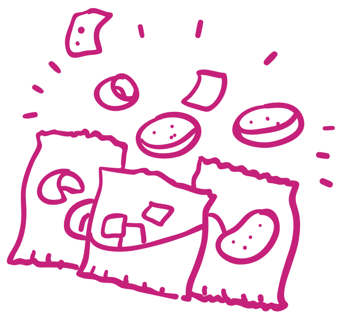
- Launched Jack 'n Jill as the umbrella brand for snack foods
- Expanded its markets in Indonesia and Vietnam, after Hong Kong, Malaysia, Singapore, China and Thailand
- Introduced C2 to the Philippines and Vietnam

2010

- Launched Great Taste White and Mang Juan
- Entered a JV with Calbee and Danone and acquired Griffin's Foods Ltd
- Started operating URC factory in Myanmar and Biomass Cogeneration plant in the Philippines
- Launched Griffin's to Asia

2016

- Acquired Snack Brands Australia

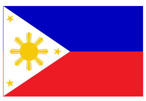


Our Growing Presence and Performance

Our strategic intention is to have consistent, strong brands and build three product categories in the markets where we operate.

MARKET POSITION

PHILIPPINES



#1 Snacks, Candies, Chocolates, RTD Tea, Sugar

#2 Coffee, Noodles

#3 Biscuits, Flour

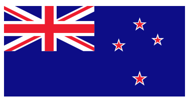
VIETNAM

#2 RTD Tea

THAILAND

#1 Biscuits, Wafers

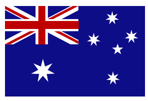
NEW ZEALAND



#1 Sweet Biscuits

#2 Crackers, Salty Snacks

AUSTRALIA



#2 Salty Snacks

Market Trends

KEY ADDRESSABLE MARKETS

RISING MIDDLE-CLASS CONSUMERS
Consumers with growing purchasing power and are becoming more aspirational in their spending. This segment will eventually trade up to premium offerings

MILLENNIAL CONSUMERS
Well-informed consumers who are willing to purchase in order to support a cause they believe in, and who consider their product experience as extremely valuable

GLOBAL SNACKING AND DRINKING TRENDS

Indulgence
Delightful snacking experience that satisfies consumers' cravings

Play
Fun and exciting novelty treats for kids to enjoy

On-the-Go
Portable and convenient snacks whenever, wherever

Authenticity
Trusted food with a sense of heritage and origin

Nutrition
Healthy options that enhance the well-being of consumers

Sustainability

Our Purposeful Transformation

As URC continues to grow into one of Asia and Oceania's premiere food and beverage companies, we recognise the need to harness and embrace sustainability as part of our core business strategy.

We see this as a critical component of our business, including how we manage our greatest asset which is our people, the communities where we operate, resources that we consume, product innovation, nutrition, food safety standards, responsible sourcing and traceability, and the economic aspect that ensures inclusive growth of the stakeholders of the business. All of this is predicated on our accountability and transparency as a publicly listed company.

As we expand into new markets, we need to regularly address changing customer expectations and stay ahead of global trends and drivers. In 2016, we embarked on a journey to understand where we are with our environmental, social, and governance (ESG) performance. This started out with a benchmarking exercise against our industry peers to learn from their best practices and to help us understand the most impactful elements within our sector. We went through our first stakeholder engagement process which allowed internal and external stakeholders to share their views and expectations of our sustainability performance. We also conducted our first sustainability materiality assessment, which led us to our main ESG priority areas.

INFOGRAPHIC ON KEY GLOBAL TRENDS AND DRIVERS

Government / Regulatory

ESG performance expectation may vary as government priorities and policies change. Failure to conform with government mandate may affect our reputation and business operations.

Investors

ESG is a set of standards for a company's operations that socially conscious investors use to screen investments.

Competition

Our competition as a multinational snacks & beverage company were the early adapter of sustainability practice.

Consumers

We have to meet the rising expectations of huge numbers of people moving up into the middle class.

OUR STRATEGY

As a result, we are pleased to share with you our corporate-wide sustainability strategy, which we are entitling **Our Purposeful Transformation.** Driven by our mission to be the best Philippine food and beverage company with a growing regional footprint, and inspired by our core values of Passion to Win, Dynamism, Integrity, and Courage, we are committed to strengthening and evolving the way we operate in order to ensure long-term value and inclusive growth. Our timeline envisions a long-term strategy that coincides with the UN Sustainable Development Goals.

We have organized our strategy to include five key focus areas. These are the most material issues of the business that pose significant opportunities and/or risks and therefore require group-wide internal engagement. They are: Resources, People (Our Employees and Our Communities), Product, Supply Chain, and Economic.

KEY SUSTAINABILITY FOCUS AREAS

These are our commitments to sustainability:

Resources

Enchance our approach to responsible resources management.

- Energy
- Water
- Environmental Compliance
- Waste

Economic

Achieve inclusive growth.

- Fiduciary Responsibility
- Risk Management
- Transparency
- Innovation

People

Enhace the lives of people in our workplace and in our communities.

- Our Employees
- Our Communities

Product

Provide food that is safe, of good quality, and fun for everyone.

- Process
- Product

Supply Chain

Promote responsible supplier relationships across our business units.

- Supplier Assessment
- Supplier Training

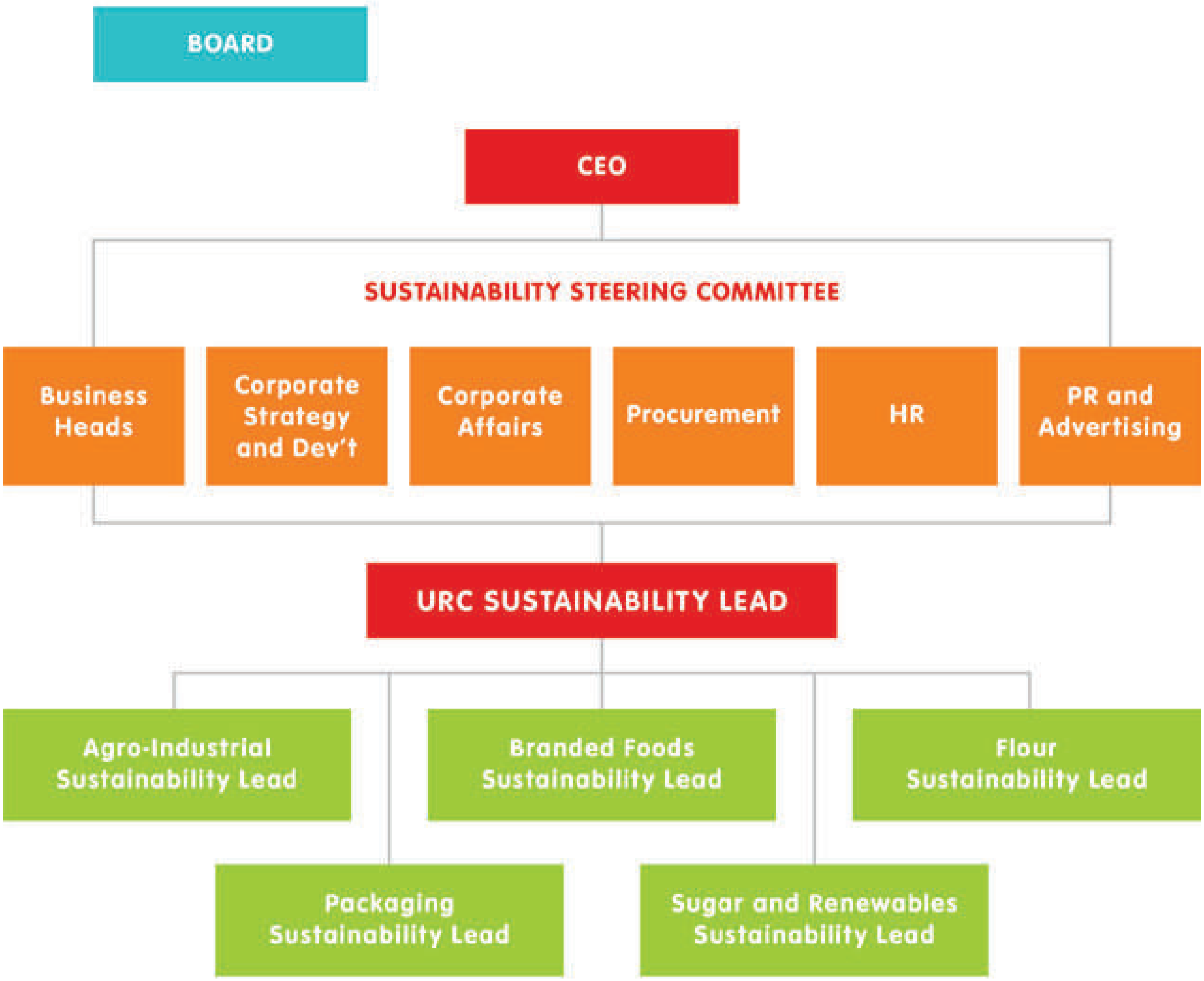
Each focus area opens with our commitment statements, which have been drafted to indicate what we intend to achieve in the long term. Under each of them are our key strategic priorities which signify our starting points. Working towards an announcement deadline of 2019, we will set targets for them. At the time of publishing this report, we have started to address the first three focus areas – Resources, People, and Product – by commencing baseline audits against which we will develop our performance targets. Over time, when we have addressed our most basic impacts, we will determine the key performance indicators (KPI) for responsible supplier relationships as well as inclusive growth.

GOVERNANCE

In order to ensure that we deliver on this strategy, we also have introduced a governance structure to lead and charge Our Purposeful Transformation. Guided by the Board of Directors, our President/CEO acts as the overall sustainability champion who will ensure alignment and consistency with the overall business strategy and risk management framework. Our Sustainability Steering Committee, composed of the heads of business units and functional heads, together collectively define the strategy and KPI, while also having complete oversight of monitoring and reporting requirements.The Investor Relations team will act as the overall URC Sustainability Lead and will head a team of Sustainability leads from each Business Unit. The group will ensure that policies and programs are cascaded and performance is measured and reported.

To mark our first step on this strategy, we will be issuing our first sustainability report.

ORGANIZATIONAL CHART



BUSINESS HIGHLIGHTS

Branded Consumer Foods Group

We are one of the largest branded snack foods and beverage companies in the Philippines and have established strong presence in Asia and Oceania markets through our branded foods business.

Branded Consumer Foods Group (BCFG) continuously delights its consumers through its strong brands coupled with its robust product innovation pipeline, consumer-centric marketing and world-class manufacturing capabilities.

BCFG is divided into two divisions, namely BCF Philippines, its domicile market, and BCF International, a wholly-owned subsidiary covering ASEAN and Oceania markets. The Group remains to be proactive in providing a wide range of quality and exciting products that address its customers' needs. BCFG's offerings include salty snacks, confectionery, bakery, beverages, and grocery products.

BCFG also sealed strategic joint ventures and partnerships with leading international consumer companies, namely ConAgra of the US, Nissin Foods and Calbee of Japan, and Danone of France.

Our brands offer a diverse portfolio of mainstream and premium products in emerging and developed markets.

We have built three significant mainstream brands – Jack 'n Jill, Great Taste, and C2. We also expanded our portfolio to include premium brands through our acquisitions of Griffin's Foods (e.g. Griffin's and Nice & Natural) and Snack Brands Australia (e.g. Kettle, Thins, CC's, Cheezels, and Natural) and our strategic joint ventures with ConAgra Foods (Hunt's), Nissin Foods (Nissin and Payless), Danone (Blue) and Calbee (Jack 'n Jill Calbee).

MAINSTREAM

JACK'n JILL – The umbrella brand of snack food products that are well-recognized in the ASEAN region

C2 – A healthy ready-to-drink tea which comes from naturally brewed tea leaves

Great Taste – Innovated the modern coffee experience to become accessible to many; first and leader in the "creamy" sub-segment

PREMIUM

Griffin's – High-quality sweet biscuits with more than 150 years of heritage

Nice & Natural – Wide range of healthy wrapped snacks

Thins – The Original Thin Cut Chip

Kettle – The Pioneer Hard Bite/ Premium Chip

Cheezels – A dominant Cheese ring product

Natural – A new challenger in crinkle cut

CC's – The Original Corn Chip

BRANDS FROM OUR JOINT VENTURES

Hunt's – Ready-to-eat canned beans and easy-to-cook tomato-based products

Nissin – Famous cup and pouch noodles

Payless – Value-for-money instant noodles

B'lue – Unique water plus drink

Jack'n Jill Calbee – Innovative range of Japanese salty snacks

Category Breakdown

THIS IMAGE IS A REPRESENTATION OF BCF'S LINE OF BRANDS PER CATEGORY:

We constantly look for new and better ways of doing things which helped us build strong brands with leading positions in the key markets where we operate. We continue expanding our current branded product categories which we manufacture and/or distribute to a total of 11 markets across the ASEAN and Oceania region.

Salty Snacks

We are the market leader in salty snacks in the Philippines and a strong challenger in Australia and in Indonesia.

Product innovation continues to drive the development of new and exciting offerings to our current array of well-loved brands such as Piattos, Chippy, Potato Chips, and Nova.

Our joint venture with Calbee, one of the leading snack foods companies in Japan, enabled us to expand our portfolio to include a more sophisticated selection of premium potato-based chips, while our acquisitions of Griffin's and Snack Brands Australia have further extended our product portfolio in adjacent snacking segments. Snack Brands Australia's premium portfolio of salty snacks will include brands like Kettle, Thins, CC's, Natural, and Cheezels into our range of salty snacks.

Key brands per segment

ASEAN

Fabricated Potato	Jack 'n Jill	Piattos	
Natural Potato		Vcut	Jack 'n Jill Calbee
Healthy and Mixed		Nova	Pic-A
Corn Chips		Granny Goose	Chippy
Cracklers and Puff		Mang Juan	

OCEANIA

Corn Chips	Cheezels
Kernel-Based Pop Corn	Kettle
Natural Potato	Thins, CC's

Bakery

We hold strong local market positions in both biscuits and cakes. We are the market leader in Thailand (for Biscuits and Wafers) and in New Zealand (for sweet biscuits).

Our Bakery portfolio is composed of biscuits and cakes that offer kids and young adults affordable and indulgent snacks that they can bring in to school or at work. Some of our famous local products are Presto Creams, Magic Flakes and Quake. We also have a premium local brand, Tivoli, that offers a selection of wafers, crackers, and biscuits, all infused with fine quality chocolate. On our international markets, we have wafer brands like Lausanne in Thailand and Halo in Myanmar. Griffin's, with its pure premium quality products, offers a step-up in snacking experience for highly sophisticated consumers.

Key brand per segment

ASEAN/OCEANIA

Wafers	Jack'n Jill Wafrets Brix
Pretzel	Jack'n Jill Knots
Cakes	Jack'n Jill Quake
Cookies	Jack'n Jill Cream-O
Crackers	Jack'n Jill Magic
Sweet Biscuits	Griffin's

Wrapped Snacks

We also have alternatives for the growing health-conscious segment.

Nice & Natural, with its specialty bars, provides better-for-you products that are well-suited for the growing health-conscious on-the-go consumer segment.

Key brand per segment

ASEAN/OCEANIA

Nut Bars Muesli Bars Protein Nut Bars	Nice & Natural

Confectionery

We are the local market leader in the candies and chocolate categories.

Confectionery includes candies and chocolates that come in a variety of fun and exciting flavors. Maxx, X.O. and Dynamite are some of our more popular candies while Cloud 9 and Nips are the best-selling chocolate products in the Philippines.

Key brand per segment

ASEAN

Candies

Hard

Soft

Dragee

Chocolates

Enrobed

Panned

Moulded

Mallows

Beverage

Our beverage products have revolutionized the industry for the last ten years through our successful launches of C2 (Philippines and Vietnam) and Great Taste White (Philippines).

Our Powdered and Ready-to-Drink (RTD) beverages have a strong presence in the local market. For Powdered Beverages, Great Taste remains a strong player in the coffee category, with Great Taste White commanding the lion share in the white coffee format. In RTD Beverages, C2 maintains its dominance in the RTD tea market in the Philippines. Other categories include chocolates, coffee, juices, and water.

Our joint venture with Danone extended our portfolio to include a water plus drink, B'lue, which is perfectly designed for the on-the-go millennials.

Our C2 and Rong Do brands remain to be competitive players in RTD Tea and energy drink categories in Vietnam. Significant volumes of RTD beverages produced in this country are shipped to other ASEAN markets. Vietnam has been important in our ASEAN operations as the primary source of our raw materials for coffee.

Key brand per segment

ASEAN

RTD Beverages

Tea	C2 cool & clean
Juices	C500
Water	Refresh Drinking Water
Coffee	Great Taste
Chocolate	Cloud 9 Chocolate Milk Drink

Powdered Beverages

Soluble Coffee	Great Taste
Coffee Mixes	Great Taste
Creamer	Cream All

Joint Ventures

Danone	B'lue

Grocery

We offer a range of grocery products from ready-to-eat to easy-to-cook meals, convenient for today's fast-paced lifestyle.

Nissin-URC is the market leader in Cup Noodles. It also sells noodles in pouches under the brands Nissin and Payless.

Hunts-URC is the market leader in canned beans, with its banner product, Hunt's Pork & Beans. It also offers tomato-based culinary sauces for our on-the-go consumers.

Key brand per segment

ASEAN

Cup Noodles	NISSIN
Pouch Noodles	PAYLESS
Canned Beans	Hunt's
Sauces	Hunt's

Packaging

In 2016, BOPP/CCPI continued to invest in equipment upgrades that led to improved capacity utilization and reliability. We have our Packaging division to supply bulk of our internal and other external requirements.

Our Packaging division offers a wide range of Bi-axially Oriented Polypropylene (BOPP) films which are primarily used for the packaging of different consumer products. CFC Clubhouse Property Inc. "CCPI," a wholly-owned subsidiary of URC manufactures flexible packaging materials that cater to various URC branded products. CCPI celebrated its 10th year anniversary since its establishment in 2006. The Board of Directors approved in 2015 the merger of CCPI and URC, with URC as the surviving entity to integrate processes, attain greater efficiency and economy in the management of its operations, and increase financial strength. The manufacturing facilities located in Simlong, Batangas are ISO 9001:2008 certified for its Quality Management System.

BUSINESS HIGHLIGHTS

Agro-Industrial Group & Commodity Foods Group

Our Agro-Industrial Group (AIG) and Commodities Foods Group (CFG), have consistently provided stable absolute profit contribution to the business.

AIG is involved in the production of hogs and day-old pullets and manufacture of animal feeds and veterinary products, while CFG is engaged in flour milling, pasta production, and sugar milling and refining. We have also ventured in the renewables business through our Distillery and Cogeneration operations.

These groups support approximately 1/3 of our BCFG's input requirements. This was made possible by our successful vertical integration of our up/downstream processes.

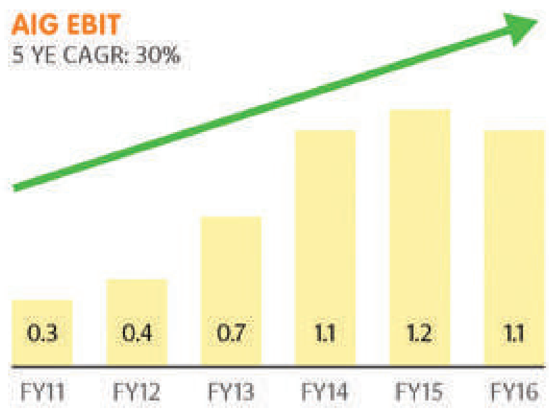
Agro-Industrial Group

Our Farm to Fork model ensures quality products throughout our segments from hogs, poultry, feeds, and veterinary drugs.

The Agro-Industrial Group (AIG) focuses on providing clean and safe quality farm products to Filipino households, as well as offer state-of-the-art diagnostic capability for Total Agri-Solution and farm management.

Robina Farm Hogs raises live pigs and sells value-added segments (carcasses and fresh meat cuts). We operate the first world-class AAA Slaughterhouse and Meat Fabrication facility in the Philippines. Robina Farms Poultry offers layer chicks and premium table eggs. Our farms use infrared de-beaking technology that minimizes the mortality of chicks and increases the production of eggs. We run two biogas facilities in both our hogs and poultry farms which provide us with electricity savings.

We are responsible in producing various commercial feeds seen in the market such as UNO for Hogs and Supremo for gamefowl. Robichem's veterinary goods (commercial drugs) such as vaccines and water soluble products are being manufactured, distributed, and sold within the country.



We have certifications such as Good Animal Husbandry Practices (GAHAP) and Hazard Critical Control Points (HACCP) to ensure high quality products. We are also an advocate of "No Hormone and Antibiotic Free Livestocks" to protect all our Filipino consumers.

