

COVER SHEET

for
UNAUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

U	N	I	V	E	R	S	A	L		R	O	B	I	N	A		C	O	R	P	O	R	A	T	I	O	N		A	
N	D		S	U	B	S	I	D	I	A	R	I	E	S																

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

8	t	h		F	l	o	o	r	,		T	e	r	a		T	o	w	e	r	,		B	r	i	d	g	e	t
o	w	n	e	,		E	.		R	o	d	r	i	g	u	e	z	,		J	r	.		A	v	e	n	u	e

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

N	A
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Company's Telephone Number

5	1	6	-	9	8	8	8
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Mobile Number

N	A
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No. of Stockholders

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Annual Meeting (Month / Day)

L	a	s	t	W	e	d	n	e	s	d	a	y	o	f	M	a	y
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Fiscal Year (Month / Day)

1	2	/	3	1
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CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

F	r	a	n	c	i	s	c	o	M	.	D	e	l	M	u	n	d	o
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Email Address

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Telephone Number/s

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Mobile Number

+	6	3	9	9	8	8	4	0	4	2	9
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CONTACT PERSON'S ADDRESS

10th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarterly period ended **September 30, 2018**
2. SEC Identification Number **9170**
3. BIR Tax Identification No. **000-400-016-000**
4. Exact name of issuer as specified in its charter **Universal Robina Corporation**
5. **Quezon City, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue**
(C5 Road), Ugong Norte, Quezon City **1110**
Address of principal office Postal Code
8. **(02) 516-9888**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt
Common Shares, P1.00 Par value	2,204,161,868 shares

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes [/]

No []

12. Check whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]

No []

- b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/]

No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements are filed as part of this Form 17-Q (pages 13 to 68)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

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 acquisitions of Griffin's Food Limited, the number one snackfoods company in New Zealand, and Snack Brands Australia (SBA), 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 poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. It has also ventured into the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies and Chocolates and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles, and is a competitive 3rd player in the Coffee business.

The Company operates its food business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into three business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including our packaging division, is the Company's largest segment. This segment is engaged in the manufacture and distribution of diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacture, distribution, sales and marketing activities of BCF group are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverages and instant noodles, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business is conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2014, URC has expanded its reach to the Oceania region through the acquisition of Griffin's Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley & Palmer's, and Nice & Natural. In September 2016, URC acquired Consolidated Snacks Pty Ltd., which trades under Snack Brands Australia (SBA), the second largest salty snacks player in Australia with a wide range of chips including the iconic brands like Kettle, Thins, CC's and Cheezels.

The Company's agro-industrial products segment operates four subsegments: (1) Robina Farm - Hogs, (2) Robina Farm - Poultry, (3) the manufacturing and distribution of animal feeds (URC Feeds), and (4) the production and distribution of animal health products (URC Veterinary Drugs).

The Company's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar divisions, (2) flour milling and pasta manufacturing through Flour division; and (3) renewable energy development through Distillery and Cogeneration divisions.

The Company is a core subsidiary of JG Summit Holdings, Inc. (JGSHI), one of the largest and most diversified conglomerates in the Philippines. JGSHI has substantial business interests in air transportation, property development and hotel management, banking and financial services, and petrochemicals (JG Summit owns the only naphta cracker complex in the country). It also has non-controlling minority stakes in the country's leading telecommunications, power generation and electricity distribution companies, as well as in a leading Singapore property company.

The Company's revenues for the nine months ended September 30, 2018 and 2017 by each of the principal business segments is as follows:

<i>In millions</i>	Nine months ended September 30	
	2018	2017
Branded Consumer Foods Group		
Domestic	₱43,437	₱43,692
International	32,728	31,230
	76,165	74,922
Packaging	1,144	992
Total BCFG	77,309	75,914
Agro-Industrial Group	8,460	7,436
Commodity Foods Group	9,756	9,065
Total	₱95,525	₱92,415

Results of Operations

Nine Months ended September 30, 2018 versus September 30, 2017

URC generated a consolidated sale of goods and services of ₱95.525 billion for the nine months ended September 30, 2018, a 3.4% sales growth over the same period last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱1.244 billion or 1.7% to ₱76.165 billion for the nine months of 2018 from ₱74.922 billion registered in the same period last year. BCFG domestic operations posted a slight decline in net sales from ₱43.692 billion for the nine months of 2017 to ₱43.437 billion for the nine months of 2018 due to lower volume and unfavorable mix in the coffee category, despite the positive growth posted by noodles, biscuits and RTD beverages.

BCFG international operations reported a 4.8% increase in net sales from ₱31.230 billion for the nine months of 2017 to ₱32.728 billion for the nine months of 2018. In US dollar (US\$) terms, sales slightly decreased by 0.3% to US\$623 million for the nine months of 2018 against the same period last year. Top-line growth mainly driven by Vietnam and Australia. Vietnam net sales grew on the back of consistent growth in C2 and strong performance of Rong Do plus the contribution of snackfoods while Australia sales growth was driven by solid performance of Nice & Natural. Malaysia and Indonesia also contributed to net sales increase with consistent performance of snacks and chocolates.

Sale of goods and services of BCFG, excluding packaging division, accounted for 79.7% of total URC consolidated sale of goods and services for the nine months of 2018.

Sale of goods and services in URC's packaging division increased by 15.2% to ₱1.143 billion for the nine months of 2018 from ₱922 million recorded in the same period last year due to higher prices.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱8.460 billion for the nine months of 2018, an increase of 13.8% from ₱7.436 billion recorded in the same period last year. Feeds business grew by 21.7% due to higher average sales prices and sales volume of dog food, hog feeds and gamefowl feeds. Farms business increased by 4.8% driven by higher selling prices of hogs.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱9.756 billion for the nine months of 2018, a 7.6% increase from ₱9.065 billion reported in the same period last year. Flour business grew by 13.0% due to higher volumes and selling prices. Sugar business also grew by 3.3% driven by higher volumes of refined sugar and higher selling prices of raw sugar.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱2.430 billion, or 3.8%, to ₱66.555 billion for the nine months of 2018 from ₱64.126 billion recorded in the same period last year due to higher input costs of major raw materials.

