

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2020**
2. SEC Identification Number **CS201320778**
3. BIR Tax Identification No. **008-647-589**
4. Exact name of issuer as specified in its charter **CENTURY PACIFIC FOOD, INC.**
5. **MANILA, PHILIPPINES** Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only) Industry Classification Code:
7. **7/F Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City** Address of principal office **1605** Postal Code
8. **(632) 8633-8555** Issuer's telephone number, including area code
9. **NA** 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 Outstanding
<b>Common Shares</b>	3,542,258,595

11. Are any or all of these securities listed on a Stock Exchange.

Yes [  ] No [  ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange**

**Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

**PHP65,460,938.836 COMPUTED USING THE CLOSING PRICE OF PHP18.48 AND ISSUED SHARES OF 3,542,258.595 AS OF MARCH 31, 2021**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ / ] No [ ]

**DOCUMENTS INCORPORATED BY REFERENCE**

15. List of Stockholders attached as Annex A referred to in Item 11 on page 22.

2020 Sustainability Report attached as Annex B.

2020 Consolidated Financial Statements of Century Pacific Food, Inc. and its Subsidiaries attached as Annex C referred to in Item 7 on page 11.



# CENTURY PACIFIC FOOD, INC.

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### a) Overview

Century Pacific Food, Inc. (CNPFF or the Company) is the largest producer of canned foods in the Philippines. It owns a portfolio of well-recognized and trusted brands in the canned and processed fish, canned meat, and dairy and mixes business segments. These brands include well-established names such as Century Tuna, 555, Argentina, and Birch Tree, as well as emerging and challenger names such as Blue Bay, Fresca, Swift, Wow, Lucky Seven, Angel, Kaffe de Oro, Coco Mama, Aquacoco, Home Pride and unMEAT. CNPFF exports its branded products to international markets, particularly where there are huge Filipino communities such as the United States and Middle East. The Company is also the Philippines' largest exporter of private label original equipment manufacturer (OEM) tuna and coconut products.

CNPFF traces its history from the Century Pacific Group, a focused branded food company for almost 40 years. Century Pacific Group began in 1978 when Mr. Ricardo S. Po established Century Pacific Group, Inc (formerly Century Canning Corporation) as an exporter of canned tuna. In subsequent years, Century Pacific Group, Inc then expanded and diversified into other food-related businesses. Establishing market leading positions, it built a multi-brand, multi-product portfolio catering to a broad and diverse customer base and supported this with a distribution infrastructure with nationwide reach, directly serving hundreds of thousands of retail outlets and food service companies.

In October 2013, the Po Family reorganized the Century Pacific Group to maximize business synergies and shareholder value. It incorporated CNPFF, carving out the branded canned seafood, meat, dairy, mixes and OEM tuna export businesses, folding them into CNPFF. On January 1, 2014, CNPFF commenced business operations under the new corporate set-up.

CNPFF manages its food business through operating divisions and wholly-owned subsidiaries.

The canned and processed fish segment is CNPFF's largest business segment. It produces and markets a variety mix of tuna, sardine, other fish, and seafood-based products under the Century Tuna, 555, Blue Bay, Fresca and Lucky 7 brands.

The canned meat segment, CNPFF's second largest segment, produces corned beef, meat loaf, luncheon meat, and other meat-based products which are sold under the Argentina, Swift, 555, Shanghai, and Wow brands.

The dairy and mixes segment is comprised of products such as evaporated milk, condensed milk, full cream and fortified powdered milk, and all-purpose creamer under the Angel and Birch Tree brands, coffee mix under the Kaffe de Oro brand, and flavor mixes under the Home Pride brand.

The tuna export segment produces OEM canned tuna, pouched tuna, and vacuum-packed frozen tuna loin products for overseas markets including North America, Europe, Asia, Australia, and the Middle East.

At the end of 2015, CNPFF acquired a 100% interest in Century Pacific Agricultural Ventures, Inc., an integrated coconut producer of high value organic-certified and conventional coconut products for both export and domestic markets.

During 2016, CNPFF also acquired the license to the *Kamayan* trademark for North America and the Middle East. The brand is one of the top names in the U.S. market for shrimp paste – a popular condiment in Philippine cuisine, locally known as *bagoong*. CNPFF also acquired distribution companies in China which

sell *Century Tuna*, the number one canned tuna brand in China.

In 2017, CNPF acquired the Philippine license for *Hunt's*, the country's number one pork & beans brand. The acquisition also included the transfer of manufacturing assets and inventory related to *Hunt's* product lineup. This lineup includes pork & beans, tomato-based spaghetti sauce, tomato sauce, and marinade sauce.

In 2020, the Company entered the meat-free market with the launch of the '*unMeat*' brand - the first vegan meat alternative brand in the Philippines. The brand is rolled out in the retail and institutional markets in the Philippines and in international locations such as the USA, Singapore, China and the Middle East.

## b) Key Risks

CNPF's financial performance may be materially and adversely affected by fluctuations in prices or disruption in the supply of key raw materials.

CNPF's revenue growth depends on successful introduction of new products and new product extensions, which is subject to consumer preference and other market factors at the time of introduction.

Actual or alleged contamination or deterioration of, or safety concerns about, CNPF's food products or similar products produced by third parties could give rise to product liability claims and harm CNPF's reputation.

Competition in CNPF's businesses may adversely affect its financial condition and results of operations.

CNPF relies on key suppliers for certain raw materials and the failure by such suppliers to adhere to and perform contractual obligations may adversely affect CNPF's business and results of operations.

CNPF has a limited history as a separate entity.

CNPF generally does not have long-term contracts with its customers, and it is subject to uncertainties and variability in demand and product mix.

CNPF is exposed to the credit risks of its customers, and delays or defaults in payment by its customers could have a material adverse effect on CNPF's financial condition, results of operations and liquidity;

Any infringement or failure to protect CNPF's trademarks and proprietary rights could materially and adversely affect its business.

CNPF's strategy of growth, including acquisitions, entering new product categories and international expansion, may not always be successful or may entail significant costs, which could adversely affect its business, financial condition and results of operations.

CNPF may be subject to labor unrest, slowdowns and increased wage costs.

CNPF is effectively controlled by the Po family and their interests may differ from the interests of other shareholders.

CNPF's international operations may present operating, financial and legal challenges, particularly in countries where CNPF has little or no experience.

CNPF's existing insurance policies and self-insurance measures may not be sufficient to cover the full

extent of all losses.

CNPF's businesses and operations are substantially dependent upon key executives.

## **Item 2. Properties**

As of December 31, 2020, CNPF does not own land. CNPF leases several properties, including the Company's head office in Pasig City, Metro Manila, its tuna and coconut processing facilities in General Santos City, and its meat processing facility in Laguna, among others. The relevant lease agreements are typically for a term of 10 years at the prevailing market rates in their respective areas, renewable upon mutual agreement of the parties.

None of the leased premises is mortgaged or encumbered. The Company does not plan to acquire any property in the next 12 months.

## **Item 3. Legal Proceedings**

CNPF and its subsidiaries and affiliates are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. As of December 31, 2020, neither CNPF nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to CNPF or the relevant subsidiary's interests, would have a material adverse effect on the business or financial position of CNPF or any of its subsidiaries.

## **Item 4. Submission of Matters to a Vote of Security Holders**

Except for matters taken up during the annual meeting of the stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### a) Market Information

The Company's common shares are traded in the Main Board of The Philippine Stock Exchange, Inc. ("PSE"). The common shares were listed on May 6, 2014.

The following table shows the high and low prices (in pesos per common share) of the Company's shares in the PSE for each quarter within the last 2 years (2019 to 2020):

Period	High	Low
1 <sup>st</sup> Quarter of 2019	16.54	14.94
2 <sup>nd</sup> Quarter of 2019	16.40	13.30
3 <sup>rd</sup> Quarter of 2019	15.28	13.50
4 <sup>th</sup> Quarter of 2019	16.00	14.00
<b>January 1, 2019 to December 31, 2019</b>	<b>16.54</b>	<b>13.30</b>
1 <sup>st</sup> Quarter of 2020	15.50	9.53
2 <sup>nd</sup> Quarter of 2020	15.46	13.40
3 <sup>rd</sup> Quarter of 2020	18.48	14.10
4 <sup>th</sup> Quarter of 2020	18.00	15.50
<b>January 1, 2020 to December 31, 2020</b>	<b>18.48</b>	<b>9.53</b>
<b>January 1, 2020 to March 31, 2021</b>	<b>19.36</b>	<b>16.58</b>

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end of 2020, based on the closing price of Php17.50 per share was Php61,989,525,412.50. The market capitalization of the Company's common shares as of March 31, 2021, based on the closing price of Php18.48 per share was Php65,460,938,836.

#### b) Holders

Total shares outstanding as of December 31, 2020, was 3,542,258,595 with a par value of P1.00

The number of shareholders of record as of December 31, 2020, was 31. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Century Pacific Group, Inc.	*2,433,960,781	68.71%
PCD Nominee Corp.(Non-Fil)	840,612,106	23.73%
PCD Nominee Corp.(Filipino)	470,213,065	13.27%
Alvin S. Tan	15,000	-
Myra P. Villanueva	3,000	-
Owen Nathaniel S. Au ITF: Li Marcus Au	2,365	-
Giselle Karen Y. Go	2,250	-
Rosauro Panergo Babia	1,500	-
Milagros P. Villanueva	1,500	-
Myrna P. Villanueva	1,500	-
John T. Lao	1,000	-
Frederick D. Go	750	-



Christine F. Herrera	750	-
Leopoldo E. San Buenaventura ITF Mayrhilyn M. San Buenaventura	750	-
Julius Victor Emmanuel D. Sanvictores	750	-
Felicitas F. Tacub	750	-
Marietta Villanueva-Cabreza	750	-
Ernesto Kiong Lim and/or Iris Veronica Go Lim	400	-
Guillermo F. Gili, Jr.	150	-
Shareholders Association of the Philippines, Inc.	100	-
Jesus San Luis Valencia	100	-
M. J. Soriano Trading, Inc.	50	-
Joselito T. Bautista	1	-
Botschaft N. Cheng or Sevilla Ngo	1	-
Johnip G. Cua	1	-
Fernan Victor P. Lukban	1	-
Christopher Paulus Tan Po	1	-
Leonardo Arthur Tan Po	1	-
Ricardo Sy Po	1	-
Ricardo Gabriel Tan Po	1	-
Teodoro Alexander Tan Po	1	-

\* Century Pacific Group, Inc.'s owns 2,231,400,000 shares of the Registrant in its own name and another 202,560,781 shares of the Registrant lodged under PCD Nominee Corp. (Filipino) equivalent to 68.71%.

c) Dividends

The Company declared cash dividends last June 30, 2020 in the amount of Eighteen Centavos (Php0.18) per share, representing a regular dividend of Ten Centavos (Php0.10) per share and a special dividend of Eighteen Centavos (Php0.18) per share.

d) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The following shares were issued to/subscribed by the Company's employees pursuant to its Employee Stock Purchase Plan (ESPP) confirmed by the Securities and Exchange Commission (SEC), in resolutions dated December 19, 2014, and June 2, 2016, to be exempt from the registration requirement pursuant to Section 10.2 of the Code:

YEAR	NO. OF SHARES
2014	1,367,200
2015	1,059,200
2016	400,000
2017	1,229,700
2018	0
2019	0
TOTAL	4,056,100

**Item 6. Management's Discussion and Analysis**

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form Amended 17-A as "Annex C". The

consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

#### a) Results of Operation

CNPF's consolidated net income after tax totaled Php 3.88 billion for the full-year ending December 31, 2020. This is 23% higher than the reported net income after tax of Php 3.15 billion in 2019.

Consolidated net revenues for 2020 grew 19%, amounting to Php 48.3 billion compared to Php 40.6 billion versus the same period the previous year. Growth was driven by the outperformance of the branded business, which saw sales increase by 25% year-on-year.

The branded business - composed primarily of the Marine, Meat, and Milk business units – remains to be majority of the Company's overall topline.

CNPF's brands in the marine and meat segments have maintained market leadership, while also continuing to gain traction in emerging product categories.

Revenues from the commodity-linked OEM export business saw decline by 1% as a result of softer commodity prices, reallocation of capacity to domestic requirements, and a stronger peso.

For the full-year ending December 31, 2020, cost of sales grew by 18%, leading to a 23% increase in gross profit. The Company's cost of sales consists primarily of raw material and packaging costs, manufacturing costs, and direct labor costs.

Favorable commodity price trends led to improved profitability for the Company overall, with consolidated gross profit margin improving by 70-basis points to 24.7%.

Meanwhile, operating expenses increased by 19%, resulting in a 22% growth in operating income to Php 5.4 billion.

#### b) Financial Condition

The Company maintained its strong and healthy balance sheet with current ratio improving to 1.74x and net gearing at 0.11x. Interest-bearing debt over equity likewise declined to 0.16x, following the repayment of portion of the Company's interest-bearing liabilities.

CNPF's total assets increased to Php36.28 billion as of December 31, 2020 compared to Php32.59 billion at the end of 2019.

Total equity grew from Php19.15 billion at the end of December 2019 to Php21.44 billion, coming primarily from the Company's generated net income during the year.

#### c) Key Performance Indicators

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

	Full Year 2019	Full Year 2020
Gross Profit Margin	24.0%	24.7%
Before Tax Return on Sales	10.0%	10.6%
Return on Sales	7.8%	8.0%
Interest-Bearing Debt-to-Equity	0.29X	0.16X
Current Ratio	2.23X	1.74X

*Notes:*

1 *Gross Profit margin = Gross Profit / Net Revenue*

2 *Before Tax Return on Sales = Net Profit Before Tax / Net Revenue*

3 *Return on Sales = Net Profit After Tax / Net Revenue*

4 *Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity*

5 *Current Ratio = Total Current Assets / Total Current Liabilities*

## **Item 7. Financial Statements**

The Company's financial statements and notes thereto form part of this SEC Form as "Annex C".

## **Item 8. Information on Independent Public Accountants**

a. External Auditor

The historical financial statements of wholly owned subsidiaries, General Tuna Corporation (GTC), Snow Mountain Dairy Corporation (SMDC), and Century Pacific Food Packaging Ventures Inc. (CPFPVI) as of and for the year ended December 31, 2020, were audited by *Punongbayan & Araullo*, a member firm within *Grant Thornton International Ltd.* The historical financial statements of wholly owned subsidiaries Century Pacific Agricultural Ventures Inc (CPAVI), General Odyssey Inc. (GOI) and Century Pacific Solar Inc. (CPSOL) as of and for the year ended December 31, 2020 were audited by *Navarro Amper & Co.* a member firm within *Deloitte Touche Tohmatsu Limited*. The consolidated financial statements of CNPF and its wholly owned subsidiaries Allforward Warehousing Inc (AWI) and Century Pacific Seacrest Inc (CPSI) as of and for the year ended December 31, 2020 were examined by *Navarro Amper & Co.*, a member firm within *Deloitte Touche Tohmatsu Limited*, independent auditors, in accordance with PSA, as stated in their reports appearing herein. The historical financial statements of CNPF wholly owned subsidiaries Century International ( China) Co. Ltd. (CIC) And Century ( Shanghai) Trading Co., Ltd. (CST) were examined by *Shanghai Pu An Public Accountants Firm*.

*Navarro Amper & Co.* has acted as CNPF's external auditor since January 16, 2014. Bonifacio Lumacang is the current audit partner for CNPF and has served as such since January 2016. CNPF has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. *Navarro Amper & Co.* has neither shareholdings in CNPF nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of CNPF. *Navarro Amper & Co.* does not receive any direct or indirect interest in CNPF or its securities (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The principal accountant for *Punongbayan & Araullo* is Chris Ferrareza; for *Navarro Amper & Co.* is Bonifacio Lumacang, Jr. for CPFI and Melissa Delgado for CPSI, CPAVI, AWI, GOI and CPSOL. The

accountants for *Shanghai Pu An Public Accountants Firm* are Wang Yun Hua and Zhang Fu Ju for both Century International ( China) Co., Ltd. and Century ( Shanghai) Trading Co., Ltd.

b. Audit Fees

Name of Auditor	Audit Fee	Non-audit Fee
Navarro Amper & Co. (a member of Deloitte Touche Tohmatsu Limited)	Php5,677,000.00	Php567,700.00

a) Audit Committee and Policies

There shall be an Audit Committee composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees. The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit. The Audit Committee has the following duties and responsibilities, among others:

- i.) Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- ii.) Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- iii.) Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- iv.) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- v.) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- vi.) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- vii.) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence (as defined under

the Code of Ethics for Professional Accountants). The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

viii.) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

ix.) Reviews the disposition of the recommendations in the External Auditor's management letter;

x.) Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

xi.) Coordinates, monitors and facilitates compliance with laws, rules and regulations; and

xii.) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

The Audit Committee was composed of the following members in 2020, the chairman of which is an independent director:

<b>Name</b>	<b>Position</b>
Fernan Victor Lukban	Chairman
Ricardo Gabriel T. Po	Member
Frances J. Yu	Member

b) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2020.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Issuer**

a. Directors, Including Independent Directors, and Executive Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's articles of incorporation, the Board shall consist of nine members, of which three are independent directors. The directors were first elected at the Company's annual shareholders meeting on October 28, 2013, re-elected on June 30, 2020, and will hold office until their successors have been duly elected and qualified.

The incumbent Directors and Executive Officers of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
Ricardo S. Po, Sr.	90	Filipino	Chairman Emeritus
Ricardo Gabriel T. Po	53	Filipino	Vice Chairman
Teodoro Alexander T. Po	51	Filipino	Vice Chairman, Chief Executive Officer and President
Christopher T. Po	50	Filipino	Executive Chairman
Leonardo Arthur T. Po	43	Filipino	Director and Treasurer
Johnip G. Cua	64	Filipino	Independent Director
Fernan Victor P. Lukban	60	Filipino	Lead Independent Director
Frances J. Yu	51	Filipino	Independent Director
Eileen Grace Z. Araneta	60	Filipino	Director
Manuel Z. Gonzalez	55	Filipino	Corporate Secretary
Gwyneth S. Ong	44	Filipino	Assistant Corporate Secretary

**Ricardo S. Po, Sr.** is the Founder and Chairman Emeritus of Century Pacific Food, Inc. (CNPF). A self-made entrepreneur, he started his professional career as a journalist then moved on to advertising where he started and managed Cathay Promotions Advertising Co. and later became a stock broker. He founded CNPF in 1978 and grew it to become one of the largest branded food companies in the Philippines. He was awarded a Masters in Business Administration by the University of Santo Tomas in 2006. He is the father of Ricardo Gabriel T. Po, Jr., Teodoro Alexander T. Po, Christopher T. Po, and Leonardo Arthur T. Po.

**Ricardo Gabriel T. Po, Jr.** (first elected October 28, 2013) was re-elected as the Company's Vice Chairman on June 30, 2020. He concurrently serves as a Vice Chairman of PIZZA and as a Vice Chairman of ALCO. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated magna cum laude from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

**Christopher T. Po** (first elected October 28, 2013) was re-elected as the Company's Executive Chairman on June 30, 2020. He concurrently serves as the Chairman of Shakey's Pizza Asia Ventures, Inc. (PIZZA) and as a Director of Arthaland Corporation (ALCO), a property developer listed on the PSE. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated summa cum laude from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University as well as a member of the Board of Asia Society Philippines, and he is the President of the CPG-RSPo Foundation.

**Teodoro Alexander T. Po** (first elected October 28, 2013) was re-elected as the Company's Vice Chairman, President, and Chief Executive Officer on June 30, 2020. He concurrently serves as a Vice Chairman of PIZZA. Since 1990, he has held various positions in CNPF. He graduated summa cum laude from Boston University with a Bachelor of Science degree in Manufacturing Engineering in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School.

**Leonardo Arthur T. Po** (first elected October 28, 2013) was re-elected as the Company's Director and Treasurer on June 30, 2020. He concurrently serves as the Director and Treasurer of PIZZA and as the Director, Executive Vice President, and Treasurer of ALCO. He graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), foodservice, quick-serve restaurants, and real estate development.

**Johnip G. Cua** (first elected October 28, 2013) was re-elected as the Company's Independent Director on June 30, 2020. He concurrently serves as the Chairman of Xavier School, Inc., as the Chairman and President of Taibrews Corporation, and as a Director of various corporations including BDO Private Bank, PAL Holdings, Inc., MacroAsia Corporation, LT Group, Inc., and Eton Properties Philippines, Inc., among others. He has extensive experience in the consumer goods and marketing industries, having served as President and General Manager of Procter & Gamble Philippines from 1995 to 2006. Prior to this, he held a number of positions at Procter & Gamble, including Manager of Product Development and Project Supply at Procter & Gamble Taiwan and Category Manager of Procter & Gamble Philippines. He has received a number of awards, including the Agora Awards' Outstanding Achievement in Marketing Management (1998) and Procter & Gamble Global Marketing Organization's Passionate Leadership Award (2006). He holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

**Fernan Victor P. Lukban** (first elected October 28, 2013) was re-elected as the Company's Lead Independent Director on June 30, 2020. He concurrently serves as the Lead Independent Director of PIZZA, as an Independent Director of ALCO, and as a Director of Central Azucarera de Tarlac, Inc. (CAT). He is a highly regarded consultant in family business, strategy, entrepreneurship, and governance. He is active in Base of the Pyramid initiatives all over the Philippines and helps professionalize Boards throughout the country. He holds undergraduate degrees in engineering (Industrial Management - Mechanical from De La Salle University, Manila) and graduate degrees in economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific) and in business (MBA from IESE Barcelona, Spain). He spent much of his early professional years in academia, helping establish the University of Asia & the Pacific where he currently participates as a consultant, mentor, and guest lecturer. He is a founding fellow of the Institute of Corporate Directors.

**Frances J. Yu** (first elected March 5, 2019) was re-elected as the Company's Independent Director on June 30, 2020. She concurrently serves as an Independent Director of PIZZA. She was previously the Chief Retail Strategist of Mansmith and Fielders, Inc., the largest marketing and sales training company in the Philippines. Prior to this, she was the Vice President and Business Unit Head of Rustan's Supermarket and the Vice President and Head of Marketing Operations for Rustan's Supercenters, Inc. She founded FJY Consulting, Inc., a corporate marketing and management consulting company which she managed as President. She was also the Vice President and General Manager of a marketing research and consulting firm catering to the top 500 corporations in several sectors. From 2003 to 2005, she served as the Chairperson for the National Retail Conference and Stores Asia Expo (NRCE) Programs Committee of the Philippine Retailers Association. She graduated summa cum laude from Fordham University, New York with a Bachelor of Arts degree in English Literature.

**Eileen Grace Zshornack-Araneta** (first elected March 5, 2019) was re-elected as the Company's Director on June 30, 2020. She concurrently serves as a Director of PIZZA and as a consultant for brand and communications strategy to both multinational and local clients. Her professional experience spans 25 years as a marketing and advertising practitioner, having held senior positions at Unilever Philippines and J. Walter Thompson. At Unilever, she occupied a Southeast Asia regional post as Vice President of Brand Development for Knorr. Prior to this, she was Managing Director for Unilever Foods Philippines handling the Knorr, Lady's Choice, Best Foods, and Lipton brands. She was also Marketing Director for the personal care division with an extensive portfolio of brands such as Sunsilk, Cream Silk, Rexona,

Pond's, Dove, Close Up, and Vaseline. Through her involvement with a wide range of brands, she has built up deep expertise in category strategy, consumer insight mining, and brand and advertising development. She is a graduate of the University of the Philippines where she finished her Bachelor of Science degree in Business Economics as magna cum laude.

**Manuel Z. Gonzalez** (first elected October 28, 2013) was re-elected as Corporate Secretary and Compliance Officer of the Company on June 30, 2020. He is also a Senior Partner in the Martinez Vergara Gonzalez & Serrano Law Office since 2006 up to the present. Atty. Gonzalez was formerly a partner with the Picazo Buyco Tan Fider & Santos Law Office until 2006. Atty. Gonzalez has been involved in corporate practice and has extensive experience in securities, banking and finance law. Atty. Gonzalez serves as Director and Corporate Secretary to many corporations including to companies in the Century Pacific Group since 1995, Nomura Securities Philippines since 2006 and ADP Philippines, Inc. since 2010. Atty. Gonzalez graduated with honors and obtained a Bachelor of Arts degree in Political Science and Economics from New York University and he has also received a Bachelor of Laws from the University of the Philippines, College of Law.

**Gwyneth S. Ong** (first elected March 6, 2017) was elected as Assistant Corporate Secretary of the Company on June 30, 2020. Atty. Ong is a Partner at Martinez Vergara Gonzalez and Serrano Law Office from 2015 up to the present, with extensive experience in a broad range of securities and capital market transactions. She graduated with a Bachelor of Science degree in Management major in Legal Management from the Ateneo de Manila University and a Bachelor of Laws degree from the University of the Philippines.

b. Significant Employees

Edwin C. Africa	50	Singaporean	Senior Vice President – General Manager (Canned Meat and Corporate Business Services)
Ronald M. Agoncillo	44	Filipino	Vice President – General Manager (Dairy)
Gregory H. Banzon	57	Filipino	Executive Vice President, Chief Operating Officer and General Manager (Marine, Global Brands, Milk and Test Kitchen)
Cezar D. Cruz, Jr.	65	Filipino	Vice President – General Manager (Food Service, Refrigerated Meats, Sardines Plant and Corporate Engineering)
Teddy C. Kho	58	Filipino	Vice President – General Manager (General Tuna Canning, Packaging and Cold Storage)
Gerald R. Manalansan	55	Filipino	Vice President for Supply Chain Logistics
Wilhelmino D. Nicolasura	44	Filipino	Vice President – Domestic Sales
Oscar A. Pobre	64	Filipino	Chief Financial Officer, Chief Information Officer and Chief Risk Officer
Samuel V. Santillan	58	Filipino	Chief Audit Executive
Noel M. Tempongko, Jr.	59	Filipino	Vice President – General Manager (Integrated Coconut Operations)
Emerson C. Villarante	54	Filipino	Vice President – Human Resources and Corporate Affairs



Maria Rosario L. Ybanez	45	Filipino	Legal Counsel and Compliance Officer
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**Edwin Raymond C. Africa** (first elected April 1, 2014) serves as Senior Vice President - General Manager of the Company. Prior to joining the Company, Mr. Africa had 23 years of experience in various marketing, commercial and general management roles at Pepsico from 2004-2012, Nippon Paint from 2001-2004, and Procter & Gamble Asia from 1991 to 2001. Mr. Africa graduated from Ateneo de Manila University in 1991 with a degree in Bachelor of Science in Management Engineering.

**Ronald M. Agoncillo** (first elected October 28, 2013) was re-appointed as Vice President – Head of Sales, Trade Marketing and Demand Planning of the Company on June 30, 2020. He joined the Century Group in 2009 as Vice President for Sales, Trade Marketing & Demand Planning. Prior to CPG, he had 10 years experience in various national sales management, systems engineering & logistics roles in Unilever Philippines & Indonesia, 3M, Shell, Cadbury & San Miguel. Mr. Agoncillo graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering minor in Mechanical Engineering & is an Alumni of Harvard Business School from his Executive Education Advanced Management Program.

**Gregory H. Banzon** (first elected October 28, 2013) serves as the Executive Vice President and Chief Operating Officer of the Company. He served seven years as the General Manager and Business Unit Head at the Century Group. He is an Agora Awardee for Marketing Excellence (2014) and was recently conferred a CEO Excel Award for Marketing Communications (2017). Prior to the Century Group, Mr. Banzon had 22 years of experience in various general management, marketing and sales roles including Vice President – Marketing of Johnson & Johnson ASEAN, Managing Director of Johnson & Johnson Indonesia, and General Manager at RFM. Mr. Banzon graduated from De La Salle University with a Bachelor’s degree in Commerce (Marketing).