We will continuously promote our Kabalikat Program, by upholding our principles of being a "Kabalikat," giving "Kalidad" to our customers and ensure "Kita" to our business partners.

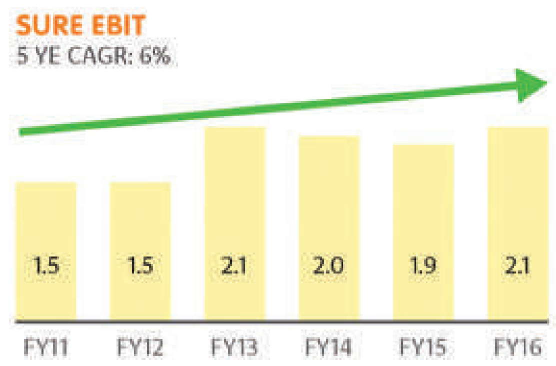
Commodity Foods Group

SUGAR AND RENEWABLES

Our Sugar and Renewables (SURE) business is the largest sugar milling company in the Philippines based on capacity.

Sugar and Renewables

URC SURE is divided into two major businesses namely, URC Sugar and URC Renewables. URC Sugar is involved in sugar milling and refining, whereas URC Renewables engages on the production of fuel-grade anhydrous ethanol suitable for gasoline blending and biomass-fired power cogeneration (CoGen). URC SURE has also ventured into CO2 recovery and liquefaction which will commence operations by Second Quarter of 2017.



Sugar Division

This division operates six (6) mills and three (3) refineries across the country, the majority of which are in the Visayas region: URSUMCO mill & refinery, located in Manjuyod, Negros Oriental; SONEDCO mill & refinery, located in Kabankalan City, Negros Occidental; PASSI mill, located in San Enrique, Iloilo and TOLONG mill, located in Sta. Catalina, Negros Oriental. URC also operates a mill and a refinery in North Luzon: CARSUMCO, located in Piat, Cagayan Valley and its most recent acquisition, BALAYAN mill, located in Balayan, Batangas. Sugar cane milling, refining, and tolling services are provided by URSUMCO, SONEDCO, and CARSUMCO. These mills and refineries trade raw sugar, refined sugar, and molasses. PASSI, TOLONG, and BALAYAN, on the other hand, provide sugar cane milling services and trade both raw sugar and molasses.

All these mills have a combined milling capacity of 35,500 tons of sugar cane and produce 33,000 bags of refined sugar per day. The increased capacity was brought about by the acquisition of BALAYAN mill last February 2016 and the expansion of existing mills. With this, URC is now the largest sugar producer in the country.

Renewables Division

URC SURE is registered in the Department of Energy as a renewable energy developer of biomass-fired power cogeneration plant and as a manufacturer of bio-ethanol. URC Distillery, located in Bais City, Negros Oriental, can produce 100,000 liters per day of fuel-grade anhydrous ethanol. This uses molasses, a joint-product of sugar production, as its primary feedstock.

The division is also the first ethanol distillery plant in Southeast Asia to utilize a spent wash incineration boiler, ensuring environmentally safe and hazards-free operations. URC CO2 Recovery & Liquefaction plant, located in URC Distillery, Bais City, Negros Oriental, is scheduled to be operational by Second Quarter of 2017 with a capacity of 48 tons per day. URC CoGen plant located in SONEDCO, Kabankalan City, Negros Occidental, can generate 46 megawatts of power using bagasse, a by-product of sugar milling, as fuel. This plant currently exports 20 megawatts of its total power generation to the national grid.

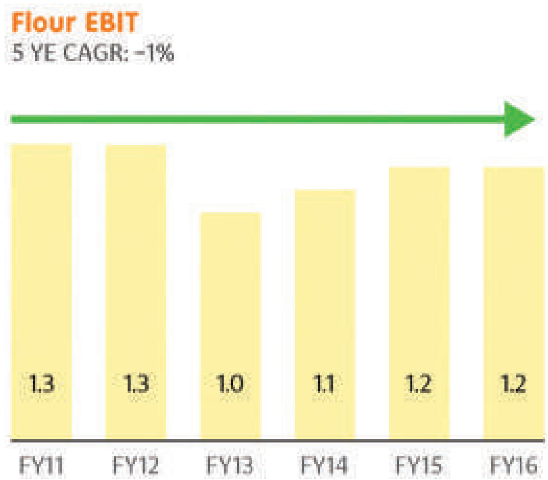
Commodity Foods Group

FLOUR

Our Flour division is one of the top flour millers in the Philippines with the milling capacity of 2,150 MT per day from its Manila and Davao plants.

We manufacture and sell hard and soft wheat flour in both commercial and institutional markets. Hard flours are branded as UNIVERSAL, GLOBE First Class Flour, and Blend 100 Flour. Brands under soft flour category are MY ROSE and SAMPAGUITA. Specialty Flours brands include CONTINENTAL All-Purpose Flour, DAISY Cake Flour, FibrA+ Whole Wheat Flour, NOODELICIOUS Noodle Flour and GALACTIC Specialized Flour.

In addition, we offer flour by-products such as wheat germ, bran, and pollard. We also commercially sell our very own pasta product line, El Real, with variants such as spaghetti, macaroni, flat spaghetti, and curly macaroni. El Real was the first brand to introduce a healthy pasta with real malunggay and carrot bits in it. As part of the brand's continuing innovative efforts, it recently launched the colored rainbow salad macaroni under the El Real Party Pasta line.



Special Features

NOVA LIFE ACTIVE PASS

Jack 'n Jill's fiber-rich, multigrain snack brand, Nova, kick-started its Nova Life Active Pass at Glorietta Activity Center last June 22. Its campaign ambassadors Jasmine Curtis-Smith and Daniel Matsunaga, Universal Robina Corporation (URC) Brand Manager Ivy Tan (first from left), URC Vice President for Marketing, Snacks Teree Eugenio (second), and URC Marketing Manager Ara Pascual (fifth) gave the mall goers a taste of its Nova Life Active Pass with fun activities.

MAGIC MOMENT

Magic Crackers has again turned ordinary everyday moments into something special for thousands of unsuspecting Filipinos nationwide through the 4th year of its Magic Moments campaign. John Lloyd Cruz and the Magic Squad popping out of different venues around the country, delighting and exciting the audience, bringing magic to the hearts of many through giving away of cash prizes and other wonderful gifts.

CARE FOR THE ENVIRONMENT

CCPI and BOPP partnered with school officials of Barangay Simlong Elementary School in Batangas City to conduct a twin event to celebrate Home Safety Month and National Children's Month. Senior Management said the joint activity aims to boost further awareness and promote a shared understanding by the local community and the employees on the importance of safety awareness, and the protection and care for the environment especially by the future inheritors of this earth which are our children.

KABALIKAT PROGRAM

Robina Agri Partners aims to grow hand-in-hand with our stakeholders by sharing best practices and learning, leading to a long-term, mutual, and beneficial partnership through the Kabalikat Program. It started with Uno+ Kabalikat Farms in 2014. By 2016, the program eventually expanded into a Kabalikat community nationwide with Barangay Uno+ Hog Farms, Barangay Supremo Gamefowl Farms and Kabalikat Poultry Farms. Looking forward, our company is expanding the Kabalikat community's reach to TopBreed Dog Meal and Robina Farms Premium Farm Products partners in the very near future.

A MOM'S SECRET INGREDIENT

Cooking with love makes everything taste better!

Pasta recipes are a staple in every household and undeniably a hit for the young ones. So moms are experts in making sure their kids get their fill of their favorite home-cooked pasta dishes. As such, EL REAL offers high-quality and healthier choice of pasta products. The brand continues its innovative efforts by recently launching the Party Pasta Line. First in the Philippines, the new Rainbow-colored Salad Macaroni was successfully launched last February 2016. As it has become Moms' special ingredient, the family can now enjoy a more vibrant and appetizing pasta dish! It's truly firm, fun, and colorful with EL REAL Party Pasta.

ISKOLAR NI JUAN

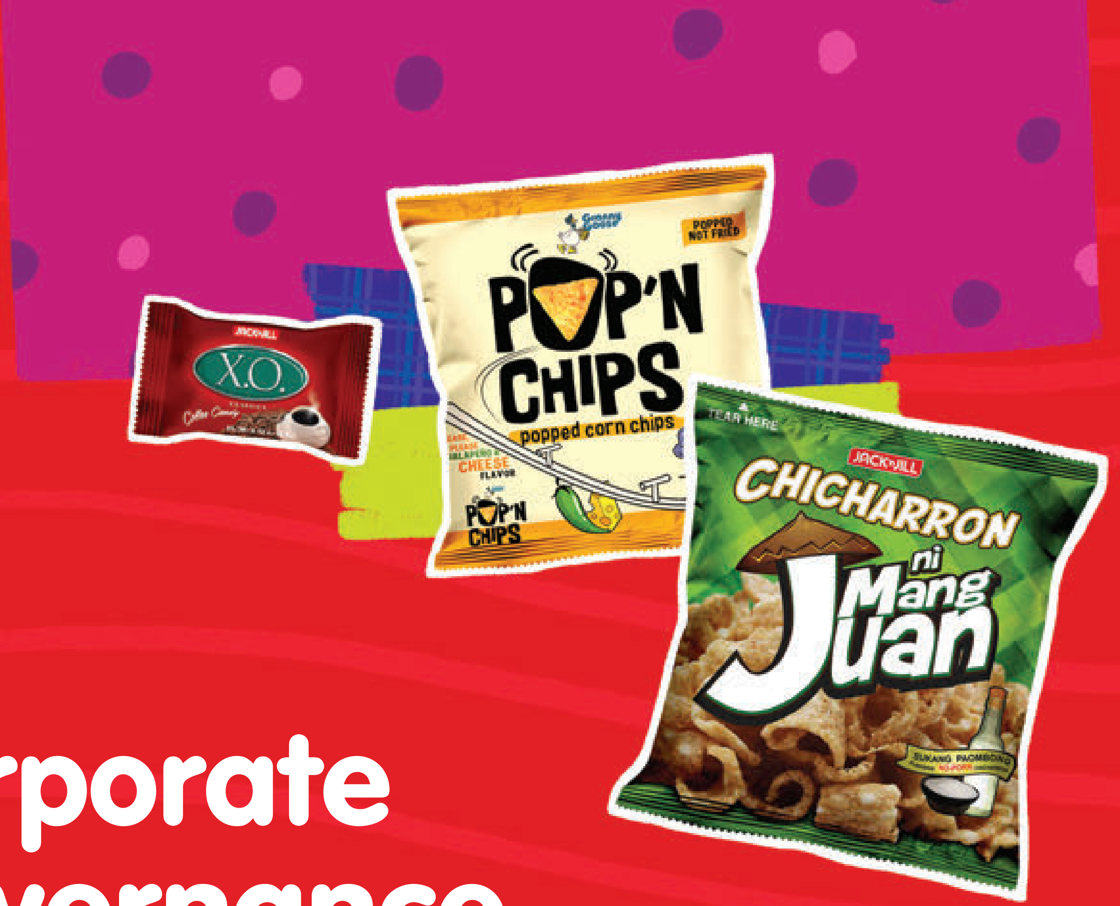
Universal Robina Corporation (URC) partnered with the Gokongwei Brothers Foundation (GBF) to offer Iskolar ni Juan scholarships to indigent but deserving high school graduates an opportunity to train practical technical skills under the GBF Technical Courses that are registered with the Technical Education and Skills Development Authority (TESDA).

The qualified scholars undergo a curriculum that combines academic classes and on-the-job training to prepare them to become maintenance technicians or production operators in manufacturing firms.

The program covers all expenses during the duration of the training which included their tuition fees, school supplies, uniforms, accommodations (as applicable), food, and transportation allowances. Graduates of the program earn a Certificate of Completion in Mechatronics Servicing or a Certificate of Completion in Instrumentation and Control Servicing.

In August 2016, the first batch of 30 Iskolar ni Juan scholars graduated. Currently there are to 37 (Batch 2) and 31 (Batch 3) scholars under the program.

With the increasing demand for skilled workers and the rapid expansion of URC, the company readily offers Iskolar ni Juan graduates jobs after their graduation.



Corporate Governance

Universal Robina Corporation (URC) is committed to corporate governance standards. As a publicly listed company in the Philippines, URC is covered by corporate governance rules and regulations of the Philippines Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

BOARD

The Board has adopted the Revised Corporate Governance Manual in June 22, 2015 for the Company. The Manual elaborates on the governance roles and responsibilities of the Board and its Directors. The Board ensures that all material information about the Company is disclosed to the public on a timely manner. The Board likewise is strongly committed to respect and promote the rights of stockholders in accordance with the Revised Corporate Governance Manual, the Company's Articles of Incorporation, and By-Laws.

Composition

- The Board is composed of nine directors (four executive directors, three non-executive directors, and two independent directors) with diverse backgrounds and work experience
- None of the independent directors own more than 2% of the Company's capital stock
- Different persons assume the role of Chairman of the Board and CEO

Role

A Director's Office is one of trust and confidence. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness. He should also exercise leadership, prudence, and integrity in directing the Company towards sustained progress.

A Director should observe the following norms of conduct:

1. Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
3. Act judiciously.
4. Exercise independent judgment.
5. Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
6. Observe confidentiality.
7. Have a working knowledge of the Company's control systems.
8. Disclose to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders.

Attendance of Directors

January 1, 2016 to December 31, 2016

BOARD	NAME	DATE OF ELECTION	MEETINGS DURING THE YEAR	MEETINGS ATTENDED	%
Member	John L. Gokongwei, Jr.	March 9, 2016	12	12	100%
Chairman	James L. Go	March 9, 2016	12	12	100%
Member	Lance Y. Gokongwei	March 9, 2016	12	12	100%
Member	Patrick Henry C. Go	March 9, 2016	12	12	100%
Member	Frederick D. Go	March 9, 2016	12	12	100%
Member	Johnson Robert G. Go, Jr.	March 9, 2016	12	12	100%
Member	Robert G. Coyiuto, Jr.	March 9, 2016	12	12	100%
Independent	Wilfrido E. Sanchez	March 9, 2016	12	12	100%
Independent	Pascual S. Guerzon	March 9, 2016	12	12	100%

CODE OF BUSINESS CONDUCT AND ETHICS

Conflict of Interest

The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.

Conduct of Business and Fair Dealings

The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.

Receipt of Gifts from Third Parties

The Company discourage the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php 2,000 must be disclosed to the Conflicts of interest Committee.

Compliance with Laws and Regulations

The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.

Respect for Trade Secrets/ Use of Non-public Information

The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.

Use of Company Funds, Assets and Information

Employees are required to safeguard the Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.

Employment and Labor Laws and Policies

The Company's Human Resources Unit ensures compliance with employment and labor laws and policies.

Disciplinary Action

Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

Whistle Blower

Any employee may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details:

a. Email address CICOM@jgsummit.com.ph
b. Fax number 395-3888
c. Mailing address
   Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only"

   CICOM
   JG Summit Holdings, Inc.
   44th Flr. Robinsons Equitable Tower
   ADB Avenue, Cor., Poveda Road,
   Pasig City

The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.

Conflict Resolution

The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

Enterprise Risk Management (ERM)

The Board of Directors (BOD) oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The BOD review Management reports with due diligence to enable the company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability.

Audit and Risk Management Committee

The Company aims to identify, measure, analyze, monitor, and control all forms of risks that would affect the Company through the Audit and Risk Management Committee.

The Audit and Risk Management Committee reviews the effectiveness of risk management systems employed by the Company. It assists the Company's Board of Directors in its fiduciary responsibilities by providing an independent and objective assurance to the Corporation's stakeholders for the continuous improvement of risk management systems, internal control systems, governance processes, business operations, and proper safeguarding and use of the Corporation's resources and assets.

The Audit and Risk Management Committee 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, and are explained through the performance of direct interface functions with the internal and external auditors; and
d. The Company's Board of Directors is properly assisted in the development of policies that would enhance the risk management and control systems.

Moreover, at the end of each calendar year, the Chief Executive Officer (CEO) and Chief Audit Executive (CAE) executes a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation is presented to and confirmed by the Audit and Risk Management Committee during the meeting.

The **ERM framework** revolves around the following eight interrelated risk management approaches:

1. **Internal Environmental Scanning** – it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.

2. **Objective Setting** – the Company's BOD mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Company's goals.

3. **Risk Assessment** – the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.

4. **Risk Response** – the Company's BOD, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

5. **Control Activities** – policies and procedures are established and approved by the Company's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

6. **Information and Communication** – relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

7. **Monitoring** – the Internal Control Group of the respective Company and BUs, Corporate Internal Audit and Corporate Governance and Management Systems constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk Management Support Groups

The Company's BOD created the following Corporate Center Units (CCU) to support the risk management activities of the Company and its BUs:

1. **Corporate Advertising and Public Relations (CAPR)** – manages the brand image risk of the Conglomerate. CAPR ensures that communication initiatives that extend to the public are consistent with the established corporate image by monitoring the implementation and content of public relations programs and above-the-line media activities for the various BUs and Affiliates.

2. **Corporate Affairs (CA)** – acts as the official spokes group of the Company to national and local government offices as well as to the media to address reputational risk. CA helps in establishing strong relationships with internal and external partners and stakeholders that will enable the Conglomerate to promote a positive appreciation of corporate goals, initiatives and activities as well as champion advocacies and shape legislation critical to the business.

3. **Corporate Governance Management Systems (CGMS)** – ensures compliance with government regulatory requirements for Publicly Listed Companies (PLC), formulates and disseminates risk-controlled policies and procedures and approval authority matrices.
   Under the supervision of CGMS and Corporate Procurement, the Corporate Supplier Accreditation Team (CORPSAT) administers supplier accreditation and enterprise-wide procurement policies to address procurement risks and ensure availability of goods and services of high quality and standards to all BUs.

4. **Corporate Insurance Department (CID)** – administers the insurance programs of BUs to mitigate risks concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances.

5. **Corporate Planning (CORPLAN)** – facilitates and administers the strategic planning, budgeting and performance review of the BU in line with the ERM framework of objective-setting.

6. **Corporate Resources Group (CRG) consisting of:**
   a. **Corporate Human Resources** – ensures continuity of business operations by having the right and adequate pool of talents through succession planning, employee training and employee engagement.
   b. **Corporate Outsourcing** – manages risks related to the engagement of third party management services.

c. **Corporate Security and Safety** – administers enterprise-wide implementation of policies affecting physical security of resources exposed to various forms of risks.

7. **Corporate Tax Group** – provides advisory and assists Top Management in ensuring risks related to tax are addressed and tax regulatory requirements are appropriately complied with.

8. **Corporate Treasury** – assists Top Management in managing finance-related risks including interest, foreign exchange, liquidity, investment and debt management etc.

9. **General Counsel Group** – sets the strategy and implementing guidelines from a legal perspective to address regulatory risks and ensure that the Conglomerate conducts its business in compliance with laws and regulations.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the company and each BU thus increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

1. Compliance with policies, procedures, laws and regulations
2. Economic and efficient use of resources
3. Check and balance and proper segregation of duties
4. Identification and remediation control weaknesses
5. Reliability and integrity of information
6. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Compliance Officer

The Compliance Officer assists the Board of Directors in complying with the principles of good corporate governance.

He shall be responsible for monitoring actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the Board of Directors, among others.

ROLE OF STAKEHOLDERS

Customers' Welfare

The Company has a customer relations policy and procedures to ensure that customers' welfare are protected and questions are addressed.

Supplier/Contractor Selection

We have a Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments to the Company.

Environment, Quality and Safety, and Community Interaction

The operations of the Company are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586), and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of September 30, 2013, the Company has invested about Php 218 million in wastewater treatment in its facilities in the Philippines.