URC's gross profit for the nine months of 2018 amounted to ₱28.970 billion, slightly up by ₱681 million or 2.4% from ₱28.289 billion reported in the same period last year. Gross margin is slightly down by 28 basis points from 30.6% for nine months of 2017 to 30.3% for the nine months of 2018.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱1.366 billion or 7.8% to ₱18.888 billion for the nine months of 2018 from ₱17.522 billion registered for the nine months of 2017. The increase resulted primarily from the following factors:

- 15.4% or ₱792 million increase in advertising and promotions to ₱5.924 billion for the nine months of 2018 from ₱5.132 billion in the same period last year due to higher consumer promotions and trade development activities to boost sales.

- 4.3% or ₱168 million increase in compensation and benefits to ₱4.086 billion for the nine months of 2018 from ₱3.918 billion in the same period last year due to annual salary adjustments and increase in headcount.
- 24.9% or ₱129 million increase in contracted services costs to ₱648 million for the nine months of 2018 from ₱518 million in the same period last year due to additional conso warehouses and increase in shared services charges.

As a result of the above factors, operating income decreased by ₱685 million or 6.4% to ₱10.082 billion for the nine months of 2018 from ₱10.768 billion reported in the same period last year.

URC's finance costs consist mainly of interest expense which increased by ₱111 million or 10.3%, to ₱1.186 billion for the nine months of 2018 from ₱1.075 billion recorded in the same period last year due to higher level of financial debts and higher interest rates.

URC's finance revenue consists of interest income from investments in money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by 58.7% or ₱94 million to ₱254 million for the nine months of 2018 from ₱160 million in the same period last year due to higher level of financial assets and higher dividend from investment in equity securities.

Net foreign exchange loss amounted to ₱244 million for the nine months of 2018 from ₱768 million gain in the same period last year due to the combined effects of depreciation of international subsidiaries' local currencies and Philippine peso vis-à-vis US dollar.

Equity in net losses of joint ventures decreased to ₱91 million for the nine months of 2018 from ₱207 million in the same period last year due to lower losses from Calbee-URC, Inc. (CURCI).

Market valuation gain/(loss) on financial instruments at fair value through profit or loss (FVPL) decreased to ₱71 million loss for the nine months of 2018 from ₱66 million gain in the same period last year due to decline in market values of equity investments.

Impairment loss increased from ₱8 million for the nine months of 2017 to ₱37 million for the nine months of 2018 due to impairment of goodwill and receivables.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. This account amounted to net other expense of ₱4 million for the nine months of 2018 from a ₱89 million net other income for the nine months of 2017 due to this year's payment of professional fees in relation to the review of the Company's portfolio.

The Company recognized provision for income tax of ₱1.727 billion for the nine months of 2018, a 19.8% decrease from ₱2.154 billion for the nine months of 2017 due to lower taxable income of the Parent Company.

URC's net income for the nine months of 2018 amounted to ₱6.977 billion, lower by ₱1.432 billion or 17.0%, from ₱8.408 billion for the nine months of 2017 due to lower operating income and unfavorable foreign exchange impact.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the nine months of 2018 amounted to ₱9.055 billion, a decrease of 7.0% from ₱9.735 billion recorded in the same period last year.

Net income attributable to equity holders of the parent decreased by ₱1.409 billion or 17.2% to ₱6.802 billion for the nine months of 2018 from ₱8.211 billion for the nine months of 2017 as a result of the factors discussed above.

Non-controlling interest (NCI) represents the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary, and certain international subsidiaries. NCI in net income of subsidiaries decreased from ₱197 million for the nine months of 2017 to ₱175 million in the same period this year.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱14.792 billion for the nine months of 2018, 4.0% lower than ₱15.400 billion posted for the nine months of 2017.

Financial Condition

September 30, 2018 versus December 31, 2017

URC's financial position remains healthy with strong cash levels. The Company has a current ratio of 1.77:1 as of September 30, 2018, lower than the 1.92:1 as of December 31, 2017. Financial debt to equity ratio of 0.51:1 as of September 30, 2018 is within comfortable level.

Total assets amounted to ₱152.725 billion as of September 30, 2018, higher than ₱147.641 billion as of December 31, 2017. Book value per share increased to ₱37.42 as of September 30, 2018 from ₱36.93 as of December 31, 2017.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the nine months of 2018 amounted to ₱11.423 billion. Net cash used in investing activities amounted to ₱6.014 billion which were substantially used for capital expenditures. Net cash used in financing activities amounted to ₱5.343 billion due to payment of dividends, net of short-term debt availments.

As of September 30, 2018, the Company is not aware of any material off-balance sheet transactions, arrangements and obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Company's operations and/or financial condition.

Financial Ratios

The following are the major financial ratios that the Group uses. Analyses are employed by comparisons and measurements based on the financial information of the current period against last year.