**Cezar Cruz, Jr.** (first elected October 28, 2013) was re-appointed as Vice President – General Manager (Canned and Processed Fish, Sardines Division) of the Company on June 30, 2020. He was appointed as Vice President-General Manager of Sardines Plant, Food Service Group and Corporate Engineering on March 15, 2018. He joined the Century Group in 2006 and served 3 years as Business Development Manager for the Fishmeal Operation of the company and thereafter taking on the VP-General Manager position for the Sardine Division in 2010. Prior to the Century Group, he had 29 years of experience in various technical, operations and business development roles at San Miguel and RFM. He currently serves as the President of the Sardine Association of the Philippines. Mr. Cruz Jr. graduated from the University of the Philippines with a Bachelor of Science in Electrical Engineering and is a Licensed Professional Electrical Engineer.

**Teddy C. Kho** (first elected October 28, 2013) serves as Vice President and General Manager of General Tuna Corporation of the Company. He served three years as Business Unit Head of GTC. Prior to GTC, Mr. Kho had 21 years of experience in various management, operations and technical roles including President and General Manager of San Miguel Foods Vietnam and Plant Manager of San Miguel Hoecheong. Mr. Kho graduated from Adamson University with a Bachelor of Science in Chemical Engineering and completed the Management Development Program from the Asian Institute of Management.

**Gerald R. Manalansan**, (first elected July 1, 2019) was re-appointed as Vice President for Supply Chain Logistics Division of the company on June 30, 2020. Previously, he served as the Assistant Vice President of the same division managing the total Inbound and Outbound Logistics requirements on a national scale and operated a total of 31 warehouses for the past 6 yrs. Coupled with this, he is also directing the Sales and Operations Planning - Supply Planning for all major plants of all Business Units. Prior to joining, CPFI, he had 32 years of extensive experience in Total Supply Chain Logistics mostly in fast-moving consumer goods companies (San Miguel Magnolia Division, Magnolia-Nestle Corporation, San Miguel Beer Division

and San Miguel Food Group). His broad knowledge in Supply Chain Logistics led him to become a consultant for top FMCG companies like, PT-Delta in Jakarta and RFM. Not just in FMCG but also in other industries like, Adarna Books and Carmen's Best Ice Cream. Being one of the respected Logistician in the industry he was invited to be a resource speaker in PASIA WORLD 2018 Conference and Arm Forces of the Philippines Convenient Exchange Stores (AFPACES) focusing on Supply Chain Logistics. He was also awarded with the highest award (Century Idol) given to CPFI employees for exemplary work during his freshman year in the company. He graduated with a B.S Accountancy degree from Colegio de San Juan de Letran with honors. He also attended the advance management courses from the Asian Institute of Management to hone his managerial skills.

**Wilhelmino D. Nicolasora** (first elected January 19, 2018) was re-appointed as Vice President of Domestic Sales on June 30, 2020. He started his career at CNPF in 2011 as National Sales Development Manager and eventually became Assistant Vice President of Trade Marketing and Sales Development prior to his current role. Before joining CNPF, he spent nine years working in various sales management roles and developmental stints in the Philippines and South Asia with multinational companies such as Unilever Philippines, PepsiCo International, Kimberly- Clark Philippines, Inc., and Kimberly-Clark Thailand Ltd.

**Oscar A. Pobre** (first elected October 28, 2013) was re-appointed as Chief Financial Officer of the Company on July 1, 2019. He is also the Company's Chief Information Officer and Chief Risk Officer. He also serves as Vice President for Finance and Chief Financial Officer of CCC and has held this position since August 2000. He first joined CCC as Director for Finance and Controllershship Group in August 1994. Prior to CCC, Mr. Pobre had 17 years of experience in finance, starting as Assistant Analyst with the Manila Electric Company. He progressed with his career to be Division Chief for Subsidiary Operations Comptrollership Group for Human Settlements Development Corporation, Finance Manager for Commander Drug Corporation, Budget & Cost Department Manager for Dole Philippines, Inc., Corporate Planning Manager for RFM Corporation, and Corporate Controller for Cosmos Bottling Corporation. Mr. Pobre graduated from the Ateneo de Manila University with a Bachelor of Science degree in Business Management and holds a Master in Business Management degree from the Asian Institute of Management.

**Noel M. Tempongko, Jr.**, (first elected January 21, 2016) was re-appointed as Vice President - General Manager (Integrated Coconut Operations) of the Company on June 30, 2020. He served as the General Manager of The Pacific Meat Company, Inc. (Refrigerated Meats business of CPG) for two years. Prior to that, he had over 25 years of experience in various general management and sales management roles in both fast-moving consumer goods companies (The Purefoods-Hormel Company Inc., Frabelle Corporation, Magnolia, Inc.) and business-to-business companies such San Miguel Pure Foods - Great Food Solutions and San Miguel Packaging Products. He graduated with a B.S. Industrial Engineering degree from the University of the Philippines and is a recipient of the distinguished alumnus award from the UP Alumni Engineers. He also took up advanced management courses from the Asian Institute of Management and has MBA units from UP. He is currently a member of the Management Association of the Philippines.

**Emerson Villarante** (first elected October 28, 2013) was re-appointed as Vice President - Human Resources and Corporate Affairs of the Company on June 30, 2020. He first joined the Century Pacific Group in July 2007. He served seven years as Head of Human Resources and Organizational Development at the Century Group. Prior to the Century Group, he held various roles in human resources management and development and operations including Vice President of Human Resources for Bechtel Engineering and Alan Packaging Asia. Mr. Villarante graduated from the University of Santo Tomas with a Bachelor of Arts in Behavioral Science and holds a Masters in Management from the Asian Institute of Management.

**Samuel V. Santillan** (first elected June 30, 2017) joined Century Pacific Group in 2008 as Corporate Internal Audit Manager. He was re-appointed Chief Audit Executive on June 30, 2020. Prior to that, he

had 24 years of experience in auditing, finance and accounting management roles at various manufacturing, shipping, trading and retail businesses, such as SGV & Co., Pepsico Inc., Baliwag Navigation Inc., Universal Food Corporation (now NutriAsia), Marsman Drysdale Inc. and Pilipinas Makro, Inc. as Systems and Audit Manager in the Philippines and as Finance Director in Beijing, China. Mr. Santillan graduated from Pamantasan ng Lungsod ng Maynila with a Bachelor of Science in Business Administration major in Accounting degree and has MBA units from De La Salle University.

**Maria Rosario L. Ybanez** (first elected March 6, 2018) was appointed as Compliance Officer of the Company on June 30, 2020. She concurrently serves as Legal Counsel of the Corporation and Corporate Secretary of Shakey's Pizza Asia Ventures, Inc. and several of Century Group's subsidiaries. She graduated with a Bachelor of Science degree in Legal Management from the Ateneo de Manila University and has a Juris Doctor degree from the Ateneo de Manila University School of Law. Atty. Ybanez has been involved in the practice of Corporate, Labor, Civil and Intellectual Property laws since 2001.

Directorships in other listed companies are as follows:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship</b>
Ricardo Gabriel T. Po	Arthaland Corporation IP E-Game Ventures, Inc. Shakey's Pizza Asia Ventures Inc.	Non-Executive Non-Executive Non-Executive
Teodoro Alexander T. Po	Shakey's Pizza Asia Ventures Inc.	Non-Executive
Christopher T. Po	Arthaland Corporation Shakey's Pizza Asia Ventures Inc.	Non-Executive Non-Executive
Leonardo Arthur T. Po	Arthaland Corporation Shakey's Pizza Asia Ventures Inc.	Executive Executive
Johnip G. Cua	MacroAsia Corporation PAL Holdings Inc. STI Education Systems Holdings, Inc. LT Group Inc.	Independent Independent Independent Independent
Fernan Victor P. Lukban	Central Azucarera de Tarlac Shakey's Pizza Asia Ventures Inc. Arthaland Corporation	Non-Executive Independent Director
Frances J. Yu	Shakey's Pizza Asia Ventures Inc.	Independent
Eileen Graces Z. Araneta	Shakey's Pizza Asia Ventures Inc.	Non-Executive Director

**b. Family Relationships**

Mr. Ricardo S. Po, Sr., Chairman Emeritus, is the father of Ricardo Gabriel T. Po, Vice Chairman; Christopher T. Po, Chairman, Executive Chairman; Teodoro Alexander T. Po, Vice Chairman, President and Chief Executive Officer; and Leonardo Arthur T. Po, Treasurer.

Teodoro Alexander T. Po, Vice Chairman, President and Chief Executive Officer, is the brother-in-law of Manuel Z. Gonzalez, Corporate Secretary.

There are no family relationships between the current members of the Board of Directors and key officers other than the above.

**c. Involvement in Certain Legal Proceedings**

None of the directors and officers have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree

of competent jurisdiction, permanent or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up to the latest date.

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

### Item 10. Executive Compensation

a. General

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

No director should participate in deciding on his remuneration.

The Company may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

b. Summary Compensation Table

a. CEO and five other most highly compensated executive officers

Name	Principal Position	Year	Salary	Bonus	Other Compensation
Christopher T. Po	Executive Chairman	2020	Php92,145,227.68		
Teodoro T. Po	President & CEO				
Gregory H. Banzon	EVP & COO				
Edwin C. Africa	SVP & GM				
Oscar A. Pobre	VP & CFO				

b. Aggregate compensation paid to all Executive Officers and Directors

Name	Principal Position	Year	Salary	Bonus	Other Compensation
Aggregate compensation paid to all executive officers and directors as a group unnamed		2020	Php181,174,958.15		

c. Compensation of Directors

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
Fixed Remuneration	None		
Variable Remuneration	None		
Per diem Allowance	None	None	Php118,000 to Php150,000
Bonuses	None		
Stock Options and/or other financial instruments	None		
Others (Specify)	None		

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
Advances	None		
Credit granted			
Pension Plan/s Contributions			
Pension Plans, Obligations incurred			
Life Insurance Premium			
Hospitalization Plan			
Car Plan			
Others (Specify)			

c. Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

There are no special employment contracts or other arrangements between the Company and its officers or directors.

d. Warrants and Options Outstanding

There are no outstanding warrants or options held by any of the Company's officers or directors.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

a. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2020 the following were owners of more than 5% of the Company's outstanding shares:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>% to Total Outstanding</b>
Common	Century Pacific Group, Inc. / 7F Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City / Stockholder of Record	Ricardo S. Po, Sr., Chairman Ricardo Gabriel T. Po, Vice Chairman Christopher T. Po, President Teodoro Alexander T. Po, COO Leonardo Arthur T. Po, Director Angelita T. Ong, Stockholder Daniel Lu, Stockholder	Filipino	2,433,960,781	68.71%*
Common	PCD Nominee Corp. (Non- Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of December 31, 2020 attached as Annex "A"	Non-Filipino	840,612,106	23.73%
Common	PCD Nominee Corp. (Filipino) / The Enterprise Center, Ayala Avenue corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of December 31, 2020 attached as Annex "A"	Filipino	470,213,065	13.27%

\* Century Pacific Group, Inc. owns 2,231,400,000 shares of the Registrant in its own name and another 202,560,781 shares of the Registrant lodged under PCD Nominee Corp. (Filipino).

b. Security Ownership of the Board of Directors and Senior Management

The following are the number of shares owned of record by the directors and key officers of the Company as of December 31, 2020:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Citizenship</b>	<b>Amount and Beneficial Ownership</b>		<b>% of Capital Stock</b>
			<b>Number of Direct Shares</b>	<b>Number of Indirect Shares</b>	
Common	Ricardo S. Po, Sr.	Filipino	160,001	-	-
Common	Ricardo Gabriel T. Po	Filipino	160,001	-	-
Common	Teodoro Alexander T. Po	Filipino	160,001	-	-

Common	Christopher T. Po	Filipino	160,001	-	-
Common	Leonardo Arthur T. Po	Filipino	160,001	-	-
Common	Johnip G. Cua	Filipino	160,001	-	-
Common	Fernan Victor P. Lukban	Filipino	160,001	-	-
Common	Eileen Grace Z. Araneta	Filipino	100	-	-
Common	Frances J. Yu	Filipino	100	-	-
Common	Oscar A. Pobre	Filipino	275,800	-	-
Common	Manuel Z. Gonzalez	Filipino	131,500	-	-
Common	Gwyneth S. Ong	Filipino	10,000	-	-
Common	Edwin C. Africa	Singaporean	290,000	-	-
Common	Ronald M. Agoncillo	Filipino	265,000	-	-
Common	Gregory H. Banzon	Filipino	17,100	-	-
Common	Cezar D. Cruz, Jr.	Filipino	160,000	-	-
Common	Teddy C. Kho	Filipino	494,100	-	-
Common	Gerald R. Manalansan	Filipino	7,100	-	-
Common	Noel M. Tempongko, Jr.	Filipino	100,000	-	-
Common	Wilhelmino D. Nicolasura	Filipino	-	-	-
Common	Emerson C. Villarante	Filipino	-	-	-
Common	Maria Rosario L. Ybanez	Filipino	-	-	-
<b>TOTAL</b>			<b>2,870,807</b>	-	-

c. Voting Trust Holder of 5% or more

As of December 31, 2020 there are no persons holding more than 5% of a class under a voting trust or similar agreement.

d. Changes in Control

There has been no change in control of the Company as of December 31, 2020.

**Item 12. Certain Relationships and Related Transactions**

The Company is a subsidiary of Century Pacific Group, Inc (formerly Century Canning Corporation) and is subsequently a member of Century Pacific Group Inc's Group of Companies (the Group). As of December 31, 2020 Century Pacific Group, Inc held 68.71% of the outstanding shares of the Company.

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with companies in the Group and other companies controlled by the Po Family.

The most significant of these transactions include the leases of:

- a) office spaces in Pasig City, Metro Manila from Century Pacific Group, Inc and Rian Realty Corporation
- b) a 151,248 sq. m. property in General Santos City from Century Pacific Group, Inc
- c) a 20,375 sq. m. property in Taguig from Century Pacific Group, Inc
- d) a 38,078 sq. m. property in Zamboanga from Rian Realty Corporation

In addition to the foregoing transactions, the Company also provides certain corporate services including, corporate finance, corporate planning, procurement, human resources, controller and treasury services to companies in the Group and other companies controlled by the Po Family.

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Further information on the Company's related party transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies, can be found in the notes to the Company's financial statements.



**PART V - EXHIBITS AND SCHEDULES**

Century Pacific Food, Inc. has eleven (11) subsidiaries as of December 31, 2020:

<b>Subsidiary</b>	<b>Business</b>	<b>% Ownership</b>	<b>Country of Residence</b>
Snow Mountain Dairy Corporation	Producing, canning, freezing, preserving, refining, packing, buying and selling wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparation and by-products.	100	Philippines
General Tuna Corporation	Manufacturing and exporting of private label canned, pouched and frozen tuna products.	100	Philippines
Allforward Warehousing Inc.	Operating warehouse facilities	100	Philippines
Century Pacific Agricultural Ventures, Inc.	Manufacturing high value organic-certified and conventional coconut products for both export and domestic markets.	100	Philippines
Century Pacific Seacrest Inc.	Developing, maintaining, licensing and administering marks and all kinds of intellectual property	100	Philippines
Century Pacific Food Packaging Ventures Inc.	Developing and manufacturing of packaging materials	100	Philippines
Century Pacific Solar, Inc.	Developing and utilization of renewable energy source and the generation and distribution of power	100	Philippines
General Odyssey Inc.	Manufacturing and distribution of all kinds of feeds	100	Philippines
Centennial Global Corporation	Trademark holding company	100	BVI
Cindena Resources Limited	Trademark holding company	100	BVI
Century (Shanghai) Trading Company Limited	Marketing and distribution of canned food products	100	China
Century International (China) Company Limited	Marketing and distribution of canned food products	100	China
Century Pacific North America Enterprise, Inc.	Marketing and distribution of canned food products	100	USA

Reports on SEC Form 17-C:

<b>Date</b>	<b>Subject of Report</b>
February 14, 2020	Press Release: Century Pacific Food, Shakey's Pizza – now 'plastic-neutral'
March 16, 2020	CNPF's Response to SEC Notice on COVID-19 Impact
March 23, 2020	Press Release: Century Pacific Food Inc Assures Enough Food Supply
April 1, 2020	Press Release: Century Pacific FY 2019 net income increases by 11%; Company continues supply of products amidst COVID-19 threat
April 15, 2020	Press Release: Century Pacific Highlights Enhanced Safety Measures in its Manufacturing Facilities
April 17, 2020	Notice of Annual Stockholders' Meeting
April 27, 2020	Amended Notice of Annual Stockholders' Meeting
May 07, 2020	Press Release: Century Pacific posts 31% growth in net income; Revenues up 24% on the back of heightened demand for shelf-stable food
May 19, 2020	Amended Notice of Annual Stockholders' Meeting
June 17, 2020	Press Release: Century Pacific Food Inc keeps work environment safe as more of its workforce go back to the office
June 30, 2020	Results of Annual Stockholders' Meeting
June 30, 2020	Results of the Organizational Meeting of the Board of Directors
June 30, 2020	Declaration of cash dividends
June 30, 2020	CNPF absorbs and integrates the milk manufacturing operations of wholly-owned subsidiary Snow Mountain Dairy Corporation effective July 1, 2020
July 1, 2020	CNPF absorbs and integrates the milk manufacturing operations of wholly-owned subsidiary Snow Mountain Dairy Corporation effective July 1, 2020 (Amendment)
August 5, 2020	Press Release: Century Pacific sustains 31% increase in net income in 1H2020; Revenue growth accelerates to 28% amidst continued heightened demand for shelf-stable food
August 11, 2020	Incorporation of Subsidiary (General Odyssey Inc)
August 12, 2020	CNPF Cash Dividend
August 13, 2020	Incorporation of Subsidiary (Century Pacific Solar, Inc.)
August 17, 2020	Press Release: Century Pacific expands coconut milk capabilities; Extends partnership with regional coconut player
September 02, 2020	Press Release: Century Pacific Food Garners Top Honors in ESG in the Philippines from Institutional Investor
September 23, 2020	Press Release: Century Pacific Commits to Coconut Replanting Initiative; Coconut Subsidiary Aims to be "Carbon-Neutral" by 2028
November 03, 2020	Press Release: Century Pacific double-digit growth trend continues in the 3rd Quarter
November 16, 2020	Press Release: Century Pacific Launches "unMeat" Brand – the First Vegan Meat Alternative in the Philippines
December 02, 2020	Retirement of Emerson C. Villarente effective December 31, 2020.

	Appointment of George Leander Qua Hiansen Wang III as VP - Human Resources and Corporate Affairs and the promotion of Richard S. Manapat as Vice President of Finance effective January 1, 2021.
December 09, 2020	Press Release: Century Pacific expands, extends long term agreement with Vita Coco - the world's leading coconut water brand
December 10, 2020	Clarification of News Report: Century Pacific optimistic to end 2020 with at least 20% growth

Reports on SEC Form 17-Q

<b>Date Filed</b>	<b>Subject of Report</b>
May 07, 2020	First Quarter Results
August 5, 2020	Second Quarter Results
November 04 2020	Third Quarter Results

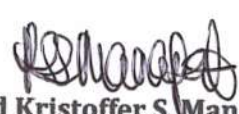
**SIGNATURES**

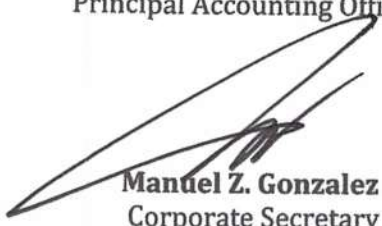
Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in the City of PASIG CITY on APR 15 2021.

By:

  
**Teodoro Alexander T. Po**  
Principal Executive Officer

  
**Dionisio A. Balagso**  
Principal Accounting Officer

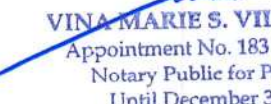
  
**Richard Kristoffer S. Manapat**  
Principal Financial Officer

  
**Manuel Z. Gonzalez**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 15 2021 day of \_\_\_\_\_ affiant(s) exhibiting to me his/her valid IDs as follows:

<b>NAMES</b>	<b>IDENTIFICATION</b>
Teodoro Alexander T. Po	105-633-470
Dionisio A. Balagso	108-204-2010
Richard Kristoffer S. Manapat	303-723-989
Manuel Z. Gonzalez	166-201-040



  
**VINA MARIE S. VILLARROYA**  
Appointment No. 183 (2020-2021)  
Notary Public for Pasig City  
Until December 31, 2021  
Attorney's Roll No. 68536  
33rd Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR No. 7233530; 01.05.21; Pasig City  
IBP No. 137820; 01.05.21; RSM  
MCLE Compliance No. VI-0012267; 4.14.22

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES PARTIALLY PAID	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
CENTURY PACIFIC GROUP, INC.	2,231,400,000	0	2,231,400,000	62.994
PCD NOMINEE CORP.(NON-FIL)	840,612,106	0	840,612,106	23.731
PCD NOMINEE CORP.(FILIPINO)	470,213,065	0	470,213,065	13.274
ALVIN S. TAN	15,000	0	15,000	0.000
MYRA P. VILLANUEVA	3,000	0	3,000	0.000
OWEN NATHANIEL S. AU ITF: LI MARCUS AU	2,365	0	2,365	0.000
GISELLE KAREN Y. GO	2,250	0	2,250	0.000
ROSAURO PANERGO BABIA	1,500	0	1,500	0.000
MILAGROS P. VILLANUEVA	1,500	0	1,500	0.000
MYRNA P. VILLANUEVA	1,500	0	1,500	0.000
JOHN T. LAO	1,000	0	1,000	0.000
FREDERICK D. GO	750	0	750	0.000
CHRISTINE F. HERRERA	750	0	750	0.000
LEOPOLDO E. SAN BUENAVENTURA ITF MAYRHILYN M. SAN BUENAVENTURA	750	0	750	0.000
JULIUS VICTOR EMMANUEL D SANVICTORES	750	0	750	0.000
FELICITAS F. TACUB	750	0	750	0.000
MARIETTA VILLANUEVA-CABREZA	750	0	750	0.000
ERNESTO KIONG LIM AND/OR IRIS VERONICA GO LIM	400	0	400	0.000
GUILLERMO F. GILI, JR.	150	0	150	0.000
SHAREHOLDERS ASSOCIATION OF THE PHILIPPINES, INC.	100	0	100	0.000
JESUS SAN LUIS VALENCIA	100	0	100	0.000
M. J. SORIANO TRADING, INC.	50	0	50	0.000
JOSELITO T BAUTISTA	1	0	1	0.000
BOTSCHAFT N. CHENG OR SEVILA NGO	1	0	1	0.000
JOHNIP G. CUA	1	0	1	0.000
FERNAN VICTOR P. LUKBAN	1	0	1	0.000
CHRISTOPHER PAULUS TAN PO	1	0	1	0.000
LEONARDO ARTHUR TAN PO	1	0	1	0.000
RICARDO SY PO	1	0	1	0.000
RICARDO GABRIEL TAN PO	1	0	1	0.000
TEODORO ALEXANDER TAN PO	1	0	1	0.000
GRAND TOTAL (31)	<u>3,542,258,595</u>	<u>0</u>	<u>3,542,258,595</u>	

THIS IS A COMPUTER GENERATED REPORT AND IF ISSUED WITHOUT ALTERATION, DOES NOT REQUIRE ANY SIGNATURE.

# Annex B

## About the Project

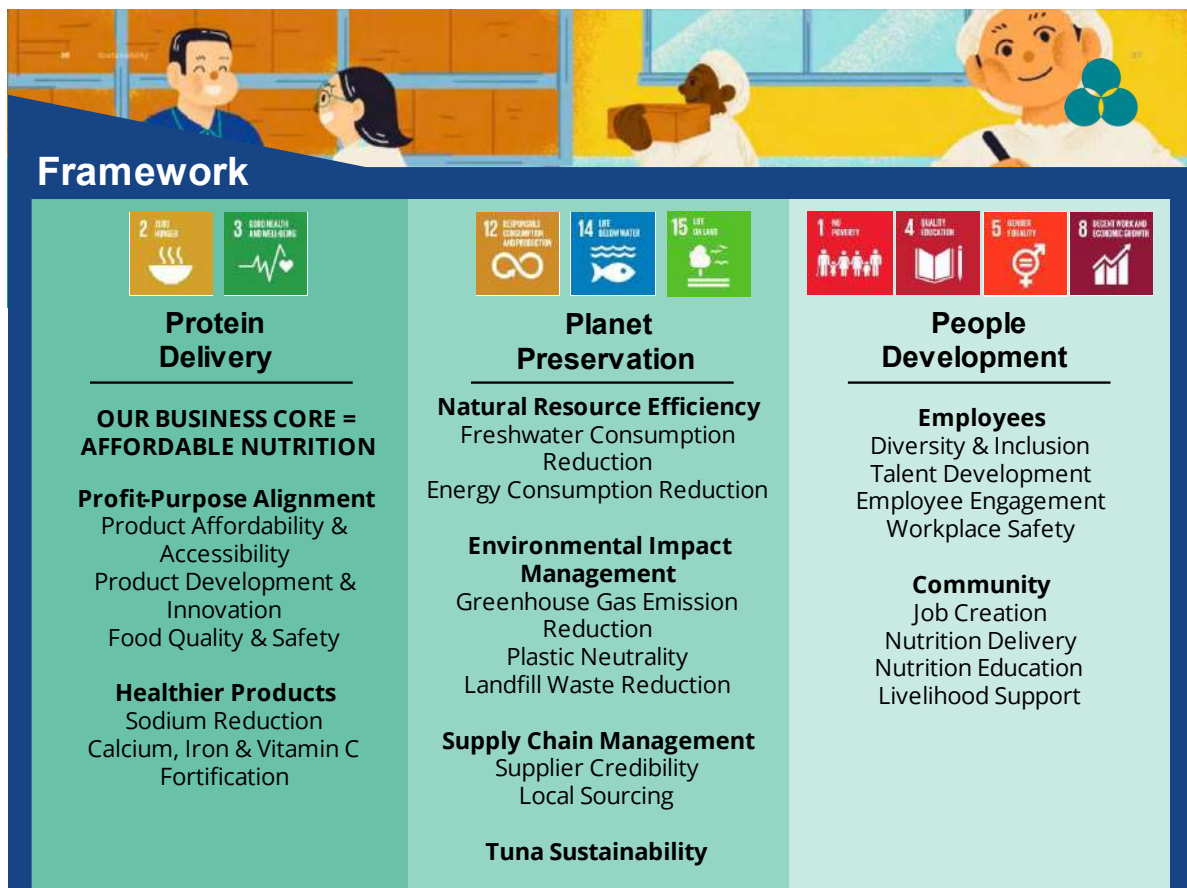
We follow the Global Reporting Initiative (GRI) Standards, the most widely-used sustainability reporting guidelines in the world, as basis for the methodology and metrics that we measure. Aside from the disclosures aligned with the GRI Standards, we also have unique disclosures that are relevant specifically to our company which will be discussed in the succeeding chapters.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option and GRI GR Food Processing Sector Supplement (FPSS). This will cover the period of January to December 2020.

**A more comprehensive sustainability report will be available in June 2021 along with our 2021 glossy annual report.**

## Our Sustainability Focus

Having embraced sustainability as part of our company’s way of doing business, we further intensified our efforts, responsibly delivering our commitments to customers and consumers while working on areas for improvement that are important to various stakeholders of the Company. Our Sustainability Framework guides our initiatives as it identifies these focus areas and provides a roadmap for our sustainability activities.



## Protein Delivery

We commit to responsible manufacturing and development processes in providing sustainable, healthier, and affordable food products that address the nutritional needs of Filipinos as we aspire to become a Philippine leader in affordable nutrition.



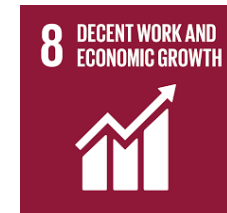
## Planet Preservation

We commit to the efficient use, reuse, and restoring of agriculture and fisheries resources, as well as better management of our environmental impacts by decreasing our water and energy consumption, lessening our greenhouse gas emissions, and actively monitoring our waste generation as we continue to grow our business and serve Filipinos.



## People Development

We commit to building a highly engaged, inclusive, and competitive workforce, as well as a workplace that provides equal opportunities, safeguards workforce well-being, and promotes professional and personal development, to support the company's current and future strategies and its sustainable success. We also commit to reducing hunger in the communities we adopt via impactful access to nutrition through our products and the livelihood projects we support.