The Company ensures that the products are safe for human consumption, and that the Company conforms to standards and quality measures prescribed by regulatory bodies such as Bureau of Foods and Drugs, Sugar Regulatory Administration, Bureau of Animal Industry, and Department of Agriculture. The following manufacturing facilities of URC's branded consumer foods group are certified:

CERTIFICATION	MANUFACTURING FACILITY/DEPARTMENT
ISO 9001:2008, Quality Management System	Rosario plant, Meat and Canning Division (MCD) Libis plant, Bagong Ilog plant, Pampanga plant, Tarlac plant, Cavite plant, Nissin-URC plant, Canlubang plant, Calamba plant, Cebu plant, ESMO plant, San Pedro 1 plant, Binan plant, Corporate Engineering/Corporate IE, Supply Chain, Quality Assurance, Technology Department, Procurement Department, BOPP plant, Thailand, Indonesia, Malaysia, Vietnam, China Shanghai, China Qidong
ISO 22000:2005, Food Safety Management System	Rosario plant cake line, Pampanga plant biscuits line, Pampanga plant C2 line, Cavite plant tetra line, Calamba plant C2 line, Binan plant biscuits line, Thailand, Vietnam
ISO 22000:2005, Food Safety Management System	Rosario chocolate line, Rosario SUP line (tomato sauce, BBQ, spaghetti sauce), MCD Canning and SUP line (Pork & Beans, Chili and Baked Beans), MCD potato ring line (Roller Coaster- all variants), MCD fabricated line (Piattos- all variants), Bagong Ilog cookie line (Cream-O biscuit- all variants), Pampanga corn chips line (Chippy- all variants, Tostillas-all variants), Pampanga fabricated line (Piattos- all variants), Pampanga multigrain line (Nova- all variants), Calamba beverage line (C2- all variants), Canlubang corn chips line (Chippy- all variants), Cavite cracker line (Magic plain and creams- all variants), Cavite hard candy line (Maxx & XO- all variants), Cavite chocolate line (Chooey- all variants), Cavite tetra line, Nissin-URC noodle cup line (Nissin Cup- all variants), Nissin-URC pouch line (Nissin noodles- all variants), Tarlac noodle line (Payless- all variants), Cebu cracker line (Magic premium and creams- all variants), Cebu noodle line (Mamamee and Payless- all variants), San Pablo bottled water line (Refresh), Thailand, Vietnam, China Shanghai, China Panyu, China Qidong
ISO 17025:2005, PAO Accredited Laboratory	Technology Central Laboratory- Physico-Chem, Micro, Sensory Testing and Calibration
Department of Environment and Natural Resources (DENR) Recognized Laboratory	Technology Central Lab- Water & Waste Water Lab
ISO 14001:2004, Environmental Management Systems	BOPP plant, Thailand
5S/GMP	Malaysia, Thailand, Vietnam
Department of Health (DOH) Recognized Laboratory	Technology Central Lab- Water Lab

The Company also focuses on uplifting the socio-economic condition of the country through education. The Company partners with organizations that promote education of Filipinos through grants, endowments, scholarships, and educational facilities.

EMPLOYEES

Performance-Enhancing Mechanisms for Employee Participation

The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development known as JG-ILED, the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

DISCLOSURE AND TRANSPARENCY

Ownership Structure

(As of December 31, 2016)

CERTIFICATION	NUMBER OF SHARES	PERCENT	BENEFICIAL OWNER
JG Summit Holdings, Inc.	1,215,223,061	55.13%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	674,295,904	30.59%	PCD Participants and their clients
PCD Nominee Corporation (Filipino)	279,695,828	12.69%	PCD Participants and their clients

External Auditor's Fee

Sycip, Gorres, Velayo& Co.: Php 9,740,000

Company Website

URC updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website: **http://www2.urc.com.ph/**

John L. Gokongwei, Jr.
Director, Chairman Emeritus

Board of Directors and Executive Officers

James L. Go
Director, Chairman

Lance Y. Gokongwei
Director, President, and Chief Executive 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

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

Edwin R. Canta
Senior Vice President and Business Unit General Manager, URC BCFG Philippines

David J. Lim
Senior Vice President, Manufacturing, Technology, Projects and Engineering

Albert Francis S. Fernandez
Vice President, Corporate Sales, and Exports, BCFG Philippines

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

Francis Emmanuel Puno
Senior Vice President and
Regional Director,
BCFG Southeast Asia

Alvin Geronimo
Business Unit General Manager,
URC Indonesia

Brian Go
Business Unit General Manager,
URC Malaysia & Singapore

Premchai Navarasuchitr
Business Unit General Manager,
URC Thailand

Jean Pierre S. Gamboa
Business Unit General Manager,
URC Vietnam

Yeo Kao Soon
Business Unit General Manager,
URC China

Shirley Ma
Business Unit General Manager,
URC Hong Kong

Paul Musgrave
Chief Executive Officer, URC Oceania
(Snack Brands Australia &
Griffin's Foods New Zealand)

Joint Ventures

Marcia Y. Gokongwei
General Manager, Nissin Universal Robina Corporation and Hunts Universal Robina Corporation

Tetsuya Takiguchi
President and Chief Operating Officer, Calbee-URC, Inc.

Jose Miguel T. Manalang
General Manager, Calbee-URC, Inc.

Hisham Ezz Al Arab
General Manager, Danone Universal Robina Beverages, Inc.

Maria Sarah P. Albert*
General Manager, Vitasoy-URC, Inc.

* Hired November 16, 2016

Agro-Industrial Group

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

Commodity Foods Group

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

Renato P. Cabati
Vice President and Business Unit General Manager, Sugar and Renewables Group

Packaging Division

Patrick Henry C. Go
Senior Managing Director, URC Packaging and URC Flexible Packaging

Ramon C. Agustines
Business Unit General Manger, URC Packaging and URC Flexible Packaging

Executive Officers

James L. Go
Chairman

Lance Y. Gokongwei
President and Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

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

Constante T. Santos
Senior Vice President

Bach Johann M. Sebastian
Senior Vice President

Francisco M. del Mundo
Chief Financial Officer

Chona R. Ferrer
First Vice President

Ester T. Ang
Vice President – Treasurer

Anne Patricia C. Go
Vice President

Alan D. Surposa
Vice President

Michael P. Liwanag
Vice President

Socorro ML. Banting
Assistant Vice President

Rosalinda F. Rivera
Corporate Secretary

Arlene S. Denzon
Compliance Officer

Awards and Recognition

URC in All-Asia Executive Team's 'Most Honored' Companies List

Portfolio managers rank Lance Gokongwei in the Top 3 Best CEOs and Mike Liwanag in the Best IR professional

URC once again has received another feather on its cap after it was named in the list of 2016 All Asia Executive Team's "Most Honored" companies given by Institutional Investors (II), the industry's most trusted source for research and rankings among top analysts and portfolio managers.

The leading survey company based in New York City polled 1,007 portfolio managers and buy-side analysts and 611 sell-side analysts to find out the best companies worldwide in terms of corporate leadership and investor relations expertise. Respondents were asked to identify up to four companies that excel in several investor relations and corporate governance attributes, including having accessible board members and senior executives, responding quickly and thoroughly to requests, providing timely and accurate disclosure essential financial information and so on. Responses to the questions were aggregated to produce an overall rank for each company. A business that earns a top-three position in one of the four categories is deemed an honored company.

In the Consumer/Staples category of the survey, Lance Gokongwei was listed in the overall Top 3 Best CEOs for URC and Mike Liwanag ranked in the top 3 Best Investor Relations (IR) professional. URC's investor relations program and the company's website also landed in the overall top 3 ranking in the survey.

Among the 135 companies nominated in the survey include Ayala Land, China Telecom, Infosys, Melco Crown Entertainment, China Unicom, MGM China Holdings, Qantas Airways, Taiwan Semiconductor Manufacturing Co., Tata Consultancy Services, Metro Pacific Investments Corp, Kalbe Farma, China Resources Beer (Holdings) Co., Thai Union Group, China Modern Dairy Holdings, LG Household & Health Care, among others.

URC Directory

PHILIPPINES

UNIVERSAL ROBINA CORPORATION
8th Floor, Tera Tower, Bridgetowne,
E. Rodriguez, Jr. Avenue (C5 Road),
Ugong Norte, Quezon City, Metro Manila
T: (632) 633-7631 to 40 / (632) 240-8801
F: (632) 633-9207 / (632) 240-9106
URC Hotline: 559-8URC (872)
Toll Free Hotline: 1800-10URCCARE (8722273)
http://www2.urc.com.ph

BRANDED CONSUMER FOODS GROUP
Tera Tower, Bridgetowne, C5 Road,
Ugong Norte, Quezon City, 1110
T: (632) 516-9888

UNIVERSAL CORN PRODUCTS
UCP Compound
16 Santiago Street, Bagong Ilog, Pasig City
T: (632) 671-8184 / (632) 671-8140
T/F: (632) 671-0575

ROBINA FARMS
GBF Technical Training Center
Litton Mills Compound
Amang Rodriguez Avenue
Rosario, Pasig City
T: (632) 395-1142 to 45 / (632) 395-1200
F: (632) 395-1200 loc 22

URC FLOUR DIVISION
Pasig Boulevard
Bagong Ilog, Pasig City
T: (632) 672-1578 to 80
F: (632) 672-1581 / (632) 672-1574

URC SUGAR DIVISION
22nd Floor Robinsons Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
T: (632) 673-5398 / (632) 637-5021
F: (632) 637-3654

STOCK TRANSFER AND DIVIDEND PAYING AGENT
BDO Unibank, Inc.
Trust and Investment Group
15/F South Tower
BDO Corporate Center
7899 Makati Ave., Makati City

INDEPENDENT PUBLIC ACCOUNTANTS
SYCIP GORRES VELAYO & CO
Certified Public Accountants
SGV Building
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Makati City

INVESTOR RELATIONS
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F: (632) 470-3919
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INTERNATIONAL

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Khet Sapansung, Bangkok,
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T: 662-5174800
F: 662-5171616

URC (Thailand) Co., Ltd
Thailand Factory
Samutsakorn Industrial Estate,
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T: 6634-490031
T: 6634-4490194

MALAYSIA – KL

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

MALAYSIA – JB

URC Snack Foods (Malaysia) Sdn Bhd-Head Office/Factory
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Kawasan Perindustrian
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81700 Pasir Gudang,
Johor Bahru, Malaysia
T: 607-2513199, 607-2510948
F: 607-2513398, 607-2529819

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Vietnam Singapore Industrial Park,
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Binh Duong Province, Vietnam
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F: 84-650-3767025

URC Viet Nam Co. Ltd.
Liason Office
9th Floor, CT Plaza, No.60A
Truong Son Street, Ward 2,
Tan Binh District,
Ho Chi Minh City, Vietnam
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848-62969746 to 47
F: 848-62969675, 848-62969935

INDONESIA

PT URC Indonesia
Head Office/ Factory
Jl. Sulawesi Blok M-27
MM2100 Industrial Town
Cikarang Barat, Bekasi 17530
Indonesia
T: 6221-899 82585
F: 6221-8998 1625

PT URC Indonesia
Marketing & Sales Office
Menara Hijau, Floor. 6,
Jl MT Haryono Kav. 33,
Jakarta 12770
Indonesia
T: 6221-7919 2009
F: 6221-798 5875

HONG KONG

URC Hong Kong Co. Ltd.
Units C&D, 18/F, Montery Plaza,
15 Chong Yip Street,
Kwun Tong, Kowloon,
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T: 852-27171478

CHINA

Shanghai Peggy Foods Co., Ltd – Head Office / Factory
No. 358 Jiajian road
Jiading District, Shanghai,
China 201818
T: 8621-59903127
F: 8621-59903822

MYANMAR

URC Myanmar Co., Ltd
Plot No.B-6 and B-7,
Mingaladon Industrial Park,
Mingaladon Township,
Yangon Region,
The Republic of the Union of Myanmar
T: (+95)-1 – 639102-5

OCEANIA

Griffin's Food Company
Building C, Level 2,
Millennium Centre,
600 Great South Road, Ellerslie
PO Box 9129, Newmarket 1149

Snack Brands Australia
Building E, Level 3, 24-32
Lexington Drive, Bella Vista,
New South Wales 2153
Australia
T: (+61)-2-88870888
F: (+61)-2-88870800

Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Universal Robina Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended September 30, 2016 and 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

JAMES L. GO
Chairman

LANCE Y. GOKONGWEI
President and
Chief Executive Officer

FRANCISCO M. DEL MUNDO
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this JAN 12 2017 day of January, 2017 affiant(s) exhibiting to me the following documents as follows:

NAMES	DOCUMENT TYPE	DOCUMENT NUMBER	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	CTC	16679362	01.26.16	Pasig City
Lance Y. Gokongwei	CTC	16679360	01.26.16	Pasig City
Francisco M. Del Mundo	Passport	EC6738704	02.15.16	Manila

ATTY. RENATO E. DE JESUS
Notary Public
Until December 31, 2018
ROLL NO. [illegible]
IBP NO. [illegible]
PTR NO. [illegible]
APPOINTMENT [illegible]
MCLE COMPLIANCE [illegible]
TIN NO. [illegible]

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Series of 2017

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited the accompanying consolidated financial statements of Universal Robina Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Universal Robina Corporation and Subsidiaries as at September 30, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2016 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908720, January 3, 2017, Makati City

January 11, 2017

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱16,119,026,542**	₱18,298,379,441
Financial assets at fair value through profit or loss (Note 8)	**389,206,130**	401,701,602
Receivables (Notes 10 and 36)	**14,961,248,061**	10,833,224,194
Inventories (Note 11)	**18,534,335,800**	16,034,613,897
Biological assets (Note 15)	**1,083,205,513**	1,177,607,861
Other current assets (Note 12)	**1,076,227,367**	835,739,493
	52,163,249,413	47,581,266,488
Noncurrent Assets		
Property, plant and equipment (Note 13)	**44,505,927,879**	38,831,973,783
Available-for-sale financial assets (Note 14)	**41,830,000**	40,880,000
Biological assets (Note 15)	**437,777,027**	444,722,865
Goodwill (Note 16)	**34,638,665,017**	14,706,811,446
Intangible assets (Note 16)	**7,232,141,163**	7,281,943,040
Investments in joint ventures (Note 17)	**345,993,643**	494,242,502
Investment properties (Note 18)	**49,860,370**	53,518,151
Deferred tax assets (Note 34)	**919,804,608**	597,598,936
Other noncurrent assets (Note 19)	**1,108,578,743**	714,124,310
	89,280,578,450	63,165,815,033
TOTAL ASSETS	**₱141,443,827,863**	₱110,747,081,521
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Notes 21 and 36)	**₱18,408,005,250**	₱13,166,618,909
Short-term debts (Notes 20 and 24)	**5,873,208,671**	845,285,468
Trust receipts payable (Notes 11 and 24)	**4,645,224,001**	4,620,725,913
Income tax payable	**1,839,895,025**	2,079,280,260
	30,766,332,947	20,711,910,550
Noncurrent Liabilities		
Long-term debts (Notes 22 and 24)	**32,179,158,737**	21,869,680,961
Deferred tax liabilities (Note 34)	**2,769,132,311**	2,409,483,361
Other noncurrent liabilities (Notes 23)	**457,146,036**	396,378,358
	35,405,437,084	24,675,542,680
	66,171,770,031	45,387,453,230

(Forward)

	September 30	
	2016	2015
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 24)	**₱23,083,782,043**	₱19,056,685,251
Retained earnings (Note 24)	**56,896,755,151**	48,628,034,035
Other comprehensive income (Note 25)	**512,305,607**	3,326,070,120
Equity reserve (Note 24)	**(5,075,466,405)**	(5,075,466,405)
Treasury shares (Note 24)	**(341,137,179)**	(670,386,034)
	75,076,239,217	65,264,936,967
Equity attributable to non-controlling interests (Notes 17 and 24)	**195,818,615**	94,691,324
	75,272,057,832	65,359,628,291
TOTAL LIABILITIES AND EQUITY	**₱141,443,827,863**	₱110,747,081,521

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30		
	2016	2015	2014
SALE OF GOODS AND SERVICES (Notes 6 and 36)	**₱111,631,792,704**	₱109,051,029,911	₱92,376,296,512
COST OF SALES (Notes 26 and 36)	**75,090,958,927**	73,801,435,482	64,005,377,917
GROSS PROFIT	**36,540,833,777**	35,249,594,429	28,370,918,595
Selling and distribution costs (Note 27)	**(15,828,046,092)**	(14,622,882,337)	(11,731,419,823)
General and administrative expenses (Notes 28 and 36)	**(3,902,174,623)**	(3,253,291,465)	(2,520,327,424)
OPERATING INCOME	**16,810,613,062**	17,373,420,627	14,119,171,348
Net foreign exchange gains (losses)	**1,877,597,478**	(265,211,087)	72,777,508
Finance costs (Notes 6, 20, 22, 32 and 33)	**(897,220,964)**	(1,277,553,002)	(150,409,978)
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 8)	**855,084,609**	(214,624,256)	62,525,954
Equity in net income (loss) of joint ventures (Note 17)	**(233,998,864)**	(206,481,238)	14,089,730
Finance revenue (Notes 6, 7, 8, 12 and 31)	**213,044,427**	277,180,388	228,860,833
Impairment losses (Notes 6, 10, 11 and 16)	**(181,097,068)**	(109,938,204)	(122,272,279)
Other income - net (Notes 13, 18 and 22)	**353,482,305**	179,676,001	2,772,817
INCOME BEFORE INCOME TAX	**18,797,504,985**	15,756,469,229	14,227,515,933
PROVISION FOR INCOME TAX (Note 34)	**3,441,533,005**	3,251,547,641	2,572,223,919
NET INCOME	**₱15,355,971,980**	₱12,504,921,588	₱11,655,292,014
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 35)	**₱15,140,452,205**	₱12,383,347,980	₱11,558,709,746
Non-controlling interests (Note 17)	**215,519,775**	121,573,608	96,582,268
	₱15,355,971,980	₱12,504,921,588	₱11,655,292,014
EARNINGS PER SHARE (Note 35)			
Basic/diluted, for income attributable to equity holders of the parent	**₱6.94**	₱5.68	₱5.30

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended September 30		
	2016	2015	2014
NET INCOME	**₱15,355,971,980**	₱12,504,921,588	₱11,655,292,014
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments (Note 25)	**2,759,505,648**	2,982,525,738	218,282,351
Unrealized gain (loss) on cash flow hedge (Note 9)	**1,549,023**	(1,449,501)	–
Unrealized gain on available-for-sale financial assets (Notes 14 and 25)	**950,000**	19,160,000	–
	(2,757,006,625)	3,000,236,237	218,282,351
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans (Notes 25 and 33)	**(79,300,531)**	(8,330,068)	(88,717,012)
Income tax effect	**23,790,159**	2,499,020	26,615,104
	(55,510,372)	(5,831,048)	(62,101,908)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(2,812,516,997)**	2,994,405,189	156,180,443
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱12,543,454,983**	₱15,499,326,777	₱11,811,472,457
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱12,326,687,692**	₱15,378,971,031	₱11,714,687,614
Non-controlling interests	**216,767,291**	120,355,746	96,784,843
	₱12,543,454,983	₱15,499,326,777	₱11,811,472,457

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up Capital (Note 24)			**Retained Earnings** (Note 24)			
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unappropriated Retained Earnings**	**Appropriated Retained Earnings**	**Total Retained Earnings**	**Equity Reserve** (Note 24)
Balances as at October 1, 2015	**₱2,227,638,933**	**₱16,829,046,318**	**₱19,056,685,251**	**₱46,628,034,035**	**₱2,000,000,000**	**₱48,628,034,035**	**(₱5,075,466,405)**
Net income for the year	–	–	–	**15,140,452,205**	–	**15,140,452,205**	–
Other comprehensive income (loss)	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	**15,140,452,205**	–	**15,140,452,205**	–
Cash dividends (Note 24)	–	–	–	**(6,871,731,089)**	–	**(6,871,731,089)**	–
Reissuance of treasury shares	–	**4,027,096,792**	**4,027,096,792**	–	–	–	–
Appropriation of retained earnings	–	–	–	**(2,000,000,000)**	**2,000,000,000**	–	–
Reversal of previous appropriations	–	–	–	**1,000,000,000**	**(1,000,000,000)**	–	–
Balances as at September 30, 2016	**₱2,227,638,933**	**₱20,856,143,110**	**₱23,083,782,043**	**₱53,896,755,151**	**₱3,000,000,000**	**₱56,896,755,151**	**(₱5,075,466,405)**
Balances as at October 1, 2014	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱42,789,191,854	₱–	₱42,789,191,854	(₱5,556,531,939)
Net income for the year	–	–	–	12,383,347,980	–	12,383,347,980	–
Other comprehensive income (loss)	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	12,383,347,980	–	12,383,347,980	–
Cash dividends (Note 24)	–	–	–	(6,544,505,799)	–	(6,544,505,799)	–
Sale of equity interest in a subsidiary	–	–	–	–	–	–	481,065,534
Appropriation of retained earnings	–	–	–	(2,000,000,000)	2,000,000,000	–	–
Balances as at September 30, 2015	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱46,628,034,035	₱2,000,000,000	₱48,628,034,035	(₱5,075,466,405)
Balances as at October 1, 2013	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱37,774,987,907	₱–	₱37,774,987,907	(₱5,556,531,939)
Net income for the year	–	–	–	11,558,709,746	–	11,558,709,746	–
Other comprehensive income (loss)	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	11,558,709,746	–	11,558,709,746	–
Cash dividends (Note 24)	–	–	–	(6,544,505,799)	–	(6,544,505,799)	–
Balances as at September 30, 2014	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱42,789,191,854	₱–	₱42,789,191,854	(₱5,556,531,939)

See accompanying Notes to Consolidated Financial Statements.