	September 30, 2018	December 31, 2017
Liquidity:		
Current ratio	1.77:1	1.92:1
Solvency:		
Gearing ratio	0.51:1	0.47:1
Debt to equity ratio	0.85:1	0.81:1
Asset to equity ratio	1.85:1	1.81:1
	2018	2017
Profitability:		
Operating margin	10.6%	11.7%
Earnings per share	₱3.09	₱3.73
Leverage:		
Interest rate coverage ratio	12.48:1	14.33:1

The Group calculates the ratios as follows:

Financial Ratios	Formula
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gearing ratio	$\frac{\text{Total financial debt (short-term debt, trust receipts and acceptances payable and long-term debt including current portion)}}{\text{Total equity (equity holders + non-controlling interests)}}$
Debt to equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Total equity (equity holders + non-controlling interests)}}$
Asset to equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Total equity (equity holders + non-controlling interests)}}$
Operating margin	$\frac{\text{Operating Income}}{\text{Sale of goods and services}}$
Earnings per share	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Weighted average number of common shares}}$
Interest rate coverage ratio	$\frac{\text{Operating income plus depreciation and amortization}}{\text{Finance costs}}$

**Material Changes in the 2018 Financial Statements
(Increase/Decrease of 5% or more versus 2017)**

Statements of Income – Nine months ended September 30, 2018 versus Nine months ended September 30, 2017

8.6% increase in selling and distribution costs

Due to increases in advertising and promotions expense, contracted services and personnel-related costs

10.3% increase in finance costs

Due to higher level of financial debts and interest rates this period compared to same period last year

58.7% increase in finance revenue

Due to higher level of financial assets and higher dividend from investment in equity securities this period compared to same period last year

131.8% decrease in net foreign exchange gain/(loss)

Due to the combined effects of depreciation of international subsidiaries' local currencies and Philippine peso vis-à-vis US dollar

56.0% decrease in equity in net losses

Due to decline in losses from CURCI

207.7% decrease in market valuation gain on financial instruments at FVPL

Due to decline in market value of equity investments

380.9% increase in impairment losses

Due to impairment of goodwill and receivables

104.6% decrease in other income (expense) - net

Due to payment of professional fees in relation to the review of the Company's portfolio

19.8% decrease in provision for income tax

Due to lower taxable income of the Parent Company

11.2% decrease in net income attributable to non-controlling interest

Due to lower net income of subsidiaries

147.7% increase in other comprehensive income

Due to increase in cumulative translation gain for the period versus translation loss last year

Statements of Financial Position – September 30, 2018 versus December 31, 2017

15.6% decrease in financial assets at fair value through profit or loss
Due to decrease in market values of equity investments

8.8% increase in inventories
Due to increases in raw materials and finished goods

18.0% increase in other current assets
Due to increase in input tax

5.9% increase in property, plant and equipment
Due to various plant expansion projects

11.5% increase in other noncurrent assets
Due to increase in security and miscellaneous deposits

83.1% increase in short-term debt
Due to net loan availments during the period

57.9% increase in trust receipts payable
Due to utilization of trust receipt facilities, net of payments during the period

43.0% decrease in income tax payable
Due to payments during the period, net of current tax provision

246.0% increase in other comprehensive income
Due to significant increase in cumulative translation adjustments

57.7% decrease in equity attributable to non-controlling interests
Due to dividends declared by NURC, net of equity share in net income of subsidiaries

The Company's key performance indicators are employed across all businesses. Comparisons are then made against internal target and previous period's performance. The Company and its significant subsidiaries' top five (5) key performance indicators are as follows: (in million PHPs)

	YTD September		Index
	2018	2017	
Revenues	95,525	92,415	103
EBIT	10,082	10,768	94
EBITDA	14,792	15,400	96
Net Income	6,977	8,408	83
Total Assets	152,725	144,724	106

URC International Co., Ltd. (Consolidated)			
	YTD September		Index
	2018	2017	
Revenues	38,301	36,969	104
EBIT	2,558	1,921	133
EBITDA	4,662	3,957	118
Net Income (Loss)	(364)	1,089	NA
Total Assets	92,513	88,035	105

Nissin – URC			
	YTD September		Index
	2018	2017	
Revenues	4,335	3,768	115
EBIT	616	596	103
EBITDA	712	687	104
Net Income	443	425	104
Total Assets	2,665	2,437	109

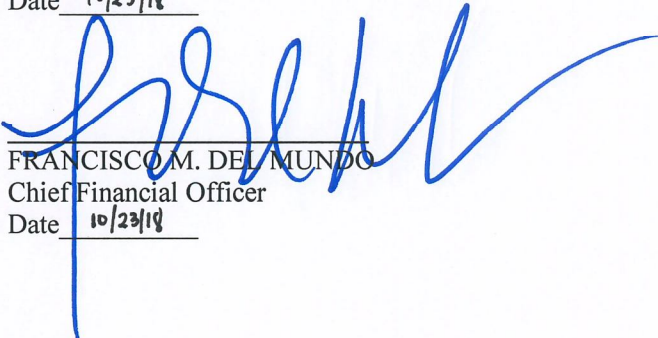
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL ROBINA CORPORATION



IRWIN C. LEE
President and Chief Executive Officer
Date 10/23/18



FRANCISCO M. DEL MUNDO
Chief Financial Officer
Date 10/23/18

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousand Pesos)

	Unaudited September 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱14,563,859	₱14,497,518
Financial assets at fair value through profit or loss (Note 8)	384,623	455,578
Receivables (Note 9)	16,308,019	16,116,493
Inventories (Note 10)	20,092,733	18,465,363
Biological assets	1,165,176	1,180,267
Other current assets (Note 11)	3,525,163	2,987,386
Total Current Assets	56,039,573	53,702,605
Noncurrent Assets		
Property, plant and equipment (Note 12)	51,098,300	48,254,128
Biological assets	508,896	498,310
Goodwill (Note 13)	31,194,496	31,212,075
Intangible assets (Note 13)	11,739,298	11,810,036
Investment in joint ventures (Note 14)	532,225	552,226
Deferred tax assets	57,233	216,916
Other noncurrent assets (Note 15)	1,554,902	1,394,504
Total Noncurrent Assets	96,685,350	93,938,195
	₱152,724,923	₱147,640,800
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	₱22,301,836	₱21,571,119
Short-term debt (Note 17)	3,678,804	2,009,318
Trust receipts payable (Note 10)	4,981,706	3,155,188
Income tax payable	720,901	1,263,938
Total Current Liabilities	31,683,247	27,999,563
Noncurrent Liabilities		
Long-term debt (Note 18)	33,649,723	33,225,962
Deferred tax liabilities	4,286,423	4,261,516
Other noncurrent liabilities	513,190	467,746
Total Noncurrent Liabilities	38,449,336	37,955,224
Total Liabilities	70,132,583	65,954,787