## Protein Delivery

### Profit-Purpose Alignment

#### Product Affordability & Accessibility

We focus on continuously improving our products' affordability and availability in various distribution channels, making our products ubiquitous and accessible to consumers.

#### Product Development & Innovation

We constantly pursue customer delight and continuous market study through modern research and development techniques to come up with winning products

#### Food Quality & Safety

Product quality, that also focuses on consumer welfare, is a business aspect accounted for in all parts of our operations.

### Healthier Products

#### Sodium Reduction

We continue to monitor certain product ingredients which may have unfavorable effects on the body when consumed beyond the optimal level, such as sodium and nitrite

#### Calcium, Iron & Vitamin C Fortification

We aim for the ideal balance of preserving the taste and quality our consumers love vis-à-vis enhancing the overall nutritional value of our products

## Planet Preservation

### Natural Resource Efficiency

We strive to improve our efficiency in utilizing natural resources by adopting industry best practices in energy and water management

### Environmental Impact Management

#### Greenhouse Gas Emission Reduction

We manage our use of natural resources to control our impact on the environment, including the resulting greenhouse gas generated by the energy we utilize.

#### Plastic Neutrality

We are committed to 100% plastic neutrality (third-party verified) for the total business

#### Landfill Waste Reduction

We explore ways to minimize our packaging and waste footprint.

### Supply Chain Management

#### Supplier Credibility

We adhere to standards that ensure our materials are ethically sourced.

#### Local Sourcing

We aim to source more materials locally via exploring contract farming and local processing

#### Tuna Sustainability

We aspire to be a leader in tuna sustainability. We diligently comply with international regulations pertaining to conservation measures

## People Development

### Employees

#### Diversity and Inclusion

We are committed to building a diverse and inclusive business that places a premium on skills and potential and does not discriminate based on ethnicity, religion, or gender.

#### Talent Development

We regard our employees as partners in growing the business. We invest considerably in promoting their professional and personal growth.

#### Employee Engagement

We continuously engage with our employees to ensure they are dedicated to their jobs and committed to the organization.

#### Workplace Safety

We are committed to ensuring the safety of our employees by protecting them from potential safety and health risks and hazards in the workplace

### Communities

#### Job Creation

Our growth around the country generates jobs for local communities.

#### Nutrition Delivery / Nutrition Education

We aim to address some of the Philippines' major socio-economic problems such as hunger and malnutrition, lack of education, and environmental degradation

#### Livelihood Support

We engage in community development and aim to create sustainable social impact

## Good Governance

The Company recognizes the importance of good governance to successfully progress in its sustainability journey and create greater value for shareholders. Good corporate governance must span across our entire value chain to ensure the organization operates along the lines of business ethics, complies with rules and regulations, and adheres to fair labor practices as we continue to fulfill our multiple economic, moral, legal, and social obligations towards our stakeholders.



# **Environmental, Social, and Governance (ESG) Policy**

Century Pacific Food, Inc. (PSE: CNPF) is one of the largest branded food companies in the Philippines. We are primarily engaged in the manufacturing, marketing, and distribution of processed marine, meat, milk, and coconut products.

We are driven by our core purpose to nourish and delight everyone, everyday, everywhere through our responsible food business.

Our vision is to be a sustainable and responsible global company of entrepreneurs that nourishes and delights our customers with, healthier food and beverages through manufacturing excellence, nutrition expertise, trusted brands and passionate people.

As we seek to deliver more stakeholder value moving forward, we are working towards integrating environmental sustainability, social responsibility, and effective corporate governance into the different facets of our core business operations.

Our Sustainability Framework, which outlines our main pillars of Protein Delivery, Planet Preservation, and People Development, guides our initiatives as it identifies our focus areas and provides a roadmap for our sustainability activities.

Our Board of Directors will spearhead the organization in this endeavor through its Corporate Governance and Sustainability Committee, while identified members of Senior Management will lead the process of integrating sustainability into business operations with the support of the entire organization.

## **Creating Value Across Our Business**

Our sustainability value chain map fleshes out how our sustainability focus areas are embedded throughout the company's value chain. It guides various levels and departments on how to enhance sustainable processes as we seek to create value for the business and ultimately the consumer. It also effectively defines roles and accountability as we execute the various plans and programs

	<b><u>Research &amp; Development</u></b> Developing, reformulating, and testing new product recipes and formulations	<b><u>Sourcing</u></b> Having strict assessment and accreditation for raw material suppliers to ensure food quality	<b><u>Manufacturing</u></b> Enforcing food quality and safety, as well as regulatory requirements in food manufacturing	<b><u>Distribution</u></b> Ensuring sufficient accessibility to reach the demand of partner retailers in a timely and efficient manner	<b><u>Customer</u></b> Maintaining a wide network of local and international business partners to reach several markets	<b><u>Consumers</u></b> Engaging consumers to gain feedback for continuous improvement of product quality and consumer satisfaction
<b>Value Creation &amp; Economic Flows</b>						
<b>PROTEIN Delivery</b>	Nutrition					Nutrition
				Accessibility		
	Product Innovation, Design & Lifecycle Management					
	Food Quality & Safety					
<b>PLANET Preservation</b>	Supplier Credibility					
		Raw Materials Traceability				
			Natural Resource Efficiency			
		Environmental Impact Management				
<b>PEOPLE Development</b>	Diversity & Inclusion					
	Professional & Personal Growth					
	Workplace Safety					
		Community Development				
<b>Good Governance</b>	Business Ethics & Compliance					
	Labor Practices					

# How We Engage

Channels of Engagement	Concerns	How We Address Them
<b>Consumers</b>		
<ul style="list-style-type: none"> <li>● Consumer touch points (phone, email, website, social media channels, regular field work, and trade show activities)</li> <li>● Regular internal satisfaction surveys</li> <li>● Research with third-party agencies</li> </ul>	<ul style="list-style-type: none"> <li>● Product quality</li> <li>● Product accessibility</li> <li>● Packaging issues</li> <li>● Environmental and social impact of products</li> </ul>	<ul style="list-style-type: none"> <li>● Timely resolution of customer complaints</li> <li>● Tighter partnerships with retailers and customers</li> <li>● Ongoing messaging set-up in social media for faster response to customer complaints</li> <li>● Product briefings, seminars, and workshops for staff</li> <li>● Corporate sustainability initiatives</li> </ul>
<b>Customers &amp; Retailers</b>		
<ul style="list-style-type: none"> <li>● Customer touch points (branches, personnel, phone, email, website, and social media channels)</li> <li>● Regular site visits to existing retailers and participation in events such as conventions, new store opening, and in-store promotions</li> <li>● Joint business reviews and planning</li> </ul>	<ul style="list-style-type: none"> <li>● Quality of products (dented products)</li> <li>● Reliability and timeliness of product deliveries</li> <li>● Convenience of sales process and billing concerns</li> </ul>	<ul style="list-style-type: none"> <li>● Timely resolution of complaints and regular feedback</li> <li>● Continuous monitoring and upgrade of systems and processes</li> <li>● Alignment of activation plans, budget, and promo effectiveness</li> <li>● Product briefings, seminars and workshops for staff</li> </ul>
<b>Suppliers</b>		

<ul style="list-style-type: none"> <li>• Communication lines (phone, e-mail, meetings, and business reviews)</li> <li>• Supplier accreditation process on eProc</li> <li>• Delivery schedules</li> <li>• Order placement/PO issuance</li> <li>• Request for quotations/proposal/bidding information</li> <li>• Receiving of deliveries</li> </ul>	<ul style="list-style-type: none"> <li>• Issues with bidding through eProc portal</li> <li>• Inefficiencies of the system (late delivery advice, sudden changes on the schedule, quantities and location, out of lead-time orders)</li> <li>• Late posting of receiving report (RR) resulting in payment concerns</li> <li>• Late payment release and unreconciled accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination with IT and service provider on speed and performance optimization of eProc portal, and reactivation of vendor training program</li> <li>• Management of vendors' expectations by advising ahead of time of the long queue</li> <li>• One-time and accurate payment processing and release, and assistance to suppliers regarding accounts payable reconciliation</li> <li>• Proper material planning, close inventory monitoring, and cross-functional discussions with top management</li> </ul>
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**Employees**

<ul style="list-style-type: none"> <li>• Online communication through learning portal, email blasts, newsletters, social media</li> <li>• Individual and group engagements (performance reviews, engagement surveys, and focus group discussions)</li> <li>• Official company events (town hall meetings, planning, and trainings)</li> <li>• Team building activities (summer outings, Christmas parties, special wellness events and sports activities)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy and direction of the company</li> <li>• Employee salaries and benefits, variable pay, and other financial assistance</li> <li>• Career development and growth (programs, succession plans, opportunity for external training, rewards and recognition)</li> <li>• Company culture and personal welfare (Occupational Health &amp; Safety, work relationships, wellness programs)</li> </ul>	<ul style="list-style-type: none"> <li>• Review and continuous improvement of performance management system, as well as manpower and succession planning</li> <li>• Adherence to policies on salary structure, benefits, incentive and bonus system, and provision of access to loan programs (SSS, HDMF, company funds)</li> <li>• Partnership with DOLE on occupational health and safety training</li> <li>• Implementation of employee engagement, trainings, and recognition programs</li> <li>• Initiating wellness programs on physical, mental, and spiritual health (i.e. Century Superbod – Employee Edition, Weight Loss Challenge, First Friday &amp; Special Masses, Prayer room for Muslim colleagues, Annual Physical Exam)</li> </ul>
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<b>Investors &amp; Shareholders</b>		
<ul style="list-style-type: none"> <li>● Annual stockholders' meeting</li> <li>● Publication of Sustainability and Annual Report</li> <li>● Analysts' briefings</li> <li>● Conferences and roadshows hosted by institutional investors</li> <li>● Formal meetings, site visits, and conference calls with investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>● Trends on the macroeconomic and socio-political environment in the industry</li> <li>● Business outlook, viability, and growth</li> <li>● Implementation of company strategy and transparency in reporting of results</li> <li>● Environmental, social and governance issues</li> <li>● Financial management</li> </ul>	<ul style="list-style-type: none"> <li>● Constant engagement with investors, analysts, corporate regulators, and the investing public through different channels</li> <li>● Risk management and good governance procedures</li> <li>● Transparency in the information provided in reports and timeliness of its publications</li> </ul>
<b>Government</b>		
<ul style="list-style-type: none"> <li>● Policy dialogues, consultations, and briefings</li> <li>● Invitation to events and lectures</li> <li>● Annual audits, required reports, and publications such as financial statements</li> <li>● Official correspondence and formal proceedings</li> </ul>	<ul style="list-style-type: none"> <li>● Compliance with laws and regulations</li> <li>● Opportunities and areas for public and private sector collaboration</li> <li>● Completeness and accuracy of reports</li> <li>● Transparency and accountability</li> </ul>	<ul style="list-style-type: none"> <li>● Compliance, transparency and timeliness on submission of required reports and renewal of permits and licenses</li> <li>● Updating of company policies and systems based on latest government regulations</li> <li>● Attendance and participation to government-sponsored learning sessions and compliance programs</li> </ul>
<b>Communities (Beneficiaries of CSR Programs)</b>		
<ul style="list-style-type: none"> <li>● Feeding programs in partner schools, orphanages, and parishes</li> <li>● Volunteer activities in chosen communities</li> <li>● Meeting with other NGOs, CSOs, and government agencies</li> </ul>	<ul style="list-style-type: none"> <li>● Product quality and info</li> <li>● Limits in product variety provided</li> <li>● Recipe of food provided</li> <li>● Timeliness in delivery of goods</li> </ul>	<ul style="list-style-type: none"> <li>● Pre and post-evaluation with stakeholders (students, parent-volunteer, school representatives)</li> <li>● Basic food handling and demo cooking using Century-prescribed recipes</li> <li>● Dialogue with the feeding coordinators &amp; parent-volunteers</li> <li>● Planning and coordination with communities and government agencies prior to the volunteer activity</li> </ul>

### Communities (Surrounding Plant Operations)

- Community Meetings

- Environmental concerns and waste disposal
- Traffic congestion caused by the trucks coming in and out of the plant
- Plummeting of copra/dehusked nuts price to a very low level which severely affects the income of our coconut farmers

- Dialogue with the communities in partnership with the local government unit
- Partnership with third party for recycling and upcycling of waste
- Adherence to the recommended traffic routes for private vehicles and trucks.
- Implementation of feeding programs in schools in General Santos City, near the residence of most of our coconut farmers

# Our Sustainability Journey

Where We Were						Where We Are Now	Where We Aim To Be
	2014	2016	2017	2018	2019	2020	2021
<b>Type of Report</b>	Annual Report: Sustainability Section and Highlights			Sustainability and Annual Report			
<b>Scope</b>	CNPF and all wholly-owned subsidiaries						
<b>Highlights</b>	<p>IPO year and first annual report of CNPF</p> <p>Started <b>yearly</b> coverage of Century Tuna Handline in support of WWF Philippines that encouraged development of small scale tuna fishing sustainability programs</p> <p>CNPF's adherence to global regulations and management initiatives that ensure long term sustainability and conservation of</p>	<p>Coverage of Vice President-General Manager for Tuna OEM, Teddy Kho's inclusion in the global board of trustees for the ISSF</p>	<p>Started yearly reporting of the company's different initiatives that are in line with the different UN Sustainable Development Goals</p> <p>Reported stockhealth for SkipJack Tuna which is used for most of CNPF's products</p>	<p>Identified focus areas around People, Planet, Protein</p> <p>Shift from CSR Reporting to ESG Integration</p> <p>Partnered with Business for Sustainable Development (BSD) in late 2018 to establish a sustainability framework and conduct initial baselining</p> <p>Integration of "Project InSpire" across the entire company which will allow CNPF to set targets and</p>	<p>Engaged with The Purpose Business (TPB) to help develop CNPF's Sustainability Strategy for 2020 and beyond</p> <p>Formalized the People, Planet, and Protein Sustainability Framework to help guide the integration of sustainability throughout company's value chain</p> <p>Established governance structure (steering committees) to ensure the incorporation of</p>	<p>1st year of being a plastic neutral company - a first in the Philippines</p> <p>Firmer targets around the Company's sustainability strategy</p> <p>Incorporation of sustainability targets into managements' KPI's - directly affecting performance assessments and compensation</p>	<p>Continued leadership in plastic neutrality</p> <p>Launch of waste-to-cash program which incentivizes low-income community members to collect post-consumer trash</p> <p>Commissioning of solar panels which will allow 15% of energy to be sourced renewable</p> <p>Further reduction of water and energy intensity by another 10-15% following prior years' continued declines</p>

	our seafood resources			improve along various ESG dimensions	<p>sustainability initiatives that are both important to stakeholders and the Company into overall business strategy</p> <p>Converted “Project InSpire” to “Mission InSpire”, transitioning it from a one-off project to a longer term commitment on sustainability</p> <p>Began plastic offsetting initiative aiming at plastic neutrality</p>		<p>100,000 free coconut seedlings to be provided to low-income farmers</p> <p>Automation and streamlining of sustainability data collection process, enhancing monitoring and measurement capabilities</p>
<b>Organizational Partnerships for Seafood Preservation</b>	Western and Central Pacific Fisheries Commission						
	Bureau of Fisheries and Aquatic Resources						
	Earth Island Institute/Dolphin Safe Tuna						
	World Wildlife Fund (WWF)						
	International Seafood Sustainability Foundation (ISSF)						
		Marine Stewardship Council					



						Global Tuna Alliance
						Global Dialogue on Seafood Traceability
<b>Content Reported</b>				Economic Value Created		
				Sustainability Value Chain Map		
				Stakeholder Engagement		
<b>People</b>						
Diversity and Inclusion			% of indigenous workers	Number of jobs supported Ratio of male to female employee % of local hires, Number of indigenous workers		Number of jobs supported Ratio of male to female employee % of local hires, Number of indigenous workers Commitment to further increase diversity at executive level
Talent Development  Employee Engagement				Training hours and investments % of promotion opportunities	Training hours and investments % of promotion opportunities % of development opportunities to women	Training hours and investments % of promotion opportunities % of development opportunities to women % of new hire women Retention rate Commitment to build a highly-engaged, inclusive and competitive workforce
Workplace Safety					Compliance to plant safety protocols  Compliance to mandated data privacy requirement	Compliance to plant safety protocols  Compliance to mandated data privacy requirement  Policies to ensure a safe, productive, and supportive workplace

						Spotlight on <i>Oplan Ligas Lahat</i> vaccination program
Community Development			Scholarship programs Relief operations Filipina Entrepreneur empowerment	Number of products donated and meals provided Number of children fed Number of partnered schools and academic scholarship, Number of cans donated to relief operations		Number of products donated and meals provided Number of children fed Number of partnered schools and academic scholarship, Spotlight: Waste-to-Cash Program Spotlight: Livelihood Creation
Kain Po Feeding Program	Since 2010, the company has been able to deliver millions of quality meals to partner schools and communities through this program.					

## Planet










Natural Resource Efficiency			General power reduction	Actual Energy Consumption and Intensity, Actual Water Consumption and Intensity	Actual and Target Energy Consumption and Intensity, Actual and Target Water Consumption and Intensity	
Environmental Impact Management			General GHS reduction	Actual GHG Emissions and Intensity, Actual Packaging Materials (Primary and Secondary) Solar Energy Generation		
Supply Chain Management				Supplier Credibility Raw Materials Traceability	Supplier Credibility Raw Materials Traceability  Supplier Code of Conduct & Ethics	
Tuna Sustainability	Compliance to all applicable ISSF Conservation Measures				Compliance to all applicable ISSF Conservation Measures Participation in Global Tuna Alliance Adoption of Global Dialogue on Seafood Traceability Standards	

## Protein

Product Affordability and Accessibility				Kilograms of Nutrients Distributed to the Market through CNPF products Number of products sold % of availability on all point of sale in the Philippines, Number of restaurant served in the Philippines, Number of branded product exported, Number of restaurant/ food services partners		
Product Innovation					Number of new products	Number of new products Spotlight: New Product Innovations
Food Quality and Safety				Compliance to food quality and safety regulation		
Healthier Products				Amount of Omega-3 and DHA consumed by Century Tuna consumers Amount of Iron and Zinc contained in Argentina products Amount of calcium supplied through our Birch Tree products Amount of plant-based fat and potassium in coconut products		

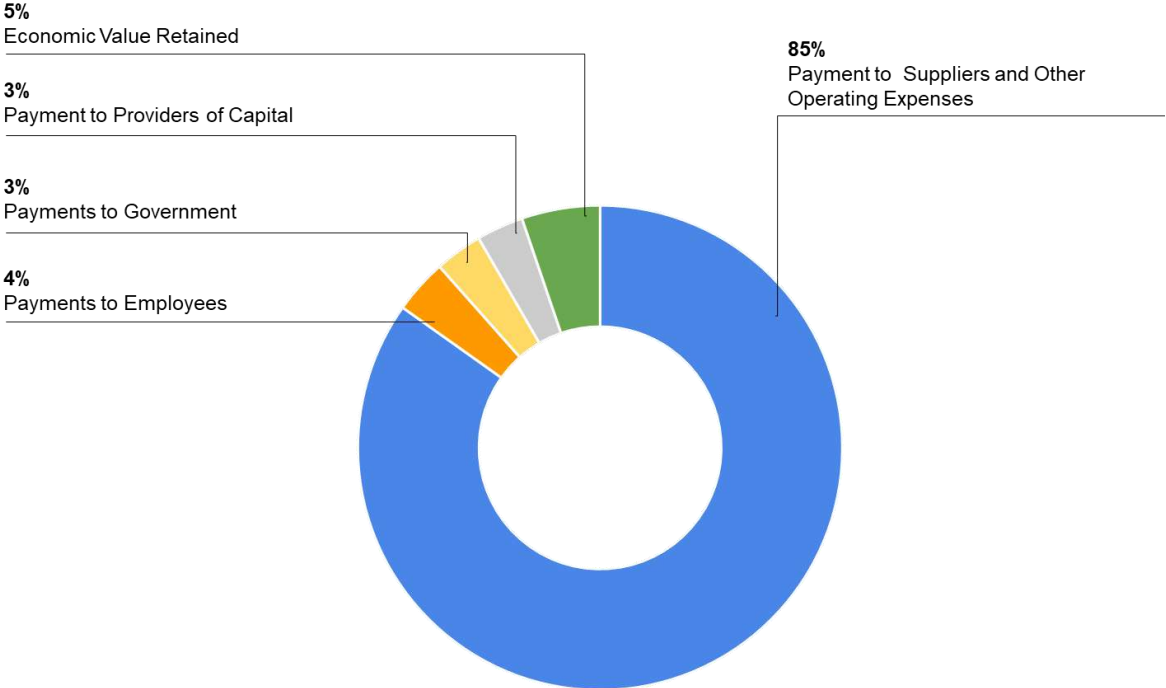
\*The company did not have an official annual report published in 2015.

## 2020 At A Glance

<h3>Protein Delivery</h3>  	<h3>Planet Preservation</h3>   	<h3>People Development</h3>    
<p><b>1<sup>st</sup></b> vegan plant-based brand in the Philippines was launched by CNPF last November 2020 through “unMeat”</p> <p><b>33%</b> daily protein requirement of an individual satisfied by each tin of CNPF products</p> <p><b>#1</b> Canned Good category for the Large Corporate division of the Asian Export Awards 2020</p>	<p><b>5%</b> improvement in CNPF’s energy intensity in 2020</p> <p><b>5%</b> water intensity reduction in 2020</p> <p><b>4%</b> Reduction in CNPF’s greenhouse gas emission intensity in 2020</p>	<p><b>4,500</b> new jobs created in 2020</p> <p><b>50%</b> of total population of workers are female</p> <p><b>4</b> heads of the different manufacturing plants of CNPF are all females</p>

<p><b>Best ESG</b></p> <p>in the Philippines according to the Institutional Investor's All-Asia Executive Team 2020 rankings</p>	<p><b>100,000</b></p> <p>free coconut seedlings to be provided by CNPF each year for the next 5 to 8 years to aid 16,000 families in Mindanao</p>	<p><b>6 Million</b></p> <p>Food packs of assorted CNPF products donated to low-income communities hit hard by the COVID-19 Pandemic</p>
<p><b>International and National Winner</b></p> <p>Hallbars 2020 Sustainability Reports Awards</p>	<p><b>416,680</b></p> <p>MT of emissions to be reduced with the replanting of 100,000 coconut seedlings annually over the next eight years, allowing the coconut subsidiary to be "carbon-neutral" by 2028</p> <p><b>100%</b></p> <p>plastic-neutral since 2019</p> <p><b>54%</b></p> <p>CNPF's raw materials sourced locally</p>	<p><b>300,000</b></p> <p>Free meals provided to Covid frontliners</p> <p><b>35 million</b></p> <p>free meals served by Kain Po program to-date</p> <p><b>149</b></p> <p>scholarships provided to children of the company's employees</p>

# Economic Value We Create



Economic Value Generated	We were able to generate a total of Php 48.3 billion in revenues for 2020, a 19% increase from last year. This is attributed to the growth in sales of our products.
Payments to Suppliers and Other Operating Expenses	Procurement, production, and manufacturing costs covered most of our economic value distribution at 85%.
Payments to Employees	Employee salaries, wages, and benefits amounted to PHP1.8 billion in 2020, which is 4% of our total economic value. This amount presents an increase of 34% from 2019 due to the growth in our workforce.
Payments to Government	Our current tax expense is PHP1.5 billion.
Payment to Providers of Capital	We continue to provide shareholder value as our dividends paid and finance costs increased by 53% from last year, amounting to PHP1.5 billion in total for 2020.
Economic Value Retained	Of the PHP48.3 billion economic value that we generated this year, 5% is retained by the company.

# Protein Delivery



We commit to responsible manufacturing and development processes in providing sustainable, healthier, and affordable food products that address the nutritional needs of Filipinos as we aspire to become a Philippine leader in affordable nutrition.

## Our Business Core = Affordable Nutrition

As a food company that provides affordable nutrition to the population of the Philippines which remains primarily low-income, this pillar represents the core of our business and is a true representation of ‘profit-purpose’ alignment.

Our mission and business model revolve around providing affordable nutrition, primarily protein. As our business grows, so does the extent by which we can provide nutrition to the Filipino people. Apart from measuring this in financial terms, we also measure this in terms of how much protein we provide to the nation every year. This is a perfect example of how our economic interests align very closely with our social interests as well.

## Profit-Purpose Alignment

### Product Affordability & Accessibility

Our biggest social impact aligns very closely to our economic impact area – the provision of affordable nutrition to the Filipino people. Notably, majority of the Philippine population still belongs to the low to middle class, with 99% of the population in the Income class C or lower as defined below.

### MAJORITY STILL LOW TO MIDDLE CLASS IN THE PHILIPPINES

Distribution of Families and Income

SE CLASS	% Share of Families	% Share of Income	Annual Income in PHP	Annual Income in USD
AB	1	9	1,857,000	36,880
C	9	26	603,000	11,976
D	60	56	191,000	3,793
E	30	9	62,000	1,231
Total	100	100	206,000	4,091

Source: BPI Securities Social Weather System Survey, 2016

Our products also represent 3 out of 6 of the food items defined by the Philippines' Department of Social Welfare and Development as critical household items – emphasizing the key role our company plays in the social well-being of the country.



### Domestic Retail

Driven by its vision to nourish and delight everyone, everyday, everywhere, CNPF focuses on continuously improving its products' availability in various distribution channels – from big and modern supermarkets and convenience stores down to neighborhood groceries and *sari-sari* (mom-and-pop) stores – making our products ubiquitous and accessible to consumers.

To strengthen our market leadership in the Philippines, we embarked on a distribution strategy which aims to build a coverage plan of the “right stores,” strategically and carefully selected to generate sustainable downline business. We also continue to find ways to maximize our sales team infrastructure before further setting up new ones to enhance efficiency and optimize costs. As we improve our distribution network, we likewise focus on the quality of our coverage by selling more to existing stores and increasing the number of SKUs on their shelves.

### Global Brands

Similarly, the Company continues to make significant inroads in the international market. Its Global Brands business unit has established shelf presence in thousands of ethnic outlets and mainstream retail chains across 80 countries. The company's flagship brands are carried by multinational retailers such as Walmart, Safeway and Albertsons in North America, Carrefour and Giant in the Middle East, China and selected



European countries, the Dairy Farm Group in Asia Pacific, Woolworths and Coles in the Pacific and the NTUC in Singapore.

## Food Service

We also cater to institutional clients through our food service business. With the help of our Culinary group, we are able to come up with innovative and healthy menu ideas featuring our portfolio. Our R&D team develops pack sizes tailor-fit for our institutional clients' requirements and operations, while our Quality Assurance group ensures a high level of attention to the quality and safety of all our products. To support clients wherever they may be, depots are strategically located in key cities to ensure unhampered service.

With our quality, customized products, pack formats, labels, and bulk sizes, we are able to position our food service products in the premium, high-quality segment. This is supported by relevant sales and trade marketing programs such as technical skills training in sales, channel-driven trade programs, account-specific programs, as well as continuous efforts to promote brand awareness and foster goodwill among trade partners.

## 2020 Key Highlights

### **1) 2.3 billion tins and pouches of our products sold across the Philippines**

### **2) 68% of all points of sale in the country carry our brands**

This means our products are available in about 775,000\* outlets. 7,700 of those are directly serviced by CNPF.

\*Source: Nielsen 2020

### **3) 19,339 restaurants served in the Philippines**

*This is equivalent to 22% of the total consumer food service establishments in the country.*

### **4) 70.6 million tins of our branded products exported to 80 countries**

## Product Development & Innovation

In the span of four decades, CNPF has successfully built a portfolio of strong household brands. The journey has been characterized by a constant pursuit of customer delight and continuous market study – all done

with the help of modern research and development techniques which skillfully meld both quantitative and qualitative inputs to minimize guesswork and come up with winning products.

### **Idea Creation**

This is where the product innovation and design process starts as new product concepts are developed and then tested through focus group discussions initiated by our Marketing group. We maximize the use of existing or available raw materials and take advantage of their nutritional and sensorial properties.

### **Product Feasibility**

At this point, we determine the manufacturing and financial feasibility of the product. Once found acceptable, the Company produces a prototype to concretize the concept and give a working sample of how the product will look, taste, and benefit the consumer.