Attributable to Equity Holders of the Parent									
Other Comprehensive Income (Loss)									
Items to be reclassified to profit or loss in subsequent periods				Item not to be reclassified to profit or loss in subsequent periods					
Cumulative Translation Adjustments (Note 25)	Net Unrealized Gain on Available-For-Sale Investments (Notes 14 and 25)	Unrealized Gain (Loss) on Cash Flow Hedge	Total	Remeasurement Losses on Defined Benefit Plans	Total Other Comprehensive Income (Loss) (Note 25)	Treasury Shares (Note 24)	Total	Attributable to Non-controlling Interests (Notes 17 and 24)	Total Equity
₱3,801,908,167	**₱19,160,000**	**(₱1,449,501)**	**₱3,819,618,666**	**(₱493,548,546)**	**₱3,326,070,120**	**(₱670,386,034)**	**₱65,264,936,967**	**₱94,691,324**	**₱65,359,628,291**
–	**–**		**–**	**–**	**–**	**–**	**15,140,452,205**	**215,519,775**	**15,355,971,980**
(2,759,505,648)	**950,000**	**1,549,023**	**(2,757,006,625)**	**(56,757,888)**	**(2,813,764,513)**	**–**	**(2,813,764,513)**	**1,247,516**	**(2,812,516,997)**
(2,759,505,648)	**950,000**	**1,549,023**	**(2,757,006,625)**	**(56,757,888)**	**(2,813,764,513)**	**–**	**12,326,687,692**	**216,767,291**	**12,543,454,983**
–	**–**	**–**	**–**		**–**	**–**	**(6,871,731,089)**	**(115,640,000)**	**(6,987,371,089)**
–	**–**	**–**	**–**	**–**	**–**	**329,248,855**	**4,356,345,647**	**–**	**4,356,345,647**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
₱1,042,402,519	**₱20,110,000**	**₱99,522**	**₱1,062,612,041**	**(₱550,306,434)**	**₱512,305,607**	**(₱341,137,179)**	**₱75,076,239,217**	**₱195,818,615**	**₱75,272,057,832**
₱819,382,429	₱–	₱–	₱819,382,429	(₱488,935,360)	₱330,447,069	(₱670,386,034)	₱55,949,406,201	₱77,590,099	₱56,026,996,300
–	–	–	–	–	–	–	12,383,347,980	121,573,608	12,504,921,588
2,982,525,738	19,160,000	(1,449,501)	3,000,236,237	(4,613,186)	2,995,623,051	–	2,995,623,051	(1,217,862)	2,994,405,189
2,982,525,738	19,160,000	(1,449,501)	3,000,236,237	(4,613,186)	2,995,623,051	–	15,378,971,031	120,355,746	15,499,326,777
–	–	–	–		–	–	(6,544,505,799)	(128,839,987)	(6,673,345,786)
–	–	–	–	–	–	–	481,065,534	25,585,466	506,651,000
–	–	–	–	–	–	–	–	–	–
₱3,801,908,167	₱19,160,000	(₱1,449,501)	₱3,819,618,666	(₱493,548,546)	₱3,326,070,120	(₱670,386,034)	₱65,264,936,967	₱94,691,324	₱65,359,628,291
₱601,100,078	₱–	₱–	₱601,100,078	(₱426,630,877)	₱174,469,201	(₱670,386,034)	₱50,779,224,386	₱50,805,256	₱50,830,029,642
–	–	–	–	–	–	–	11,558,709,746	96,582,268	11,655,292,014
218,282,351	–	–	218,282,351	(62,304,483)	155,977,868	–	155,977,868	202,575	156,180,443
218,282,351	–	–	218,282,351	(62,304,483)	155,977,868	–	11,714,687,614	96,784,843	11,811,472,457
–	–	–	–	–	–	–	(6,544,505,799)	(70,000,000)	(6,614,505,799)
₱819,382,429	₱–	₱–	₱819,382,429	(₱488,935,360)	₱330,447,069	(₱670,386,034)	₱55,949,406,201	₱77,590,099	₱56,026,996,300

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱18,797,504,985**	₱15,756,469,229	₱14,227,515,933
Adjustments for:			
Depreciation and amortization (Notes 13, 15, 16 and 18)	**5,469,500,328**	4,827,185,306	4,009,619,388
Finance costs (Note 32)	**868,915,137**	1,214,762,881	150,409,978
Finance revenue (Note 31)	**(213,044,427)**	(277,180,388)	(228,860,833)
Net foreign exchange losses (gains)	**(1,877,597,478)**	265,211,087	(72,777,508)
Impairment losses on:			
Inventories (Note 11)	**172,954,452**	104,636,876	103,876,120
Receivables (Note 10)	**8,142,616**	5,301,328	13,183,568
Goodwill (Note 16)	**–**	–	5,212,591
Market valuation loss (gain) on financial assets and derivative financial instruments at fair value through profit or loss (Note 8)	**(855,084,609)**	214,624,256	(62,525,954)
Equity in net loss (income) of joint ventures (Note 17)	**233,998,864**	206,481,238	(14,089,730)
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 15)	**60,797,768**	(109,218,243)	(182,987,646)
Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Note 22)	**136,324,048**	–	–
Loss (gain) on sale/disposals of property, plant and equipment (Note 13)	**(571,706,834)**	(14,228,864)	(27,798,362)
Amortization of debt issuance costs (Note 22)	**28,305,827**	62,790,121	–
Operating income before working capital changes	**22,259,010,677**	22,256,834,827	17,920,777,545
Decrease (increase) in:			
Receivables	**(962,354,913)**	98,628,970	(810,206,171)
Inventories	**(1,872,178,321)**	174,560,135	(4,250,625,060)
Biological assets	**(54,093,013)**	103,797,808	(111,382,912)
Other current assets	**(164,259,674)**	3,106,013,166	(3,608,895,517)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**1,920,253,079**	1,340,239,038	1,578,474,391
Trust receipts payable	**(59,570,221)**	107,762,356	1,935,765,149
Net cash generated from operations	**21,066,807,614**	27,187,836,300	12,653,907,425
Income taxes paid	**(3,562,763,414)**	(2,542,293,369)	(2,012,631,304)
Interest paid	**(1,014,591,752)**	(1,028,916,550)	(119,368,035)
Interest received	**224,158,078**	267,275,437	225,873,189
Net cash provided by operating activities	**16,713,610,526**	23,883,901,818	10,747,781,275
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Subsidiary, net of cash acquired (Note 16)	**(21,159,258,285)**	(7,086,181,154)	–
Property, plant and equipment (Notes 13 and 38)	**(6,491,544,182)**	(6,515,922,687)	(7,696,948,774)
Assets that qualified as a business (Note 13)	**(1,594,535,499)**	–	–
Investments in joint ventures (Note 17)	**(103,250,000)**	(276,500,000)	(360,250,000)
Intangible assets	**(23,318,492)**	–	–
Financial assets at fair value through profit or loss	**–**	(68,471)	(1,760)
Proceeds from:			
Settlement of derivatives (Note 9)	**714,542,218**	–	–
Sale/disposals of:			
Property, plant and equipment	**275,404,268**	14,228,864	39,145,112
Financial assets at fair value through profit or loss (Note 8)	**394,838**	–	–

(Forward)

	Years Ended September 30		
	2016	2015	2014
Decrease (increase) in:			
Other noncurrent assets	**(₱397,515,947)**	(₱107,666,268)	(₱133,847,208)
Net pension liability	**8,043,662**	(25,765,981)	(339,518,483)
Dividends received (Note 17)	**17,499,995**	16,999,995	18,499,995
Net cash used in investing activities	**(28,753,537,424)**	(13,980,875,702)	(8,472,921,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from reissuance of treasury shares	**4,383,564,426**	–	–
Repayments of:			
Short-term debts	**(2,000,000,000)**	(3,496,301,000)	(1,113,740,856)
Long-term debts (Notes 16 and 22)	**(10,107,540,087)**	(16,387,274,619)	–
Proceeds from availments of:			
Short-term debts	**7,006,538,203**	13,595,643	3,496,301,000
Long-term debt	**17,565,382,546**	24,355,805,004	–
Proceeds from the sale of equity share in a subsidiary (Note 24)	**–**	506,651,000	–
Cash dividends paid (Note 24)	**(6,987,371,089)**	(6,673,345,786)	(6,614,505,799)
Net cash provided by (used in) financing activities	**9,860,573,999**	(1,680,869,758)	(4,231,945,655)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,179,352,899)**	8,222,156,358	(1,957,085,498)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,298,379,441**	10,076,223,083	12,033,308,581
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱16,119,026,542**	₱18,298,379,441	₱10,076,223,083

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954 and domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

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

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

On April 29, 2016, the Board of Directors (BOD) approved the Parent Company's change in accounting period from fiscal year ending September 30 to calendar year ending December 31. The Parent Company filed its amended by-laws with the Philippine Securities and Exchange Commission (SEC) in connection with the change in accounting period, which was approved by the Philippine SEC on June 20, 2016. The Parent Company, likewise, filed the request for change in accounting period with the Bureau of Internal Revenue (BIR), subject to approval.

On January 15, 2016 and March 9, 2016, the BOD and the Stockholders of the Parent Company, respectively, approved the amendment to the Articles of Incorporation (AOI) of the Parent Company to change the principal office address of the Parent Company from 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Metro Manila to 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C-5) Ugong Norte, Quezon City, Metro Manila. On May 16, 2016, the Philippine SEC approved the amendment to the principal office address.

On May 27, 2015, the BOD and Stockholders of the Parent Company approved the amendment to the AOI of the Parent Company to include in its secondary purpose the transportation of all kinds of materials and products and for the Parent Company to engage in such activity. On June 25, 2015, the SEC approved the amendment to the secondary purpose.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 37). The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

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

Subsidiaries	Country of Incorporation	Functional Currency
Universal Robina (Cayman), Limited (URCL)	Cayman Islands	US Dollar
URC Philippines, Limited (URCPL)	British Virgin Islands	- do -
URC Asean Brands Co. Ltd. (UABCL)	- do -	- do -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd. (URC Oceania)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -

(Forward)

Subsidiaries	Country of Incorporation	Functional Currency
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	Kiwi
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited	- do -	- do -
Nice and Natural Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Consolidated Snacks Finance Pty Ltd.	- do -	- do -
Snack Foods Pty. Limited	- do -	- do -
The Kettle Chips Co. Pty. Limited	- do -	- do -
Lips Chips Pty. Limited	- do -	- do -
Snack Brands Industries Pty Limited	- do -	- do -
Snack Brands Foods Pty Limited	- do -	- do -
Snack Brands Australia Partnership	- do -	- do -
Colvan Snack Foods Pty Limited	- do -	- do -
The Real McCoy Snackfood Co Pty Limited	- do -	- do -
Australian Natural Snack Company Pty. Limited	- do -	- do -
Windsor Chips Pty. Ltd.	- do -	- do -

Statement of Compliance

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

Basis of Consolidation

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

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership		
		2016	2015	2014
CCPI	Philippines	**100.00**	100.00	100.00
CFC Corporation	- do -	**100.00**	100.00	100.00
Bio-Resource Power Generation Corporation and a Subsidiary	- do -	**100.00**	100.00	100.00
Nissin-URC (NURC)	- do -	**51.00**	51.00	65.00
URCPL	British Virgin Islands	**100.00**	100.00	100.00
URCICL and Subsidiaries*	- do -	**100.00**	100.00	100.00
URCL	Cayman Islands	**100.00**	100.00	100.00
URCCCL	China	**100.00**	100.00	100.00

** Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, Myanmar, New Zealand and Australia.*

Acquisition of CSPL
In September 2016, URCICL, through its wholly-owned subsidiary, acquired 100% equity interest in CSPL, which trades under the company name Snack Brands Australia, one of the leading snack food companies in Australia (see Note 16).

In 2016, URC AU HoldCo and URC AU FinCo were incorporated under URCICL.

Additional Subscription of URCICL Unissued Capital Stock
On September 27, 2016, the BOD of the Parent Company approved the additional subscription of the Parent Company to the unissued capital stock of URCICL for AU$ 120.0 million (₱4.4 billion).

Acquisition of New Zealand Snack Foods Holding Limited (NZSFHL)
In November 2015, URCICL, through its wholly-owned subsidiary, acquired 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand (see Note 16).

In 2014, URC Oceania, URC NZ HoldCo, and URC NZ FinCo were incorporated under URCICL.

Merger of CCPI
On March 10, 2015 and May 27, 2015, the BOD and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with the Parent Company. As of September 30, 2016, the SEC has yet to approve the merger.

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

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

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

If the Group loses control over a subsidiary, it:

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

Some of the Group's subsidiaries have a local statutory accounting reference date of December 31 and June 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

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

Subsidiaries	Year-end
URCCCL	December 31
Shantou SEZ Shanfu Foods Co., Ltd.	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-
Jiangsu Acesfood Industrial Co., Ltd.	-do-
Acesfood Network Pte. Ltd. (Acesfood)	-do-
Acesfood Holdings Pte. Ltd.	-do-
Acesfood Distributors Pte. Ltd.	-do-
Advanson	-do-
URC Oceania	-do-
URC NZ HoldCo	-do-
URC NZ FinCo	-do-
URC AU HoldCo	June 30
URC AU FinCo	-do-

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

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

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

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

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective for the Group beginning October 1, 2015. The adoption of the new and amended standards and interpretations did not have any effect on the consolidated financial statements of the Group. They did however give rise to additional disclosures.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
  PAS 19 required an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify

that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

- *Annual Improvements to PFRS (2010-2012 cycle)*
  The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have material impact to the Group, unless otherwise stated. They include:

  - PFRS 2, *Share-based Payments - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    - A performance condition must contain a service condition;
    - A performance target must be met while the counterparty is rendering service;
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
    - A performance condition may be a market or non-market condition;
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.

  - PFRS 8, *Operating Segment - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    The amendments are applied retrospectively and clarify that:

    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segment are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  - PAS 16, *Property and Equipment,* and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
    The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- *Annual Improvements to PFRS (2011-2013 cycle)*
  The Annual Improvements to PFRS (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group, unless otherwise stated. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

  - PAS 40, *Investment Property*
    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is a purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Significant Accounting Policies

<u>Fair Value Measurement</u>
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

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

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

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as derivatives designated as hedging instruments in effective hedge, as appropriate. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

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

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

1. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

2. Derivatives, including separate embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge

3. Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

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

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

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

The fair values of the Group's derivative instruments are calculated using certain standard valuation methodologies.

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

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the 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 'Finance revenue' in the consolidated statement of income. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents and receivables.

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported under the 'Unrealized gain on AFS financial assets' section of the consolidated statement of comprehensive income.

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

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

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

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

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

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

This accounting policy applies primarily to the Group's short-term (see Note 20) and long-term debts (see Note 22), accounts payable and other accrued liabilities (see Note 21) and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities or income tax payable).

Debt Issuance Costs
Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the loan in the consolidated statement of financial position. When the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged to the consolidated statement of income.

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

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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.

A financial asset that would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition) may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

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

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

a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

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

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

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

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

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

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

Biological assets carried at fair values less estimated costs to sell
Biological assets are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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

Property, Plant and Equipment

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

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

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction-in-progress is stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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

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

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

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

Investment Properties

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

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

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

	Years
Land improvements	10
Buildings and building improvements	30

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

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

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

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

Goodwill

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

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

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

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

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

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the in the period in which the expenditure is incurred.

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets). 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.

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

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

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

Investment in Joint Ventures

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

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

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

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), investment properties (see Note 18), investment in joint ventures (see Note 17), goodwill (see Note 16) and intangible assets (see Note 16).

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

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

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

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Group assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting principal in all of its revenue arrangements.

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting 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 reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and 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.

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

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

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;

c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

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

Group as a lessee
A lease is classified at the inception date as finance lease or an operating lease.

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

A leased asset is depreciated over the EUL of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

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

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

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

<u>Foreign Currency Translation/Transactions</u>
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are

translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

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

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

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

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

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

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

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

Events after Reporting Date
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 reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

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

Effective in 2016 for adoption in fiscal year ending September 30, 2017

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of

PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

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

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

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

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

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

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement impairment, and hedging accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information in not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognized interest on the lease liabilities, in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of IFRS 16. When adopting IFRS 16, an entity is permitted to use either a full retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16.

<u>*Deferred*</u>

- Philippine Interpretation IFRIC 15, *Agreements for the 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. The 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. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

3. Significant Accounting Judgments and Estimates

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

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

<u>Judgments</u>

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

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

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments

include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. The fair values of the Group's derivative financial instruments are based from quotes obtained from counterparties.

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

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

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

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

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

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

d. *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.

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

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

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

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

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

a. *Impairment of AFS financial assets*
   The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% and 'prolonged' as 12 months for quoted equity securities. In addition, the Group evaluates other factors, such as normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

   The Group did not recognize any impairment loss on AFS financial assets in 2016, 2015 and 2014.

b. *Estimation of allowance for impairment losses on receivables*
   The Group maintains allowances for impairment losses on its trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible.

   The Group reviews its finance receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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

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

Provision for impairment losses on receivables (included under 'Impairment losses' in the consolidated statements of income) amounted to ₱8.1 million, ₱5.3 million and ₱13.2 million in 2016, 2015 and 2014, respectively. Total receivables, net of allowance for impairment losses, amounted to ₱15.0 billion and ₱10.8 billion as of September 30, 2016 and 2015, respectively (see Note 10).

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

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

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

Inventory written down as expense (included under the 'Cost of sales' in the consolidated statements of income) amounted to ₱760.5 million, ₱578.6 million and ₱377.6 million in 2016, 2015 and 2014, respectively (see Note 11).

The Group recognized impairment losses on its inventories amounting to ₱173.0 million, ₱104.6 million and ₱103.9 million in 2016, 2015 and 2014, respectively. The Group's inventories, net of inventory obsolescence and market decline, amounted to ₱18.5 billion and ₱16.0 billion as of September 30, 2016 and 2015, respectively (see Note 11).

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

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

As of September 30, 2016 and 2015, the carrying amounts of the Group's depreciable assets follow:

	2016	2015
Property, plant and equipment - net (Note 13)	**₱36,341,194,739**	₱29,687,805,109
Software costs and customer relationship (Note 16)	**1,810,164,453**	1,859,966,330
Investment properties - net (Note 18)	**49,860,370**	53,518,151

e. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of September 30, 2016 and 2015, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.5 billion and ₱1.6 billion, respectively (see Note 15). In 2016, the Group recognized losses arising from changes in the fair market value of biological assets amounting to ₱60.8 million. In 2015 and 2014, the Group recognized gains arising from changes in the fair market value of biological assets amounting to ₱109.2 million and ₱183.0 million, respectively (see Note 15).

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

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

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

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

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

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

In 2016, 2015 and 2014, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13) and its other intangible assets (see Note 16). In 2016, 2015 and 2014, the Group recognized impairment losses on its goodwill (included under 'Impairment losses' on the consolidated statements of income) amounting to nil, nil and ₱5.2 million, respectively.

As of September 30, 2016 and 2015, the balances of the Group's nonfinancial assets, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2016	2015
Property, plant and equipment (Note 13)	**₱44,505,927,879**	₱38,831,973,783
Goodwill (Note 16)	**34,638,665,017**	14,706,811,446
Intangible assets (Note 16)	**7,232,141,163**	7,281,943,040
Investment in joint ventures (Note 17)	**345,993,643**	494,242,502
Investment properties (Note 18)	**49,860,370**	53,518,151

g. *Estimation of pension and other benefits costs*

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (see Note 33). 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, 2016, 2015 and 2014, the balances of the Group's net pension liability and other employee benefits follow:

	2016	2015	2014
Net pension liability (Note 33)	**₱332,075,836**	₱244,731,643	₱262,167,555
Other employee benefits (Note 30)	**1,637,159,230**	1,419,785,105	1,100,013,481

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 33.

h. *Provision for asset retirement obligation*
The Group is contractually required to restore its manufacturing sites, warehouses and offices at the end of the respective lease terms. Significant estimates and assumptions are made in determining the provision for asset retirement obligation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of restoration activities, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in site asset retirement obligation would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future asset retirement obligation required. Assumptions used to compute the restoration costs are reviewed and updated annually. Details of the provision for asset retirement obligation are disclosed in Note 23.

i. *Recognition of deferred tax assets*
The Group reviews the carrying amounts of its deferred income taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

As of September 30, 2016 and 2015, the Group recognized net deferred tax assets amounting to ₱0.9 billion and ₱0.6 billion, respectively (see Note 34), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱2.8 billion and ₱2.4 billion as of September 30, 2016 and 2015, respectively (see Note 34).