(Forward)

	Unaudited September 30, 2018	Audited December 31, 2017
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 19)	₱23,422,135	₱23,083,782
Retained earnings (Note 19)	63,102,735	63,243,842
Other comprehensive income	1,702,822	492,152
Equity reserve (Note 19)	(5,075,466)	(5,075,466)
Treasury shares (Note 19)	(679,490)	(341,137)
	82,472,736	81,403,173
Equity attributable to non-controlling interests	119,604	282,840
Total Equity	82,592,340	81,686,013
	₱152,724,923	₱147,640,800

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos, Except Per Share Amount)

	Quarters ended		Nine Months ended	
	2018	2017	2018	2017
SALE OF GOODS AND SERVICES	₱31,153,132	₱31,619,612	₱95,525,388	₱92,415,110
COST OF SALES	21,633,584	22,586,785	66,555,385	64,125,751
GROSS PROFIT	9,519,548	9,032,827	28,970,003	28,289,359
Selling and distribution costs	(4,906,158)	(4,728,314)	(14,928,811)	(13,745,654)
General and administrative expenses	(1,316,895)	(1,151,393)	(3,958,982)	(3,776,187)
OPERATING INCOME	3,296,495	3,153,120	10,082,210	10,767,518
Finance costs	(417,314)	(402,290)	(1,185,644)	(1,074,571)
Finance revenue	74,494	49,052	254,494	160,313
Foreign exchange gains (losses) - net	(412,787)	27,389	(244,331)	768,225
Equity in net loss of joint ventures (Note 14)	(29,413)	(97,680)	(91,086)	(207,243)
Market valuation gain (loss) on financial assets and derivative financial instruments at fair value through profit or loss (Note 8)	(3,163)	43,278	(70,955)	65,870
Impairment losses (Note 13)	(36,535)	(7,596)	(36,535)	(7,596)
Other income (expense) - net	126,108	(61,383)	(4,159)	89,479
INCOME BEFORE INCOME TAX	2,597,885	2,703,890	8,703,994	10,561,995
PROVISION FOR INCOME TAX	554,915	681,668	1,727,127	2,153,589
NET INCOME	₱2,042,970	₱2,022,222	₱6,976,867	₱8,408,406
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱1,989,343	₱1,956,308	₱6,802,003	₱8,211,425
Non-controlling interests	53,627	65,914	174,864	196,981
	₱2,042,970	₱2,022,222	₱6,976,867	₱8,408,406
EARNINGS PER SHARE (Note 21)				
Basic/diluted, for income attributable to equity holders of the parent	₱0.90	₱0.89	₱3.09	₱3.73

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Pesos, Except Per Share Amount)

	Nine Months Ended September 30	
	2018	2017
NET INCOME	₱6,976,867	₱8,408,406
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Cumulative translation adjustments	1,206,777	(2,522,676)
Cash flow hedge	3,712	(19,428)
	1,210,489	(2,542,104)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement losses on defined benefit plans	259	3,608
Income tax effect	(78)	(647)
	181	2,961
TOTAL COMPREHENSIVE INCOME	₱8,187,537	₱5,869,263
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	₱8,012,673	₱5,672,282
Non-controlling interest	174,864	196,981
	₱8,187,537	₱5,869,263

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousand Pesos)

	Nine Months Ended September 30	
	2018	2017
PAID-UP CAPITAL (Note 19)		
Capital Stock		
Balance at beginning of period	₱2,227,639	₱2,227,639
Issuance during the period	2,521	-
Balance at end of period	2,230,160	2,227,639
Additional Paid-in Capital		
Balance at beginning of period	20,856,143	20,856,143
Issuance during the period	335,832	-
Balance at end of period	21,191,975	20,856,143
	23,422,135	23,083,782
RETAINED EARNINGS (Note 19)		
Appropriated		
Balance at beginning and end of period	4,500,000	3,000,000
Unappropriated		
Balance at beginning of period	58,743,842	56,298,871
Net income	6,802,003	8,211,425
Dividends declared	(6,943,110)	(6,943,110)
Balance at end of period	58,602,735	57,567,186
	63,102,735	60,567,186
EQUITY RESERVE (Note 19)		
Balance at beginning and end of period	(5,075,466)	(5,075,466)
OTHER COMPREHENSIVE INCOME		
Cumulative Translation Adjustment		
Balance at beginning of period	850,643	2,242,968
Adjustments	1,206,777	(2,522,676)
Balance at end of period	2,057,420	(279,708)
Net Unrealized Gain on AFS investments		
Balance at beginning and end of period	24,260	21,310
Unrealized Loss on Cash Flow Hedge		
Balance at beginning of period	7,937	19,296
Adjustments	3,712	(19,428)
Balance at end of period	11,649	(132)
Remeasurement Losses on Defined Benefit Plans		
Balance at beginning of period	(390,688)	(415,840)
Adjustments	181	1,510
Balance at end of period	(390,507)	(414,330)
	1,702,822	(672,860)

(Forward)

	Nine Months Ended September 30	
	2018	2017
TREASURY SHARES (Note 19)		
Balance at beginning of period	(P341,137)	(P341,137)
Additions during the period	(338,353)	-
Balance at end of period	(679,490)	(341,137)
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
Balance at beginning of period	282,840	15,471
Net income	174,864	196,981
Dividends declared	(338,100)	-
Other comprehensive income	-	1,451
Balance at end of period	119,604	213,903
	P82,592,340	P77,775,408