### **Product Testing**

This phase subjects the product to assessment and is an opportunity to further improve it based on feedback or suggestions gathered from structured research studies. The research methodologies used include sensory profiling, central location tests, home-use tests, and in-depth Interviews.

### **Product Launching**

This is the culminating step which ensures that marketing communication programs have been rolled out to introduce the product to potential customers, make them understand its benefits, and ultimately entice them to try our new product.

Our marketing and advertising materials are compliant with all advertising laws, as reviewed and approved by the Advertising Board under the Department of Trade and Industry.

## **Food Quality & Safety**

We aim to uphold food quality and safety at all times. While senior management has responsibility for the safety of our food products, the successful launches of product innovations and well-maintained food quality and safety are outcomes of the time invested by the Research & Development and Quality Assurance teams in technical training, proficiency testing, and raw material safety testing.

Our Quality Assurance teams ensure the high quality and safe handling of our food products, adhering to international standards such as the Philippine National Standard, Association of Official Agricultural Chemists, Compendium of Microbiological Criteria for Food, Codex Alimentarius, and ASTM International.

With our expanding global reach, we also comply with the international food safety labelling standards of the U.S., Canada, Europe, U.K., Australia, Japan, Russia, U.A.E., Saudi Arabia, and Israel. These are achieved through our robust quality assurance processes.

### **Regulatory Compliance**

This is the process where permits are secured from various government agencies. Permits are revalidated annually, including our License to Operate, Product Registration, Import Permit, Export Permit, and Environmental Compliance Certificates.

Our food safety certifications are validated annually by local government agencies or third-party certifying bodies. Our products, including packaging marks, labels, and ingredients list, among others, adhere to the regulations of the Food and Drug Administration.

### **Raw Material Testing & Supplier Accreditation**

This process refers to the testing and evaluation of ingredients and packaging materials to be used in production to ensure conformity to standards. Suppliers are also accredited to make sure that raw materials are consistently manufactured and delivered according to agreed specifications.

### **Production & Process Control**

This procedure involves setting up a monitoring system for each phase of the production process, and establishing sampling frequency, time, temperature, testing procedure, and other control parameters.

### **Food Safety Audit**

This subjects our plants, toll manufacturers, supply chain, and products to audit. Documented food safety plans and standards are reviewed and validated during the audit to ensure compliance with regulatory standards and buyer requirements.

### **Continuous Improvement**

This drives product and process improvement based on the risks and issues found during the audit. Controls are set based on the identified risks and the updated quality standards.

The Research & Development team, on the other hand, assesses the functionality and taste of raw material inputs for production, making sure these are consistent with consumers' tastes and standards. To enhance their competencies, the group undergoes seminars covering both technical and soft skills that would improve recipe innovation, alternative ingredients assessment, basic sensory, and management processes. Such trainings include ingredient-supplier-initiated in-house technical seminars, external technical seminars, competency seminars, webinars, competency development programs, and professional technical programs.

We also have a talent development program designed for our Research & Development specialists which follows a two-pronged approach. The first component aims to develop technical and leadership skills of managers primarily through continuing technical education and on-the-job project immersions in developing new products and product lines. Meanwhile, the second component seeks to identify high-potential technical specialists from our Research & Development, Manufacturing, and Quality Assurance functions to develop their technical skills towards becoming Research & Development practitioners. This involves partnering with a local university that will help design the special curriculum focusing on building proficiencies in chemistry and nutrition to support the organization towards developing healthier, affordable, and sustainable food products.

To ensure consistent adherence to product quality and standards, analysis is regularly conducted by the Research & Development group. This includes product trade audits through physical, chemical, sensory, and microbiological analysis.

We also regularly monitor our products' brand health versus other industry players by looking at the perspective of consumers. This entails central location tests to get a sense of our products' market performance as well as the perception of consumers towards the product.

Specifically for our milk business, we engage experts and consultants in food safety management systems to facilitate training and share best practices to our employees as part of their skills enhancement and competency development program aligned with Food Safety System Certification (FSSC) requirements. Our compliance with these standards allowed us to obtain FSSC certification in 2019, along with other international certifications which enabled us to produce for the U.S., Middle East, and European markets. Because of this, we have been recognized by "Food Safety Trends Magazine Philippines" as one of the local producers who practice exemplary food safety programs.

Moreover, we encourage and monitor consumer feedback and complaints which serve as inputs for quality assurance, especially product and process improvement as the most common concerns are on food quality. These are referred to the relevant department and promptly resolved through corrective measures and improvements. We also have a Traceability and Recall Program in place to further ensure product service safety.

## **Healthier Products**

As a leading food manufacturer in the Philippines, CNPF was able to redefine the shelf-stable food category by combining the convenience of packaging with the nourishment offered by our protein-rich and nutrient-fortified marine, meat, milk, and coconut products, catering to consumers who value proper nutrition at affordable prices.

Alongside efforts to fortify our products with nutrients, we continue to monitor certain product ingredients which may have unfavorable effects on the body when consumed beyond the optimal level, such as sodium and nitrite. Our Research & Development department aims for the ideal balance of preserving the taste and quality our consumers love vis-à-vis enhancing the overall nutritional value of our products.

### Marine

The Company's flagship brand, Century Tuna, is at the forefront of our drive towards health and wellness as its products are a rich source of protein as well as Omega-3 DHA. As highlighted in our Fish Everyday campaign, a serving of Century Tuna Flakes in Oil, which is about 56 grams, contains 0.6 grams of Omega-3 and 7 grams of protein. Regular consumption of omega-rich food helps prevent blood clots, lowers blood pressure, and protects against irregular heartbeats. On the other hand, protein supports the growth and repair of body tissues as well as regulates bodily processes. Because of the nutrients consumers gain from this product, the Food and Nutrition Institute recommends Century Tuna Flakes in Oil be included in daily meals for adults.

We are guided by a salt matrix to ensure ideal levels of sodium in our oil-based tuna products. We also do not use artificial coloring; our highly popular sardines product instead uses lycopene as a natural food colorant in its tomato sauce.

Our Research and Development team continues to study the benefits of other nutrients inherent in our marine products such as vitamin B3 (niacin) and phosphorus which enhance the immune system through energy metabolism and fatigue reduction.

### Meat

Apart from being good sources of protein, our meat products contain sufficient amounts of iron which is vital for blood circulation, as well as zinc which helps regulate the immune system.

Our Hunt's Pork and Beans product, which continues to dominate the domestic beans market, makes use of lycopen and is also a steady source of fiber.

### Milk

As milk remains one of the best sources of essential nutrients for the body, our Birch Tree Fortified and Birch Tree Fortified Choco variants not only nourish everyone with protein and calcium for growth and strong bones, but are also fortified with inulin probiotic which helps fight chronic illnesses.

To further support dietary requirements, our Birch Tree products also contain vitamins A, B1, B6, C, and other minerals such as phosphorus, sodium, potassium, magnesium, iron, and zinc.

### Coconut

The versatility of the coconut becomes even more evident with its wide range of health benefits. Our dessicated coconut and coconut oil products contain plant-based fats which are rich in antioxidants. Dessicated coconut is also a source of iron, zinc, and vitamin E.

Potassium in particular can be found in our coconut water and dessicated coconut products. Moreover, our coconut oil, coconut milk, and coconut flour products contain healthy acids such as lauric, myristic, palmitic, and oleic.

### *2020 Key Highlights*

#### **1) 29 million kilograms of protein distributed to the market**

*This is 25% more compared to the 23 million kilograms of protein we put out in 2019. 96% or 28 million kilograms was consumed in the Philippines. This is equivalent to the annual protein requirement of more than 300,000 Filipino families.*

#### **2) 408 million grams of Omega-3 and 32 million grams of DHA consumed by our loyal Century Tuna customers**

#### **3) 2.1 million grams of iron and 1.4 million grams of zinc contained in the Argentina products we sold**

**4) 378 million grams of calcium supplied through our Birch Tree products**

**5) 13 million kilograms of plant-based fat provided through our coconut oil, desiccated coconut, and coconut flour products**

**6) 79 million grams of potassium rolled out from our coconut water and desiccated coconut products**

## Planet Preservation



We commit to formalizing an environmental management system to support our goal of utilizing natural resources, such as energy and water, more efficiently and reducing our emissions and waste generation.

All our manufacturing facilities are compliant with applicable environmental regulations. We regularly conduct internal environmental audits to ensure this compliance. Similarly, our manufacturing facilities are subject to annual external environmental audits by the Department of Environment and Natural Resources.

If needed, corrective actions are immediately implemented for continuous compliance with environmental regulations. We also regularly study and examine the means by which we can further improve our environmental management system and our use of various environmental resources. These include training and awareness programs for our employees as well as the necessary communications to address any environmental management issues.

Senior management, more specifically our plant business unit heads, hold responsibility for utilizing natural resources more efficiently, reducing our emissions and waste generation, and other environmental issues. A governance structure is also in place at the plant level, with assigned roles and responsibilities, to ensure that environmental issues or concerns are addressed.

To stay abreast of environmental issues, we will consult with stakeholders regularly and take action when material environmental concerns arise. We will also work on increasing the environmental awareness of our stakeholders for the benefit of the communities, the Company, and the planet.

We will keep stakeholders updated on our environmental performance as well as on developments regarding environmental issues through our succeeding sustainability reports which will be published annually.

As stated in our ESG policy, we commit to the efficient use, reuse, and restoring of agriculture and fisheries resources, as well as better management of our environmental impacts by decreasing our water and energy consumption, lessening our greenhouse gas emissions, and actively monitoring our waste generation as we continue to grow our business and serve Filipinos.

Overall, we are taking steps to reduce our emissions and non-food waste across the board by categorizing and measuring them.

# Natural Resource Efficiency

CNPF strives to improve its efficiency in utilizing resources by adopting industry best practices in energy and water management as well as closely monitoring usage to ensure we are attending to our sustainability commitments while fulfilling business requirements.

## Energy Consumption Reduction

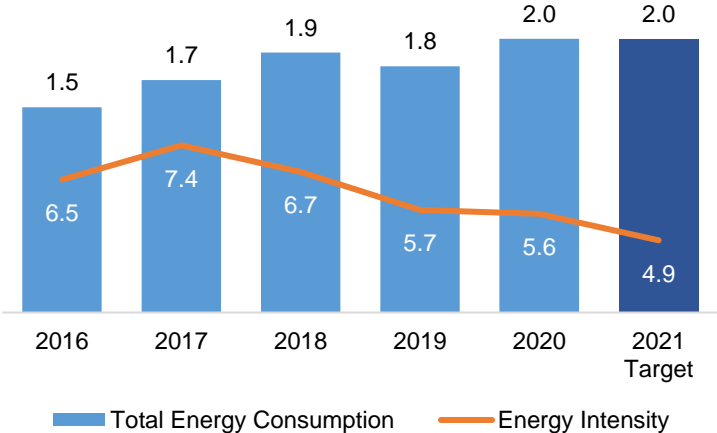
To keep our production plants running, the Company uses steam generated from bituminous coal and purchased electricity, while back-up generators are fueled by diesel. In 2020, total energy consumption across all our plants increased by 15% versus the previous year. More importantly, our energy intensity, an efficiency metric measuring how much energy we consumed for every tonnage of products produced, improved by 5%

Various power-saving initiatives have been implemented in our tuna plant to achieve higher energy efficiency such as shifting 100% to LED lights, upgrading to more productive systems, and using equipment and machinery with the same output requirements but lower power rating. Moreover, we now source more efficient coal, requiring less volume to sustain operations.

Our coconut business has likewise made strides in reducing its energy consumption. Similarly, we are in the process of completely converting to LED lights, installing upgrades to equipment, and altering or automating operational procedures to lessen our energy consumption.

Meanwhile, initiatives aimed at reducing power consumption at the Head Office were spearheaded by the Information Technology department. These include consolidation of servers which effectively reduced electricity maintenance, overall heat dissipation, and cooling requirements as well as installation of energy-efficient cooling systems running on Variable Refrigerant Volume technology.

Energy Consumption & Energy Intensity of CNPF Plants<sup>1</sup>



<sup>1</sup> Energy consumption is in million gigajoules, while energy intensity is in gigajoules per ton product.

In 2020, total energy consumption across all our plants increased by 15% versus the previous year. More importantly, our energy intensity, an efficiency metric measuring how much energy we consumed for every tonnage of products produced, improved by 5%

### Freshwater Consumption Reduction

Water, on the other hand, is used in our factories primarily as input to our product sauces and liquefied products, as well as to generate steam to power our operations.

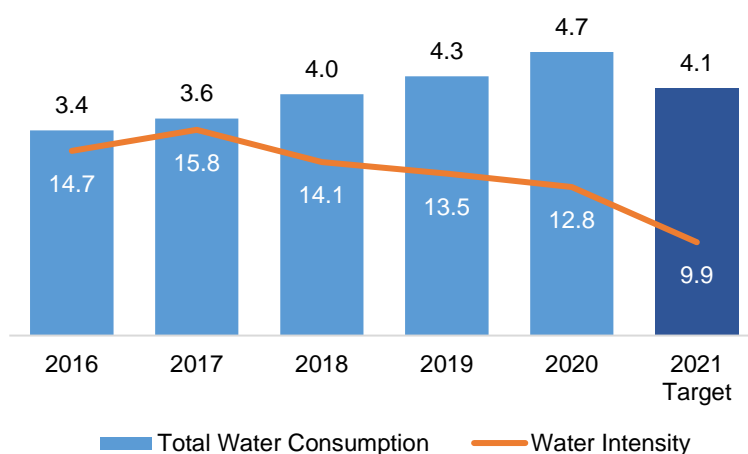
We are committed to reduce water consumption per metric ton of product of our marine and coconut plants by 20 to 30% in the next three years via initiatives such as innovative thawing methods, rainwater recycling, desalination, and condensate recovery.

For our tuna business, about 30% of its water consumption is utilized in thawing fish. We saw an opportunity to drastically reduce water use by designing a first-of-its-kind thawing method that has decreased the water the plant uses for thawing frozen tuna by half. The success of this initiative translated to a 30% reduction in freshwater consumption annually.

Meanwhile, our sardines business has reduced the consumption of purchased district water by utilizing deep well water instead and processing it through our reverse osmosis system. This is then used for products, boilers, washing, equipment maintenance, and drinking needs.

Our coconut plant is also implementing ways to recycle used water for the cleaning of equipment rather than disposing it or utilizing new water supply. On top of this, we are working on improving our condensate water recovery system which would aid in lowering our water usage.

**Water Consumption & Water Intensity of CNPF Plants<sup>2</sup>**



In 2020, our water consumption increased by 10% due to higher operational requirements. Nonetheless, our water intensity improved by 5% as we consumed less water for every tonnage of product we manufactured.

<sup>2</sup> Water consumption is in million cubic meters, while water intensity is in cubic meters per ton product.



# Environmental Impact Management

## Greenhouse Gas Emission Reduction

We manage our use of natural resources to control the impact of our operations on the environment. This includes the resulting greenhouse gas (GHG) generated by the energy we utilize. The fuel that we directly burn in our manufacturing facilities represents our Scope 1 emissions, while the electricity we use to light up our facilities and offices refers to our Scope 2 emissions.

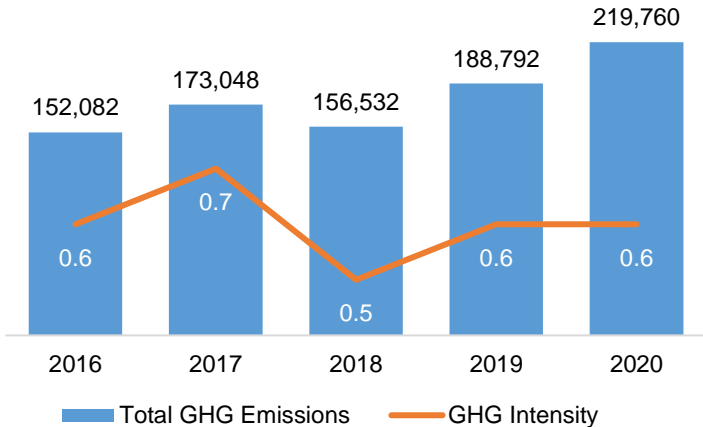
We are looking at renewable energy to help limit our greenhouse gas emissions. Our tuna business already began to harness renewable energy through solar panels, generating part of our electricity requirements and consequently avoiding carbon dioxide emissions.

The Company targets to source 15% of its power requirements in General Santos, its largest manufacturing base, from solar energy, thereby reducing its GHG emissions by around 5,765 metric tons a year beginning mid-2021. It also continues to explore other forms of renewable energy.

Through our partnership with Friends of Hope, we are spearheading a coconut replanting initiative by providing coconut farmers 100,000 coconut seedlings a year for the next five to eight years. In addition to expanding long-term coconut supply in the region, the initiative will sequester about 416,680 metric tons of emissions over the next eight years. This will allow our coconut subsidiary to be “Carbon Neutral” (net zero carbon emissions) by 2028.

In 2020, we made our biggest move yet into the plant-based meat alternative market with the launch of UnMeat. this initiative supports both our ambition to become a healthier food company and to do business in a more sustainable and responsible way. Apart from being good for the health, the supply chain for plant-based products requires lower consumption of various natural resources such as water, land, and energy, and generates less greenhouse gas emissions compared to the production process for meat

**GHG Emissions & GHG Intensity of CNPF Plants (Scopes 1 & 2)<sup>3</sup>**



<sup>3</sup> Standards used for the computation are based on the GHG Protocol Corporate Protocol and Reporting Standard. Location-based grid emission factors are based on the Philippine Department of Energy. The gases reported include carbon dioxide, methane, and nitrous oxide. GHG emission is in tons CO<sub>2</sub>e, while GHG intensity is in ton of carbon emitted per ton product.

In 2020, our total Scope 1 and 2 emissions increased by 16%, while our GHG intensity was unchanged.

### *2020 Key Highlights*

#### **1) 413,142 kilowatt hours of electricity generated through solar power**

By utilizing renewable energy, we have been able to avoid about 322 tonnes of carbon dioxide emissions.

#### **2) 19 million kilograms of fish meal sold**

*Around 10.2 million kilograms of protein was recovered from processing our tuna and sardines fish meal.*

#### **3) 2 years plastic neutral**

As greenhouse gas can also come from wasted food production, we strive to minimize food waste in our operations by fully utilizing the raw materials used in our tuna, sardines, and coconut production lines.

The fish waste from our tuna and sardines business segments, consisting of heads, tails, and innards which are not included in the final product, are further processed into commercially sold fish meal which pass customer standards. This process also enables us to salvage the protein from these fish parts which otherwise would have been wasted. By prudently upgrading our equipment, the Company has been able to improve its rate of fish meal recovery over the years.

Our coconut business segment likewise exhausts all possible uses of coconuts. We have diversified our product lineup from coconut water, also utilizing coconut meat to manufacture virgin coconut oil, desiccated coconut, coconut flour, and coconut milk. The remaining coconut shells are sold to third-party buyers and processed into copra, and can also be used as alternative fuel to coal.

### **Plastic Neutrality**

While we sustain our efforts in managing our food waste, we are looking for more ways to reduce our non-food waste, especially those that would contribute in addressing the worsening plastic waste problem in the Philippines and around the world.

Committed to doing our part, we partnered with Plastic Credit Exchange last year to pursue 100% plastic neutrality for all brands in our portfolio using plastic packaging. This program collects municipal plastic waste equivalent to the tonnage of post-consumer plastic CNPF products use, and co-processes the plastic into energy in lieu of using coal. We engaged Isla Lipana and Company as third-party auditor to verify and attest to our plastic footprint against purchased plastic offsets. As of end-2020, a total of 6,347 metric tons of plastic were offset by the Company through this initiative. We were able to achieve our second year of being 100% plastic neutral in January 2021.

In addition, we now support a waste-to-cash program which incentivizes women-owned sari-sari stores to become collection points for post-consumer plastic waste. Primary among these incentives is increased income opportunity and additional livelihood for these women micro-entrepreneurs.

To jump-start their new micro-enterprise, CNPF has installed, for sari-sari store owners of Barangays 432 and Baseco Port in the City of Manila, two purposefully designed 10 to 20-foot containers to assist in their collection of post-consumer plastic waste.

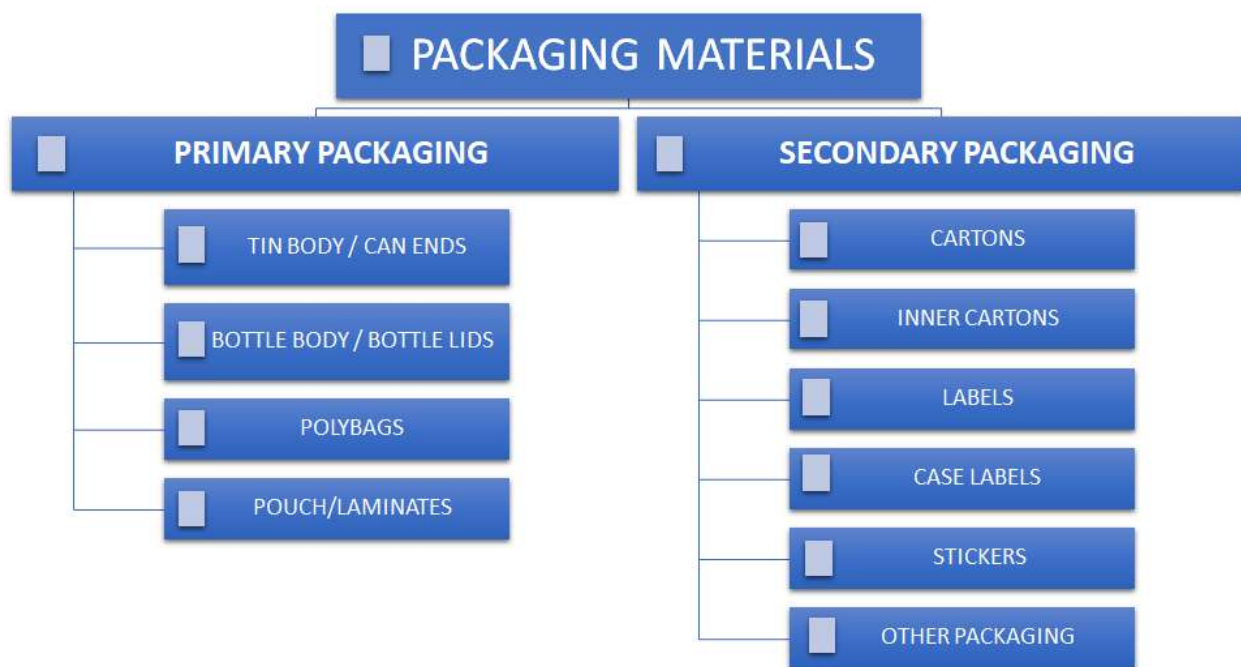


Each container can hold up to 5,000 to 7,000 kilograms of post-consumer plastic waste and now serves as the communities' aggregation hubs.

Residents can then sell, through their respective women micro-entrepreneurs, post-consumer plastic for a predetermined price per kilogram. Once they fill up the container, the lot of post-consumer plastic is purchased at a mark-up, then fed into the ecosystem of partners who recover, process and recycle the waste.

Through this program, both sari-sari store owners and community members are given the opportunity to not only make extra income, but are also empowered to depollute the environment around them.

By incorporating sari-sari store owners into CNPF's broader plastic neutrality effort, it is helping build a strong network of women micro-entrepreneurs, who can be catalysts for sustainability in their respective communities



Overall, we are taking steps to minimize our non-food waste across the board by categorizing and measuring them. Tin cans, glass bottles, metal lids, plastic canisters, and lids can be sold as scrap for recycling. We partner with our suppliers to sell obsolete stocks of paper labels, case labels, and inner cartons to paper mills to be used as scratch paper. We also work closely with our suppliers on the recyclability of flexibles, pouches, polybags, and laminates, and evaluate them for possible down gauging, waste management, and co-processing or upcycling. Lastly, our Research and Development team has employed measures to increase the concentration of our ingredients in an effort to utilize less packaging such as polyethylene bags and stretch wrap.

### Landfill Waste Reduction

The different parts of the company likewise have their respective initiatives on reducing non-food waste.

At the head office, we are focusing on transferring our workflow to a new platform that will allow more automation and electronic processing. We also plan to conduct a comprehensive waste audit to ensure proper waste segregation and traceability.

For our tuna business, we are targeting to lessen our stretch film consumption by 50% in 2021. We also do metal baling for tin waste and are able to sell these to scrap companies.

Our sardines business also recycles materials like stainless steel pipes and channels to fabricate equipment or tools for plant operations. We have also forged a partnership with a third-party to transform our waste from coal ash into construction hollow blocks that pass structural standards. The sardines business aims to eliminate waste going to landfill and reduce recyclable and biodegradable waste materials by 20% by 2025.

## Supply Chain Management

### Supplier Credibility & Raw Materials Traceability

We look beyond the sustainability of our own company and further examine the sustainability efforts of our suppliers. Our procurement team takes care of ensuring suppliers are able to consistently provide us with high-quality raw materials, compliant with government regulations and accredited by international organizations.

At the moment, we are able to trace the origins of our major raw materials such as fish, meat, milk powder, and coconut back to the fishing ground or farm each main raw material was sourced from.

In early 2021, we formalized and institutionalized Supplier Code of Conduct and Ethics covering actions of all raw material suppliers and service providers. It covers the following issues: (a) Human Rights (child labor, forced labor and human trafficking, non-discrimination, harassment, working hours, wages and benefits), (b) Ethics (business integrity, no gift policy, fair competition, privacy and intellectual property, conflict of interest ), (c) Health, Safety and Quality, (d) Environment, and (e) Management Systems.

The Supplier Code of Conduct covers the systematic assessment of suppliers' social performance during the procurement process, among others. All legally binding agreements will require compliance with the set social standards. We will internally audit our business partners accordingly annually thereafter to monitor their compliance with our supply chain standards and to address social supply chain issues, if any. We will also engage with non-conforming suppliers to reach compliance as needed.

To keep abreast with changes in supply chain issues, we will engage with various stakeholders and amend our Supplier Code of Conduct and Ethics when necessary. Such stakeholders include our own employees who are able to elevate supply chain concerns through formal channels.

The role of our Board's Corporate Governance Committee was likewise expanded to include ESG matters, establishing board-level responsibility for supply chain management. We will also engage with NGOs, labor groups, or industry peers to be conversant with social supply chain issues and amend our Code of Conduct and Ethics when necessary, and will create formal channels that will enable workers throughout our supply chain to elevate concerns.

#### *Tuna*

We diligently comply with international regulations pertaining to conservation measures. As part of our commitment to sustainable sourcing, we are subject to various audits by accredited firms. We also work closely with a number of organizations such as:

British Retail Consortium (BRC)

Bureau of Fisheries and Aquatic Resources (BFAR)

Business Social Compliance Initiative (BSCI)

Earth Island Institute (EII) / Dolphin Safe Tuna

International Food Standard (IFS)

International Seafood Sustainability Foundation (ISSF) / International Seafood Sustainability Association (ISSA)

Marine Stewardship Council (MSC)

Regional Fisheries Management Organization (RFMO)

Sedex Members Ethical Trade Audit (SMETA)

Western and Central Pacific Fisheries Commission

World Wildlife Fund (WWF)

### *Sardines*

To further enhance the competitiveness of our sardines business, we upgraded our guidelines, specifications, and standards to conform with international requirements. As a result, the Company has been able to comply with the Hazard Analysis and Critical Control Points (HACCP) and the British Retail Consortium (BRC).

### *Meat*

All our meat inputs are purchased from accredited international sources who produce according to standards approved for export to the U.S. and European Union. Meat imported from the U.S. follows the Federal Meat Inspection Act and passes through mandatory federal inspection by the Food Safety Inspection Service of the U.S. Department of Agriculture, while meat from Europe are governed by the European Food Safety Authority. These have been in place since the beginning of our meat operations.

### *Milk*

We have obtained the Food Safety System Certification (FSSC), as well as the USFDA certification to export to the U.S. We are also compliant with the standards of the Philippine Bureau of Food and Drug's Hazard Analysis and Critical Control Points (HACCP) and the International Organization for Standardization (ISO).

Our raw material sourcing process is aligned with the latest developments and practices in the dairy industry, with heightened focus on quality and safety to include sustainability.