As of September 30, 2016 and 2015, the Group has certain subsidiaries which are under ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 37).

As of September 30, 2016 and 2015, the total amount of unrecognized deferred tax assets of the Group amounted to ₱79.9 million and ₱148.7 million, respectively (see Note 34).

4. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries 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.

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 BODs 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.

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

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

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal and external auditors are done based on plan and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

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

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

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate

governance, identifying and monitoring control compliance risks, determining violations and recommending penalties on such infringements for further review and approval of the BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four (4) different groups, namely:

a. Risk-taking personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
b. Risk control and compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
c. Support. This group includes back office personnel who support the line personnel.
d. Risk management. This group pertains to the business unit's Management Committee which makes risk mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

a. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
b. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
c. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
e. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
g. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

a. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
b. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
c. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
d. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
e. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets and certain derivative financial instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, receivables, financial assets at FVPL and AFS financial assets, the Group's maximum exposure to credit risk is equal to its carrying amount as of September 30, 2016 and 2015, except for the Group's trade receivables as of September 30, 2016 and 2016 with carrying value of ₱1.4 billion and ₱1.3 billion, respectively, and collateral with fair value amounting to ₱0.1 billion and ₱0.1 billion, respectively resulting to net exposure of ₱1.3 billion and ₱1.2 billion, respectively.

The collateral securities related to the Group's trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the

Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

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

i. Concentration by geographical location

The Group's credit risk exposures as of September 30, 2016 and 2015 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2016					
	Philippines	**Asia**	**New Zealand**	**United States**	**Others**	**Total**
Loans and receivables:						
Cash and cash equivalents* (Note 7)	**₱11,649,709,771**	**₱3,184,283,275**	**₱749,547,227**	**₱–**	**₱441,371,583**	**₱16,024,911,856**
Receivables (Note 10):						
Trade receivables	**5,504,387,191**	**3,073,687,310**	**1,427,865,220**	**17,102,268**	**1,620,103,828**	**11,643,145,817**
Due from related parties	**397,384,948**	**445,066,679**	–	–	**461,440,651**	**1,303,892,278**
Advances to officers, employees and suppliers	**724,001,761**	**302,096,748**	–	–	–	**1,026,098,509**
Interest receivable	**6,817,769**	–	–	–	–	**6,817,769**
Other receivables	**148,363,126**	**829,595,508**	–	–	**3,335,054**	**981,293,688**
Total loans and receivable	**18,430,664,566**	**7,834,729,520**	**2,177,412,447**	**17,102,268**	**2,526,251,116**	**30,986,159,917**
Financial assets at FVPL:						
Equity securities (Note 8)	**389,067,953**	–	–	–	–	**389,067,953**
Derivative assets	–	–	**138,177**	–	–	**138,177**
AFS financial assets:						
Equity securities (Note 14)	**41,830,000**	–	–	–	–	**41,830,000**
	₱18,861,562,519	**₱7,834,729,520**	**₱2,177,550,624**	**₱17,102,268**	**₱2,526,251,116**	**₱31,417,196,047**

** Excludes cash on hand*

	2015					
	Philippines	Asia	New Zealand	United States	Others	Total
Loans and receivables:						
Cash and cash equivalents* (Note 7)	₱14,586,246,064	₱2,982,435,008	₱637,419,508	₱–	₱–	₱18,206,100,580
Receivables (Note 10):						
Trade receivables	4,578,660,481	2,328,449,736	1,127,044,518	23,839,533	14,366,392	8,072,360,660
Due from related parties	1,564,936,668	–	–	–	–	1,564,936,668
Advances to officers, employees and suppliers	649,890,023	412,986,349	–	–	–	1,062,876,372
Interest receivable	17,931,420	–	–	–	–	17,931,420
Other receivables	28,709,343	86,233,150	–	–	176,581	115,119,074
Total loans and receivable	21,426,373,999	5,810,104,243	1,764,464,026	23,839,533	14,542,973	29,039,324,774
Financial assets at FVPL:						
Equity securities (Note 8)	401,701,602	–	–	–	–	401,701,602
AFS financial assets:						
Equity securities (Note 14)	40,880,000	–	–	–	–	40,880,000
	₱21,868,955,601	₱5,810,104,243	₱1,764,464,026	₱23,839,533	₱14,542,973	₱29,481,906,376

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of September 30, 2016 and 2015 before taking into account any collateral held or other credit enhancements.

	2016						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents** (Note 7)	₱–	₱16,024,911,856	₱–	₱–	₱–	₱–	₱16,024,911,856
Receivables (Note 10):							
Trade receivables	11,297,206,000	–	20,342,644	–	–	325,597,173	11,643,145,817
Due from related parties	415,131,579	56,721,923	–	–	–	832,038,776	1,303,892,278
Advances to officers, employees and suppliers	864,856,340	–	–	–	–	161,242,169	1,026,098,509
Interest receivable	101,072	6,716,697	–	–	–	–	6,817,769
Other receivables	698,570,986	–	–	10,827,177	–	271,895,525	981,293,688
Total loans and receivables	13,275,865,977	16,088,350,476	20,342,644	10,827,177	–	1,590,773,643	30,986,159,917
Financial assets at FVPL:							
Equity securities (Note 8)	–	–	–	–	50,204	389,017,749	389,067,953
Derivative assets	138,177	–	–	–	–	–	138,177
AFS financial assets:							
Equity securities (Note 14)	–	–	–	–	–	41,830,000	41,830,000
	₱13,276,004,154	₱16,088,350,476	₱20,342,644	₱10,827,177	₱50,204	₱2,021,621,392	₱31,417,196,047

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

	2015						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents** (Note 7)	₱–	₱18,206,100,580	₱–	₱–	₱–	₱–	₱18,206,100,580
Receivables (Note 10):							
Trade receivables	7,279,822,819	–	450,809,157	–	–	341,728,684	8,072,360,660
Due from related parties	393,739,248	47,311,992	–	–	–	1,123,885,428	1,564,936,668
Advances to officers, employees and suppliers	1,004,436,262	–	–	–	–	58,440,110	1,062,876,372
Interest receivable	159,128	17,772,292	–	–	–	–	17,931,420
Other receivables	74,924,648	–	–	12,851,097	–	27,343,329	115,119,074
Total loans and receivables	8,753,082,105	18,271,184,864	450,809,157	12,851,097	–	1,551,397,551	29,039,324,774
Financial assets at FVPL:							
Equity securities (Note 8)	–	–	–	–	400,273	401,301,329	401,701,602
AFS financial assets:							
Equity securities (Note 14)	–	–	–	–	–	40,880,000	40,880,000
	₱8,753,082,105	₱18,271,184,864	₱450,809,157	₱12,851,097	₱400,273	₱1,993,578,880	₱29,481,906,376

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of September 30, 2016 and 2015, gross of allowance for impairment losses:

	2016				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Loans and receivables:					
Cash and cash equivalents* (Note 7)	₱16,024,911,856	₱–	₱–	₱–	₱16,024,911,856
Receivables (Note 10):					
Trade receivables	9,720,474,070	208,324,139	–	1,882,455,945	11,811,254,154
Due from related parties	1,303,892,278	–	–	–	1,303,892,278
Advances to officers, employees and suppliers	514,754,831	359,742,576	104,238,164	67,009,620	1,045,745,191
Interest receivable	6,817,769	–	–	–	6,817,769
Other receivables	62,483,879	120,574,998	–	967,285,683	1,150,344,560
Total loans and receivables	27,633,334,683	688,641,713	104,238,164	2,916,751,248	31,342,965,808
Financial assets at FVPL (Note 8):					
Equity securities	389,067,953	–	–	–	389,067,953
Derivative assets	138,177	–	–	–	138,177
AFS financial assets:					
Equity securities (Note 14)	41,830,000	–	–	–	41,830,000
	₱28,064,370,813	₱688,641,713	₱104,238,164	₱2,916,751,248	₱31,774,001,938

**Excludes cash on hand*

	2015				
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents* (Note 7)	₱18,206,100,580	₱–	₱–	₱–	₱18,206,100,580
Receivables (Note 10):					
Trade receivables	5,866,721,181	488,520,367	280,878,532	1,622,249,772	8,258,369,852
Due from related parties	1,564,936,668	–	–	–	1,564,936,668
Advances to officers, employees and suppliers	624,914,441	289,074,210	77,453,777	91,080,626	1,082,523,054
Interest receivable	17,931,420	–	–	–	17,931,420
Other receivables	45,743,090	19,116,776	–	219,310,080	284,169,946
Total loans and receivables	26,326,347,380	796,711,353	358,332,309	1,932,640,478	29,414,031,520
Financial assets at FVPL (Note 8):					
Equity securities	401,701,602	–	–	–	401,701,602
AFS financial assets:					
Equity securities (Note 14)	40,880,000	–	–	–	40,880,000
	₱26,768,928,982	₱796,711,353	₱358,332,309	₱1,932,640,478	₱29,856,613,122

**Excludes cash on hand*

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

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of September 30, 2016 and 2015 are as follows:

	2016					
	Past Due But Not Impaired				**Impaired**	
	Less than 30 Days	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Trade receivables	**₱943,389,939**	**₱262,269,894**	**₱24,209,794**	**₱ 484,477,981**	**₱168,108,337**	**₱1,882,455,945**
Advances to officers, employees and suppliers	**925,934**	**2,539,587**	**21,910,923**	**21,986,494**	**19,646,682**	**67,009,620**
Others	**149,501,373**	**169,527,646**	**278,065,756**	**201,140,036**	**169,050,872**	**967,285,683**
Balances at end of year	**₱1,093,817,246**	**₱434,337,127**	**₱324,186,473**	**₱707,604,511**	**₱356,805,891**	**₱2,916,751,248**

	2015					
	Past Due But Not Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	₱881,105,294	₱112,050,855	₱3,505,102	₱439,579,329	₱186,009,192	₱1,622,249,772
Advances to officers, employees and suppliers	11,178,630	1,478,201	3,331,515	55,445,598	19,646,682	91,080,626
Others	10,001,961	5,339,953	25,396,246	9,521,048	169,050,872	219,310,080
Balances at end of year	₱902,285,885	₱118,869,009	₱32,232,863	₱504,545,975	₱374,706,746	₱1,932,640,478

e. Impairment assessment

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

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

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

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

The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

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

Liquidity risk
Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2016 and 2015 based on the remaining undiscounted contractual cash flows.

	2016				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	**₱8,492,785,911**	**₱7,652,603,460**	**₱–**	**₱–**	**₱16,145,389,371**
Receivables:					
Trade receivables	**1,156,793,011**	**10,654,461,143**	**–**	**–**	**11,811,254,154**
Due from related parties	**1,303,892,278**	**–**	**–**	**–**	**1,303,892,278**
Advances to officers, employees and suppliers	**607,097,257**	**189,625,975**	**249,021,959**	**–**	**1,045,745,191**
Interest receivable	**–**	**6,716,697**	**101,072**	**–**	**6,817,769**
Other receivables	**301,122,429**	**357,077,525**	**492,144,606**	**–**	**1,150,344,560**
Total loans and receivables	**11,861,690,886**	**18,860,484,800**	**741,267,637**	**–**	**31,463,443,323**
Financial assets at FVPL					
Equity securities	**389,067,953**	**–**	**–**	**–**	**389,067,953**
Derivative assets designated as accounting hedge	**–**	**–**	**138,177**	**–**	**138,177**
AFS financial asset:					
Equity securities	**41,830,000**	**–**	**–**	**–**	**41,830,000**
	₱12,292,588,839	**₱18,860,484,800**	**₱741,405,814**	**₱–**	**₱31,894,479,453**
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	**₱5,322,148,135**	**₱12,269,414,985**	**₱160,061,717**	**₱–**	**₱17,751,624,837**
Due to related parties	**62,168,584**	**–**	**–**	**–**	**62,168,584**
Short-term debts*	**–**	**5,874,023,943**	**–**	**–**	**5,874,023,943**
Trust receipts payable*	**–**	**4,651,198,285**	**–**	**–**	**4,651,198,285**
Long-term debts*	**–**	**372,121,941**	**1,104,231,412**	**37,402,236,207**	**38,878,589,560**
	₱5,384,316,719	**₱23,166,759,154**	**₱1,264,293,129**	**₱37,402,236,207**	**₱67,217,605,209**

**Includes future interest*
***Excludes statutory liabilities*

	2015				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	₱3,299,290,307	₱16,155,180,317	₱–	₱–	₱19,454,470,624
Receivables:					
Trade receivables	2,759,747,340	5,498,622,512	–	–	8,258,369,852
Due from related parties	836,828,025	–	728,108,643	–	1,564,936,668
Advances to officers, employees and suppliers	732,027,113	215,995,236	134,500,705	–	1,082,523,054
Interest receivable	20,389	17,911,031	–	–	17,931,420
Other receivables	211,886,403	65,866,307	22,644,962	–	300,397,672
Total loans and receivables	7,839,799,577	21,953,575,403	885,254,310	–	30,678,629,290
Financial assets at FVPL					
Equity securities	401,701,602	–	–	–	401,701,602
AFS financial asset:					
Equity securities	40,880,000	–	–	–	40,880,000
	₱8,282,381,179	₱21,953,575,403	₱885,254,310	₱–	₱31,121,210,892
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	₱4,099,883,080	₱7,930,853,797	₱432,028,780	₱–	₱12,462,765,657
Due to related parties	73,127,178	–	–	–	73,127,178
Short-term debts	–	846,831,629	–	–	846,831,629
Trust receipts payable	–	4,648,167,574	–	–	4,648,167,574
Long-term debts	–	252,754,218	758,262,656	25,461,518,207	26,472,535,081
Derivative liability	–	–	–	151,646,715	151,646,715
	₱4,173,010,258	₱13,678,607,218	₱1,190,291,436	₱25,613,164,922	₱44,655,073,834

*Includes future interest
***Excludes statutory liabilities*

Market risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of September 30, 2016, 2015 and 2014, approximately 28.2%, 30.4% and 25.7% of the Group's total sales are denominated in currencies other than the functional currency. In addition, 20.31% and 16.90% of the Group's debt is denominated in US Dollars as of September 30, 2016 and 2015, respectively.

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

	2016				
	NZ Dollar	**US Dollar**	**AU Dollar**	**Others***	**Total**
Assets					
Cash and cash equivalents	**₱749,735,776**	**₱7,752,520,314**	**₱441,371,583**	**₱2,560,181**	**₱8,946,187,854**
Receivables	**1,427,865,220**	**67,276,955**	**1,608,193,555**	**4,193,832,335**	**7,297,168,065**
	2,177,600,996	**7,819,797,269**	**2,049,565,138**	**4,196,392,516**	**16,243,355,919**
Liabilities					
Accounts payable and other accrued liabilities	**1,708,227,232**	**1,913,575,179**	**2,393,976,491**	**5,664,057,560**	**11,679,836,462**
Short-term debts	**–**	**4,413,500,000**	**–**	**3,357,319,789**	**7,770,819,789**
Trust receipts	**–**	**4,645,224,001**	**–**	**–**	**4,645,224,001**
Long-term debts	**14,613,782,108**	**–**	**17,565,376,629**	**–**	**32,179,158,737**
	16,322,009,340	**10,972,299,180**	**19,959,353,120**	**9,021,377,349**	**56,275,038,989**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱14,144,408,344)**	**(₱3,152,501,911)**	**(₱17,909,787,982)**	**(₱4,824,984,833)**	**(₱40,031,683,070)**

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

	2015				
	NZ Dollar	US Dollar	AU Dollar	Others*	Total
Assets					
Cash and cash equivalents	₱637,513,689	₱7,884,807,309	₱–	₱26,319,675	₱8,548,640,673
Receivables	1,127,044,518	118,367,571	–	2,794,813,085	4,040,225,174
	1,764,558,207	8,003,174,880	–	2,821,132,760	12,588,865,847
Liabilities					
Accounts payable and other accrued liabilities	1,444,315,824	1,243,590,375	–	4,791,729,058	7,479,635,257
Short-term debts	–	–	–	845,285,468	845,285,468
Trust receipts	–	4,620,725,913	–	–	4,620,725,913
Long-term debts	21,869,680,961	–	–	–	21,869,680,961
	23,313,996,785	5,864,316,288	–	5,637,014,526	34,815,327,599
Net Foreign Currency-Denominated Assets (Liabilities)	(₱21,549,438,578)	₱2,138,858,592	₱–	(₱2,815,881,766)	(₱22,226,461,752)

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

The following tables set forth the impact of the range of reasonably possible changes in the US Dollar, NZ Dollar and AU Dollar - Philippine Peso exchange rate on the Group's income before income tax as of September 30, 2016 and 2015:

	2016		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	**US Dollar**	**NZ Dollar**	**AU Dollar**
₱5.00	**(₱325,000,197)**	**(₱2,009,089,268)**	**(₱2,425,391,437)**
(5.00)	**325,000,197**	**2,009,089,268**	**2,425,391,437**

	2015		
Reasonably possible change in unit of Philippine peso for every unit of foreign currency	US Dollar	NZ Dollar	AU Dollar
₱5.00	(₱228,803,872)	(₱3,606,274,676)	₱–
(5.00)	228,803,872	3,606,274,676	–

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of September 30, 2016 and 2015 are deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱48.50 to US$1.00 and ₱46.74 to US$1.00 as of September 30, 2016 and 2015, respectively. The exchange rates used to restate the NZ dollar-denominated financial liabilities were ₱35.20 to NZ$1.00 and ₱29.90 to NZ$1.00 as of September 30, 2016 and 2015, respectively.

Equity price risk
Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVPL investments due to reasonably possible changes in equity indices:

	2016		2015	
Changes in PSEi	**17.03%**	**(17.03%)**	14.43%	(14.43%)
Change in trading gain at equity portfolio	**(29,593,299)**	**29,593,299**	50,248,367	(₱50,248,367)
As a percentage of the Parent Company's trading gain for the year	**41.36%**	**(41.36%)**	(148.53%)	148.53%

The Group's investment in golf shares designated as AFS financial assets are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group's estimates an increase of 17.03% and 14.43% in 2016 and 2015 would have an impact of approximately ₱29.6 million and ₱27.5 million on equity, respectively. 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 subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

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

	2016								
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**Total**	**Total (in Philippine Peso)**	**Debt Issuance Costs (in Philippine Peso)**	**Carrying Value (in Philippine Peso)**
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loans	**AU$21,886,925**	**AU$21,886,925**	**AU$21,886,925**	**AU$21,946,889**	**AU$506,110,925**	**AU$593,718,588**	**₱17,878,245,915**	**₱312,869,303**	**₱17,565,376,612**
Interest rate:									
BBSY Bid+1.60%									
New Zealand Dollar loans	**NZ$18,984,000**	**NZ$18,984,000**	**NZ$18,984,000**	**NZ$424,785,008**	**NZ$–**	**NZ$481,737,008**	**14,784,438,907**	**170,656,782**	**14,613,782,125**
Interest rate:									
NZ BKBM+1.60%									
							₱32,662,684,822	**₱483,526,085**	**₱32,179,158,737**

	2015								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
New Zealand Dollar loans	NZ$33,808,466	NZ$33,552,823	NZ$33,552,823	NZ$33,552,823	NZ$750,776,244	NZ$885,243,179	₱22,198,497,235	₱328,816,274	₱21,869,680,961
Interest rate:									
NZ BKBM+1.60%									
							₱22,198,497,235	₱328,816,274	₱21,869,680,961

The following table demonstrates the sensitivity of the fair value of the Group's long-term debts to reasonably possible change in interest rates with all other variables held constant:

	Change in basis points	Sensitivity of fair value
2016	**+100**	**₱2,568,313,028**
	-100	**(2,568,313,028)**
2015	+100	1,936,760,994
	-100	(1,936,760,994)

5. Fair Value Measurement

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

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

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

Financial assets at FVPL and AFS 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.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Investment properties
The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group’s investment properties have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Long-term debts
The carrying amounts of floating-rate long-term debts approximate their fair values.

Derivative liability
The fair values of forward exchange derivatives are 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.