See accompanying Notes to Unaudited Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousand Pesos)

	Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱8,703,994	₱10,561,995
Adjustments for:		
Depreciation and amortization	4,709,643	4,632,718
Finance cost	1,095,739	987,450
Gain on sale of property, plant and equipment	(575,291)	(129,101)
Finance revenue	(254,494)	(160,313)
Net foreign exchange loss (gain)	244,331	(768,225)
Equity in net losses of joint ventures	91,086	207,243
Amortization of debt issuance costs	89,905	87,121
Market valuation loss (gain) on financial asset at fair value through profit or loss	70,955	(65,870)
Impairment losses	36,535	7,596
Gain arising from changes in fair value less estimated costs to sell of swine stocks	(3,855)	(82,874)
Operating income before changes in working capital	14,208,548	15,277,740
Decrease (increase) in:		
Receivables	784,330	(140,635)
Inventories	(1,595,580)	(1,928,854)
Biological assets	(63,720)	(195,136)
Other current assets	(474,181)	(953,932)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	(301,141)	479,340
Trust receipts payable	1,706,884	(538,311)
Cash generated from operations	14,265,140	12,000,212
Income taxes paid	(1,976,944)	(2,843,277)
Interest paid	(1,119,256)	(981,571)
Interest received	254,361	164,068
Net cash provided by operating activities	11,423,301	8,339,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(6,113,385)	(5,442,652)
Investment in joint venture	(372,500)	(126,000)
Intangible assets	(1,048)	(4,525)
Proceeds from:		
Sale of property, plant and equipment	587,722	197,213
Settlement of derivatives	-	8,036
Dividends received from a joint venture	-	18,500
Increase in other noncurrent assets	(160,342)	(170,665)
Increase in other noncurrent liabilities	45,703	61,915
Net cash used in investing activities	(6,013,850)	(5,458,178)

(Forward)

	Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments of short-term debt	₱1,600,000	₱570,171
Cash dividends paid	(6,943,110)	(7,189,460)
Net cash used in financing activities	(5,343,110)	(6,619,289)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,341	(3,738,035)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,497,518	15,347,702
CASH AND CASH EQUIVALENT AT END OF PERIOD	₱14,563,859	₱11,609,667

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. On October 28, 2002, the Parent Company’s corporate life was extended for another 50 years or until September 28, 2054. 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 strong presence in ASEAN markets. 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, packed cakes, beverages, instant noodles and pasta 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 Flexible Packaging Division, which manufactures 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), which was approved by the BIR on December 5, 2016.

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.

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.

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.

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

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar
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. Ricellent Sdn. Bhd.	Malaysia - do -	Malaysian Ringgit - do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd. (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

(Forward)

Subsidiaries	Country of Incorporation	Functional Currency
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	New Zealand	Kiwi
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 as of September 30, 2018 and December 31, 2017.

Subsidiaries	Country of Incorporation	Effective Percentages of Ownership	
		September 30, 2018	December 31, 2017
CFC Corporation	Philippines	100.00	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00	100.00
Nissin - URC (NURC)	- do -	51.00	51.00
Calbee - URC, Inc. (CURCI)	- do -	100.00	50.00
Hunt - URC (HURC)	- do -	100.00	50.00
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.

Acquisition of CURCI

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, Calbee, Inc., to purchase the latter's 50% equity interest in CURCI. As a result of the sale, CURCI became a wholly-owned subsidiary of URC (see Note 14).

Acquisition of HURC

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to purchase the latter's 50% equity interest in HURC. As a result of the sale, HURC became a wholly-owned subsidiary of URC (see Note 14).

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. On April 25, 2017 and June 28, 2017, the BOD and stockholders of the Parent Company, approved the revised Plan of Merger and Articles of Merger between the Company and the Parent Company. On April 24, 2018, the SEC has approved the merger (see Note 19).

Acquisition of CSPL

In September 2016, URCICL, through URC Oceania, its wholly-owned subsidiary, acquired 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia. URC AU HoldCo and URC AU FinCo were also incorporated as subsidiaries of URCICL through URC Oceania.

Additional Subscription of URCICL Unissued Capital Stock

In September 2016, the Parent Company made an additional subscription to the unissued authorized capital stock of URCICL for a total cost of ₱4.4 billion.

Acquisition of New Zealand Snack Foods Holding Limited (NZSFHL)

In November 2014, 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 13).

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; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Some of the Group's subsidiaries have a local statutory accounting reference date of September 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:

<u>Subsidiaries</u>	<u>Year-end</u>
Bio-resource Power Generation Corporation	September 30
Southern Negros Development Corporation	-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 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 which 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.

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 January 1, 2018.

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
- On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.
- *PFRS 9, Financial Instruments*
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 hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.
- *PFRS 15, Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 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 PFRSs.
- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to

measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Significant Accounting Policies

Fair Value Measurement

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 the consolidated statement of income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

Financial assets and financial liabilities at FVPL

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

The Group's financial assets at FVPL consist of equity securities (see Note 8).

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 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 "Interest Income" in the statement of income. Gains and losses are recognized in profit or loss in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents and receivables (see Notes 7 and 9).

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 effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, from reported earnings and are reported under the 'Unrealized gain (loss) on available-for-sale 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 17) and long-term debt (see Note 18), accounts payable and other accrued liabilities (see Note 16) 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.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to 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 statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of

borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 Loss'. 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.

AFS 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.

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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

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 net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs.

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) |

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. 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.

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.

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

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 EUL of the assets regardless of utilization.

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

	<u>Years</u>
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 financial year-end 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 consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years. 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).

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

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.