### *Coconut*

We adhere to the following international standards: European Organic Standard (EOS), National Organic Program (NOP), Japan Agricultural Standard (JAS), and Korean Standard (KONKUK).

Our processes are aligned with the Sedex Members Ethical Trade Audit (SMETA) global standards for responsible and ethical sourcing, health, safety, and welfare of workers, as well as environment management. We likewise fulfill the requirements of the U.S. FDA Voluntary Qualified Importer Program in our raw material sourcing, and receive third-party certification from the Ecocert Group.

As we also produce organic products, we conform with stricter standards to ensure we are organic-certified, following international standards regarding farming practices and raw material storage. We provide incentives to our farmers and traders for their efforts in complying with the more stringent organic standards.

Summary of Raw Material Traceability Levels		
	Item Supplied	Level of Traceability
Main Raw Materials	FISH (Yellowfin, Skipjack, Tamban, Mackerel)	Back to fishing grounds
	MEAT	Back to farm
	MILK POWDER (Buttermilk Powder, Skim Milk, Fortified Milk)	Back to farm
	COCONUT	Back to farm
Other Raw Materials	Oil	Back to country of origin
	STRD	Back to manufacturer
	Tomato Paste	Back to country of origin
	Fructose	Back to country of origin
	Organic Sugar	Back to country of origin
	Ascorbic Acid	Back to country of origin
	Salt	Back to country of origin

	Non-Dairy Creamer (CS)	Back to manufacturer
	Palm Olein	Back to manufacturer

## Tuna Sustainability

CNPF is a member of the ISSF and sits on the ISSF board through General Tuna Corporation, its wholly-owned subsidiary. The ISSF engages MRAG Americas to conduct annual audits, evaluating strict compliance with all its conservation measures and commitments made since 2015. Based on the 2020 audit results, we are fully compliant with all 21 applicable ISSF conservation measures which include the following:

# A Leader in Tuna Sustainability

**International Seafood Sustainability Foundation (ISSF)  
CONSERVATION MEASURES**

<p><b>1) Regional Fisheries Management Organization (RFMO) Support</b></p> <ul style="list-style-type: none"> <li>1.1) Tuna Regional Fisheries Management Organizations (RFMO) Authorized Vessel Record</li> <li>1.2) RFMO Participation</li> </ul> <p><b>2) Traceability &amp; Data Collection</b></p> <ul style="list-style-type: none"> <li>2.1) Product Traceability</li> <li>2.2) Quarterly Data Submission to RFMO</li> <li>2.3) Product Labeling by Species &amp; Area of Capture</li> <li>2.4) Supply Chain Transparency, Audit, Reporting and Purchase Requirements</li> </ul> <p><b>3) Bycatch Mitigation</b></p> <ul style="list-style-type: none"> <li>3.1.A) SharkFinning Policy</li> <li>3.1.B) Prohibition of Transactions with SharkFinning Vessels</li> <li>3.1.C) Prohibition of Transactions with Companies without a Public Policy Prohibiting Shark Finning</li> <li>3.2) LargeScale Pelagic Driftnets Prohibition</li> <li>3.3) Full Retention of Tunas</li> <li>3.4) Skippers Best Practices</li> <li>3.5) Transactions with Vessels that Use Only Non-Entangling Fish Aggregating Devices (FADs)</li> <li>3.6) Transaction with Vessels Implementing Best Practices for Sharks and Sea Turtles</li> <li>3.7) Transactions with Vessels or Companies with Vessel Based FAD Management Policies</li> </ul>	<p><b>4) Monitoring, Control and Surveillance</b></p> <ul style="list-style-type: none"> <li>4.1) Unique Vessel Identifiers (UVI): International Maritime Organization (IMO)</li> <li>4.2) Purse Seine Unique Vessel Identifiers</li> <li>4.3) Observer Coverage</li> <li>4.4) Transshipments</li> </ul> <p><b>5) Illegal, Unreported and Unregulated Fishing</b></p> <ul style="list-style-type: none"> <li>5.1) Illegal, Unreported and Unregulated (IUU) Fishing</li> <li>5.2) IUU Product Response</li> </ul> <p><b>6) Capacity</b></p> <ul style="list-style-type: none"> <li>6.1) Transaction Ban for LargeScale PurseSeine Vessels not Actively Fishing for Tuna as of December 31, 2012</li> <li>6.2.E) Purchases from Purse Seine Vessels in Fleets with Other Vessels Not in Compliance with ISSF Conservation Measures 6.1 and 6.2(a)</li> </ul> <p><b>7) ProActive Vessel Register</b></p> <ul style="list-style-type: none"> <li>7.1) Controlled Vessels</li> <li>7.2) Threshold Requirement for PVR Listing</li> <li>7.3) Purchases from Proactive Vessel Register (PVR) Vessels</li> </ul> <p><b>8) Exemption for Very Small Purse Seine Vessels</b></p> <p><b>9.) Social and Labor Standards</b></p>
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**We are audited every year by a thirdparty MRAG Americas, against these conservation measures in order to maintain our ISSF membership. The Audit Reports are available for download on our website under Investor Relations >> Investor Materials >> ISSF Sustainability Reports**

The Company's full compliance audit results as reported by MRAG are available on the ISSF website (<http://iss-foundation.org/>) and on CNPF's website (<http://www.centurypacific.com.ph/>).



As compliance entails strict adherence to certain raw material sourcing practices, our tuna suppliers are likewise accredited or fully compliant with standards mandated by government agencies as well as trade and industry organizations.

Our commitment is further reflected in our participation in the Global Tuna Alliance, a market-led initiative to deliver sustainable tuna, which formed the Tuna Traceability Declaration 2020 in support of the U.N. Sustainable Development Goal 14: Life Below Water.

In 2020, we expressed our intent to adopt the Global Dialogue on Seafood Traceability standards. The Global Dialogue is an international, business-to-business platform open to companies engaged in the seafood supply chain, along with invited technical experts and partner non-governmental organizations. It has issued the first-ever global standards for end-to-end seafood traceability, providing guidance on which information to monitor beginning from point of origin all the way to point of sale, and which digital formats to adopt for information sharing. The establishment of these standards is a momentous step for the industry as it strives for high standards with regard to ethical sourcing and combats illegal fishing and unethical labor practices.

We also support the use of sustainable fishing methods. For our Century Tuna Handline product, we employ a sustainable fishing method that eliminates by-catch and juveniles, contributing to the conservation of marine life. This product is supported by WWF Philippines which encourages the development of small-scale tuna fishing sustainability programs. Apart from tuna, CNPF also offers Century Bangus (milkfish), a farm-cultured marine product which is a healthy seafood alternative that reduces the load on wild-caught fish stocks.

## People Development



We commit to building a highly engaged, inclusive, and competitive workforce, as well as a workplace that provides equal opportunities, safeguards workforce well-being, and promotes professional and personal development, to support the company's current and future strategies and its sustainable success. We also commit to reducing hunger in the communities we adopt via impactful access to nutrition through our products and the livelihood projects we support.

## Employees

### Diversity and Inclusion

The Company ingrains diversity and inclusion throughout the organization. Our Human Resources department plays the lead role in ensuring this through our hiring process which places a premium on the skills and potential of applicants and does not discriminate based on ethnicity, religion, or gender.

Meanwhile, our tuna business is celebrating diversity and promoting inclusion by actively underscoring the positive contributions our LGBTQ+ employees bring into the organization. We encourage self-expression and provide platforms and activities that further enable this across the business.

Our Human Resources team has managerial responsibility for diversity initiatives. We aim to create more opportunities for employees to learn and embrace diversity in our workplace via networking groups, training and guidance, as well as mentorship programs, and to regularly monitor our progress with regard to diversity.

### *2020 Key Highlights*

#### **1) 17,896 jobs supported**

*This number includes permanent CNPF employees, permanent employees under our sub-companies and affiliate companies, indirect hires, interns, and employees of suppliers whose operations rely primarily on us.*

#### **2) 43% of CNPF employees are female**

*The ratio between our male and female employees for 2020 remains at around 3:2. 50% of our employees are between 30-50 years old, while 41% are under 30 years of age. Our rank-and-file employees make up the biggest chunk of our employee population at 71% in 2020, while the rest are supervisors, section managers, department managers, and executives.*

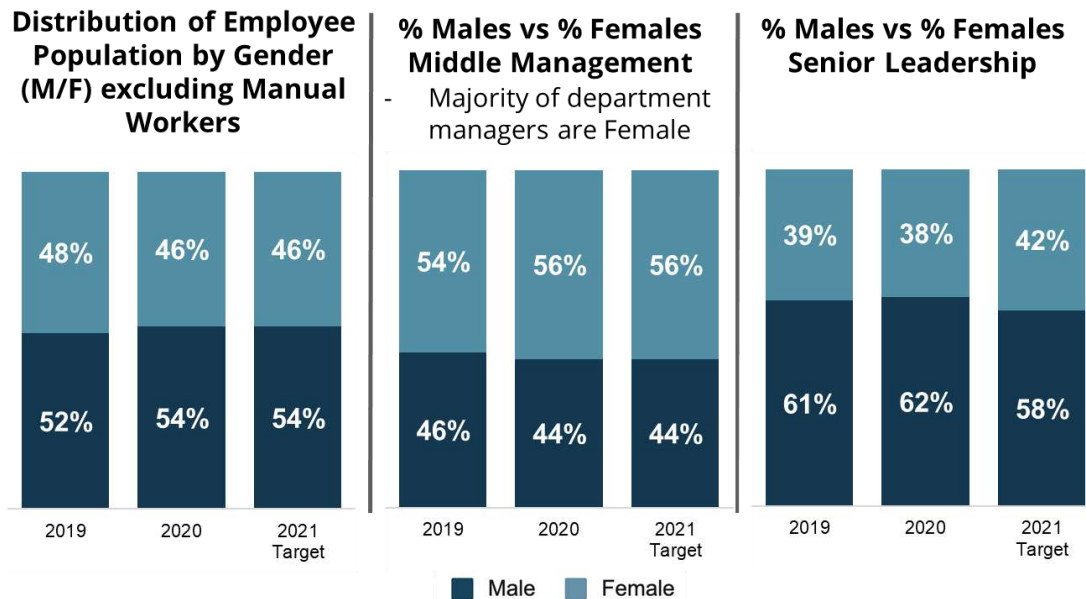
#### **3) 73% of plant employees come from the areas where we operate**

*In General Santos City, where our tuna and coconut manufacturing plants are located, 73% of employees are local hires. Our sardines plant in Zamboanga City has the highest rate of local hires at 92%. In our meat plant in Laguna, local hires are at 77%; while our milk plant in Taguig City has a local hiring percentage of 54%.*

#### **4) 2,655 indigenous workers supported**

## Benefiting from Gender Diversity

We are committed to further increasing diversity at executive levels.



## Anti-Sexual Harassment and Safe Spaces Policy

Upholding our core value of Respect for Individual, we prohibit all forms of sexual harassment in our workplaces and in all business endeavors.

Working environment must at all times be supportive of the peace of mind, dignity and self-esteem of individuals.

A Committee on Decorum and Investigation on Sexual Harassment Cases is tasked to investigate and address complaints of gender-based sexual harassment. Committee membership is equally distributed among managerial, supervisory and rank and file employees. A woman is designated as committee head and at least half of its members are women.

The Committee's tasks are as follows:

1. Receive complaints of sexual harassment;
2. Investigate sexual harassment complaints in accordance with the prescribed procedure;
3. Submit a report of its findings with the corresponding recommendation to the Department/Division Head concerned for decision. The Office of the President through VP – HR and Corporate Affairs shall be provided with a copy of all resolved cases;
4. Lead in the conduct of discussions about sexual harassment (gender respect status) to increase understanding and prevent incidents of sexual harassment and promote gender respect efforts.

## Talent Development

As we regard our employees as partners in growing the business, we invest considerably in promoting their professional and personal growth. Apart from providing fair compensation and benefits, the Company offers opportunities for skills training, job enrichment, and career advancement while at the same time fostering work-life balance across the organization.

CNPF strives to be results-driven, promoting merit or rewards based on excellence and exemplary performance. As such, we have established policies that utilize a salary review system based on employee performance level as well as their contribution to the business.

While we set ambitious goals for the Company, we correspondingly empower our employees to achieve targets through skills enhancement complemented by continuous on-the-job coaching.

Operating in a labor-intensive industry, it is important to provide our supervisors and section managers with seminars and workshops that focus on employee and labor relations. We aim to equip and improve the knowledge, skills, attitude, and habits of our supervisors and section managers in detecting, identifying, recording, reporting, and addressing minor work-related issues as well as in mitigating these to prevent them from escalating into major problems.

To support business goals, strategies, and business sustainability, we have an Executive Succession Management Program in place designed to develop and retain talents who may take on key senior management roles in the next three to five years. The first phase involves identifying potential successors from the organization's existing talent pool through competency- and values-based assessments. An Individual Development Plan is then designed for each candidate based on their identified areas for development and implemented through a combination of formal training, social learning, and experiential learning to develop the competencies required by the roles they may assume in the future. The program is capped with a comprehensive competency assessment and performance evaluation to determine the readiness of the identified potential successors along with the preparation of final recommendations that can be acted upon by the Executive Committee.

Our coconut plant, in particular, has its own program that focuses on our people's growth. As we enable our high-potential rank-and-file employees to move up the ladder, it is as important that we ensure their success in their supervisory roles. We aim to develop competent, motivated, and engaged leaders and as such have created a competency framework to allow for a long-term and sustainable talent development program. Together with various experts, we facilitated training sessions for high-potential talents to eliminate competency gaps in communication skills, technical expertise, process discipline, collaboration, leadership, and problem solving. In addition, our Cadetship Program has completed three batches that have produced talents who currently hold key supervisory positions.

Apart from formal training programs, the Company offers alternative avenues for knowledge and skills enhancement to help prepare our employees for greater roles and responsibilities. We encourage interdepartmental teams to collaborate and propose innovative strategies and solutions for the company, widening their cross-functional and overall business perspective as well as tapping their creativity and problem-solving skills. Moreover, CNPF maximizes the benefits of modern technology through its Century Learn Hub, an online learning platform containing resources on various topics starting from employee onboarding modules to daily learning (computer shortcuts, vocabulary, company trivia), leadership insights, micro learning modules on soft skills, and external courses. Employees are also given the opportunity to

participate in relevant events and meetings, and are encouraged to conduct echo sessions with their colleagues to share key learning and insights.

### *2020 Key Highlights*

#### **1) 26,984 training hours**

*This is lower than 2019's due to the cancellation of face-to-face classroom training as a result of the pandemic.*

#### **2) PHP5.4 million investment for employee training**

*Our investment for employee training declined year-on-year due to the deferral of face-to-face classroom training.*

#### **3) 57% of total training hours given to women**

*This is an improvement compared to 47% of total training hours given to women in 2019.*

#### **4) 19 average formal training hours for department managers**

Our Department Managers got the most formal training in 2020 with an average of 19 hours. Our Executives, Section Managers and Supervisors, and Rank-and-File employees each got an average of 13, 11, and 8 training hours respectively.

#### **5) 2% of total employee population promoted to a higher rank**

Movements from the Rank-and-File level to Section Managers and Supervisors continue to make up the bulk, comprising 80% of total employee promotions. This group received the most training hours for the year to learn how to manage and lead people as well as prepare them for higher positions.

## **Employee Engagement**

Our goal is to build a highly-engaged, inclusive and competitive workforce that supports current and future strategies.

We retain our talent through good employee engagement, management relationships, and organizational culture.

#### **1) 48% of employee new hires are women**

*This is an improvement relative to 36% of employee new hires in 2019.*

#### **2) 93% retention rate**

*The Company's retention rate increased compared with 83% in 2019*

## Workplace Safety

CNPF is committed to ensuring the safety of its employees by protecting them from potential safety and health risks and hazards in the workplace. Safety measures are strictly enforced in all operating plants. Accidents are prevented or minimized through strict compliance with safety procedures, while contingency measures are in place to immediately address potential incidents. We continuously create a safety-oriented culture and develop a mindset that workplace safety is not just needed for compliance but ultimately for building a sustainable business.

The Company has in place the following policies to ensure a safe, productive, and supportive workplace:

- 1) Policy on Occupational Health and Safety – ensures the personal well being of the work force in the workplace that is free of any hazards, and also ensures a workplace that is conducive to productivity.
  
- 2) Policy on Health and Safety Committee – provides for the formation of a Health and Safety Committee for every subsidiary or business unit, making the committee accountable for the accident prevention program; inspection of workplace to detect unsafe conditions; review of inspection results, results of accident investigations and implementation of accident prevention programs; conduct of safety meetings at least once a month; necessary assistance to government inspecting authorities; training of employees in safe working habits and procedures; the development and maintenance of a Disaster Contingency Plan; and the organization of an Emergency Response Team to handle various crises such as Fire, Earthquake, Flood, Typhoon, Bomb Threat, Civil Disobedience and other manmade and natural disasters.
  
- 3) Drug-Free Workplace Policy – ensures a focus on employee awareness (advocacy, education, and training), then treatment, rehabilitation, and referral as needed
  
- 4) Policy on AIDS Prevention and Control – efforts to promote public awareness about the causes, modes of transmission, consequences, and to promote means of prevention and control
  
- 5) Policy and Program on Tuberculosis Prevention and Control – for the conduct of tuberculosis advocacy, training and education; medical management and social policies as needed
  
- 6) Policy and Program on Hepatitis B – allows for the availment of Hepatitis B education services for free and

7) Anti-Sexual Harassment and Safe Spaces Policy – to ensure a working environment that is free from all forms of sexual harassment and is supportive of the mind, dignity, and self-esteem of individuals

8) Policy Statement on Human Rights – the company is committed to respect and promote human rights in accordance with the United Nation Guiding Principles on Business and Human Rights in our relationships with our employees, suppliers, contractors, subcontractors, stakeholders, and visitors. Every employee and person we work with is entitled to human rights. Our Company will not discriminate based on sex, age, religion ethnicity, sexual orientation, gender or marital status. We will not tolerate any employees being subjected to any physical, sexual, racial, verbal, or any other forms of harassment.

To protect our employees through data privacy, our Information Technology department has executed initiatives to safeguard their personal information. Employee Information Security Policies and Procedures are in place to effectively mitigate any attempt of data breach. Our PC disk encryption system further secures personal data stored on employee desktops and laptops.

With regard to employee awareness on the matter, the Information Technology team regularly disseminates email reminders on the Company's data privacy policies and guidelines, as well as conducts social engineering exercises to assess and decrease employees' susceptibility to online fraud or manipulation.

Accountability is shared with the Company's department heads to ensure proper implementation of its codified privacy and data protection protocols throughout the organization.

Confidential company information and business data such as product recipes are likewise covered by the information security policies and procedures instituted by the Information Technology department.

### *Oplan Ligtas Lahat*



We will implement a free COVID-19 vaccination program for all its employees, in support of the government's national vaccination plan to safely reopen the economy.

The Company has contracted close to 70,000 doses through tripartite agreements between the Philippine government, the private sector, and vaccine manufacturers. These shall be administered for free, on a voluntary basis, to all CNPF employees nationwide, and in full compliance with the Department of Health's (DOH) guidelines on the vaccination roll out.

The Company's vaccination program will also cover dependents of its employees, and include assistance to key suppliers to secure the health of their own personnel.

In addition, 5,000 doses will be donated to the government through the DOH and will be deployed following its allocation framework and prioritization plan.

From the very beginning of this pandemic, the health and safety of our workers has been a top priority. We are proud to say that CNPF has been able to maintain a 99.99% COVID prevention rate across all our manufacturing facilities thanks to the strict implementation of health protocols. This has then enabled us to serve heightened consumer demand - undisrupted despite the surge - both domestically and abroad, in line with our goal of helping ensure food security especially to those who need it the most.

We are also currently conducting organization-wide information and awareness campaigns to increase its vaccination rate and reduce vaccine hesitancy among its employees. A company-wide multimedia communications campaign on the health benefits and safety of COVID-19 vaccines - tagged "Oplan Ligtas Lahat sa Century" - is now underway.

The Company earlier partnered with RelianceUnited - a wholly-owned subsidiary of United Laboratories, the leading pharmaceutical and healthcare provider in the Philippines - to help ensure the health and safety of its employees and prevent the transmission of COVID-19. It implemented a COVID Infection Control Program that focuses on the long-term adoption of occupational safety and health measures, including future preparedness to help limit the impact of the virus. Telemedicine hotline services, including telephone-based medical consultation and triaging, diagnostic testing, and daily monitoring of health conditions are likewise made available to employees.

Keeping our employees safe and our factories productive will continue to strengthen our ability to provide affordable nutrition to our consumers. We also hope that providing the public access to vaccines through private sector donation to the Department of Health will contribute to improving the health of the general population, as well as that of the economy.

## **Communities**

Aside from its key role in helping keep affordable food products on the shelf, CNPF has been actively supporting the public in its fight against COVID-19.

Last year, the Company provided a total of 5.5 million meals through various initiatives, including its flagship feeding program *Kain Po* and donation of relief products to local government units.

CNPF likewise supported the *Ingat Angat* joint public-private sector campaign to revitalize the economy, as well as the *Pilipinas Kontra Gutom* program aimed at achieving zero hunger over the next five years.

Through its affiliate company - the CPG-RSPo Foundation - CNPF is able to address some of the Philippines' major socio-economic problems such as hunger and malnutrition, lack of education, and environmental degradation.



The “*KAIN Po*” (“Let’s Eat Please”) program has been launching feeding programs in impoverished districts and provinces across the country since its beginnings in 2010. It primarily aims to improve the nutritional intake of students in the community, subsequently improving their health and increasing their energy and motivation to attend and actively participate in school. The program targets communities where there is limited access to affordable yet nutritious food, areas with a high concentration of impoverished families, and public schools with low enrolment or high incidences of student absenteeism. We enlist the participation of school principals and school heads to invite parents and other volunteers who are, in turn, trained in proper food handling and sanitation. These protein-packed lunch meals are prepared and provided daily to children in school. The “*KAIN Po*” program also reaches children on the streets and in other partner-organizations as it extends beyond schools to include the larger community as well. To date, *Kain Po*’s school- and community-based feeding program has donated over 30 million meals to school-aged children across the past 10 years.

As the Philippines is prone to natural disasters, CNPF has always been one of the first responders to calls for relief operations, mobilizing our expertise, capabilities, and community resources to assist with recovery efforts. Partnering with Caritas Manila, University of Asia and the Pacific, Couples for Christ Foundation for Family and Life, Gawad Kalinga, Philippine Red Cross, and Department of Education, we have donated our ready-to-eat and easy-open canned products to families affected by the Battle of Marawi, North Cotabato earthquake, Taal Volcano eruption, and Typhoon Yolanda, among others. The support we provide also includes employee volunteerism and in-kind products and services to help impacted communities recover. Our business units likewise respond to disaster relief efforts by delivering meals, food packs, and critical relief supplies, helping thousands of families rebuild their homes and communities.

Apart from efforts with the Foundation, our business units likewise have their respective initiatives that aim to contribute to community development.

Our tuna business provides assistance to its plant workers in getting enough nutritious food that will result in better productivity and consistently good disposition at work. We are able to do this through our plant store where workers can purchase our products at lower prices. The business also participates in the Linksfarm Project which enables local farmers to sell their produce directly to merchant users. Through this, we are able to source our vegetable requirements locally while enabling local farmers to earn more through reduced transportation costs.

Our meat business, on the other hand, focused on providing affordable protein sources to poor Filipino families in the Visayas and Mindanao regions. In 2019, we introduced two new variants under the Wow! Ulam brand, namely Pochero and Humba. These were launched and well-received in various provinces as an affordable source of protein for the class D and E households.

Meanwhile, our coconut business supports the local coconut farming community in increasing its harvest productivity and encourages continuous planting which consequently ensure our steady supply of coconuts. We provide coconut seedlings to farmers for free, with 20,000 seedlings distributed since 2015. The business also introduces good agricultural practices such as proper organic and salt fertilization, encourages the practice of organic intercropping, and participates in tree planting activities. Through this initiative, we have engaged ten direct farm suppliers and are setting up buying stations where farmers can directly bring their produce for our consumption.

Lastly, our food service business has engaged with the Armed Forces of the Philippines and will provide filling yet convenient ready-to-eat meals, using our products, for soldiers in 2020 and 2021. We also partnered with a local supermarket in support of their project that aims to promote health and wellness and

provide livelihood and employment opportunities to its participants. The initiative mounts several activities that include job fairs to enable community members to gain employment, financial wellness and livelihood seminars to equip them with skills to start and manage their own small business, cooking classes and cook fests to teach mothers how to prepare nutritious food using affordable ingredients, and a Superbods Zumba Dance Craze to promote wellness.

#### *2020 Key Highlights*

- 1) 5.5 million total meals provided**
- 2) 300,000+ free meals to medical providers**

#### ***Kain Po***

- 1) 35 million meals provided by Kain Po in the past 10 years**
- 2) 180,000 beneficiaries (majority school children)**
- 3) 250 feeding partners**

#### ***Educational Support to Employees' Children***

- 1) 129 students sent to school for the academic year 2020-2021**
- 2) 140 total scholars supported**



# CENTURY PACIFIC FOOD INC.

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website : [www.centurypacific.com.ph](http://www.centurypacific.com.ph)

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Century Pacific Food, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature:  Christopher T. Po

Chairman of the Board

Signature:  Teodoro Alexander Po

Chief Executive Officer

Signature:  Richard Kristoffer S. Manapat

Chief Financial Officer

Signed this \_\_\_ day of \_\_\_\_, 2021.

SUBSCRIBED AND SWORN to before me this 16 April 2021 in Pasig City by the following:

Christopher T. Po with Passport No. P8631182A issued at DFA Manila, valid until 05 Sep 2028

Teodoro Alexander Po with Passport No. P3975398A issued at DFA NCR North, valid until 08 Aug 2022

Richard Kristoffer S. Manapat with UMID No. CRN-0111-1445113-3

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Series of 2021.



**ARLEO ANTONIO R. MAGTIBAY JR.**  
Appointment No. 177 (2019-2020)  
Notary Public for Pasig City, Pateros, and San Juan  
Until 30 June 2021  
Unit 424, Strata 100 Bldg.  
F. Ortigas Jr. Road, Ortigas Center, Pasig City  
Roll No. 61659  
PTR No. 7233545; 01.05.21; Pasig City  
IBP No. 143329; 01.08.21; RSM  
MCLE Compliance No. VI-0011536; 04.14.22

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SEC Accreditation No. 0001 FR-5

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC.  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila



### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Century Pacific Food, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2020, 2019 and 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**Report on Other Legal and Regulatory Requirements**

*Report on the Supplementary Information Required by the Bureau of Internal Revenue*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, such supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Bonifacio F. Lumacang, Jr.

Navarro Amper & Co.

BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021

SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner

CPA License No. 0098090

SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681

BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 28, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



**CENTURY PACIFIC FOOD, INC.**

(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	P 810,004,353	P 1,029,937,605
Trade and other receivables - net	8	5,084,237,577	4,996,437,604
Inventories - net	9	10,454,399,422	5,577,807,102
Due from related parties	19	1,752,419,935	2,607,042,724
Biological assets	12	65,726,630	33,380,356
Prepayments and other current assets	10	196,591,225	198,332,234
Total Current Assets		18,363,379,142	14,442,937,625
<b>Non-current Assets</b>			
Investments in subsidiaries - net	11	7,286,359,912	7,289,848,360
Property, plant and equipment - net	13	2,000,776,443	1,352,132,036
Right-of-use assets	14	1,322,929,379	530,727,919
Intangible asset - net	16	466,176,533	487,692,373
Deferred tax assets	32	715,788,855	312,200,815
Other non-current assets	15	100,517,301	70,178,082
Total Non-current Assets		11,892,548,423	10,042,779,585
		P30,255,927,565	P24,485,717,210
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	P 7,246,226,356	P 4,182,798,572
Due to related parties	19	2,770,444,373	724,239,582
Borrowings - current portion	18	3,134,000,000	1,366,500,000
Lease liabilities - current portion	30	224,809,949	155,434,672
Income tax payable		82,527,226	-
Total Current Liabilities		13,458,007,904	6,428,972,826
<b>Non-current Liabilities</b>			
Borrowings - net of current portion	18	-	3,086,500,000
Lease liabilities - net of current portion	30	1,152,852,126	408,027,763
Retirement benefit obligation - net	20	529,381,347	117,682,555
Deferred tax liability	32	-	-
Total Non-current Liabilities		1,682,233,473	3,612,210,318
		15,140,241,377	10,041,183,144
<b>Equity</b>			
Share capital	23	3,542,258,595	3,542,258,595
Share premium	23	4,936,859,146	4,936,859,146
Share-based compensation reserve	21	8,211,398	8,211,398
Retained earnings		6,628,357,049	5,957,204,927
		15,115,686,188	14,444,534,066
		P30,255,927,565	P24,485,717,210

See Notes to Financial Statements.