Fair Value Measurement Hierarchy for Assets and Liabilities as of September 30, 2016

			2016		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets at FVPL:					
Quoted equity securities (Note 8)	**₱389,206,130**	**₱389,206,130**	**₱–**	**₱–**	**₱389,206,130**
AFS financial assets					
Quoted equity securities (Note 14)	**41,830,000**	**41,830,000**	**–**	**–**	**41,830,000**
Biological assets	**1,520,982,540**	**–**	**581,236,069**	**939,746,471**	**1,520,982,540**
Assets for which fair values are disclosed					
Investment properties (Note 18)	**49,860,370**	**–**	**–**	**232,236,000**	**232,236,000**
	₱2,001,879,040	**₱431,036,130**	**₱581,236,069**	**₱1,171,982,471**	**₱2,184,254,670**
Liabilities for which fair values are disclosed					
Long-term debts (Note 22)	**₱32,179,158,737**	**₱–**	**₱–**	**₱32,179,158,737**	**₱32,179,158,737**

			2015		
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets at FVPL:					
Quoted equity securities (Note 8)	₱401,701,602	₱401,701,602	₱–	₱–	₱401,701,602
AFS financial assets					
Quoted equity securities (Note 14)	40,880,000	40,880,000	–	–	40,880,000
Biological assets	1,622,330,726	–	645,183,575	977,147,151	1,622,330,726
Assets for which fair values are disclosed					
Investment properties (Note 18)	53,518,151	–	–	232,236,000	232,236,000
	₱2,118,430,479	₱442,581,602	₱645,183,575	₱1,209,383,151	₱2,297,148,328
Liabilities measured at fair value					
Derivative liabilities	₱151,646,715	₱–	₱151,646,715	₱–	₱151,646,715
Liabilities for which fair values are disclosed					
Long-term debts (Note 22)	21,869,680,961	–	–	21,869,680,961	21,869,680,961
	₱22,021,327,676	₱–	₱151,646,715	₱21,869,680,961	₱22,021,327,676

In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Descriptions of significant unobservable inputs to valuation of biological assets and investment properties under level 3 of the fair value category follow:

Account	Valuation Technique	Significant Unobservable Inputs
Biological assets	Cost plus reasonable profit margin	Reasonable profit margin
Investment properties	Market data approach and Cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets. Significant increases (decreases) in adjustments for replacement cost and depreciation for improvements would result in a significantly higher (lower) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Replacement cost	Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials.
Depreciation	Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.

6. **Business Segment Information**

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

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

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

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the period ended September 30, 2016, 2015 and 2014.

The Group's business segment information follows:

	2016					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱92,514,853	₱9,114,167	₱10,002,773	₱–	₱–	₱111,631,793
Inter-segment	13,072,475	118,541	7,069,570	–	(20,260,586)	–
	₱105,587,328	₱9,232,708	₱17,072,343	₱–	(₱20,260,586)	₱111,631,793
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱17,911,086	₱1,444,364	₱4,359,581	(₱1,434,918)	₱–	₱22,280,113
Depreciation and amortization (Note 29)	(3,865,622)	(393,310)	(1,019,875)	(190,693)	–	(5,469,500)
Earnings before interest and income tax (EBIT)	₱14,045,464	₱1,051,054	₱3,339,706	(₱1,625,611)	₱–	16,810,613
Finance revenue (Note 31)	₱67,081	₱160	₱422	₱145,381	₱–	213,044
Finance costs (Note 32)	(₱816,846)	(₱24,216)	(₱35,603)	(₱20,556)	₱–	(897,221)
Equity in net loss of joint ventures (Note 17)	₱–	₱–	₱–	(₱233,999)	₱–	(233,999)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱–	₱–	₱–	₱855,085	₱–	855,085
Impairment losses (Notes 10 and 11)	(₱177,972)	₱–	(₱3,125)	₱–	₱–	(181,097)
Other expenses*						2,231,080
Income before income tax						18,797,505
Provision for income tax (Note 34)						(3,441,533)
Net income						₱15,355,972
Other Information						
Total assets	₱105,428,891	₱5,566,632	₱16,167,697	₱14,280,608	₱–	₱141,443,828
Total liabilities	₱53,404,134	₱3,150,660	₱4,005,070	₱5,611,906	₱–	₱66,171,770
Capital expenditures (Note 13)	₱4,791,720	₱530,536	₱2,159297	₱329,527	₱–	₱7,811,080
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 10)	₱8,058	₱–	₱85	₱–	₱–	₱8,143
Inventories (Note 11)	169,914	–	3,040	–	–	172,954
	₱177,972	₱–	₱3,125	₱–	₱–	₱181,097

** Include net foreign exchange losses and other revenues (expenses).*

	2015					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱91,861,235	₱8,931,097	₱8,258,698	₱–	₱–	₱109,051,030
Inter-segment	10,048,310	276,183	6,362,829	–	(16,687,322)	–
	₱101,909,545	₱9,207,280	₱14,621,527	₱–	(₱16,687,322)	₱109,051,030
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱18,098,890	₱1,544,627	₱3,846,103	(₱1,289,015)	₱–	₱22,200,605
Depreciation and amortization (Note 29)	(3,613,879)	(374,216)	(707,520)	(131,570)	–	(4,827,185)
Earnings before interest and income tax (EBIT)	₱14,485,011	₱1,170,411	₱3,138,583	(₱1,420,585)	₱–	17,373,420
Finance revenue (Note 31)	₱112,352	₱133	₱1,379	₱163,316	₱–	277,180
Finance costs (Note 32)	(₱1,212,848)	(₱18,500)	(₱34,407)	(₱11,798)	₱–	(1,277,553)
Equity in net loss of joint ventures (Note 17)	₱–	₱–	₱–	(₱206,481)	₱–	(206,481)
Market valuation loss on financial assets and liabilities at FVPL (Note 8)	₱–	₱–	₱–	(₱214,624)	₱–	(214,624)
Impairment losses (Notes 10 and 11)	(₱105,058)	₱–	(₱4,880)	₱–	₱–	(109,938)
Other expenses*						(85,534)
Income before income tax						15,756,470
Provision for income tax (Note 34)						(3,251,548)
Net income						₱12,504,922
Other Information						
Total assets	₱73,041,902	₱5,256,753	₱13,575,146	₱18,873,281	₱–	₱110,747,082
Total liabilities	₱35,445,559	₱2,928,789	₱5,057,425	₱1,955,680	₱–	₱45,387,453
Capital expenditures (Note 13)	₱4,600,527	₱360,406	₱1,362,035	₱192,955	₱–	₱6,515,923
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 10)	₱421	₱–	₱4,880	₱–	₱–	₱5,301
Inventories (Note 11)	104,637	–	–	–	–	104,637
	₱105,058	₱–	₱4,880	₱–	₱–	₱109,938

** Include net foreign exchange losses and other revenues (expenses).*

	2014					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱77,233,787	₱8,203,015	₱6,939,495	₱–	₱–	₱92,376,297
Inter-segment	9,350,272	4,152,627	6,007,458		(19,510,357)	–
	₱86,584,059	₱12,355,642	₱12,946,953	₱–	(₱19,510,357)	₱92,376,297
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱13,999,723	₱1,479,721	₱3,713,909	(₱1,064,563)	₱–	₱18,128,790
Depreciation and amortization (Note 29)	(2,901,342)	(412,941)	(622,207)	(73,129)	–	(4,009,619)
Earnings before interest and income tax (EBIT)	₱11,098,381	₱1,066,780	₱3,091,702	(₱1,137,692)	₱–	14,119,171
Finance revenue (Note 31)	₱80,939	₱103	₱1,766	₱146,053	₱–	228,861
Finance costs (Note 32)	(₱86,234)	(₱9,595)	(₱27,861)	(₱26,720)	₱–	(150,410)
Equity in net income of joint ventures (Note 17)	₱–	₱–	₱–	₱14,090	₱–	14,090
Market valuation gain on financial assets at FVPL (Note 8)	₱–	₱–	₱–	₱62,526	₱–	62,526
Impairment losses (Notes 10, 11 and 16)	₱110,037	₱1,296	₱6,268	₱4,671	₱–	(122,272)
Other expenses*						75,550
Income before income tax						14,227,516
Provision for income tax (Note 34)						(2,572,224)
Net income						₱11,655,292
Other Information						
Total assets	₱48,682,573	₱5,621,741	₱11,171,001	₱12,445,892	₱–	₱77,921,207
Total liabilities	₱10,465,748	₱2,896,084	₱4,185,517	₱4,346,862	₱–	₱21,894,211
Capital expenditures (Note 13)	₱4,302,565	₱292,088	₱2,823,549	₱278,747	₱–	₱7,696,949
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 10)	₱7,216	₱1,296	₱–	₱4,671	₱–	₱13,183
Inventories (Note 11)	97,608	–	6,268	–	–	103,876
Goodwill (Note 16)	5,213	–	–	–	–	5,213
	₱110,037	₱1,296	₱6,268	₱4,671	₱–	₱122,272

** Include net foreign exchange losses and other revenues (expenses).*

Inter-segment Revenues
Inter-segment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVPL, foreign exchange gains and losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets
Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debts of each of the operating segments.

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

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

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

	2016	2015	2014
		(In Thousands)	
Domestic	**₱80,179,132**	₱75,918,231	₱68,600,627
Foreign	**31,452,661**	33,132,799	23,775,670
	₱111,631,793	₱109,051,030	₱92,376,297

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

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

	2016	2015	2014
		(In Thousands)	
Domestic	**₱27,320,872**	₱25,439,811	₱24,686,271
Foreign	**60,998,072**	37,087,525	12,552,812
	₱88,318,944	₱62,527,336	₱37,239,083

7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱94,114,686**	₱92,278,861
Cash in banks	**7,776,796,304**	2,680,097,754
Short-term investments	**8,248,115,552**	15,526,002,826
	₱16,119,026,542	₱18,298,379,441

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.05% to 6.50% and from 0.01% to 6.20% for foreign currency-denominated money market placements in 2016 and 2015, respectively. Peso-denominated money market placements on the other hand, earn interest ranging from 1.10% to 1.75% and from 1.50% to 2.10% in 2016 and 2015, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of quoted equity securities issued by certain domestic entities which are held for trading as of September 30, 2016 and 2015.

Market valuation gains (losses) on financial instruments at fair value though profit and loss is broken down as follows:

	2016	2015	2014
Equity securities	**(₱12,238,811)**	(₱74,626,895)	₱62,525,954
Derivatives (Note 9)	**867,323,420**	(139,997,361)	–
	₱855,084,609	(₱214,624,256)	₱62,525,954

9. Derivative Financial Instruments

Derivative not designated as accounting hedge

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

In 2015, the Group entered into a foreign currency forwards arrangement with notional amount of NZ$322.3 million (₱9.6 billion) and recognized a mark-to-market loss due to changes in the fair value of the instrument amounting to ₱151.6 million during the year. The negative fair value is presented under 'Other liabilities' in the statement of financial position (see Note 23).

In 2016, the Group settled this foreign currency forward when its carrying value amounted to NZ$22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZ$27.2 million (₱847.0 million).

Derivatives designated as accounting hedge
As part of its asset and liability management, the Group uses derivatives, particularly currency option, as cash flow hedges in order to reduce its exposure to market risks.

The Group's currency options have a total notional amount of NZ$28.2 million with positive fair value amounting to NZ$3.9 thousand (₱138.2 thousand) as of September 30, 2016 and a total notional amount of NZ$5.4 million with negative fair value amounting to NZ$0.1 million (₱2.0 million) as of September 30, 2015.

10. Receivables

This account consists of:

	2016	2015
Trade receivables (Note 36)	**₱11,811,254,154**	₱8,258,369,852
Due from related parties (Note 36)	**1,303,892,278**	1,564,936,668
Advances to officers, employees and suppliers	**1,045,745,191**	1,082,523,054
Interest receivable	**6,817,769**	17,931,420
Others	**1,150,344,560**	284,169,946
	15,318,053,952	11,207,930,940
Less allowance for impairment losses	**356,805,891**	374,706,746
	₱14,961,248,061	₱10,833,224,194

Others include receivable related to disposal of certain properties located in Jiading, China amounting to ₱687.2 million as of September 30, 2016 (see Note 13).

Allowance for Impairment Losses on Receivables
Changes in allowance for impairment losses on receivables follow:

	2016			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of year	**₱172,447,901**	**₱188,697,554**	**₱13,561,291**	**₱374,706,746**
Provision for impairment losses	**8,037,815**	**104,801**	**–**	**8,142,616**
Accounts written-off	**(25,938,670)**	**(104,801)**	**–**	**(26,043,471)**
Balances at end of year	**₱154,547,046**	**₱188,697,554**	**₱13,561,291**	**₱356,805,891**

	2015			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of year	₱173,996,431	₱188,729,458	₱13,561,291	₱376,287,180
Provision for impairment losses	421,123	4,880,205	–	5,301,328
Accounts written-off	(1,969,653)	(4,912,109)	–	(6,881,762)
Balances at end of year	₱172,447,901	₱188,697,554	₱13,561,291	₱374,706,746

Allowance for impairment losses on other receivables includes impairment losses on advances to officers, employees and suppliers and other receivables. Allowance for impairment losses on advances to officers, employees and suppliers amounted to ₱19.6 million as of September 30, 2016 and 2015. Allowances for impairment losses on other receivables amounted to ₱169.1 million as of September 30, 2016 and 2015.

11. Inventories

This account consists of:

	2016	2015
At cost:		
Raw materials	**₱7,301,995,214**	₱7,389,936,987
Finished goods	**5,439,103,654**	4,053,655,599
	12,741,098,868	11,443,592,586
At NRV:		
Goods in-process	**917,308,318**	848,547,316
Containers and packaging materials	**1,910,375,114**	1,762,664,661
Spare parts and supplies	**2,965,553,500**	1,979,809,334
	5,793,236,932	4,591,021,311
	₱18,534,335,800	₱16,034,613,897

Under the terms of the agreements covering liabilities under trust receipts totaling ₱4.6 billion as of September 30, 2016 and 2015, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory obsolescence, market decline and mark down, included in 'Cost of sales', amounted to ₱760.5 million, ₱578.6 million and ₱377.6 million in 2016, 2015 and 2014, respectively.

The Group recognized impairment losses on its inventories amounting to ₱173.0 million, ₱104.6 million and ₱103.9 million in 2016, 2015 and 2014, respectively.

12. Other Current Assets

This account consists of:

	2016	2015
Input value-added tax (VAT)	**₱639,042,915**	₱535,162,929
Prepaid insurance	**225,842,327**	139,353,862
Prepaid rent	**48,614,776**	27,053,021
Prepaid taxes	**45,127,324**	15,854,650
Other prepaid expenses	**117,600,025**	118,315,031
	₱1,076,227,367	₱835,739,493

Other prepaid expenses include prepayments of advertising and office supplies.

13. Property, Plant and Equipment

The rollforward of this account follows:

	2016				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balances at beginning of year	₱2,985,837,739	₱1,508,356,733	₱13,500,749,791	₱55,649,149,937	₱73,644,094,200
Additions (Note 6)	68,217,904	43,769,687	898,566,331	2,957,364,598	3,967,918,520
Additions from acquisition of a subsidiary (Note 16)	–	–	220,904,541	1,280,378,696	1,501,283,237
Acquisition of assets that qualified as a business	300,000,000	4,217,152	195,000,000	471,086,924	970,304,076
Disposals, reclassifications and other adjustments	33,448,058	363,200,792	445,045,217	4,959,670,955	5,801,365,022
Balances at end of year	3,387,503,701	1,919,544,364	15,260,265,880	65,317,651,110	85,884,965,055
Accumulated Depreciation and Amortization					
Balances at beginning of year	–	472,929,387	5,233,545,327	37,302,022,206	43,008,496,920
Depreciation and amortization (Note 6)	–	74,826,884	694,465,782	3,999,393,749	4,768,686,415
Disposals, reclassifications and other adjustments	–	(3,692,420)	(84,039,930)	1,068,389,040	980,656,690
Balances at end of year	–	544,063,851	5,843,971,179	42,369,804,995	48,757,840,025
Net Book Value	₱3,387,503,701	₱1,375,480,513	₱9,416,294,701	₱22,947,846,115	₱37,127,125,030

	2016				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balances at beginning of year	₱1,908,696,205	₱3,588,806,906	₱3,878,722,232	₱2,279,608,703	₱85,299,928,246
Additions (Note 6)	113,690,080	414,583,562	1,249,098,536	746,253,484	6,491,544,182
Additions from acquisition of a subsidiary (Note 16)	–	–	502,412,007	–	2,003,695,244
Acquisition of assets that qualified as a business	347,693,770	1,537,653	–	–	1,319,535,499
Disposals, reclassifications and other adjustments	(10,852,279)	87,420,081	(2,416,142,524)	(1,462,722,999)	1,999,067,301
Balances at end of year	2,359,227,776	4,092,348,202	3,214,090,251	1,563,139,188	97,113,770,472
Accumulated Depreciation and Amortization					
Balances at beginning of year	1,391,375,768	2,068,081,775	–	–	46,467,954,463
Depreciation and amortization (Note 6)	186,926,230	348,979,028	–	–	5,304,591,673
Disposals, reclassifications and other adjustments	(26,532,315)	(118,827,918)	–	–	835,296,457
Balances at end of year	1,551,769,683	2,298,232,885	–	–	52,607,842,593
Net Book Value	₱807,458,093	₱1,794,115,317	₱3,214,090,251	₱1,563,139,188	₱44,505,927,879

	2015				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balances at beginning of year	₱2,839,698,936	₱1,550,446,218	₱10,702,230,833	₱46,538,294,659	₱61,630,670,646
Additions (Note 6)	10,856,863	105,449,452	650,915,292	3,209,917,277	3,977,138,884
Additions from acquisition of a subsidiary (Note 16)	230,058,094	431,466,610	1,358,419,691	1,880,984,976	3,900,929,371
Disposals, reclassifications and other adjustments	(94,776,154)	(579,005,547)	789,183,975	4,019,953,025	4,135,355,299
Balances at end of year	2,985,837,739	1,508,356,733	13,500,749,791	55,649,149,937	73,644,094,200
Accumulated Depreciation and Amortization					
Balances at beginning of year	–	407,788,336	4,200,340,910	31,225,556,704	35,833,685,950
Depreciation and amortization (Note 6)	–	56,728,809	571,958,750	3,658,824,517	4,287,512,076
Disposals, reclassifications and other adjustments	–	8,412,242	461,245,667	2,417,640,985	2,887,298,894
Balances at end of year	–	472,929,387	5,233,545,327	37,302,022,206	43,008,496,920
Net Book Value	₱2,985,837,739	₱1,035,427,346	₱8,267,204,464	₱18,347,127,731	₱30,635,597,280

	2015				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balances at beginning of year	₱1,826,578,391	₱2,679,073,019	₱4,142,359,354	₱2,489,111,141	₱72,767,792,551
Additions (Note 6)	114,018,144	174,855,086	1,985,466,788	264,443,785	6,515,922,687
Additions from acquisition of a subsidiary (Note 16)	–	55,217,503	409,030,701	–	4,365,177,575
Disposals, reclassifications and other adjustments	(31,900,330)	679,661,298	(2,658,134,611)	(473,946,223)	1,651,035,433
Balances at end of year	1,908,696,205	3,588,806,906	3,878,722,232	2,279,608,703	85,299,928,246
Accumulated Depreciation and Amortization					
Balances at beginning of year	1,290,896,406	1,235,454,219	–	–	38,360,036,575
Depreciation and amortization (Note 6)	125,979,149	233,785,168	–	–	4,647,276,393
Disposals, reclassifications and other adjustments	(25,499,787)	598,842,388	–	–	3,460,641,495
Balances at end of year	1,391,375,768	2,068,081,775	–	–	46,467,954,463
Net Book Value	₱517,320,437	₱1,520,725,131	₱3,878,722,232	₱2,279,608,703	₱38,831,973,783

Acquisition of Balayan Sugar Mill
On February 4, 2016, the Parent Company entered into an Asset Purchase Agreement with Batangas Sugar Mill, Inc. (BSCI) for the acquisition of the Balayan sugar mill for a total consideration of ₱1.6 billion. The Group has allocated its purchase price consideration to property, plant and equipment and spare parts inventory of BSCI amounting to ₱1.3 billion and ₱0.3 billion, respectively, on the basis of provisional fair values at the time of acquisition.

The Parent Company has engaged a third party valuer to conduct a purchase price allocation. The accounting for the business combination will be completed based on further valuations and studies carried out within twelve months from completion date.

From the date of acquisition, the Balayan sugar mill has contributed net sales of ₱504.0 million and net income of ₱68.7 million to the Group. If the business combination had taken place at the beginning of the year, net sales and net income attributable to equity holders of the Parent Company in 2016 would have been ₱111.8 billion and ₱15.2 billion, respectively.

In July 2016, certain properties of the Group located in Jiading, China with a net book value of CNY30.5 million (₱219.0 million) were disposed for an amount as part of the relocation plan in the area. The Group recognized the related gain, net of expenses, under 'Other income-net' in the consolidated statements of income.

The Group did not recognize any impairment losses on its property, plant and equipment in 2016, 2015 and 2014.