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

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

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

	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 12), investment properties (see Note 15), investment in joint ventures (see Note 14), goodwill (see Note 13) and intangible assets (see Note 13).

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

Impairment losses are recognized 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 year-end 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

Company assesses 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.

Dividend income

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

Rent income

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

Interest income

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

Provisions

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

Income Taxes

Current tax

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

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax 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 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 reporting date.

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

Borrowing Costs

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

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

Leases

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

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

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

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

Group as a lessor

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

Cost and Expenses

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.

Foreign Currency Translation/Transactions

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 statement of financial position 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 the statement of financial position date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their respective statements of 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 the Reporting Period

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

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 beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize

the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

a. 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. Determination of fair values less estimated costs to sell of biological assets

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

b. 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, biological assets at cost, 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.

c. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination

The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

d. Estimation of pension and other benefits costs

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date.

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.

e. Recognition of deferred tax assets

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

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, financial assets at FVPL, AFS 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 subsidiary is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes.

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

Risk Management Structure

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

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

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

AC

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

The AC also aims to ensure that:

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

Enterprise Risk Management Group (ERMG)

The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

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

Corporate Governance Compliance Officer

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

Day-to-day risk management functions

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

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

Risk Management Policies

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

Credit risk

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

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

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.

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.

Equity price risk

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

Interest rate risk

The Group's exposure to interest rates relates primarily to the Group's short-term and long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

5. Fair Value Measurement

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

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debt, and trust receipts 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, derivatives and AFS financial assets

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 is 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 building and building improvement classified as investment properties is its current use.

Long-term debt

The fair value of long-term debts is based on the discounted value of future cash flows (interests and principal) using market rates plus a certain spread.

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, flour milling and pasta manufacturing, and in renewable energy through distillery and cogeneration businesses. 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 Group's business segment information follows:

	Sale of Goods and Services		Segment Result	
	For the nine months ended September 30			
	2018	2017	2018	2017
Branded Consumer Foods Group	₱77,308,791	₱75,914,135	₱8,005,723	₱8,723,379
Agro-Industrial Group	8,460,236	7,436,357	982,441	1,356,955
Commodity Foods Group	9,756,361	9,064,618	2,474,107	2,099,130
Corporate Businesses	–	–	(1,380,061)	(1,411,946)
	₱95,525,388	₱92,415,110	₱10,082,210	₱10,767,518

	Total Assets		Total Liabilities	
	As of September 30			
	2018	2017	2018	2017
Branded Consumer Foods Group	₱121,968,045	₱111,773,816	₱57,458,102	₱56,945,795
Agro-Industrial Group	7,371,432	6,014,415	3,869,992	3,664,161
Commodity Foods Group	20,994,605	18,198,631	5,493,732	4,438,204
Corporate Businesses	2,390,841	8,737,142	3,310,757	1,900,436
	₱152,724,923	₱144,724,004	₱70,132,583	₱66,948,596

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 or losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets

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

Segment Liabilities

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

7. Cash and Cash Equivalents

	Unaudited	Audited
	September 30, 2018	December 31, 2017
Cash on hand	₱60,284	₱103,326
Cash in banks	4,434,177	3,948,476
Short-term investments	10,069,398	10,445,716
	₱14,563,859	₱14,497,518

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group, and earn interest ranging from 0.03% to 6.80% and 0.05% to 6.50% at September 30, 2018 and December 31, 2017, respectively, for foreign currency-denominated money market placements. Peso-denominated money market placements on the other hand, earn interest ranging from 1.40% to 3.52% and 1.20% to 3.40% as at September 30, 2018 and December 31, 2017, respectively.

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investment held-for-trading amounting to ₱384.6 million and ₱455.6 million as of September 30, 2018 and December 31, 2017, respectively. Investments held-for-trading consists of quoted equity securities issued by certain domestic entities.

The Group reported market valuation on financial instruments at fair value through profit and loss of ₱71.0 million loss and ₱65.9 million gain for the nine months ended September 30, 2018 and 2017, respectively.

9. Receivables

	Unaudited	Audited
	September 30, 2018	December 31, 2017
Trade receivables	₱13,030,753	₱13,851,205
Due from related parties	1,890,941	1,396,240
Advances to officers and employees	144,228	133,977
Interest receivable	42,432	42,300
Others	1,575,520	1,069,293
	16,683,874	16,493,015
Less allowance for impairment losses	375,855	376,522
	₱16,308,019	₱16,116,493

The aging analysis of the Group's receivables follows:

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Unaudited September 30, 2018
		Less than 90 days	Over 90 days		
Trade receivables	₱10,871,374	₱1,414,330	₱578,353	₱166,696	₱13,030,753
Due from related parties	1,890,941	–	–	–	1,890,941
Advances to officers and employees	112,622	4,576	7,398	19,632	144,228
Interest receivable	7,132	35,300	–	–	42,432
Others	921,819	348,015	116,159	189,527	1,575,520
	₱13,803,888	₱1,802,221	₱701,910	₱375,855	₱16,683,874

	Neither past due nor impaired	Past due but not impaired		Past due and impaired	Audited December 31, 2017
		Less than 90 days	Over 90 days		
Trade receivables	₱11,564,013	₱1,504,440	₱615,200	₱167,552	₱13,851,205
Due from related parties	1,214,633	–	–	181,607	1,396,240
Advances to officers and employees	103,343	4,199	6,788	19,647	133,977
Interest receivable	7,110	35,190	–	–	42,300
Others	766,872	220,956	73,749	7,716	1,069,293
	₱13,655,971	₱1,764,785	₱695,737	₱376,522	₱16,493,015

10. Inventories

	Unaudited	Audited
	September 30, 2018	December 31, 2017
Raw materials	₱7,358,779	₱6,639,193
Finished goods	5,905,898	5,247,037
Spare parts and supplies	3,935,450	3,720,708
Containers and packaging materials	1,831,434	1,969,927
Goods in-process	1,061,172	888,498
	₱20,092,733	₱18,465,363

Under the terms of the agreements covering liabilities under trust receipts totaling ₱5.0 billion and ₱3.2 billion as of September 30, 2018 and December 31, 2017, respectively, certain inventories have been released to the Group in trust for the banks. The Parent Company is accountable to these banks for the trusted merchandise or their sales proceeds.