**CENTURY PACIFIC FOOD, INC.**

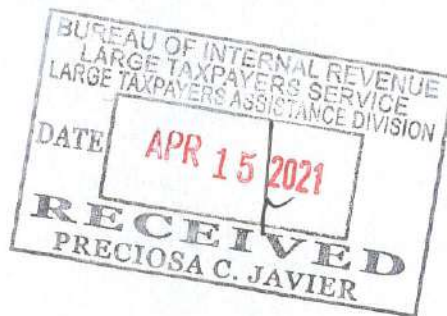
(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31

	Notes	2020	2019	2018
Net Sales	25	P38,959,316,609	P31,353,848,099	P27,906,738,416
Cost of Goods Sold	26	30,561,975,804	25,151,587,841	22,417,106,430
Gross Profit		8,397,340,805	6,202,260,258	5,489,631,986
Operating Expenses	27	(6,827,251,760)	(5,324,167,325)	(4,779,572,421)
Other Income	28	1,708,897,656	2,043,679,026	1,459,934,682
Other Expenses	29	(363,689,909)	(273,387,393)	(141,213,241)
		(5,482,044,013)	(3,553,875,692)	(3,460,850,980)
Profit From Operations		2,915,296,792	2,648,384,566	2,028,781,006
Finance Costs	18, 30	(219,348,070)	(296,021,571)	(180,794,160)
Profit Before Tax		2,695,948,722	2,352,362,995	1,847,986,846
Income Tax Expense	31	(479,886,405)	(328,383,377)	(257,505,484)
Profit for the Year		2,216,062,317	2,023,979,618	1,590,481,362
Other Comprehensive Income				
Item that will not be Reclassified				
Subsequently to Profit or Loss:				
Remeasurement gain (loss) on retirement benefit obligation - net of tax	20	(269,697,101)	(47,977,353)	13,618,705
Total Comprehensive Income		P 1,946,365,216	P 1,976,002,265	P 1,604,100,067
Earnings per Share				
Basic and diluted earnings per share	33	P 0.62	P 0.57	P 0.45

See Notes to Financial Statements.



# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	2	0	7	7	8
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Company Name

C	E	N	T	U	R	Y		P	A	C	I	F	I	C		F	O	O	D	,		I	N	C	.			

Principal Office (No./Street/Barangay/City/Town)Province

7	T	H		F	L	O	O	R		C	E	N	T	E	R	P	O	I	N	T		B	L	D	G	.	,	
J	U	L	I	A		V	A	R	G	A	S		S	T	.	,		O	R	T	I	G	A	S				
C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y	,		M	E	T	R	O				
M	A	N	I	L	A																							

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	.	A	.
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## COMPANY INFORMATION

Company's Email Address

N.A.
------

Company's Telephone Number/s

8633-8555
-----------

Mobile Number

N.A.
------

No. of Stockholders

32
----

Annual Meeting  
Month/Day

6/30
------

Fiscal Year  
Month/Day

12/31
-------

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

MANUEL Z. GONZALES
--------------------

Email Address

<a href="mailto:manuel.gonzales@mvgslaw.com">manuel.gonzales@mvgslaw.com</a>
--

Telephone Number/s

8687-1195
-----------

Mobile Number

0918-843-8888
---------------

Contact Person's Address

7TH FLOOR CENTERPOINT BLDG., JULIA VARGAS ST., ORTIGAS CENTER, PASIG 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.





# CENTURY PACIFIC FOOD INC.

Centerpoint Building Julia Vargas Ave.,  
Ortigas Center Pasig City, Metro Manila  
Philippines

Tel : (632) 8633 8555

Fax : (632) 638 6336

website : www.centurypacific.com.ph

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Century Pacific Food, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature:  Christopher T. Po

Chairman of the Board

Signature:  Teodoro Alexander Po

Chief Executive Officer

Signature:  Richard Kristoffer S. Manapat

Chief Financial Officer

Signed this 14th day of April, 2021.

Navarro Amper & Co.  
19th Floor Six/NEO Building  
5th Avenue corner 26th Street  
Bonifacio Global City, Taguig 1634  
Philippines

Tel: +63 2 8581 9000  
Fax: +63 2 8869 3676  
www.deloitte.com/ph

BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-5

## SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC.  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

Gentlemen:

We have audited the financial statements of Century Pacific Food, Inc. (the "Company") as at and for the year ended December 31, 2020 on which we have rendered the attached report dated April 14, 2021.

In compliance with the revised SRC Rule 68, we are stating that the said Company has a total number of 22 owning one hundred (100) or more shares each.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lamacang, Jr.  
Partner

CPA License No. 0098090

SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681

BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 28, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC.  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Century Pacific Food, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2020, 2019 and 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## **Report on Other Legal and Regulatory Requirements**

### *Report on the Supplementary Information Required by the Bureau of Internal Revenue*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, such supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Bonifacio F. Lumacang, Jr.

Navarro Amper & Co.

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Bonifacio F. Lumacang, Jr.

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Taguig City, Philippines

April 14, 2021



**CENTURY PACIFIC FOOD, INC.**

(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	<b>P 810,004,353</b>	P 1,029,937,605
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Total Non-current Assets		<b>11,892,548,423</b>	10,042,779,585
		<b>P30,255,927,565</b>	P24,485,717,210
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	<b>P 7,246,226,356</b>	P 4,182,798,572
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Borrowings - current portion	18	<b>3,134,000,000</b>	1,366,500,000
Lease liabilities - current portion	30	<b>224,809,949</b>	155,434,672
Income tax payable		<b>82,527,226</b>	-
Total Current Liabilities		<b>13,458,007,904</b>	6,428,972,826
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Borrowings - net of current portion	18	-	3,086,500,000
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Retirement benefit obligation - net	20	<b>529,381,347</b>	117,682,555
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Total Non-current Liabilities		<b>1,682,233,473</b>	3,612,210,318
		<b>15,140,241,377</b>	10,041,183,144
<b>Equity</b>			
Share capital	23	<b>3,542,258,595</b>	3,542,258,595
Share premium	23	<b>4,936,859,146</b>	4,936,859,146
Share-based compensation reserve	21	<b>8,211,398</b>	8,211,398
Retained earnings		<b>6,628,357,049</b>	5,957,204,927
		<b>15,115,686,188</b>	14,444,534,066
		<b>P30,255,927,565</b>	P24,485,717,210

See Notes to Financial Statements.





**CENTURY PACIFIC FOOD, INC.**

(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31

	Notes	2020	2019	2018
<b>Net Sales</b>	25	<b>P38,959,316,609</b>	P31,353,848,099	P27,906,738,416
<b>Cost of Goods Sold</b>	26	<b>30,561,975,804</b>	25,151,587,841	22,417,106,430
<b>Gross Profit</b>		<b>8,397,340,805</b>	6,202,260,258	5,489,631,986
<b>Operating Expenses</b>	27	<b>(6,827,251,760)</b>	(5,324,167,325)	(4,779,572,421)
<b>Other Income</b>	28	<b>1,708,897,656</b>	2,043,679,026	1,459,934,682
<b>Other Expenses</b>	29	<b>(363,689,909)</b>	(273,387,393)	(141,213,241)
		<b>(5,482,044,013)</b>	(3,553,875,692)	(3,460,850,980)
<b>Profit From Operations</b>		<b>2,915,296,792</b>	2,648,384,566	2,028,781,006
<b>Finance Costs</b>	18, 30	<b>(219,348,070)</b>	(296,021,571)	(180,794,160)
<b>Profit Before Tax</b>		<b>2,695,948,722</b>	2,352,362,995	1,847,986,846
<b>Income Tax Expense</b>	31	<b>(479,886,405)</b>	(328,383,377)	(257,505,484)
<b>Profit for the Year</b>		<b>2,216,062,317</b>	2,023,979,618	1,590,481,362
<b>Other Comprehensive Income</b>				
<b>Item that will not be Reclassified</b>				
<b>Subsequently to Profit or Loss:</b>				
Remeasurement gain (loss) on retirement benefit obligation - net of tax	20	<b>(269,697,101)</b>	(47,977,353)	13,618,705
<b>Total Comprehensive Income</b>		<b>P 1,946,365,216</b>	P 1,976,002,265	P 1,604,100,067
<b>Earnings per Share</b>				
Basic and diluted earnings per share	33	<b>P 0.62</b>	P 0.57	P 0.45

See Notes to Financial Statements.



**CENTURY PACIFIC FOOD, INC.**  
(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31

		Share Capital (Note 23)	Share Premium (Note 23)	Share-based Compensation Reserve (Note 21)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total
	Notes						
Balance, January 1, 2018		P3,542,258,595	P4,928,095,509	P8,324,313	P3,634,503,686	P	P12,113,182,103
Transition to PFRS 9 adjustment		-	-	-	P17,812,003	-	P17,812,003
Balance, January 1, 2018		3,542,258,595	4,928,095,509	8,324,313	3,652,315,689	-	P12,130,994,106
Profit for the year		-	-	-	1,590,481,362	-	1,590,481,362
Other comprehensive income	20	-	-	-	13,618,705	-	13,618,705
Total Comprehensive Income		-	-	-	1,604,100,067	-	1,604,100,067
Transactions with owners:							
Cash dividends	24	-	-	-	(637,606,547)	-	(637,606,547)
Equity-settled share-based compensation	21, 22	-	8,763,637	(112,915)	-	-	8,650,722
Appropriation of retained earnings		-	-	-	(1,313,000,000)	1,313,000,000	-
		-	8,763,637	(112,915)	(346,506,480)	1,313,000,000	975,144,242
Balance, December 31, 2018		3,542,258,595	4,936,859,146	8,211,398	3,305,809,209	1,313,000,000	13,106,138,348
Profit for the year		-	-	-	2,023,979,618	-	2,023,979,618
Other comprehensive income	20	-	-	-	(47,977,353)	-	(47,977,353)
Total Comprehensive Income		-	-	-	1,976,002,265	-	1,976,002,265
Transactions with owners:							
Cash dividends	24	-	-	-	(637,606,547)	-	(637,606,547)
Appropriation of retained earnings	23	-	-	-	153,644,352	(153,644,352)	-
		-	-	-	1,492,040,070	(153,644,352)	1,338,395,718
Balance, December 31, 2019		3,542,258,595	4,936,859,146	8,211,398	4,797,849,279	1,159,355,648	14,444,534,066
Profit for the year		-	-	-	2,216,062,317	-	2,216,062,317
Other comprehensive income	20	-	-	-	(269,697,101)	-	(269,697,101)
Total Comprehensive Income		-	-	-	1,946,365,216	-	1,946,365,216
Transactions with owners:							
Cash dividends	24	-	-	-	(1,275,213,094)	-	(1,275,213,094)
Reversal of appropriation of retained earnings	23	-	-	-	84,894,739	(84,894,739)	-
		-	-	-	756,046,861	(84,894,739)	671,152,122
<b>Balance, December 31, 2020</b>		<b>P3,542,258,595</b>	<b>P4,936,859,146</b>	<b>P8,211,398</b>	<b>P5,553,896,140</b>	<b>P1,074,460,909</b>	<b>P15,115,686,188</b>

See Notes to Financial Statements.



**CENTURY PACIFIC FOOD, INC.**  
(A Subsidiary of Century Pacific Group, Inc.)

**STATEMENTS OF CASH FLOWS**

		<b>For the Years Ended December 31</b>		
	<b>Notes</b>	<b>2020</b>	2019	2018
<b>Cash Flows from Operating Activities</b>				
Profit before tax		<b>P2,695,948,722</b>	P2,352,362,995	P1,847,986,846
Adjustments for:				
Depreciation	13, 14	<b>508,786,613</b>	379,428,873	193,648,000
Finance costs	18, 30	<b>219,348,070</b>	296,021,571	180,794,160
Provision for inventory obsolescence	9	<b>216,137,970</b>	135,535,858	61,291,300
Retirement benefit expense	20	<b>48,141,147</b>	29,189,101	31,900,576
Unrealized foreign exchange loss - net		<b>47,065,043</b>	10,356,683	49,592,857
Amortization of intangible asset	16	<b>21,515,840</b>	21,515,840	21,515,840
Provision for expected credit losses	8, 27	<b>9,270,257</b>	1,827,819	4,912,152
Investment loss on investment in subsidiaries	11, 29	<b>6,488,448</b>	20,611,224	65,156,584
Loss (Gain) on disposal of property, plant and equipment	13, 28, 29	<b>249,357</b>	(2,360,072)	1,502,080
Reversal of accruals	28	<b>(11,920,798)</b>	(67,899,605)	(71,759,813)
Reversal of allowance for sales return	8	<b>(14,479,086)</b>	(38,969,728)	-
Interest income	28	<b>(32,624,026)</b>	(5,841,646)	(2,451,573)
Inventory written-off/reversals of provision	9	<b>(136,430,853)</b>	(69,188,946)	(28,616,691)
Gain from retirement of scrap	28	<b>(162,221,854)</b>	(168,274,330)	(77,461,854)
Dividend income	28	<b>(1,096,449,791)</b>	(1,255,120,652)	(991,928,238)
Share-based compensation expense	21	-	-	8,650,722
Operating cash flows before working capital changes		<b>2,318,825,059</b>	1,639,194,985	1,294,732,948
Decrease (Increase) in:				
Trade and other receivables		<b>(129,709,440)</b>	(117,427,909)	(1,032,646,660)
Inventories		<b>(4,956,299,438)</b>	924,358,448	(2,399,667,200)
Due from related parties		<b>924,638,785</b>	(104,457,627)	1,349,564,911
Biological assets		<b>(32,346,274)</b>	9,473,395	(20,129,879)
Prepayments and other current assets		<b>(275,584,229)</b>	(286,260,228)	(1,602,130)
Other non-current assets		<b>(30,339,219)</b>	(18,519)	(17,430,970)
Increase (Decrease) in:				
Trade and other payables		<b>3,184,788,320</b>	(44,620,930)	837,865,637
Due to related parties		<b>2,043,204,791</b>	(69,284,582)	(971,272,058)
Cash from (used in) operating activities		<b>3,047,178,355</b>	1,950,957,033	(960,585,401)
Proceeds from sale of scrap		<b>162,221,854</b>	168,274,330	87,265,223
Income taxes paid		<b>(407,639,318)</b>	(231,923,292)	(239,671,905)
Interest received		<b>32,676,933</b>	5,792,105	2,246,161
Contributions to retirement fund	20	<b>(41,889,504)</b>	(41,889,504)	(41,889,504)
Net cash from (used in) operating activities		<b>2,792,548,320</b>	1,851,210,672	(1,154,881,587)
<b>Cash Flows from Investing Activities</b>				
Acquisitions of property, plant and equipment	13	<b>(947,794,840)</b>	(641,126,985)	(219,131,937)
Dividends received		<b>1,046,599,371</b>	1,131,653,108	964,445,255
Proceeds from disposal of property, plant and equipment		<b>17,620,791</b>	3,358,101	6,495,445
Additions to investments in subsidiaries	11	-	(98,957,100)	(24,950,000)
Net cash from investing activities		<b>116,425,322</b>	394,927,124	729,104,924
<b>Cash Flows from Financing Activities</b>				
Proceeds from short-term borrowings	18	<b>2,950,000,000</b>	4,586,000,000	1,720,000,000
Proceeds from long-term borrowings	18	-	-	1,500,000,000
Repayments of borrowings	18	<b>(4,269,000,000)</b>	(5,615,500,000)	(1,445,500,000)
Finance costs paid	18, 30	<b>(268,124,202)</b>	(263,236,336)	(135,667,591)
Payment of lease liabilities	30	<b>(266,596,252)</b>	(166,662,539)	-
Dividends paid	24	<b>(1,275,186,440)</b>	(637,606,547)	(637,606,547)
Net cash from (used in) financing activities		<b>(3,128,906,894)</b>	(2,097,005,422)	1,001,225,862
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(219,933,252)</b>	149,132,374	575,449,199
<b>Cash and Cash Equivalents, Beginning</b>	7	<b>1,029,937,605</b>	880,805,231	305,356,032
<b>Cash and Cash Equivalents, End</b>	7	<b>P 810,004,353</b>	P1,029,937,605	P 880,805,231

See Notes to Financial Statements.



**CENTURY PACIFIC FOOD, INC.**

(A Subsidiary of Century Pacific Group, Inc.)

**NOTES TO FINANCIAL STATEMENTS****AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018****1. CORPORATE INFORMATION**

Century Pacific Food, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 25, 2013.

The Company is primarily engaged in the business of buying and selling, processing, canning and packaging and manufacturing all kinds of food and food products, such as but not limited to fish, seafood and other marine products, cattle, hog and other animals and animal products, fruits, vegetables and other agricultural crops and produce of land, including by products thereof, and for such purpose, to acquire, construct, own, lease, charter, establish, maintain and operate canneries, factories, plants, vessels, cold storage, refrigerators, refrigerated vehicles and vessels, warehouses and other machineries, equipment, apparatus, and appliance as may be required in the conduct of its business.

The Company is a subsidiary of Century Pacific Group, Inc. (CPGI), also its ultimate parent, an entity registered with the SEC and is domiciled in the Philippines owning 68.71% interest as at December 31, 2020 and 2019.

On May 6, 2014, the Company's shares were listed in the Philippine Stock Exchange (PSE).

The Company's registered address and principal place of business is at 7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center, Pasig City.

The Company has the following subsidiaries as at December 31, 2020 and 2019:

<b>Name of Subsidiary</b>	<b>Ownership Interest</b>	
	<b>2020</b>	<b>2019</b>
General Tuna Corporation (GTC)	100%	100%
Snow Mountain Dairy Corporation (SMDC)	100%	100%
Allforward Warehousing Inc. (AWI)	100%	100%
Century Pacific Agricultural Ventures, Inc. (CPAVI)	100%	100%
Century Pacific Seacrest Inc. (CPSI)	100%	100%
Centennial Global Corporation (CGC)	100%	100%
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	100%	100%
General Odyssey Inc (GOI)	100%	-
Century Pacific Solar Inc (CP Solar)	100%	-
Century International (China) Co. Ltd. (CIC)	100%	100%
Century (Shanghai) Trading Co. Ltd. (CST)	100%	100%
Cindena Resources Limited (CRL)	100%	100%
Century Pacific North America Enterprise Inc. (CPNA)	100%	100%

GTC was incorporated in the Philippines and registered with the SEC on March 10, 1997. GTC is presently engaged in manufacturing and exporting private label canned, pouched and frozen tuna products. Its processing plant is located at Purok Lansong, Brgy. Tumbler, General Santos City, Philippines.

SMDC was incorporated in the Philippines and registered with the SEC on February 14, 2001. SMDC is engaged in producing, canning, freezing, preserving, refining, packing, buying and selling at wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparations and by-products. Its principal place of business is located at 32 Arturo Drive, Bagumbayan, Taguig City, Philippines.



AWI was incorporated in the Philippines and was registered with the SEC on October 3, 2014. AWI is engaged in the business of operating cold storage facilities, handling, leasing, maintaining, buying, selling, warehouse and storage facilities, including its equipment, forklift, conveyors, pallet towers and other related machineries, tools and equipment necessary in warehousing, and storage operation. Its principal place of business is located at Purok Lansong, Barangay Calumpang, General Santos City, Philippines.

CPAVI was incorporated in the Philippines and was registered with the SEC on August 29, 2012. CPAVI is engaged in the business of manufacturing and distributing all kinds of food and beverage products and other foodstuffs derived from fruits and other agricultural products. Its principal place of business is located at Purok Lansong, Barangay Tambler, General Santos City, Philippines.

CPSI was incorporated in the Philippines and was registered with the SEC on November 13, 2015. CPSI is engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising and generally exercising all rights, powers and privileges of ownership or granting any right or privilege of ownership or any interest to label marks, devices, brands, trademark rights and all other forms of intellectual property, including the right to receive, collect and dispose of any and all payments, dividends, interests and income derived from therefrom. Its principal place of business is located at 7<sup>th</sup> Floor, Centerpoint Building, J. Vargas Avenue corner Garnet Road, Ortigas Center, Pasig City, Philippines.

CGC was incorporated in the British Virgin Islands (BVI) on November 13, 2006. CGC is a company limited by shares. On February 25, 2015, the Company acquired 100% interest in CGC for \$100 or P4,438. CGC is the corporate vehicle that holds the various brands, trademarks, and related intellectual property of the Company and its subsidiaries. CGC was acquired from Shining Ray Limited, a wholly owned subsidiary of CPGI. On December 28, 2015, CGC sold all trademarks to CPSI for a total consideration of P50,000,000. CGC's registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its registered agent is Offshore Incorporations Limited.

CPFPVI was incorporated in the Philippines and was registered with SEC on June 29, 2016. CPFPVI is engaged in the business of manufacturing, processing, buying, selling, importing, exporting and dealing in all kinds of packaging products. On June 29, 2016, the Company acquired 100% interest in CPFPVI for a total consideration of P400,000,000. Its registered principal place of business is located at Purok Lansong, Barangay Calumpang, General Santos City, Philippines.

GOI was incorporated in the Philippines and was registered with SEC on July 27, 2020. GOI is engaged in the business to buy and sell, process, can, pack, manufacture, market, produce, distribute, import and export, and deal in all kinds of feeds and for such purpose to acquire, construct, own, lease, charter, establish, maintain and operate stores, outlets, canneries, factories, plants, vessels, cold storage, refrigerators, refrigerated vehicles and vessels, warehouses, and other machineries, equipment's, apparatus and appliances as may be required. Its principal place of business is located at Centerpoint Building, J. Vargas Avenue corner Garnet Road, Ortigas Center, Pasig City, Philippines. GOI has not started its commercial operations as at December 31, 2020.

CP Solar was incorporated in the Philippines and was registered with SEC on August 10, 2020. CPSI is engaged in the business of exploration, development, and utilization of renewable energy sources, including the generation and distribution of power therefrom, planning, construction and installation, commissioning, owning, management and operation of relevant facilities and infrastructure thereof and processing and commercialization of by-products in its operations and to undertake such other powers and purposes as may be required. Its principal place of business is located at Purok Lansong Bgy Tambler General Santos City. CP Solar has not started its commercial operations as at December 31, 2020.

CIC was incorporated in China and was registered on June 9, 2003. CIC is engaged in the selling of hardware and electrical apparatus, auto spare parts, building decoration materials and products, telecommunication equipment, stationery commodities, mechanical equipment, pre-package food; wholesales of beverage; development and sale of computer software and hardware; and consulting services. Its registered address is Room A3011, No. 70 Licheng Road, Pudong New Area, Shanghai, China.



CST was incorporated in China and was registered on August 24, 2005. CST is engaged in the wholesale, import and export of food, provision of ancillary services, relevant business consulting services subject to administrative approval and relevant authority. Its registered address is at Room 520A, No. 335 Changli Road, Pudong New District, Shanghai, China.

CRL was originally incorporated in the BVI under The International Business Companies Act (CAP.291) on March 27, 2002. CRL is engaged in the purchase or otherwise acquire and undertake the whole or any part of the business, goodwill, assets and liabilities of any person, firm or company, to import, export, buy, sell, exchange, barter, let on hire, distribute, and otherwise deal in and turn to account goods, materials, commodities, produce and merchandise generally in their prepared, manufactured, semi-manufactured and raw state, to enter into, carry on and participate in financial transactions and operations of all kinds and to manufacture, construct, assemble, design, repair, refine, develop, alter, convert, process, and otherwise produce materials, fuels, chemicals, substance and industrial, commercial and consumer products of all kinds. The Company was re-registered under the BVI Business Companies Act (No 16 of 2004) on January 1, 2009 upon the compulsory implementation of the new Act. CRL's registered office is at P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands and its registered agent is Offshore Incorporations Limited.

CPNA was incorporated in the United States and was registered with the Secretary of State of California on April 20, 2017 as a domestic stock company type. CPNA is engaged in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporation Code. The agent for service process in this state is Vcorp Services CA, Inc. The registered address of CPNA is at 350 N. Glendale Avenue Ste B348, Glendale, California 91206. Its principal place of business is at 7<sup>th</sup> Floor, Centerpoint Building, J. Vargas Avenue corner Garnet Road, Ortigas Center, Pasig City.

## **2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION**

### **Statement of Compliance**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy (BOA), and adopted by the SEC.

### **Basis of Preparation**

The financial statements of the Company have been prepared on the historical cost basis, except for:

- certain financial instruments carried at amortized cost;
- inventories carried at the lower of cost and net realizable value;
- lease liabilities recognized at the present value of the lease payments that are not paid at the commencement date; and
- retirement benefit obligation recognized as the net total of the fair value of plan assets and the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.



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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, *Share-based Payment*, PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 for inventories or value in use in PAS 36, *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **Functional and Presentation Currency**

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are presented in the nearest peso, except when otherwise indicated.

#### **Separate Financial Statements**

These are the Company's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. In addition, the Company also prepares consolidated financial statements as its primary financial statements.

### **3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

#### **Adoption of New and Revised Accounting Standards Effective in 2020**

The Company adopted all accounting standards and interpretations as at December 31, 2020. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

##### *Amendments to PFRS 16, COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.



The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after June 1, 2020. The Company early-adopted the amendments.

The amendments did not have a significant impact on the Company's financial statements since there are no rent concessions that occurred as direct consequence of COVID-19.

#### Amendments to PFRS 3, *Definition of a Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The amendments are being applied by the Company and has no significant impact on the Company's financial statements.

#### Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of 'material':

*"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.





The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments are being applied by the Company and has no significant impact on the Company's financial statements.

### **New Accounting Standards Effective after the Reporting Period Ended December 31, 2020**

The Company will adopt, to the extent applicable, the following standards when these become effective.

#### *PFRS 17, Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The future adoption of the standard will not have a significant impact on the Company's financial statements as the Company does not issue insurance contracts.



### *Amendments to PFRS 3, References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

### *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between and Investor and Its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

### *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.



#### *Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

#### *Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.



## *Annual Improvements to PFRS Standards 2018-2020 Cycle*

### *Amendments to PFRS 1, Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

### *Amendments to PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

### *Amendments to PFRS 16, Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.

### *Amendments to PAS 41, Taxation in fair value measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Company is still evaluating the impact of the amendments on the Company's financial statements.



**New Accounting Standards Effective in 2020 - Adopted by FRSC but pending for approval by the BOA**

PIC Q&A No. 2019-04, *Conforming Changes to PIC Q&As – Cycle 2019*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&A amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, Leases, for the first time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, Investment Property, has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of depreciation of right-of-use asset as part of construction costs of a building
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2018-05: PAS 37 - Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

PIC Q&A withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	This PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, Leases, and Philippine Interpretation SIC-15, Operating Leases—Incentives
PIC Q&A No. 2018-07: PAS 27 and PAS 28 - Cost of an associate, joint venture, or subsidiary in separate financial statements	This PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision - Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27 Separate Financial Statements) in January 2019.

The effective date of the amendments is included in the affected interpretations.

The Management of the Company is still evaluating the impact of the amendments on the Company’s financial statements.



PIC Q&A No. 2019-06, *Accounting for step acquisition of a subsidiary in a parent*

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.

- Accumulated cost approach

Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

PIC Q&A No. 2019-07, *Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLAs)*

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFIS) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the Circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

- a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLAs by-laws.
- b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFIS Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.



For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLAs' financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS32, Financial Instruments: Presentation.

The interpretation is effective for periods beginning on December 11, 2019, and should be applied retrospectively.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company is not classified as a non-bank financial institutions under non-stock savings and loan associations.