Borrowing Costs
No borrowing costs have been capitalized as property, plant and equipment under construction in 2016 and 2015.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows (see Note 29):

	2016	2015	2014
Cost of sales (Notes 26 and 29)	**₱4,837,053,762**	₱4,278,795,399	₱3,574,535,754
Selling and distribution costs (Notes 27 and 29)	**124,126,308**	121,695,627	90,656,884
General and administrative expenses (Notes 28 and 29)	**343,411,603**	246,785,367	216,459,871
	₱5,304,591,673	₱4,647,276,393	₱3,881,652,509

Collateral
As of September 30, 2016 and 2015, the Group has no property and equipment that are pledged as collateral.

14. **Available-for-Sale Financial Assets**

As of September 30, 2016 and 2015, this account consist of equity securities with the following movement:

	2016	2015
Balance at beginning of year	**₱40,880,000**	₱21,720,000
Fair value changes during the year	**950,000**	19,160,000
Balance at end of year	**₱41,830,000**	₱40,880,000

In 2016 and 2015, fair value changes of AFS financial assets are presented as components of 'Other comprehensive income' in Equity (Note 25).

There were no sales of AFS financial assets in 2016, 2015 and 2014.

15. **Biological Assets**

Total biological assets shown in the consolidated statements of financial position follow:

	2016	2015
Current portion	**₱1,083,205,513**	₱1,177,607,861
Noncurrent portion	**437,777,027**	444,722,865
	₱1,520,982,540	₱1,622,330,726

These biological assets consist of:

	2016	2015
Swine		
Commercial	**₱1,045,277,937**	1,122,179,480
Breeder	**390,440,661**	409,071,155
Poultry		
Commercial	**37,927,576**	55,428,381
Breeder	**47,336,366**	35,651,710
	₱1,520,982,540	₱1,622,330,726

The rollforward analysis of this account follows:

	2016	2015
Balance at the beginning of year	**₱1,622,330,726**	₱1,734,121,930
Addition	**2,745,725,737**	2,919,762,355
Disposals	**(2,786,276,155)**	(3,140,771,802)
Gain (loss) arising from changes in fair value less estimated costs to sell	**(60,797,768)**	109,218,243
Balance at end of year	**₱1,520,982,540**	₱1,622,330,726

The Group has about 233,154 and 250,361 heads of swine and about 412,984 and 486,619 heads of poultry as of September 30, 2016 and 2015, respectively.

16. **Goodwill and Intangible Assets**

The composition and movements of goodwill follow:

	2016	2015
Cost		
Balances at beginning of year	**₱14,954,951,150**	₱1,041,554,889
Additions due to acquisition of a subsidiary	**19,931,853,571**	13,913,396,261
Balances at end of year	**34,886,804,721**	14,954,951,150
Accumulated Impairment Losses		
Balances at beginning and end of year	**248,139,704**	248,139,704
Net Book Value at End of Year	**₱34,638,665,017**	₱14,706,811,446

The Group's goodwill pertains to: (a) the acquisition of CSPL in September 2016, (b) acquisition of NZSFHL in November 2014, (c) acquisition of Advanson in December 2007 and (d) the excess of the acquisition cost over the fair values of the net assets acquired by HCFCL and UABCL in 2000. The goodwill arising from the acquisitions of HCFCL, UABCL and Advanson was translated at the applicable year-end exchange rate.

Acquisition of Snack Brands Australia
On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccata Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is AU$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of CSPL. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the purchase price allocation. The accounting for the business combination will be completed based on further valuations and studies carried out within twelve months from completion date.

The fair values of the identifiable assets and liabilities of CSPL at the date of acquisition follow:

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash and cash equivalents	419,944,622
Receivables	1,608,193,555
Inventories	348,556,502
Other current assets	68,764,464
Property, plant and equipment	2,003,695,244
Deferred tax assets	406,296,189
Total Assets	4,855,450,576

(Forward)

Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	₱3,083,031,040
Other noncurrent liabilities	125,070,200
Total Liabilities	3,208,101,240
Total fair value of identifiable net assets	1,647,349,336
Goodwill	₱19,931,853,571

Goodwill arising from the acquisition of AU Group is allocated entirely to the operations of Snack Brands. None of the goodwill recognized is expected to be deductible for income tax purposes. If the business combination had taken place at the beginning of fiscal year 2016, net sales and net income attributable to equity holders of the Parent Company in 2016 would have been ₱121.6 billion and ₱15.4 billion, respectively.

Acquisition of Griffin's

In July 2014, URC NZ FinCo, a wholly-owned subsidiary of URCICL, entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand, subject to the approval of New Zealand's Overseas Investment Office (OIO) as required by Overseas Investment Act 2005 and Overseas Investment Regulation of 2005. The total consideration of the acquisition is NZ$233.7 million (approximately ₱8.2 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) which was held in escrow and the balance upon completion (see Note 12). Interest income on the deposit held in escrow amounted to nil, ₱23.7 million and ₱20.5 million in 2016, 2015 and 2014, respectively (see Note 31).

On October 29, 2014, New Zealand's OIO granted its consent on the application for the acquisition of NZSFHL. On November 14, 2014, following the approval from OIO, the transaction was completed and the remaining balance of the consideration was settled.

The Group engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable assets and liabilities of NZSFHL at the date of acquisition follow:

Purchase consideration transferred	₱8,152,809,497
Fair value of identifiable assets	
Cash and cash equivalents	1,066,628,343
Trade receivables	2,022,403,012
Inventories	1,500,415,759
Property, plant and equipment	4,365,177,575
Intangibles	6,865,982,527
Total Assets	15,820,607,216
Fair value of identifiable liabilities	
Trade payables	2,889,821,951
Deferred tax liability	2,303,077,210
Income tax liability	1,020,200
External bank debt	16,387,274,619
Total Liabilities	21,581,193,980
Total fair value of identifiable net liabilities	(5,760,586,764)
Goodwill	₱13,913,396,261

In 2015, after the acquisition had been finalized, the Group settled the external debt amounting to ₱16.4 billion.

Goodwill arising from the acquisition of NZ Group is allocated entirely to the operations of Griffin's. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the NZ Group has contributed net sales of ₱7.8 billion and net income amounting to ₱621.7 million to the Group. If the business combination had taken place at the beginning of the fiscal year 2015, net sales and net income attributable to equity holders of the Parent Company in 2015 would have been ₱110.3 billion and ₱10.8 billion, respectively.

The composition and movements of intangible assets follow:

	2016				
	Trademark/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Total**
Cost					
Balances at beginning of year	**₱5,198,501,291**	**₱425,000,000**	**₱33,033,717**	**₱1,885,972,100**	**₱7,542,507,108**
Additions	**–**	**–**	**23,318,492**	**–**	**23,318,492**
Cumulative translation adjustments	**–**	**–**	**6,195,821**	**–**	**6,195,821**
	5,198,501,291	**425,000,000**	**62,548,030**	**1,885,972,100**	**7,572,021,421**
Accumulated Amortization and Impairment Losses					
Balances at beginning of year	**201,524,581**	**–**	**14,756,087**	**44,283,400**	**260,564,068**
Amortization during the period	**–**	**–**	**16,755,211**	**49,852,232**	**66,607,443**
Cumulative translation adjustment	**–**	**–**	**4,541,909**	**8,166,838**	**12,708,747**
	201,524,581	**–**	**36,053,207**	**102,302,470**	**339,880,258**
Net Book Value at End of Year	**₱4,996,976,710**	**₱425,000,000**	**₱26,494,823**	**₱1,783,669,630**	**₱7,232,141,163**

	2015				
	Trademark/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of year	₱251,524,581	₱425,000,000	₱–	₱–	₱676,524,581
Additions from acquisition of a subsidiary	4,946,976,710	–	33,033,717	1,885,972,100	6,865,982,527
	5,198,501,291	425,000,000	33,033,717	1,885,972,100	7,542,507,108
Accumulated Amortization and Impairment Losses					
Balances at beginning of year	201,524,581	–	–	–	201,524,581
Amortization during the period	–	–	14,756,087	44,283,400	59,039,487
	201,524,581	–	14,756,087	44,283,400	260,564,068
Net Book Value at End of Year	₱4,996,976,710	₱425,000,000	₱18,277,630	₱1,841,688,700	₱7,281,943,040

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of NZSFHL in 2015 composed of brands of ₱4.9 billion, customer relationships of ₱1.9 billion and software costs of ₱0.03 billion.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of September 30, 2016. The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow is at 3.43% - 9.97%. The following assumptions were also used in computing value in use:

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

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

17. **Investments in Joint Ventures**

The rollforward analysis of this account follows:

	2016	2015
Acquisition Cost		
Balances at beginning of year	**₱638,000,000**	₱361,500,000
Additional investments	**103,250,000**	276,500,000
Balances at end of year	**741,250,000**	638,000,000
Accumulated Equity in Net Earnings		
Balances at beginning of year	**(143,757,498)**	79,723,735
Equity in net losses during the year	**(233,998,864)**	(206,481,238)
Dividends received	**(17,499,995)**	(16,999,995)
Balances at end of year	**(395,256,357)**	(143,757,498)
Net Book Value at End of Year	**₱345,993,643**	₱494,242,502

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

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

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

In 2016 and 2015, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,325,000 and 9,975,000 common shares for a total consideration of ₱103.3 million and ₱276.5 million, respectively.

The Parent Company's percentage of ownership in its joint ventures and its related equity in the net assets are summarized below:

	Percentage of Ownership		Equity in Net Assets	
	2016	2015	**2016**	2015
			(In Millions)	
HURC	**50.0**	50.0	**₱86.1**	₱84.5
CURCI	**50.0**	50.0	**245.6**	284.6
DURBI	**50.0**	50.0	**14.3**	125.2

Summarized financial information in respect of the Group's joint ventures as of September 30, 2016 and 2015 are presented below.

	HURC		CURCI		DURBI	
	2016	2015	**2016**	2015	**2016**	2015
			(Thousands)			
Current assets	**₱377,698**	₱385,288	**₱531,057**	₱593,635	**₱376,643**	₱378,004
Noncurrent assets	**3,274**	1,642	**165,246**	166,147	**16,240**	12,989
Current liabilities	**311,741**	316,737	**205,143**	190,953	**356,349**	290,443
Noncurrent liabilities	**2,612**	2,562	**–**	–	**1,867**	–
Revenue	**693,611**	683,952	**144,606**	158,010	**572,366**	155,614
Costs and expenses	**(658,998)**	(651,158)	**(208,713)**	(239,138)	**(846,566)**	(671,588)
Net income (loss)	**38,295**	34,330	**(77,955)**	(81,128)	**(428,338)**	(366,165)

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRS.

Investments in Subsidiaries

As of September 30, 2016 and 2015, the Parent Company has the following percentage of ownership of shares in its wholly owned and partially owned subsidiaries as follows:

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership	
		2016	2015
CCPI	Philippines	**100.00**	100.00
CFC Corporation	- do -	**100.00**	100.00
Bio-Resource Power Generation Corporation	- do -	**100.00**	100.00
NURC (Note 24)	- do -	**51.00**	51.00
URCPL	British Virgin Islands	**100.00**	100.00
URCICL and Subsidiaries*	- do -	**100.00**	100.00
URCL	Cayman Islands	**100.00**	100.00
URCCCL	China	**100.00**	100.00

**Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, Myanmar, New Zealand and Australia.*

The summarized financial information (before inter-company eliminations) of NURC, a subsidiary with material non-controlling interest follows:

	2016	2015
	(In Thousands)	
Current assets	**₱1,242,951**	₱952,961
Noncurrent assets	**853,991**	658,997
Current liabilities	**1,431,330**	1,172,619
Noncurrent liabilities	**17,290**	19,948
Revenue	**4,209,373**	3,552,587
Costs and expenses	**(3,746,989)**	(3,131,944)
Net income	**462,384**	304,454

The percentage of equity interest held by non-controlling interest in a subsidiary with material non-controlling interest follows:

Name of Subsidiary	Country of incorporation and operation	**2016**	2015
NURC	Philippines	**49%**	49%

The accumulated non-controlling interest as of September 30, 2016 and 2015 amounted to ₱195.8 million and ₱94.7 million, respectively.

The profit or loss allocated to non-controlling interest for the year ended September 30, 2016, 2015 and 2014 amounted to ₱215.5 million, ₱121.6 million and ₱96.6 million, respectively.

18. Investment Properties

	2016	2015
Cost		
Balances at beginning and end of year	**₱107,947,364**	₱107,947,364
Accumulated Depreciation		
Balances at beginning of year	**54,429,213**	50,771,426
Depreciation (Note 28 and 29)	**3,657,781**	3,657,787
Balances at end of year	**58,086,994**	54,429,213
Net Book Value at End of Year	**₱49,860,370**	₱53,518,151

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 36 and 38).

Total rental income earned from investment properties (included under 'Other income' in the consolidated statements of income) amounted to ₱61.1 million, ₱52.9 million and ₱52.8 million in 2016, 2015 and 2014, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million, ₱0.9 million and ₱0.9 million in 2016, 2015 and 2014, respectively.

Collateral
As of September 30, 2016 and 2015, the Group has no investment properties that are pledged as collateral.

19. Other Noncurrent Assets

This account consists of:

	2016	2015
Input VAT	**₱541,053,202**	₱309,885,540
Deposits	**533,863,318**	377,222,856
Others	**33,662,223**	27,015,914
	₱1,108,578,743	₱714,124,310

20. **Short-term debts**

This account consists of:

	2016	2015
US Dollar denominated loan - unsecured with interest at 1.33% in 2016	**₱4,413,500,000**	₱–
Thai Baht denominated loans - unsecured with interest ranging from 2.10% to 2.25% in 2016 and from 2.21% to 2.25% in 2015	**1,354,171,872**	845,285,468
Malaysian Ringgit denominated loan - unsecured with interest at 4.39% in 2016	**105,536,799**	–
	₱5,873,208,671	₱845,285,468

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱2.1 million and ₱1.1 million as of September 30, 2016 and 2015, respectively (see Note 21). Interest expense from the short-term debts amounted to ₱44.1 million, ₱43.2 million and ₱83.9 million in 2016, 2015 and 2014, respectively (see Note 32).

21. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

	2016	2015
Trade payables (Note 36)	**₱10,148,607,465**	₱7,644,930,094
Accrued expenses	**6,786,166,547**	4,277,663,984
Customers' deposits	**508,535,557**	227,037,889
Output VAT	**431,365,602**	479,165,289
Advances from stockholders (Note 36)	**235,548,954**	230,204,548
Due to related parties (Note 36)	**62,168,584**	73,127,178
Others	**235,612,541**	234,489,927
	₱18,408,005,250	₱13,166,618,909

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

As of September 30, 2016 and 2015, others include withholding taxes payable amounting to ₱139.9 million and ₱122.7 million, respectively.

The accrued expenses account consists of:

	2016	2015
Advertising and promotions	**₱3,765,512,506**	₱2,860,517,046
Personnel costs	**893,908,544**	450,284,503
Contracted services	**393,780,618**	249,104,839
Rent	**372,589,049**	22,743,439
Taxes and licenses	**351,834,119**	8,798,944
Freight and handling costs	**272,278,186**	348,473,883
Utilities	**212,015,026**	216,544,045
Others	**524,248,499**	121,197,285
	₱6,786,166,547	₱4,277,663,984

Others include accrual for professional and legal fees and other benefits.

22. Long-term Debts

This account consists of:

	September 30, 2016			September 30, 2015		
	Principal	**Unamortized debt issuance cost**	**Net**	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	**₱17,878,209,098**	**₱312,832,469**	**₱17,565,376,629**	₱–	₱–	₱–
URC NZ FinCo Loan	**14,784,438,961**	**170,656,853**	**14,613,782,108**	12,559,785,840	185,815,524	12,373,970,316
URC Oceania Loan	**–**	**–**	**–**	9,638,711,395	143,000,750	9,495,710,645
	₱32,662,648,059	**₱483,489,322**	**₱32,179,158,737**	₱22,198,497,235	₱328,816,274	₱21,869,680,961

URC NZ FinCo NZ$420 Million Term Loan due 2019
On November 13, 2014, URC NZ FinCo entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ$420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

URC AU FinCo Loan due 2021
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC Oceania NZ$322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZ$322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ$326.0 million (approximately ₱10.2 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US$2.9 million (approximately ₱136.3 million) as expense presented under 'Other income - net' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For the URC NZ Finco and URC AU Finco loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of September 30, 2016 and 2015.

23. **Other Noncurrent Liabilities**

This account consists of:

	2016	2015
Net pension liability (Note 33)	**₱332,075,836**	₱244,731,643
Derivative liability (Note 9)	–	151,646,715
Miscellaneous	**125,070,200**	–
	₱457,146,036	₱396,378,358

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

24. **Equity**

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

	2016	2015
Authorized shares	**2,998,000,000**	2,998,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares:		
Balances at beginning and end of year	**2,227,638,933**	2,227,638,933
Outstanding shares	**2,204,161,868**	2,181,501,933

The paid-up capital of the Parent Company consists of the following:

	2016	2015
Common stock	**₱2,227,638,933**	₱2,227,638,933
Additional paid-in capital	**20,856,143,110**	16,829,046,318
Total paid-up capital	**₱23,083,782,043**	₱19,056,685,251

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, 2016, 2015 and 2014:

		2016	2015	2014
(a)	Short-term debts (Note 20)	**₱5,873,208,671**	₱845,285,468	₱4,327,990,825
	Trust receipts payable (Note 11)	**4,645,224,001**	4,620,725,913	4,412,695,949
	Long-term debts (Note 22)	**32,179,158,737**	21,869,680,961	–
		₱42,697,591,409	₱27,335,692,342	₱8,740,686,774
(b)	Capital	**₱75,272,057,832**	₱65,359,628,291	₱56,026,996,300
(c)	Debt-to-capital ratio (a/b)	**0.57:1**	0.42:1	0.16:1

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

Cumulative Redeemable Preferred Shares
The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of September 30, 2016 and 2015.

Retained Earnings
Accumulated equity in net earnings of the subsidiaries
A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries amounting to ₱44.5 billion and ₱36.4 billion as of September 30, 2016 and 2015, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of the Parent Company from the investees.

Dividends
Details of the Group's dividend declarations follow:

Parent Company

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2016	**February 9, 2016**	**₱3.15**	**₱6.9 billion**	**February 29, 2016**	**March 28, 2016**
2015	February 6, 2015	₱3.00	₱6.5 billion	February 26, 2015	Mach 24, 2015
2014	February 6, 2014	₱3.00	₱6.5 billion	February 26, 2014	March 24, 2014

NURC

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2016	**December 18, 2015**	**₱0.53**	**₱100.0 million**	**September 30, 2014**	**March 31, 2016**
2016	**December 18, 2015**	**₱0.72**	**₱136.0 million**	**September 30, 2014**	**September 26, 2016**
2015	November 30, 2014	₱0.42	₱79.1 million	November 30, 2014	February 28, 2015
2015	December 15, 2014	₱1.53	₱289.0 million	September 30, 2014	February 28, 2015
2014	December 11, 2013	₱1.06	₱200.0 million	September 30, 2013	February 28, 2014

CCPI

In September 2015, the BOD of CCPI approved the declaration of cash dividends to the stockholders amounting to ₱376.1 million payable on February 26, 2016.

There were no dividend declaration and dividend payments to stockholders of CCPI in 2016 and 2014.

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

Appropriation of retained earnings

On September 27, 2016, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1.0 billion, which has been used to complete portions of the snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

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

Treasury Shares

On September 27, 2016, the Parent Company's BOD approved the sale of 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total gross selling proceeds amounting to ₱4.4 billion. The net cash proceeds amounting to ₱4.4 billion is net of transaction costs incurred amounting to ₱27.2 million. The proceeds of the said sale will be used in relation to the acquisition of CSPL. The excess of the total consideration received over the cost amounting to ₱4.1 billion was treated as additional paid-in capital.

The Parent Company has outstanding treasury shares of 23.5 million shares (₱341.1 million) as of September 30, 2016 and 46.1 million shares (₱670.4 million) as of September 30, 2015 and 2014, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte., Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under "Equity reserve" in the consolidated statements of changes in equity.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group recognized equity reserve from the acquisition amounting to about ₱5.6 billion included under "Equity reserve" in the consolidated statements of changes in equity.