11. Other Current Assets

	Unaudited September 30, 2018	Audited December 31, 2017
Input value-added tax (VAT)	P1,579,776	P1,249,413
Advances to suppliers	1,361,513	1,266,653
Prepaid insurance	288,638	204,879
Prepaid rent	38,993	51,422
Derivatives designated as accounting hedge	16,178	11,023
Other prepaid expenses	240,065	203,996
	P3,525,163	P2,987,386

Other prepaid expenses include prepayments for advertising, taxes and office supplies.

12. Property, Plant and Equipment

	Unaudited September 30, 2018	Audited December 31, 2017
Acquisition Costs		
Land improvements	P1,856,486	P1,704,819
Building and improvements	17,853,006	16,605,755
Machinery and equipment	72,740,381	69,703,011
Transportation equipment	2,631,233	2,476,589
Furniture, fixtures and equipment	5,321,172	4,868,933
	100,402,278	95,359,107
Accumulated Depreciation, Amortization and Impairment Losses	(65,403,707)	(59,884,641)
Net Book Value	34,998,571	35,474,466
Land	3,769,952	3,727,711
Equipment in-transit	4,698,520	3,169,823
Construction in-progress	7,631,257	5,882,128
	P51,098,300	P48,254,128

13. Goodwill and Intangible Assets

The Group's goodwill pertains to: (a) the acquisition of CSPL in September 2016, (b) acquisition of Balayan sugar mill in February 2016 (c) acquisition of NZSFHL in November 2014, 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 of P17.6 million pertaining to the acquisition of Advanson in December 2007 was fully impaired as of September 30, 2018 and is recorded under "Impairment loss" account in the consolidated statement of financial performance.

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 approximately 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 final purchase price allocation. Goodwill arising from the acquisition of SBA amounted to ₱16.5 billion.

Acquisition of Balayan Sugar Mill

On February 4, 2016, the Parent Company entered into an Asset Purchase Agreement with Batangas Sugar Central, Inc. (BSCI), a corporation duly organized in accordance with the Philippine laws, for the acquisition of Balayan Sugar Mill for a total consideration of ₱1.6 billion. The Parent Company engaged the services of a third party valuer to conduct the final purchase price allocation. Goodwill arising from the acquisition amounted to ₱12.4 million.

Movements in intangible assets follow:

	Unaudited September 30, 2018	Audited December 31, 2017
Cost		
Balance at beginning of year	₱12,270,698	₱12,264,555
Additions	1,048	4,475
Cumulative translation adjustment	1,117	1,668
Balance at end of period	12,272,863	12,270,698
Accumulated Amortization and Impairment		
Losses		
Balance at beginning of year	460,662	360,950
Amortization during the period	71,251	96,787
Cumulative translation adjustment	1,652	2,925
Balance at end of period	533,565	460,662
Net Book Value	₱11,739,298	₱11,810,036

Intangible assets consist of trademark/brands, product formulation, software costs and customer relationship.

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and NZSFHL in 2016 and 2014 were composed of brands, customer relationships and software costs amounting to ₱9.3 billion, ₱2.2 billion and ₱56.3 million, respectively.

14. Investment in Joint Ventures

	Unaudited September 30, 2018	Audited December 31, 2017
Acquisition Cost		
Balance at beginning of period	P1,147,543	P746,250
Additional investments	290,000	401,293
Change in classification due to gain of control	(328,250)	-
Balance at end of period	1,109,293	1,147,543
Accumulated Equity in Net Earnings		
Balance at beginning of period	(596,123)	(444,668)
Equity in net losses during the period	(91,086)	(132,955)
Dividends received	-	(18,500)
Change in classification due to gain of control	105,478	-
Balance at end of period	(581,731)	(596,123)
Cumulative Translation Adjustments	4,663	806
Net Book Value	P532,225	P552,226

Hunt-Universal Robina Corporation

The Parent Company has an equity interest in 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.

In 2017, the Parent Company entered into certain agreements with Century Pacific Foods Inc. to sell its rights, title and interest in the assets used in manufacturing the hunt’s business, as well as pre-termination of the right to manufacture, sell and distribute Hunt’s products. Subsequent to the sale, HURC remains to exist as a jointly controlled entity.

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to sell the latter’s 50% equity interest in HURC. As a result of the sale, HURC became a wholly-owned subsidiary of URC.

Calbee-URC, Inc.

The Parent Company has equity interest in CURCI, a domestic joint venture which is a jointly controlled entity. CURCI manufactures and distributes food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines.

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, Calbee, Inc., to sell the latter’s 50% equity interest in CURCI. As a result of the sale, CURCI became a wholly-owned subsidiary of URC.

Proper Snack Foods Ltd.

On June 30, 2017, Griffins purchased 50.1% of the shares in Proper Snack Foods Ltd. (a Nelson based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ\$7.8 million (P275.3 million), which includes deferred consideration amounting to NZ\$1.5 million (P51.5 million) recorded in the consolidated statement of financial position.

Vitasoy-URC, Inc.

On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form VURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Vitasoy” brand name, which is under exclusive license to VURCI in the Philippines.

Danone Universal Robina Beverages, Inc.