PIC Q&A No. 2019-08, *PFRS 16, Leases - Accounting for Asset Retirement or Restoration Obligation ("ARO")*

The interpretation clarifies the recognition of ARO under the following scenarios:

1) Accounting for ARO at lease commencement date

The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term

2) Change in ARO after initial recognition

- 2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).
- 2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:
  - a. *Modified retrospective approach* - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.
  - b. *Full retrospective approach* - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.



The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The future adoption of the interpretation will have no effect on the Company's financial statements since the Company does not have leased property with any related ARO.

*PIC Q&A No. 2019-09, Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects*

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and
2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

*PIC Q&A No. 2019-10, Accounting for variable payments with rent review*

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

*PIC Q&A No. 2019-11, Determining the current portion of an amortizing loan/lease liability*

The interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The interpretation is effective upon approval by the FRSC.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

*PIC Q&A No. 2019-12, PFRS 16, Leases – Determining the lease term*

The interpretation provides guidance how an entity determine the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lessee cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.





In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial noncancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

*PIC Q&A No. 2019-13, PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance how an entity determine the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.



PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&A amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020

PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive)

The effective date of the amendments is included in the affected interpretations.

The Management of the Company is still evaluating the impact of the interpretation on the Company’s financial statements.



PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management of the Company is still evaluating the impact of the interpretation on the Company's financial statements.

PIC Q&A No. 2020-03, *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management of the Company is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-04(Addendum to PIC Q&A 2018-12-D), PFRS 15, *Step 3 - Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management of the Company is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-05, PFRS 15, *Accounting for Cancellation of Real Estate Sales*

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three(3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as its applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management of the Company is still evaluating the potential impact of the interpretation.



PIC Q&A No. 2020-06, PFRS 16, *Accounting for payments between and among lessors and lessees*

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

	Transaction	Treatments in the financial statements of			Basis
		Lessor	Old lessor	New Lessee	
1	Lessor pays old lessee - lessor intends to renovate the building	<p>i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term.</p> <p>ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs under PAS 16 or PAS 40.</p>	<p>i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of-use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease.</p> <p>ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-of use-asset by referring to the revised lease payments (net of any amount to be received from the lessor)and using a revised discount rate.</p> <p>iii. Revisit the amortization period of right-of-use asset and any related leasehold improvement following the shortening of the term.</p>		<ul style="list-style-type: none"> <li>• PFRS 16; par. 87</li> <li>• PAS 16; pars. 6, 16-17</li> <li>• PAS 40; par. 21</li> <li>• PFRS 16; par. 45</li> <li>• Illustrative example 18 issued by IASB</li> <li>• PAS 16; pars. 56-57</li> </ul>
2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	<p>i. Finance lease:</p> <ul style="list-style-type: none"> <li>• If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease.</li> <li>• If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease.</li> </ul>		<p>i. Record as a deduction to the cost of the right-of-use asset.</p> <p>ii. Lease incentive receivable is also included as reduction in measurement of lease liability.</p>	<ul style="list-style-type: none"> <li>• PAS 16; par. 68</li> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par. 83</li> <li>• PFRS 16; par. 24</li> </ul>



		Treatments in the financial statements of			
	Transaction	Lessor	Old lessor	New Lessee	Basis
		ii. Operating lease add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis or another systematic basis.		iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.	
4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		i. Same as in fact pattern 1C. ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold improvement in accordance with PAS 16 or PAS 40.	<ul style="list-style-type: none"> <li>• Same as in fact pattern 1C.</li> <li>• PAS 40; par. 21</li> <li>• PAS 16; pars. 16-17</li> </ul>
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or another systematic basis.	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; par. 18</li> </ul>
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately.	<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; Appendix A</li> </ul>
7	New lessee pays lessor to secure the right to obtain a lease agreement	i. If finance lease, recognize gain or loss arising from the derecognition of underlying assets ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight-line basis or another systematic basis.		Recognize as part of the cost of the right-of-use asset.	<ul style="list-style-type: none"> <li>• PFRS 16; par. 24</li> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par 81</li> </ul>
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right-of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of-use asset.	<ul style="list-style-type: none"> <li>• PFRS 16; Appendix A</li> <li>• PFRS 16; Example 13 in par. IE5</li> <li>• PFRS 16; par. 24</li> </ul>



The Management of the Company is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-07, PAS 12, *Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill*

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS

For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense (income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation

The significant estimated effects of the changes computed without regard to the specific date when specific sales, purchases and other transactions occur as provided for under Section 27(A) of the CREATE Act are disclosed in Note 38.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial Instruments**

Financial assets and financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument.

##### Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.



## **Financial Assets**

### Classification and subsequent measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Fair value is determined in the manner described in Note 35.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at fair value through profit or loss (FVTPL).

### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Trade and other receivables that are held within a business model whose objective is to collect the contractual cash flows and has contractual cash flows that are solely payments of principal are classified as financial assets at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost.

### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For financial assets measured at amortized cost, exchange differences are recognized in profit or loss.



### *Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses (ECL) on its financial assets as amortized cost.

The ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the [Company] expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR) method, regardless of whether it is measured on an individual basis or a collective basis.

### *Significant increase in credit risk*

The Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.





In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due since the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date. To assess if the financial instruments measured at amortized cost are credit impaired, the Company considers the credit standing and the ability of the counterparty to meet its contractual obligations.

#### *Write-off*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Considering the Company's history, there were no instances when the Company had written off its trade receivables.

#### *Measurement and recognition of expected credit losses*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

#### *Presentation of allowance for ECL in the statements of financial position*

Loss allowances for ECL are presented in the statements of financial position as a deduction from the gross carrying amount of the assets.

#### *Derecognition*

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.



## **Financial Liabilities and Equity Instruments**

### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### *Financial liabilities measured subsequently at amortized cost*

Borrowings, trade and other payables that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

### *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by Company are recognized at the proceeds received, net of direct issue costs.

### *Share capital*

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



### *Share premium*

Share premium represents the excess over the par-value received on subscriptions for the Company's shares which is presented in equity.

### *Retained earnings*

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

### **Inventories**

Inventories are initially measured at cost which includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated as follows:

Raw materials	Moving average
Work-in-process	Weighted average
Finished goods	Weighted average

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Provision for inventory losses is established for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation. Inventories and its related provision for impairment are written off when the Company has determined that the related inventory is already obsolete and damaged. Write-offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited in the statements of comprehensive income based on the result of Management's current statement, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Spare parts with useful lives of one year or less are classified as inventories and recognized as expense as they are consumed.

### **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.



## **Investments in Subsidiaries**

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Company.

Investments in subsidiaries are measured initially at cost. Subsequent to initial recognition, investments in subsidiaries are carried in the Company's financial statements at cost less any accumulated impairment losses.

The Company's accounting policy for impairment of financial assets are applied to determine whether it is necessary to recognize any impairment loss with respect its investment in subsidiary. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with the Company's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The investments in subsidiaries are derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiary and is recognized in profit or loss.

## **Biological Assets**

Biological assets or agricultural produce are recognized only when the Company controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

The Company measures its biological assets on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be measured reliably. Accordingly, the Management shall exercise its judgment in determining the best estimate of fair value.

After exerting its best effort in determining the fair value of the Company's biological assets, Management believes that the fair value of its biological assets cannot be measured reliably on a continuing basis since the market determined prices or values are not available and other methods of reasonably estimating fair value are determined to be clearly unreliable. Thus, the Company measures biological assets at its cost less any accumulated impairment losses.

There is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production. Biological assets of the Company are classified as consumable biological assets which include fish in farms. The Company manages the growth of fish which will subsequently be used in production upon harvest.

Biological assets are recognized as expense when consumed.

## **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.



Major spare parts qualify as property, plant and equipment when the Company expects to use them for more than one year. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of the reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment losses.

Spare parts and properties in the course of construction for production or for purposes not yet determined are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method, other than construction in progress, based on the estimated useful lives of the assets as follows:

Building improvements	5 - 15 years
Plant machinery and equipment	2 - 15 years
Land improvements	5 - 15 years
Transportation and delivery equipment	5 years
Office furniture, fixtures and equipment	5 years
Laboratory, tools and equipment	3 - 5 years
Computer equipment	2 - 5 years

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. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

### **Intangible Assets**

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets, such as trademarks, with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.



## **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible assets and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in profit or loss.

Impairment losses recognized in prior periods are assessed at the end of the reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

## **Provisions**

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

## **Share-based Payments**

### Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

At end of each reporting period, the Company revises its estimate of the number of equity instruments expected to be exercised. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The valuation of the share based compensation reserve is determined by the number of share options exercised multiplied by the intrinsic value which is the difference between fair value of the shares at grant date and the exercise price.



## **Employee Benefits**

### Short-term benefits

The Company recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### Post-employment benefits

#### *Defined benefit plan*

The Company classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Company presents the first two components of retirement benefit costs in profit or loss. The retirement benefit obligation recognized in the statements of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

## **Revenue Recognition**

The Company recognizes revenue from the sale of manufactured goods.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product to a customer.

### *Sale of goods*

The Company contracts to sell goods to the wholesale market and retailers. It identifies each party's rights and payment terms regarding goods to be transferred.

For sales of goods to the wholesale market and retailers, revenue is recognized at a point in time when control of the goods has transferred, being when the goods have been delivered to the wholesalers' and retailers' specific location. Following delivery, the wholesaler and retailer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when the goods are delivered to the wholesaler and retailer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.





### *Transaction price*

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

The transaction price is also adjusted for any consideration payable to the customer. Consideration payable to a customer includes cash amounts that the Company pays, or expects to pay, to the customer (or to other parties that purchase the Company's goods from the customer). Consideration payable to a customer also includes credit or other items that can be applied against amounts owed to the Company (or to other parties that purchase the Company's goods from the customer).

### *Variable consideration*

The amount of consideration can vary because of discounts, rebates, refunds, credits, incentives, penalties or other similar items. The Company estimated the amount of consideration to which it will be entitled to in exchange for transferring the promised goods to a customer.

The Company includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company estimated the value of the variable consideration by obtaining the most likely amount in a range of possible consideration amounts.

The Company includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved, the Company considers both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:

- The amount of consideration is highly susceptible to factors outside the Company's influence. Those factors may include volatility in a market, the judgment or actions of third parties, weather conditions and a high risk of obsolescence of the promised goods.
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time.
- The Company's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value.
- The Company has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances.
- The contract has a large number and broad range of possible consideration amounts.

The Management re-assessed the variable considerations based on their evaluation of actual trade promotional activities.

### Service income

Service income is recognized over time in which the services are rendered. The service income pertains to management fees.



### Rental income

Revenue recognition for rental income is disclosed in the Company's policy for leases.

### Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the future economic benefits will flow to the Company and the amount of income can be measured reliably.

### Other income

Other income is income generated outside the normal course of business and is recognized at a point in time when it is probable that the future economic benefits will flow to the Company and it can be measured reliably.

## **Expense Recognition**

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Costs of goods sold are expenses incurred that are associated with the goods sold and includes raw materials used, direct labor and manufacturing overhead. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

## **Leases**

### The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company determines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Further, the asset that is the subject of a lease must be specifically identified wherein it is either explicitly specified in the contract or the asset is implicitly specified at the time that is made available for use by the Company.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company determines throughout the period of use if it has both the right to obtain substantially all of the economic benefits from the use and the right to direct the use of the identified asset. The Company identifies that the period of use is the total period of time that an asset is used to fulfill a contract between the lessor and the Company including any non-consecutive periods of time.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.



The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company determined the rate by obtaining it directly from the respective banks.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. The Company applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line Cost of Goods Sold and Operating Expenses in the Statements of Comprehensive Income.



## **Foreign Currency**

### Foreign currency transactions

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

## **Related Party Transactions**

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that has a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

## **Taxation**

Income tax expense represents the sum of the current tax expense and deferred tax.

### Current tax

The current tax expense is based on taxable profit for the taxable period. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, whichever is higher.

### Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in associate except when the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized outside profit or loss.



## **Earnings per Share**

The Company computes its basic earnings or loss per share by dividing profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss for the period attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

## **Segment Reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the financial statements.

For Management purposes, the Company is currently organized into four business segments, namely: Canned and Processed Fish, Canned Meat, Distribution and Corporate. These divisions are the basis on which the Company reports its primary segment information.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Financial information on segment reporting is presented in Note 6.

## **Events after the Reporting Period**

The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



## **Critical Judgments in Applying Accounting Policies**

The following are the critical judgments, apart from those involving estimations, that Management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

### Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 36.

As at December 31, 2020 and 2019, the Company's financial instruments measured at amortized cost have not experienced a significant increase in credit risk.

### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Based on Management's assessment, receivables are classified into various types such as General Trade, Modern Trade, Food Service and other trade receivables. Only the Food Service and other trade receivables are included in the computation of ECL. The Company does not include in the computation the receivables from Modern Trade as they are unlikely to default as they are relatively stable in the business sector. For the General Trade, the obligations of the customers are secured by bank guarantees which exceeds the balance of the receivables

### Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Due to the absence of implicit interest rate in each lease contract, the Company uses its incremental borrowing rate. The rate is equal to the effective interest rate of an external bank loan obtained by the Company. Such rate was used since the lease payments are included in the funding received by the Company from the banks as part of the financing activities.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.



### Discount rate used to determine the carrying amount of the Company's retirement benefit obligation

The Company's retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the report period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and identification of outliers which are excluded.

### **Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2020 and 2019, the Company assessed an unlikely probability of default for all of its financial assets measured at amortized cost. The Company monitors and maintains an updated status of all outstanding receivables per customer and in some instances, stops the delivery of goods for customers with overdue invoices. A provision matrix was used based on comparable percentage of receivable write-off of the same industry applied to accounts passed due for over 120 days without or with but expired bank guarantee. The assumptions used by the Company in estimating PD are disclosed in Note 36.

#### Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Company uses the gross calculation method or the gross amount of receivable per category and considers the reverse repurchase rate and inflation rate to determine the LGD, as disclosed in Note 36.

#### Estimating loss allowance for expected credit losses

The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Company has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers group under "others" from over 120 days.

Total due from related parties' carrying amount in the Company's statements of financial position amounted to P1,752,419,935 and P2,607,042,724 as at December 31, 2020 and 2019, respectively, as shown in Note 19.

Total trade and other receivables' carrying amount in the Company's statements of financial position amounted to P 5,084,237,577 and P4,996,437,604 as at December 31, 2020 and 2019, respectively, which is net of the related allowance for expected credit losses amounting to P29,263,055 and P34,471,884 as at December 31, 2020 and 2019, respectively, as disclosed in Note 8.



#### Estimating useful lives of assets

The useful lives of the Company's assets with definite lives are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, intangible assets and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation experience with similar assets and contractual arrangements, if applicable.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, intangible assets and right-of-use assets would increase the recognized cost of goods sold and operating expenses and decrease non-current assets.

As at December 31, 2020 and 2019, the carrying amounts of the Company's property, plant and equipment amounted to P2,000,776,443 and P1,352,132,036, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to P1,073,324,330 and P810,663,041, respectively, as disclosed in Note 13.

As at December 31, 2020 and 2019, the carrying amounts of the Company's right-of-use assets amounted to P1,322,929,379 and P530,727,919, respectively, as disclosed in Note 14. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to P357,967,628 and P150,965,417, respectively, as disclosed in Note 14.

As at December 31, 2020 and 2019 the carrying amounts of the Company's intangible assets from licensing agreement amounted to P466,176,533 and P487,692,373, as disclosed in Note 16. Total accumulated amortization as at December 31, 2020 and 2019 amounted to P71,719,467 and P50,203,627, as disclosed in Note 16.

#### Deferred tax assets

The Company reviews the carrying amounts at the end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized in the statements of financial position as at December 31, 2020 and 2019 amounted to P715,788,855 and P312,200,815, respectively, as disclosed in Note 32.

#### Estimating net realizable value of inventories

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Company determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company records provision for excess of cost over net realizable value of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Reversals of previously recorded write-down are credited in the statements of comprehensive income based on the result of Management's current assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Total inventories recognized in the Company's statements of financial position amounted to P10,454,399,422 and P5,577,807,102 as at December 31, 2020 and 2019, respectively, which is net of the related allowance for obsolescence amounting to P205,844,000 and P126,136,883 as at December 31, 2020 and 2019, respectively, as disclosed in Note 9.





### Retirement benefit and other post-employment benefits

The determination of the retirement benefit obligation cost and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality and rates of compensation increase. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the amount of retirement benefit obligation and other post-employment benefits recognized.

The total retirement expense recognized in 2020, 2019 and 2018 amounted to P48,141,147, P29,189,101 and P31,900,576, respectively. The retirement benefit obligation as at December 31, 2020 and 2019 amounted to P529,381,347 and P117,682,555 respectively, as shown in Note 20.

### Estimation of lease term

When estimating the lease term of the respective lease arrangement, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further.

## **6. SEGMENT INFORMATION**

### *Business segment*

For Management purposes, the Company is organized into five major business segments: Canned and Processed Fish, Canned Meat, Distribution, Dairy and Corporate. These divisions are the basis on which the Company reports its primary segment information to the Chief Operating Decision Maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The principal products and services of each of these divisions are as follows:

<b>Business Segment</b>	<b>Products</b>
Canned and Processed Fish	Tuna Sardines Other seafood-based products
Canned Meat	Corned beef Meatloaf Processed beans Other meat-based product
Distribution	Distribution of other products
Dairy	Canned milk Powdered milk
Corporate	Shared services Sale of supplies



The results of operations of the reportable segments for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>Revenue</b>	<b>Profit (Loss) Before Tax</b>
<b>2020</b>		
Canned and processed fish	<b>P15,935,223,188</b>	<b>P 838,377,406</b>
Canned meat	<b>12,383,595,068</b>	<b>1,549,909,501</b>
Distribution	<b>88,595,934</b>	<b>10,112,391</b>
Dairy	<b>10,548,290,713</b>	<b>(466,879,178)</b>
Corporate	<b>3,611,706</b>	<b>764,428,602</b>
<b>Total revenue and profit for the year</b>	<b>P38,959,316,609</b>	<b>P2,695,948,722</b>
<b>2019</b>		
Canned and processed fish	P12,408,081,552	P 679,694,886
Canned meat	9,712,536,529	713,128,541
Distribution	9,229,359,633	35,968,671
Corporate	3,870,385	923,570,897
<b>Total revenue and profit for the year</b>	<b>P31,353,848,099</b>	<b>P2,352,362,995</b>
<b>2018</b>		
Canned and processed fish	P12,493,671,620	P 417,615,242
Canned meat	9,561,159,515	943,014,380
Distribution	5,847,610,237	(166,247,703)
Corporate	4,297,044	653,604,928
<b>Total revenue and profit for the year</b>	<b>P27,906,738,416</b>	<b>P1,847,986,847</b>

Segment profit represents the profit before tax by each segment without allocation of central administration costs and directors' salaries, investment income, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The segment assets and liabilities as at December 31, 2020 and 2019 are as follows:

	<b>Assets</b>	<b>Liabilities</b>
<b>2020</b>		
Canned and processed fish	<b>P 88,298,591,297</b>	<b>P 83,983,824,353</b>
Corporate	<b>81,133,455,594</b>	<b>74,255,593,636</b>
Canned meat	<b>46,223,747,233</b>	<b>41,665,581,492</b>
Distribution	<b>3,255,333,607</b>	<b>3,320,167,397</b>
Dairy	<b>24,672,208,148</b>	<b>25,242,482,813</b>
<b>Segment total</b>	<b>243,583,335,879</b>	<b>228,467,649,691</b>
<b>Eliminations</b>	<b>(213,327,408,314)</b>	<b>(213,327,408,314)</b>
	<b>P 30,255,927,565</b>	<b>P 15,140,241,377</b>
<b>2019</b>		
Canned and processed fish	P 68,267,286,067	P 64,539,383,307
Canned meat	65,993,673,484	58,434,899,563
Distribution	37,499,278,310	34,026,049,220
Corporate	17,249,501,364	17,564,873,069
<b>Segment total</b>	<b>189,009,739,225</b>	<b>174,565,205,159</b>
<b>Eliminations</b>	<b>(164,524,022,015)</b>	<b>(164,524,022,015)</b>
	<b>P 24,485,717,210</b>	<b>P 10,041,183,144</b>



For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments, other than other financial assets, and current and deferred tax assets which are booked under Corporate segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments, other than borrowings, other financial liabilities, current and deferred tax liabilities, which are booked under Corporate segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information as at and for the year ended December 31, 2020 and 2019 are as follows:

	<b>Additions to Property, Plant and Equipment</b>	<b>Depreciation and Amortization</b>	<b>Interest Income</b>	<b>Finance Costs</b>
<b>2020</b>				
Canned and processed fish	<b>P763,410,756</b>	<b>P144,789,997</b>	<b>P 120,786</b>	<b>P 3,497,258</b>
Canned meat	<b>75,219,858</b>	<b>187,904,259</b>	<b>59,266</b>	<b>10,699,028</b>
Distribution	-	-	-	-
Dairy	<b>38,343,403</b>	<b>79,158,206</b>	<b>15,716</b>	<b>30,631,957</b>
Corporate	<b>70,820,823</b>	<b>118,449,989</b>	<b>32,428,258</b>	<b>174,519,477</b>
<b>Total</b>	<b>P947,794,840</b>	<b>P530,302,451</b>	<b>P32,624,026</b>	<b>P219,347,720</b>
<b>2019</b>				
Canned and processed fish	P498,517,809	P 99,218,297	P 142,294	P 723,706
Canned meat	119,462,001	165,301,202	64,556	9,469,571
Distribution	45,800	11,288,186	-	4,523,924
Corporate	23,101,375	125,137,035	5,634,796	281,304,370
<b>Total</b>	<b>P641,126,985</b>	<b>P400,944,720</b>	<b>P5,841,646</b>	<b>P296,021,571</b>

Revenues and non-current assets are mainly based in the Philippines, which is the Company's country of domicile.

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	<b>2020</b>	2019
Cash on hand and in banks	<b>P783,068,237</b>	P1,004,643,598
Cash equivalents	<b>26,936,116</b>	25,294,007
	<b>P810,004,353</b>	P1,029,937,605

Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies short-term fund placements and investments in unit - trust funds (UITFs) with local banks as cash equivalents if they have a maturity of three months or less from the dates of acquisition.

Short-term fund placements will mature in three months or less from the date of acquisitions with annual average interest rates ranging from 1.32% to 2.25% in 2020 1.01% to 5.00% in 2019 and 0.63% to 3.14% in 2018. These placements are from excess cash and can be withdrawn anytime.

Cash in banks earned average interest rate of 0.025% and 0.50%, per annum, in 2020 and 2019, respectively.



Interest income recognized on the statements of comprehensive income amounted to P32,063,110, P5,168,437, P1,839,317 in 2020, 2019 and 2018, respectively, as disclosed under other income in Note 28.

## 8. TRADE AND OTHER RECEIVABLES – net

The Company's trade and other receivables consist of:

	2020	2019
Trade receivables from:		
Third party customers	<b>P4,795,344,882</b>	P4,697,809,644
Allowance for expected credit losses	<b>(20,378,767)</b>	(11,108,510)
Allowance for sales returns	<b>(8,884,288)</b>	(23,363,374)
	<b>4,766,081,827</b>	4,663,337,760
Trade receivables from:		
Advances to suppliers	<b>214,785,979</b>	138,588,170
Other receivables	<b>66,896,897</b>	164,786,744
Loans to employees	<b>36,472,874</b>	29,724,930
	<b>P5,084,237,577</b>	P4,996,437,604

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables.

Other receivables, which consist mainly of receivables from various parties for transactions other than sale of goods and statutory receivables, are non-interest bearing and generally have terms of 30-45 days.

Movements in the allowance for expected credit losses and allowance for sales returns as at December 31 are as follows:

	Notes	Expected credit losses	Allowance for sale returns	Total
Balance, January 1, 2019		P 9,280,691	P62,333,102	P71,613,793
Provisions for expected credit losses	27	1,827,819	-	1,827,819
Reversals		-	(38,969,728)	(38,969,728)
Balance, December 31, 2019		11,108,510	23,363,374	34,471,884
Provisions for expected credit losses	27	9,270,257	-	9,270,257
Reversals		-	(14,479,086)	(14,479,086)
<b>Balance, December 31, 2020</b>		<b>P20,378,767</b>	<b>P 8,884,288</b>	<b>P29,263,055</b>

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the Management believes that there is no further allowance for doubtful accounts required in excess of those that were already provided.

Loans to officers and employees are non-interest bearing and are liquidated within one month. Advances to officers include salary loans which earned average interest rate of 8% per annum in 2020 and 2019. Interest income earned from salary loans amounted to P560,916, P673,209 and P612,258 in 2020, 2019 and 2018, respectively, as disclosed under other income in Note 28.

Advances to suppliers are non-interest bearing and generally have terms of 30 days to 45 days. These are generally applied against future billings within next year.



## 9. INVENTORIES – net

Details of the Company's inventories are as follows:

	Note	2020	2019
Raw and packaging materials	26	<b>P 5,227,344,201</b>	P1,840,288,599
Finished goods	26	<b>5,156,236,784</b>	3,720,559,152
Work in process	26	<b>145,873,484</b>	66,097,125
Spare parts and supplies		<b>130,788,953</b>	76,999,109
		<b>10,660,243,422</b>	5,703,943,985
Allowance for obsolescence		<b>(205,844,000)</b>	(126,136,883)
At net realizable value		<b>P10,454,399,422</b>	P5,577,807,102

The Company's inventories are recorded at their respective costs.

Cost of inventories recognized as expense amounted to P30,561,975,804, P25,151,587,841 and P22,417,106,430 in 2020, 2019 and 2018, respectively, as disclosed in Note 26.

Movement in the Company's allowance for inventory obsolescence are as follows:

	Notes	Finished Goods	Raw Materials	Total
Balance, January 1, 2019		P 19,822,269	P39,967,702	P 59,789,971
Provisions for inventory obsolescence	26, 29	63,812,872	71,722,986	135,535,858
Inventory written-off/reversals of provision	26	(30,383,063)	(38,805,883)	(69,188,946)
<b>Balance, December 31, 2019</b>		<b>P53,252,078</b>	<b>P72,884,805</b>	<b>P 126,136,883</b>
Provisions for inventory obsolescence	26, 29	7,060,923	209,077,047	216,137,970
Inventory written-off/reversals of provision	26	(22,899,944)	(113,530,909)	(136,430,853)
<b>Balance, December 31, 2020</b>		<b>P37,413,057</b>	<b>P168,430,943</b>	<b>P205,844,000</b>

## 10. PREPAYMENTS AND OTHER CURRENT ASSETS

The Company's prepayments and other current assets consist of the following:

	2020	2019
Deferred input value-added tax (VAT)	<b>P118,840,048</b>	P123,186,663
Prepaid services	<b>48,129,564</b>	38,950,592
Prepaid insurance	<b>5,230,459</b>	5,327,940
Prepaid rentals	<b>2,327,617</b>	3,294,500
Others	<b>22,063,537</b>	27,572,539
	<b>P196,591,225</b>	P198,332,234

Prepaid services pertain to advance payments related to maintenance on software and system used by the Company.

Others pertain to creditable withholding taxes.



**11. INVESTMENTS IN SUBSIDIARIES – net**

	<b>Ownership Interest</b>	<b>2020</b>	2019
<b>Investment in Subsidiaries</b>			
CPAVI	100%	<b>P4,763,000,013</b>	P4,763,000,013
GTC	100%	<b>1,161,032,807</b>	1,161,032,807
SMDC	100%	<b>533,582,833</b>	533,582,833
CPFPVI	100%	<b>400,000,000</b>	400,000,000
AWI	100%	<b>300,000,000</b>	300,000,000
CIC	100%	<b>65,156,584</b>	65,156,584
CST	100%	<b>62,177,311</b>	62,177,311
CPSI	100%	<b>50,000,000</b>	50,000,000
CPNA	100%	<b>40,662,081</b>	40,662,081
CP Solar	100%	<b>2,000,000</b>	-
GOI	100%	<b>1,000,000</b>	-
CGC	100%	<b>4,439</b>	4,439
CRL	100%	<b>100</b>	100
		<b>7,378,616,168</b>	7,375,616,168
Allowance for impairment for:			
CIC		<b>(65,156,584)</b>	(65,156,584)
CST		<b>(27,099,672)</b>	(20,611,224)
		<b>P7,286,359,912</b>	P7,289,848,360

The Management believes that there is no indication of impairment on the carrying amounts of its investment in subsidiaries other than the total allowance for impairment recognized for investment in CST amounting to P27,099,672 and P20,611,224 in 2020 and 2019, respectively, and in CIC amounting to P65,156,584 in 2020 and 2019. Such amounts are recognized for the difference between the carrying amount and the recoverable amount of investments in subsidiaries.