Record of Registration of Securities with SEC

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

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

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
September 30, 2016	Sale of treasury shares	–	–	–	–	22,659,935
						2,204,161,868

The table below provides information regarding the number of stockholders of the Parent Company as of September 30, 2016, 2015 and 2014:

	2016	2015	2014
Common shares	**1,025**	1,042	1,066

25. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follows:

	2016	2015	2014
Items to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**₱1,042,402,519**	₱3,801,908,167	₱819,382,429
Net unrealized gain on AFS financial assets (Note 14):			
Balances at beginning of year	**19,160,000**	–	–
Change in fair value during the year	**950,000**	19,160,000	–
Balances at end of year	**20,110,000**	19,160,000	–
Net unrealized loss on cash flow hedges:			
Balances at beginning of year	**(1,449,501)**	–	–
Change in fair value during the year	**1,549,023**	(1,449,501)	–
Balances at end of year	**99,522**	(1,449,501)	
	1,062,612,041	3,819,618,666	819,382,429
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans:			
Balances at beginning of year	**(705,069,352)**	(698,479,087)	(609,472,681)
Remeasurement losses on defined benefit plans during the year	**(81,082,697)**	(6,590,265)	(89,006,406)
Balances at end of year	**(786,152,049)**	(705,069,352)	(698,479,087)
Income tax effect	**235,845,615**	211,520,806	209,543,727
	(550,306,434)	(493,548,546)	(488,935,360)
	₱512,305,607	₱3,326,070,120	₱330,447,069

The Group does not recognize income tax on cumulative translation adjustments.

26. Cost of Sales

This account consists of:

	2016	2015	2014
Raw materials used	**₱52,405,077,910**	₱53,151,012,935	₱46,637,124,788
Direct labor	**4,518,257,097**	4,251,024,101	2,442,500,703
Overhead costs	**19,358,437,252**	16,800,558,852	15,987,487,042
Total manufacturing costs	**76,281,772,259**	74,202,595,888	65,067,112,533
Goods in-process	**(55,146,074)**	(103,861,298)	(214,487,461)
Cost of goods manufactured	**76,226,626,185**	74,098,734,590	64,852,625,072
Finished goods	**(1,135,667,258)**	(297,299,108)	(847,247,155)
	₱75,090,958,927	₱73,801,435,482	₱64,005,377,917

The Group's raw materials used include raw materials and container and packaging materials inventory (see Note 11).

Overhead costs are broken down as follows:

	2016	2015	2014
Utilities	**₱7,283,943,454**	₱6,111,407,070	₱7,045,685,128
Depreciation and amortization (Note 29)	**4,948,452,404**	4,410,763,125	3,698,844,846
Repairs and maintenance	**2,605,000,433**	2,195,999,911	2,004,020,427
Personnel expenses (Note 30)	**2,153,478,163**	1,978,646,243	1,466,686,047
Rental expense (Note 38)	**957,912,584**	1,018,125,361	881,496,776
Security and other contracted services	**571,026,260**	495,953,822	447,560,863
Handling and delivery charges	**140,245,627**	168,610,328	73,878,521
Insurance	**139,740,141**	140,214,021	69,015,632
Research and development	**64,506,823**	85,283,906	73,139,925
Others	**494,131,363**	195,555,065	227,158,877
	₱19,358,437,252	₱16,800,558,852	₱15,987,487,042

27. Selling and Distribution Costs

This account consists of:

	2016	2015	2014
Advertising and promotions	**₱6,888,424,028**	₱6,312,005,354	₱5,313,458,212
Freight and other selling expenses	**6,788,061,793**	6,302,343,505	4,992,463,143
Personnel expenses (Note 30)	**1,807,948,482**	1,598,020,251	1,108,922,133
Depreciation and amortization (Note 29)	**173,978,540**	165,979,027	90,656,884
Repairs and maintenance	**69,357,902**	70,689,807	94,303,151
Other selling and distribution costs	**100,275,347**	173,844,393	131,616,300
	₱15,828,046,092	₱14,622,882,337	₱11,731,419,823

28. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Personnel expenses (Note 30)	**₱2,238,678,371**	₱1,845,846,562	₱1,357,827,433
Depreciation and amortization (Note 29)	**347,069,384**	250,443,154	220,117,658
Rental expense (Note 38)	**201,639,875**	75,649,892	46,920,062
Repairs and maintenance	**163,878,373**	125,344,450	102,176,650
Taxes, licenses and fees	**163,149,877**	115,539,003	105,078,199
Travel and transportation	**136,064,647**	150,571,485	172,462,015
Professional and legal fees	**132,402,125**	159,732,814	84,146,493
Security and contractual services	**103,238,552**	93,238,375	64,308,796
Communication	**100,938,306**	91,565,921	46,895,114
Utilities	**73,227,679**	53,063,499	54,713,246
Stationery and office supplies	**27,917,591**	27,999,527	28,008,290
Donations and contributions	**1,068,305**	8,702,557	3,734,332
Others	**212,901,538**	255,594,226	233,939,136
	₱3,902,174,623	₱3,253,291,465	₱2,520,327,424

29. **Depreciation and Amortization**

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

	2016	2015	2014
Cost of sales (Notes 13 and 26)	**₱4,948,452,404**	₱4,410,763,125	₱3,698,844,846
Selling and distribution costs (Notes 13 and 27)	**173,978,540**	165,979,027	90,656,884
General and administrative expenses (Notes 13, 16, 18, and 28)	**347,069,384**	250,443,154	220,117,658
	₱5,469,500,328	₱4,827,185,306	₱4,009,619,388

30. **Personnel Expenses**

This account consists of:

	2016	2015	2014
Salaries and wages	**₱4,421,277,217**	₱3,873,144,742	₱2,708,604,158
Other employee benefits	**1,637,159,230**	1,419,785,105	1,100,013,481
Pension expense (Note 33)	**141,668,569**	129,583,209	124,817,974
	₱6,200,105,016	₱5,422,513,056	₱3,933,435,613

The breakdown of personnel expenses follows:

	2016	2015	2014
Cost of sales (Note 26)	**₱2,153,478,163**	₱1,978,646,243	₱1,466,686,047
Selling and distribution costs (Note 27)	**1,807,948,482**	1,598,020,251	1,108,922,133
General and administrative expenses (Note 28)	**2,238,678,371**	1,845,846,562	1,357,827,433
	₱6,200,105,016	₱5,422,513,056	₱3,933,435,613

31. **Finance Revenue**

This account consists of:

	2016	2015	2014
Bank interest income (Note 7)	**₱198,694,692**	₱228,893,761	₱191,054,204
Dividend income	**12,921,147**	22,698,413	16,151,434
Interest income on escrow fund (Note 16)	–	23,748,550	20,466,995
Others	**1,428,588**	1,839,664	1,188,200
	₱213,044,427	₱277,180,388	₱228,860,833

32. **Finance Costs**

This account consists of finance costs arising from:

	2016	2015	2014
Short-term debts (Note 20)	**₱44,086,561**	₱43,214,597	₱83,913,655
Long-term debts (Note 22)	**753,459,715**	1,105,529,776	–
Net interest on net pension liability (Note 33)	**10,512,148**	12,993,140	27,684,710
Others	**89,162,540**	115,815,489	38,811,613
	₱897,220,964	₱1,277,553,002	₱150,409,978

33. **Pension Costs**

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, 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 plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

Changes in net defined benefit liability of funded funds of the Group are as follows:

		Net benefit cost in consolidated statements of income			
	October 1, 2015	**Current service cost** (Note 30)	**Finance cost** (Note 32)	**Subtotal**	**Benefits paid**
Present value of defined benefit obligatio	**₱2,234,364,282**	**₱141,668,569**	**₱90,827,647**	**₱232,496,216**	**(₱109,949,387)**
Fair value of plan assets	**(1,989,632,639)**	**–**	**(80,315,499)**	**(80,315,499)**	**109,949,387**
	₱244,731,643	**₱141,668,569**	**₱10,512,148**	**₱152,180,717**	**₱–**

		Net benefit cost in consolidated statements of income			
	October 1, 2015	Current service cost (Note 30)	Finance cost (Note 32)	Subtotal	Benefits paid
Present value of defined benefit obligation	₱2,211,764,369	₱129,583,209	₱109,142,294	₱238,725,503	(₱168,459,862)
Fair value of plan assets	(1,949,596,814)	–	(96,149,154)	(96,149,154)	168,459,862
	₱262,167,555	₱129,583,209	₱12,993,140	₱142,576,349	₱–

2016

Return on plan assets (excluding amount included in net interest cost)	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions**	**September 30, 2016**
	Remeasurements in other comprehensive income					
₱–	**₱ 24,740,877**	**₱–**	**₱42,572,876**	**₱67,313,753**	**₱–**	**₱2,424,224,864**
11,986,778	**–**	**–**	**–**	**11,986,778**	**(144,137,055)**	**(2,092,149,028)**
₱11,986,778	**₱24,740,877**	**₱–**	**₱42,572,876**	**₱79,300,531**	**(₱144,137,055)**	**₱332,075,836**

2015

Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	September 30, 2016
	Remeasurements in other comprehensive income					
₱–	(₱107,975,034)	(₱6,919,028)	₱67,228,334	(₱47,665,728)	₱–	₱2,234,364,282
55,995,796	–	–	–	55,995,796	(168,342,329)	(1,989,632,639)
₱55,995,796	(₱107,973,018)	(₱6,917,012)	₱67,228,334	₱8,330,068	(₱168,342,329)	₱244,731,643

The fair value of net plan assets of the Group by each classes as at the end of the reporting period are as follows:

	2016	2015
Assets		
Cash and cash equivalents	**₱1,813,067,863**	₱183,797,082
Due from related party	**25,270,800**	–
Short-term notes receivable (Note 36)	–	1,600,894,571
AFS investments	**50,490,255**	1,379,042
HTM investments	**108,692,575**	109,312,509
Interest receivable	**3,343,547**	2,825,431
Land	**91,448,525**	91,448,525
	2,092,313,565	1,989,657,160
Liabilities		
Accrued trust and management fees	**164,537**	24,521
	₱2,092,149,028	₱1,989,632,639

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC		CCPI	
	2016	2015	**2016**	2015	**2016**	2015
Discount rate	**4.47%**	4.68%	**4.75%**	4.91%	**4.91%**	4.86%
Salary increase	**5.70%**	5.70%	**5.70%**	5.70%	**5.70%**	5.70%

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase	Parent Company		NURC		CCPI	
	(Decrease)	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate	1.00%	**(₱191,085,377)**	(₱140,965,138)	**(₱3,730,615)**	(₱3,443,354)	**₱20,731,803**	(₱3,403,149)
	(1.00%)	**221,140,033**	163,123,786	**4,476,674**	4,120,884	**29,479,324**	4,282,353
Salary increase	1.00%	**232,404,639**	153,693,599	**4,576,513**	3,925,665	**29,564,817**	4,118,574
	(1.00%)	**(204,564,645)**	(135,822,038)	**(3,879,365)**	(3,360,049)	**20,597,919**	(3,352,210)

The Group expects to contribute ₱195.1 million in the pension fund in 2017.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2016	2015
Less than one year	**₱186,248,189**	₱548,053,504
More than one year to five years	**792,278,154**	757,817,463
More than five years to 10 years	**1,362,679,938**	1,059,630,321
More than 10 years to 15 years	**1,512,703,102**	1,209,908,229
More than 15 years to 20 years	**1,510,298,709**	1,199,775,962
More than 20 years	**3,155,611,027**	2,557,591,721

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2016	2015
	(Years)	
Parent Company	**16**	15
NURC	**21**	21
CCPI	**25**	26

34. Income Taxes

Provision for income tax consists of:

	2016	2015	2014
Current	**₱3,334,622,290**	₱3,382,651,738	₱2,318,032,975
Deferred	**106,910,715**	(131,104,097)	254,190,944
	₱3,441,533,005	₱3,251,547,641	₱2,572,223,919

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

	Net deferred tax assets		Net deferred tax liabilities	
	2016	2015	**2016**	2015
Deferred tax assets on:				
Net unrealized foreign exchange loss	**₱272,596,490**	₱360,723,741	**₱9,850,428**	₱4,347,263
Pension liabilities	**216,234,799**	100,628,154	**42,390,648**	37,785,006
Nondeductible accruals	**199,632,952**	–	**12,690,895**	22,600,931
Leases	**106,973,121**	–	–	–
Impairment losses on trade receivables and property and equipment	**106,534,899**	113,354,637	**322,246**	292,417
Past service cost	**91,856,867**	104,979,277	–	–
Inventory write-downs	**35,592,503**	37,960,487	**4,250,395**	3,065,907
Foreign subsidiaries	**27,497,890**	53,284,051	–	–
Unearned revenue	**23,426,651**	–	–	–
NOLCO	**2,078,296**	1,236,857	–	–
MCIT	–	355,351	–	–
Others	**8,011,285**	–	**513,336**	563,695
	1,090,435,753	772,522,555	**70,017,948**	68,655,219
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**146,957,730**	165,197,061	–	–
Borrowing costs	**7,420,356**	9,726,558	–	–
Accelerated depreciation	**16,253,059**	–	**321,150,643**	276,494,455
Intangibles	–	–	**1,902,464,455**	1,657,470,182
Undistributed income of foreign subsidiaries	–	–	**579,636,866**	509,578,351
Foreign subsidiaries	–	–	**35,898,295**	34,595,592
	170,631,145	174,923,619	**2,839,150,259**	2,478,138,580
Net deferred tax assets (liabilities)	**₱919,804,608**	₱597,598,936	**(₱2,769,132,311)**	(₱2,409,483,361)

As of September 30, 2016 and 2015, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱79.9 million and ₱148.7 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized. The temporary difference wherein no deferred tax assets were recognized were from the unrealized foreign exchange losses of the Group's subsidiaries.

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

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from			
Income exempt from tax	**(1.02)**	(0.24)	–
Interest income subjected to final tax	**(0.21)**	(0.27)	(0.28)
Nondeductible interest expense	**0.09**	0.10	0.08
Equity in net income of a joint venture	**(0.37)**	(0.39)	0.03
Net income of subsidiaries with different tax rate	**(11.39)**	(11.49)	(12.91)
Change in value of financial assets at FVPL	**0.02**	0.14	(0.13)
Others	**1.19**	2.79	1.29
Effective income tax rate	**18.31%**	20.64%	18.08%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.0% for peso deposits and 7.5% for foreign currency deposits on gross interest income from bank deposits and short-term investments.

Current tax regulations provide that the RCIT rate shall be 30.0% and interest allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax beginning January 1, 2009.

Current tax regulations also provide for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Current tax regulations further provides that an OSD equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. In 2016 and 2015, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set 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 1.0% 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. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱41.6 million, ₱40.0 million and ₱36.4 million in 2016, 2015 and 2014, respectively.

<u>MCIT</u>
An MCIT of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

35. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of the parent	**₱15,140,452,205**	₱12,383,347,980	₱11,558,709,746
Weighted average number of common shares	**2,181,564,015**	2,181,501,933	2,181,501,933
Basic/dilutive EPS	**₱6.94**	₱5.68	₱5.30

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

There were no potential dilutive shares in 2016, 2015 and 2014.

36. 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, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash. The amounts and related volumes and changes are presented in the summary below.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

		2016					
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 21)	Non- trade Receivable (Payable) - net (Notes 10 and 21)	Terms	Conditions
Ultimate Parent Company	Advances	₱–	₱–	₱–	₱668,840,732	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	166,503,507	–	–	–		
	Other expense	–	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	635,051,546	On demand; non-interest bearing	Unsecured; no impairment
	Sales	750,450,211	–	98,977,506	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	36,266,793	–	–	–		
	Engineering services	13,954,644	–	–	–		
Due to related parties		–	–	–	(62,168,584)		
Cash and cash equivalents	Cash in bank	68,191,352	189,240,903	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	(2,127,907,997)	12,026,135	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	779,003,898	–	52,172,016	–	On demand; non-interest bearing	Unsecured; no impairment
	Management fees	–	–	–	–		
	Rental income	15,804,927	–	–			
Due to related parties	Purchases	5,108,848,460	–	(243,352,735)	–	On demand	Unsecured
Joint Venture	Purchases	1,246,984,793	–	(51,348,490)	–	1 to 30 days; non-interest bearing	Unsecured
	Sales	578,203,973	–	264,476,332	–		

Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 21)	Non- trade Receivable (Payable) - net (Notes 10 and 21)	Terms	Conditions
				2015			
Ultimate Parent Company	Advances	₱201,634	₱–	₱–	₱880,029,217	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	147,956,480	–	–	–		
	Other expense	–	–	–	–		
Entity under common control							
Due from related parties	Advances	311,061,811	–	–	684,907,451	On demand; non-interest bearing	Unsecured; no impairment
	Sales	714,682,700	–	37,657,484	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	32,219,041	–	–	–		
	Engineering services	9,241,013	–	–	–		
Due to related parties			–	–	(73,127,178)		
Cash and cash equivalents	Cash in bank	(35,281,944)	121,049,551	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	204,438,784	2,139,934,132	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	756,406,734	–	39,649,256	–	On demand; non-interest bearing	Unsecured; no impairment
	Management fees	48,000,000	–	–	–		
	Rental income	19,292,584	–	–	59,719,455		
Due to related parties	Purchases	5,714,623,830	–	(444,784,785)	–	On demand	Unsecured
Joint Venture	Purchases	677,604,771		(54,072,655)	–	1-30 days; non-interest bearing	Unsecured
	Sales	360,709,966		30,185,596	–		

2014		
Related Party	Category/ Transaction	Volume/ Amount
Ultimate Parent Company	Rent expense	₱122,152,062
	Other expense	(8,939,602)
Entities under common control	Sales	287,074,160
	Rental income	16,558,539
	Engineering services	9,457,541
Subsidiaries		
Due from related parties	Sales	918,181,372
	Management fees	48,000,000
	Rental income	16,222,432
Due to related parties	Purchases	4,848,267,831
Joint Venture	Purchases	718,840,162
	Sales	41,268,800

The Group's significant transactions with related parties follow:

(a) The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

(b) As of September 30, 2016 and 2015, the Group has advances from stockholders amounting to ₱235.5 million and ₱230.2 million, respectively. These advances are non-interest bearing and payable on demand.

Sale of Noodle Line Assets through Asset Purchase Agreement
On November 17, 2014, NURC entered into an asset purchase agreement with the Parent Company to acquire the latter's noodle line assets for a consideration of ₱366.7 million which comprised the following:

- Building and improvements thereon as well the machinery and equipment, free from liens and encumbrances, for a total consideration of ₱290.2 million; and
- Inventories such as raw materials, packing materials, semi-manufactured inventory and spare parts and supplies, for a total consideration of ₱76.5 million.

Transactions with the retirement plan
The plan assets of the Group's employees amounted to ₱2.1 billion and ₱2.0 billion as of September 30, 2016 and 2015, respectively (see Note 33). The Group entered into an agreement to lease the land of the retirement plan. Rentals incurred during the year amounted to ₱25.3 million. Terms are unsecured, non-interest bearing and payable on demand.

The Group's plan assets also include amounts due from JGSHI totaling to nil and ₱1.6 billion in 2016 and 2015, respectively (see Note 33).

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

	2016	2015	2014
Short-term employee benefits	**₱230,582,981**	₱209,707,382	₱189,069,686
Post-employment benefits	**67,025,015**	58,689,602	63,361,947
	₱297,607,996	₱268,396,984	₱252,431,633

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.

37. Registration with the BOI

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

Cogeneration
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years at which the RE Plant generated the first kilowatt-hour energy after commissioning or testing, or two months from date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

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

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

(g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms (RF) - Hogs
On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a non-pioneer status. Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

38. Commitments and Contingencies

Operating Lease Commitments - Group as a Lessor
The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and building where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱61.1 million, ₱51.4 million and ₱56.8 million in 2016, 2015 and 2014, respectively.

Operating Lease Commitments - Group as a Lessee
The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱395.6 million, ₱179.0 million and ₱161.1 million in 2016, 2015 and 2014, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	2016	**2015**	2014
Within one year	**₱183,546,225**	**₱75,583,986**	₱71,984,748
After one year but not more than five years	**734,184,901**	**302,335,942**	287,938,993
Five (5) years or more	**520,915,202**	–	–
	₱1,438,646,328	**₱377,919,928**	₱359,923,741

Finance Lease Commitments - Group as a Lessee
Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of income) amounted to ₱34.1 million, ₱22.5 million and ₱23.3 million in 2016, 2015 and 2014, respectively.

Others
The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

39. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	2016	2015	2014
Cumulative translation adjustment	**(₱2,759,505,648)**	₱2,982,525,738	₱218,282,351
Disposal of property, plant and equipment	**687,174,800**	–	–
Land contributed to plan assets	–	–	91,448,525

40. Events After the Reporting Period

The following non-adjusting events happened subsequent to the respective reporting dates of the Parent Company and its subsidiaries:

Dividend declaration of NURC
On December 22, 2016, NURC's BOD declared cash dividends amounting to ₱2.46 per share to stockholders of record as of September 30, 2016. Total dividends declared amounted to ₱465.0 million, payable on first quarter and third quarter of 2017, amounting to ₱200.0 million and ₱265.0 million, respectively.

41. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on January 11, 2017.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at September 30, 2016 and 2015 and for each of the three years in the period ended September 30, 2016, included in this Form 17-A and have issued our report thereon dated January 11, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic

Aris C. Malantic
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January 11, 2017