The Parent Company has equity interest in DURBI, a domestic joint venture which is a jointly controlled entity. DURBI manufactures and distributes food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

15. Other Noncurrent Assets

	Unaudited	Audited
	September 30, 2018	December 31, 2017
Deposits	₱773,120	₱576,377
Input value-added tax	629,872	666,011
AFS financial assets	45,980	45,980
Investment properties	37,187	45,288
Others	68,743	60,848
	₱1,554,902	₱1,394,504

Deposits pertain to the Group’s deposits made in connection with the installation of power and water meters, deposits on returnable containers and security deposits for operating leases of plants, warehouses and office buildings.

AFS financial assets consists of domestic equity securities.

The rollforward analysis of investment properties follow:

	Unaudited	Audited
	September 30, 2018	December 31, 2017
Cost		
Balance at beginning of period	₱107,947	₱107,947
Reclassification to property, plant and equipment	(13,393)	-
	94,554	107,947
Accumulated Depreciation		
Balance at beginning of year	62,659	59,001
Depreciation during the period	2,484	3,658
Reclassification to property, plant and equipment	(7,776)	-
Balance at end of period	57,367	62,659
Net Book Value	₱37,187	₱45,288

The investment properties consist of buildings and building improvements which are leased out to related and third parties.

16. Accounts Payable and Other Accrued Liabilities

	Unaudited September 30, 2018	Audited December 31, 2017
Trade payables	P12,718,650	P12,344,609
Accrued expenses	7,613,223	7,532,671
VAT payable	895,658	680,884
Customers' deposits	614,397	398,005
Advances from stockholders	249,788	243,601
Due to related parties	105,792	106,453
Others	104,328	264,896
	P22,301,836	P21,571,119

As of September 30, 2018 and December 31, 2017, others include withholding taxes payable amounting to P78.6 million and P186.8 million, respectively.

The accrued expenses account consists of:

	Unaudited September 30, 2018	Audited December 31, 2017
Advertising and promotions	P4,463,728	P4,656,850
Personnel costs	1,163,174	1,006,744
Contracted services	482,629	384,402
Utilities	356,099	296,218
Rent	306,698	366,344
Freight and handling	289,189	251,248
Others	551,706	570,865
	P7,613,223	P7,532,671

Others include accruals for interest expenses, professional and legal fees and other benefits.

17. Short-term Debt

This account consists of:

	Unaudited September 30, 2018	Audited December 31, 2017
Peso-denominated loan – unsecured with interest of 4.25% for the period ended September 30, 2018	P1,600,000	P–
Thai Baht-denominated loans - unsecured with interest ranging from 2.13% to 2.25% for the periods ended September 30, 2018 and December 31, 2017	1,674,160	1,629,389
Malaysian Ringgit-denominated loan - unsecured with interest at 4.62% and 4.43% for the periods ended September 30, 2018 and December 31, 2017, respectively	404,644	379,929
	P3,678,804	P2,009,318

18. Long-term Debt

This account consists of:

	Maturities	Unaudited September 30, 2018	Audited December 31, 2017
URC AU FinCo loan	2021	₱18,896,034	₱18,772,657
URC NZ FinCo loan	2019	15,024,436	14,808,700
		33,920,470	33,581,357
Unamortized debt issuance costs		270,747	355,395
		₱33,649,723	₱33,225,962

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 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.

These loans contain negative covenants which include, among others, maintenance of consolidated debt to equity ratio of not greater than 2.5 to 1.0.

The exchange rate used to restate the foreign currency borrowings were ₱54.02 to US\$1.00 and ₱49.93 to US\$1.00 as of September 30, 2018 and December 31, 2017, respectively.

19. Equity

The details of the Parent Company's common stock as of September 30, 2018 and December 31, 2017 follow:

Authorized shares	2,998,000,000
Par value per share	₱1.00
Issued shares:	
Balance at beginning of period	2,227,638,933
Issuance during the period	2,521,257
Balance at end of period	2,230,160,190
Less treasury shares	25,998,332
Outstanding shares	2,204,161,858

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.0 per share. There have been no issuances of preferred stock as of September 30, 2018 and December 31, 2017.

Retained Earnings

A portion of the unappropriated retained earnings representing the undistributed earnings of the investee companies is not available for dividend declaration until received in the form of dividends and is restricted to the extent of the cost of treasury shares.

On December 15, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1.5 billion for capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded consumer food operations, which are expected to be completed within the next two years.

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.

Treasury Shares

The Parent Company has outstanding treasury shares of 26.0 million shares (₱679.5 million) and 23.5 million shares (₱341.1 million) as of September 30, 2018 and December 31, 2017, respectively. The Parent Company is restricted from declaring an equivalent amount of the treasury shares from the unappropriated retained earnings as dividends.

Under the Articles and Plan of Merger of CCPI with and into the Parent Company which was approved by the Philippine SEC on April 24, 2018, the Parent Company has issued 2,521,257 common shares to the stockholders of CCPI. Since CCPI is a wholly-owned subsidiary of URC, these issued shares were consequently classified as treasury shares.

Equity Reserve

In December 2014, the Parent Company entered into a share purchase agreement with Nissin to sell 14% of its equity interest in NURC. As a result of the sale, the equity interest of Parent Company changed from 65% to 51%. The gain from the sale amounting to ₱429.5 million is included under "Equity Reserve" in the 2015 consolidated statements of changes in equity.

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

The equity reserve from the acquisition and sale will only be recycled in the consolidated statement of income in the event that the Group will lose its control over these subsidiaries.

20. Earnings Per Share

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

	Nine Months ended September 30	
	2018	2017
Net income attributable to equity holders of the parent	₱6,802,003	₱8,211,425
Weighted average number of common shares	2,204,162	2,204,162
Basic/dilutive EPS	₱3.09	₱3.73

There were no potential dilutive shares for the nine months of 2018 and 2017.

21. Commitments and Contingencies

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.