**CPAVI**

The significant information on the audited statements of financial position of CPAVI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019	
<b>Financial Position</b>			
Current assets	<b>P1,706,298,146</b>	P1,408,387,380	
Non-current assets	<b>2,147,422,899</b>	2,176,677,649	
Total assets	<b>3,853,721,045</b>	3,585,065,029	
Current liabilities	<b>516,740,257</b>	564,427,021	
Non-current liabilities	<b>48,992,378</b>	15,785,065	
Total liabilities	<b>565,732,635</b>	580,212,086	
	<b>P3,287,988,410</b>	P3,004,852,943	
	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P3,616,037,666</b>	P3,003,799,935	P3,400,599,076
Cost and expenses	<b>3,321,063,136</b>	2,531,668,005	2,992,798,341
Profit for the year	<b>P 294,974,530</b>	P 472,131,930	P 407,800,735



## **GTC**

The significant information on the audited statements of financial position of GTC as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Company's functional currency, are as follows:

	<b>2020</b>	2019	
<b>Financial Position</b>			
Current assets	<b>P 4,315,675,831</b>	P3,584,769,432	
Non-current assets	<b>1,265,275,471</b>	976,627,267	
Total assets	<b>5,580,951,302</b>	4,561,396,699	
Current liabilities	<b>2,760,934,265</b>	1,913,384,179	
Non-current liabilities	<b>97,152,491</b>	39,406,549	
Total liabilities	<b>2,858,086,756</b>	1,952,790,728	
	<b>P2,722,864,546</b>	P2,608,605,971	

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P6,007,349,439</b>	P6,393,918,056	P6,636,521,686
Cost and expenses	<b>5,865,074,076</b>	5,968,133,955	6,266,779,627
Profit for the year	<b>P 142,275,363</b>	P 425,784,101	P 369,742,059

## **SMDC**

The significant information on the audited statements of financial position of SMDC as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019	
<b>Financial Position</b>			
Current assets	<b>P2,042,747,471</b>	P3,926,413,678	
Non-current assets	<b>652,236,210</b>	629,634,109	
Total assets	<b>2,694,983,681</b>	4,556,047,787	
Current liabilities	<b>505,108,396</b>	2,885,215,085	
Non-current liabilities	<b>49,980,675</b>	60,776,010	
Total liabilities	<b>P555,089,071</b>	2,945,991,095	
	<b>P2,139,894,610</b>	P1,610,056,692	

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P9,898,001,543</b>	P8,725,013,878	P6,072,863,729
Cost and expenses	<b>9,357,992,454</b>	8,508,463,882	5,939,540,597
Profit for the year	<b>P 540,009,089</b>	P 216,549,996	P 133,323,132



**CPFPVI**

The significant information on the audited statements of financial position of CPFPVI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	
<b>Financial Position</b>			
Current assets	<b>P1,405,686,988</b>	P	899,189,465
Non-current assets	<b>802,117,723</b>		845,328,570
Total assets	<b>2,207,804,711</b>		1,744,518,035
Current liabilities	<b>620,069,260</b>		694,767,183
Non-current liabilities	<b>2,563,384</b>		2,558,384
Total liabilities	<b>622,632,644</b>		697,325,567
	<b>P1,585,172,067</b>		P1,047,192,468

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P2,211,214,721</b>	P1,444,549,922	P1,386,618,900
Cost and expenses	<b>1,673,235,123</b>	1,150,079,587	1,138,124,353
Profit for the year	<b>P 537,979,598</b>	P 294,470,335	P 248,494,547

**AWI**

In 2019, an additional investment is recognized to settle the unpaid subscription for the issuance of cash dividends amounting to P83,250,000.

The significant information on the audited statements of financial position of AWI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	
<b>Financial Position</b>			
Current assets	<b>P128,239,608</b>		P103,387,395
Non-current assets	<b>559,208,676</b>		559,118,008
Total assets	<b>687,448,284</b>		662,505,403
Current liabilities	<b>18,081,486</b>		95,983,601
Non-current liabilities	<b>16,626,603</b>		252,064
Total liabilities	<b>34,708,089</b>		96,235,665
	<b>P652,740,195</b>		P566,269,738

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P196,083,924</b>	P195,253,134	P164,259,622
Cost and expenses	<b>109,613,466</b>	81,524,716	76,639,482
Profit for the year	<b>P 86,470,458</b>	P113,728,418	P 87,620,140





### **GOI**

The significant information on the audited statement of financial position of GOI as at December 31, 2020 and the result of its operations for the year ended December 31, 2020 is as follows:

	<b>2020</b>
<b>Financial Position</b>	
Current assets	<b>P1,000,000</b>
Non-current assets	<b>37,562</b>
Total assets	<b>1,037,562</b>
Current liabilities	<b>125,207</b>
Total liabilities	<b>125,207</b>
	<b>P 912,355</b>
<b>Results of Operations</b>	
Revenue	<b>P -</b>
Cost and expenses	<b>87,645</b>
Loss for the year	<b>P87,645</b>

### **CP SOLAR**

The significant information on the audited statement of financial position of CP Solar as at December 31, 2020 and the result of its operations for the year ended December 31, 2020 is as follows:

	<b>2020</b>
<b>Financial Position</b>	
Current assets	<b>P2,012,021</b>
Non-current assets	<b>246,535</b>
Total assets	<b>2,258,556</b>
Current liabilities	<b>439,732</b>
Total liabilities	<b>439,732</b>
	<b>P1,818,824</b>
<b>Results of Operations</b>	
Revenue	<b>P -</b>
Cost and expenses	<b>181,175</b>
Loss for the year	<b>P181,175</b>

### **CIC**

The significant information on the audited statements of financial position of CIC as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Current assets	<b>P121,906,540</b>	P 95,321,469
Non-current assets	<b>623,603</b>	885,651
Total assets	<b>122,530,143</b>	96,207,120
Current liabilities	<b>168,451,977</b>	145,300,083
	<b>(P 45,921,834)</b>	(P 49,092,963)



	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P223,272,368</b>	P219,351,897	P203,507,056
Cost and expenses	<b>219,534,165</b>	212,650,224	208,684,732
Profit (Loss) for the year	<b>P 3,738,203</b>	P 6,701,673	(P 5,177,676)

CIC has a material uncertainty to continue as going concern entity due to its capital deficiencies and net income amounting to P45,921,834 and P3,738,203, respectively, during 2020 and P49,092,963 and P6,701,673, respectively, during 2019. Consequently, there is a recoverability issue in the investment to CIC and an allowance for impairment has been recognized. No additional nor reversal of allowance was recognized during 2020.

The impairment loss related to investment in CIC amounted to nil, nil and P65,156,584 in 2020, 2019 and 2018, respectively, as disclosed in Note 29.

In 2018, the Company agreed to provide financial support to enable CIC to meet its capital requirements and to pay its liabilities, until such time that CIC to recovers from its operations.

### **CST**

The significant information on the audited statements of financial position of CST as at December 31, 2020 and 2019, and the result of its operations for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
<b>Financial Position</b>		
Total assets	<b>P35,770,934</b>	P45,102,428
Total liabilities	<b>693,295</b>	3,444,921
Equity	<b>P35,077,639</b>	P41,657,507
<b>Results of Operations</b>		
Revenue	<b>P -</b>	P11,190,545
Cost and expenses	<b>6,579,868</b>	61,607,664
Loss for the year	<b>P6,579,868</b>	P50,417,119

CST has a material uncertainty to continue as a going concern entity due to its significant decrease in capital from a net loss of P6,579,868 and P50,417,119 as at December 31, 2020 and 2019, respectively. Consequently, there is a recoverability issue in the investment to CST and an allowance for impairment has been recognized. In addition, the Company has committed to provide a continuous financial support to enable CST to continue its operations.

The impairment loss related to investment in CST amounted to P6,488,448, P20,611,224, nil in 2020, 2019 and 2018, respectively, as disclosed in Note 29.



## **CPSI**

CPSI entered into a Trademark Purchase Agreement to purchase certain trademarks owned by CGC for a total consideration of P 50,000,000. The trademarks purchased include brands such as "Century Tuna", "Argentina", "555", "Wow Ulam", "Birch Tree", "Fresca", "Luck 7" and "Angel Evaporada" among others. The purchase price of P50,000,000 was paid in 2017.

The significant information on the audited statements of financial position of CPSI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Current assets	<b>P 110,932,793</b>	P131,263,494
Non-current assets	<b>111,474,788</b>	111,474,788
Total assets	<b>222,407,581</b>	242,738,282
Current liabilities	<b>124,672,701</b>	168,459,603
	<b>P 97,734,880</b>	P 74,278,679

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P1,392,036,077</b>	P1,096,328,236	P1,254,236,199
Cost and expenses	<b>272,129,985</b>	216,327,886	240,089,293
Profit for the year	<b>P1,119,906,092</b>	P 880,000,350	P1,014,146,906

## **CPNA**

In 2019, an additional investment is recognized for the additional working capital requirement of the subsidiary for its expansion in the US Market via mainstream accounts amounting to USD 300,000 or P15,707,100.

On January 2, 2018, the Company invested cash for the capital requirement of CPNA which amounted to P24,950,000.

The significant information on the unaudited statements of financial position of CPNA as at December 31, 2020, and 2019 and the results of its operations for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Current assets	<b>P401,080,534</b>	P150,895,844
Non-current assets	<b>6,727,204</b>	8,032,504
Total Assets	<b>407,807,738</b>	158,928,348
Total Liabilities	<b>362,947,525</b>	136,050,042
Equity	<b>P 44,860,213</b>	P 22,878,306
<b>Results of Operations</b>		
Revenue	<b>P304,084,639</b>	P202,394,126
Cost and expenses	<b>280,657,728</b>	202,216,992
Profit for the year	<b>P 23,426,911</b>	P 177,134



## **CGC**

CGC sold certain trademarks to CPSI for a total consideration of P50,000,000.

The significant information on the unaudited statements of financial position of CGC as at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Total assets	<b>P50,004,438</b>	P50,004,438

CGC has no operations and no revenue and expenses were recognized or incurred in 2020, 2019, and 2018.

## **CRL**

The significant information on the unaudited statements of financial position of CRL as at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Total non-current assets	<b>P100</b>	P100

On February 23, 2017, CST obtained an updated business license reflecting the Company as CST's new registered owner. On March 8, 2017, CST obtained a Certificate of Incumbency, issued by a BVI registered agent, attesting the change of management control in CRL to the Company.

As at December 31, 2020 and 2019, Management believes that there is no indication that an impairment loss has occurred except for CST amounting to P6,488,448 and P20,611,224, respectively, and CIC which is fully impaired as of December 31, 2018.

## **12. BIOLOGICAL ASSETS**

Biological assets of the Company comprise of fingerlings and mature milk fish. Movements of the carrying amounts of the biological assets are shown below.

	<b>2020</b>	2019
Balance, January 1	<b>P 33,380,356</b>	P 42,853,751
Consumed feeds	<b>147,706,093</b>	96,068,590
Purchased fingerlings	<b>33,629,983</b>	33,223,057
Direct labor	<b>375,429</b>	1,537,306
Overhead	<b>3,137,020</b>	1,074,925
Total cost	<b>218,228,881</b>	174,757,629
Decrease due to harvest	<b>(152,502,251)</b>	(141,377,273)
Balance, December 31	<b>P 65,726,630</b>	P 33,380,356

Fingerlings and mature milk fish are measured at cost since the fair market value cannot be measured reliably as they do not have either appropriate market index or individually effective measurement practices and they have short inventory period.

The Management believes that there is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

As at December 31, 2020 and 2019, the Management believes that there is no objective evidence of impairment on its biological assets carried at cost. Accordingly, no impairment loss was recognized in both years.



### 13. PROPERTY, PLANT AND EQUIPMENT - net

Movements in the carrying amounts of the Company's property, plant and equipment are as follows:

	Plant Machinery and Equipment	Building Improvements	Office Furniture, Fixtures and Equipment	Laboratory, Tools and Equipment	Transportation and Delivery Equipment	Computer Equipment	Construction in progress	Land Improvements	Total
<b>Cost</b>									
January 1, 2019	P 897,556,066	P234,526,492	P33,529,518	P65,353,308	P84,141,405	P136,201,179	P 73,431,687	P531,473	P1,525,271,128
Additions	93,155,662	29,492,931	3,445,705	8,031,731	7,462,501	14,799,467	484,738,988	-	641,126,985
Disposals	-	-	(16,250)	-	(2,662,679)	-	(924,107)	-	(3,603,036)
Transfers	51,203,600	39,930,854	276,771	1,459,086	1,875,248	(2,890,864)	(92,035,520)	180,825	-
December 31, 2019	1,041,915,328	303,950,277	37,235,744	74,844,125	90,816,475	148,109,782	465,211,048	712,298	2,162,795,077
Additions	70,983,180	12,092,302	3,925,185	10,787,747	3,332,755	18,685,382	827,988,289	-	947,794,840
Disposals	(13,285,176)	(1,612,481)	(58,903)	(85,614)	(3,393,929)	(280,965)	(17,613,612)	(158,464)	(36,489,144)
Transfers	628,835,656	470,700,871	1,047,442	10,375,553	-	42,077	(1,111,001,599)	-	-
<b>December 31, 2020</b>	<b>1,728,448,988</b>	<b>785,130,969</b>	<b>42,149,468</b>	<b>95,921,811</b>	<b>90,755,301</b>	<b>166,556,276</b>	<b>164,584,126</b>	<b>553,834</b>	<b>3,074,100,773</b>
<b>Accumulated Depreciation</b>									
January 1, 2019	(323,732,521)	(62,922,865)	(25,819,841)	(36,696,684)	(40,891,185)	(94,470,019)	-	(271,479)	(584,804,594)
Depreciation	(142,079,959)	(33,789,082)	(3,827,247)	(15,429,617)	(13,904,367)	(19,365,339)	-	(67,845)	(228,463,456)
Disposals	-	-	11,645	-	2,593,364	-	-	-	2,605,009
December 31, 2019	(465,812,480)	(96,711,947)	(29,635,443)	(52,126,301)	(52,202,188)	(113,835,358)	-	(339,324)	(810,663,041)
Depreciation	(181,721,496)	(50,911,863)	(4,231,361)	(14,985,031)	(13,164,358)	(16,189,349)	-	(76,827)	(281,280,285)
Disposals	13,094,893	1,474,964	15,722	30,693	3,447,310	410,919	-	144,495	18,618,996
Transfers	(635,160)	-	-	567,338	-	67,822	-	-	-
<b>December 31, 2020</b>	<b>(635,074,243)</b>	<b>(146,148,846)</b>	<b>(33,851,082)</b>	<b>(66,513,301)</b>	<b>(61,919,236)</b>	<b>(129,545,966)</b>	<b>-</b>	<b>(271,656)</b>	<b>(1,073,324,330)</b>
<b>Carrying Amounts</b>									
<b>December 31, 2020</b>	<b>P1,093,374,745</b>	<b>P638,982,123</b>	<b>P 8,298,386</b>	<b>P29,408,510</b>	<b>P28,836,065</b>	<b>P37,010,310</b>	<b>P164,584,126</b>	<b>P282,178</b>	<b>P2,000,776,443</b>
Carrying Amounts									
December 31, 2019	<b>P 576,102,848</b>	<b>P207,238,330</b>	<b>P 7,600,301</b>	<b>P22,717,824</b>	<b>P38,614,287</b>	<b>P 34,274,424</b>	<b>P465,211,048</b>	<b>P372,974</b>	<b>P1,352,132,036</b>

Loss recognized from disposal of property, plant and equipment amounted to P249,357, nil and P1,502,080 in 2020, 2019 and 2018, respectively, as disclosed in Note 29. Gain recognized from disposal of property, plant and equipment amounted to nil, P2,360,072 and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 28.

The Management believes that there is no indication that an impairment loss has occurred on its property, plant and equipment for the years ended December 31, 2020 and 2019.



#### 14. RIGHT-OF-USE ASSETS – net

Movements in the carrying amounts of the Company's right-of-use assets are as follows:

	Warehouse	Office Space	Equipment	Plant	Total
<b>Cost</b>					
January 1, 2019	P 448,806,342	P 41,346,160	P 11,536,219	P13,339,753	P 515,028,474
Additions	155,134,668	4,643,804	6,886,390	-	166,664,862
December 31, 2019	603,941,010	45,989,964	18,422,609	13,339,753	681,693,336
Additions	1,010,036,728	3,286,325	6,384,735	-	1,019,707,788
Expiration	(6,306,881)	(1,059,134)	(5,822,419)	(7,315,683)	(20,504,117)
<b>December 31, 2020</b>	<b>1,607,670,857</b>	<b>48,217,155</b>	<b>18,984,925</b>	<b>P6,024,070</b>	<b>P1,680,897,007</b>
<b>Accumulated Depreciation</b>					
January 1, 2019	-	-	-	-	-
Depreciation	127,695,487	8,659,987	7,948,726	6,661,217	150,965,417
January 1, 2020	127,695,487	8,659,987	7,948,726	6,661,217	150,965,417
Depreciation	205,986,543	9,883,980	8,571,710	3,064,095	227,506,328
Expiration	(6,306,881)	(1,059,134)	(5,822,419)	(7,315,683)	(20,504,117)
<b>December 31, 2020</b>	<b>327,375,149</b>	<b>17,484,833</b>	<b>10,698,017</b>	<b>2,409,629</b>	<b>357,967,628</b>
<b>Carrying Amount</b>					
<b>December 31, 2020</b>	<b>P1,280,295,708</b>	<b>P30,732,322</b>	<b>P8,286,908</b>	<b>P3,614,441</b>	<b>P1,322,929,379</b>
Carrying Amount					
December 31, 2019	P 476,245,523	P37,329,977	P10,473,883	P6,678,536	P 530,727,919

The Management believes that there is no indication that an impairment loss has occurred on its right-of-use assets for the years ended December 31, 2020 and 2019.

#### Amounts recognized in profit or loss

Depreciation expenses charged to cost of goods sold under factory overhead and operating expenses in relation to right of use assets are as follows:

	Notes	2020	2019
Cost of goods sold - depreciation expense	26	<b>P148,479,774</b>	P 78,029,815
Operating expenses - depreciation expense	27	<b>71,616,234</b>	69,852,476
Other expenses - depreciation expense	29	<b>7,410,318</b>	3,083,126
Total depreciation expense of right-of-use assets		<b>P227,506,326</b>	P150,965,417

#### 15. OTHER NON-CURRENT ASSETS

The Company's other non-current assets consist of the following:

	Note	2020	2019
Security deposits	30	<b>P 56,605,734</b>	P52,045,948
Returnable containers		<b>32,264,724</b>	11,961,693
Deposits on utilities		<b>5,146,724</b>	1,725,791
Deposits on agencies		<b>1,350,000</b>	2,350,000
Others		<b>5,150,119</b>	2,094,650
		<b>P100,517,301</b>	P70,178,082

Others pertain to claims from suppliers not yet settled as at December 31, 2020 and December 31, 2019.



## 16. INTANGIBLE ASSET – net

In 2017, the Company acquired the Philippine license for the Hunt’s brand from Hunt-Universal Robina Corporation (“HURC”). HURC is a joint venture corporation of Universal Robina Corporation (“URC”) and ConAgra Grocery Products Company, Limited Liability Company (LLC) established for the purpose of manufacturing, selling and distributing of Hunt’s licensed products. HURC entered into various agreements with URC to act as HURC’s exclusive partner for the manufacture, sale and distribution of the licensed products. The acquisition is expected to support the growth of the Company’s branded businesses, as well as expand its presence into adjacent shelf-stable categories.

To facilitate the Hunt’s acquisition, the Company entered into the following agreements on May 1, 2017 (“Signing date”):

### *Trademark licensing agreement*

The Company entered into a trademark licensing agreement with ConAgra Foods RDM, Inc. (“ConAgra”). The trademark license will entitle the Company an exclusive revocable right and license to manufacture and sell in the Philippines and other licensed territories the licensed products in accordance with the formulas and specifications furnished by ConAgra and to affix to the products the licensed marks after the grant date and during the term of the agreement. The licensing agreement shall have an initial term of 25 years subject to renewal of 3 years thereafter subject to the terms of the licensing agreement. On the same date, the Company paid a one-time upfront fee of P214,230,000.

On each contract year, the Company shall pay ConAgra the following:

- Guaranteed royalty to be paid quarterly and serves as a non-refundable advance towards the earned royalty for the licensed products; and
- Earned royalty is non-refundable and to be paid based on an agreed percentage of net sales per contract year.

Further, under the licensing agreement, the Company purchased plant machinery and equipment (the “plant assets”) that could be used to manufacture the licensed products.

Royalty fee expense to ConAgra amounted to P21,639,908, P18,044,879 and P15,225,661 during 2020, 2019 and 2018, respectively, as disclosed in Note 27 under “Royalties”.

The remaining useful life of the intangible asset acquired is 21.33 and 22.33 years for in 2020 and 2019, respectively.

Movements in carrying amounts of the Company’s intangible asset are as follows:

	<b>Note</b>	
<b>Cost</b>		
Balance, January 1, 2019, December 31, 2019 and 2020		P537,896,000
<b>Accumulated depreciation</b>		
Balance, January 1, 2019		28,687,787
Amortization	27	21,515,840
Balance, December 31, 2019		50,203,627
Amortization	27	21,515,840
<b>Balance, December 31, 2020</b>		<b>71,719,467</b>
<b>Carrying Amount, December 31, 2020</b>		<b>P466,176,533</b>
Carrying Amount, December 31, 2019		P487,692,373

The Management believes that there is no indication that an impairment loss has occurred on its intangible asset for the years ended December 31, 2020 and 2019.



## 17. TRADE AND OTHER PAYABLES

The Company's trade and other payables consist of the following:

	2020	2019
Trade payables	<b>P2,644,959,937</b>	P1,723,321,242
Accrued expenses	<b>4,292,827,876</b>	2,164,239,390
Withholding tax payable	<b>191,913,455</b>	102,110,285
Non-trade payables	<b>111,967,516</b>	83,250,140
Output value-added tax (VAT)	<b>4,557,572</b>	109,877,515
	<b>P7,246,226,356</b>	P4,182,798,572

The credit period on purchases of certain goods from supplier's ranges from 30 to 120 days. No interest is charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Non-trade payables pertain to miscellaneous payable and reimbursements to employees which are payable on demand and no interest is charged.

Details of accrued expenses are shown below:

	Note	2020	2019
Product-related costs		<b>P2,180,851,912</b>	P1,438,927,127
Advertising and promotion		<b>1,391,322,174</b>	381,938,793
Professional services and other fees		<b>599,302,477</b>	82,616,505
Employee benefits		<b>33,583,540</b>	89,992,310
Interest	18	<b>14,464,867</b>	63,241,349
Utilities		<b>6,251,911</b>	6,156,048
Others		<b>67,050,995</b>	101,367,258
		<b>P4,292,827,876</b>	P2,164,239,390

Others pertain to accruals for rental and insurance expenses of the Company.

## 18. BORROWINGS

This account is composed of:

	2020	2019
Current	<b>P3,134,000,000</b>	P1,366,500,000
Non-current	-	3,086,500,000
	<b>P3,134,000,000</b>	P4,453,000,000

Movement in the Company's borrowings are as follows:

	2020	2019
Balance, January 1	<b>P4,453,000,000</b>	P5,482,500,000
Additions	<b>2,950,000,000</b>	4,586,000,000
Repayments	<b>(4,269,000,000)</b>	(5,615,500,000)
	<b>P3,134,000,000</b>	P4,453,000,000

The Company's borrowings are composed of unsecured bank loans at amortized cost.





In 2016, the Company entered into a long-term and unsecured loan amounting to P1,150,000,000 due on May 5, 2021 payable annually with interest rate of 4.30% per annum. Current portion of this loan amounted to P1,104,000,000 as at December 31, 2020 which will be due in less than 12 months. Repayments of these loans amounted to P11,500,000 in 2020 and 2019.

Additionally, in the same year, the Company entered into a long-term and unsecured loan amounting to P500,000,000 due on April 21, 2021 payable annually with interest rate of 4.25% per annum. The current portion of this loan amounted to P480,000,000 as at December 31, 2020 which will be due in less than 12 months. Repayment of these loans amounted to P7,500,000 and P5,000,000 in 2020 and 2019.

In 2018, the Company entered into a long-term loan and unsecured peso loan amounting to P1,500,000,000 due on July 11, 2023 interest is payable annually with rate of 5.85% per annum. The loan has been fully paid in 2020.

In 2019, the Company entered into short-term and unsecured peso loans from local bank amounting to P4,586,000,000 with maturity date of less than 12 months with interest rates ranging from 3.9% to 5.60% per annum. Repayment of this loan amounted to P1,350,000,000 and P3,236,000,000 in 2020 and 2019, respectively.

In 2020, the Company entered into short-term and unsecured peso loans from local bank amounting to P2,950,000,000, respectively, with maturity date of less than 12 months with interest ranging from 3.125% to 4.500%. Repayments of the short-term loans amounted to P1,400,000,000 in 2020.

Total finance costs incurred on these loans amounted to P158,658,156, P260,955,321 and P180,794,160 in 2020, 2019 and 2018, respectively, as presented in the statements of comprehensive income with a difference related to interest expense related to lease liabilities.

Total accrued interest payable on these loans amounted to P14,464,867 and P63,241,349 as at December 31, 2020 and 2019, respectively, as part of accrued expenses as disclosed in Note 17.

The Company has loan covenants of maintaining a debt to equity ratio not greater than 3:1 and a debt service coverage ratio of at least 1.05x based on the latest audited financial statements as of the relevant periods.

In addition, the Company must not materially change the voting control of its capital stocks and it must not declare or pay dividends or purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding in case the Company is in default of its obligation under the agreement.

The Company is compliant with the bank covenants imposed by the bank institutions.



## 19. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, *Related Party Transactions*, as summarized below:

	Relationship
Century Pacific Group, Inc. (CPGI)	Ultimate Parent
Pacific Meat Company, Inc. (PMCI)	Fellow Subsidiary
Columbus Seafoods Corporation (CSC)	Fellow Subsidiary
Yoshinoya Century Pacific, Inc. (YCPI)	Fellow Subsidiary
Century Pacific Vietnam Co., Ltd. (CPVL)	Fellow Subsidiary
CPG Holdings, Inc. (CHI)	Fellow Subsidiary
Rian Realty Corporation (RRC)	Fellow Subsidiary
Pacifica Agro Industrial Corp. (PAIC)	Fellow Subsidiary
Millennium Land Development Corporation (MLDC)	Fellow Subsidiary
Shinning Ray Limited (SRL)	Fellow Subsidiary
Pacific Pabahay Homes, Inc. (PPHI)	Fellow Subsidiary
Century Sino-Beverage Company Limited (CSBCL)	Fellow Subsidiary
Centrobless Corp. (CBC)	Fellow Subsidiary
Shakey's Asia Foods, Holding Inc. (SAFHI)	Fellow Subsidiary
Arthaland Corporation (ALCO)	Associate of a Fellow Subsidiary
Moresby International Holdings, Inc. (Moresby)	Joint venture of ultimate parent
Majestic Seafood Corporation	Related party through Moresby
DBE Project Inc. (DPI)	Fellow Subsidiary
Shakey's Pizza Asia Ventures, Inc. (SPAVI)	Fellow Subsidiary
Richard S. Po Foundation Inc. (RSPO)	Fellow Subsidiary
General Tuna Corporation (GTC)	Subsidiary
Snow Mountain Dairy Corporation (SMDC)	Subsidiary
Allforward Warehousing Inc. (AWI)	Subsidiary
Century Pacific Agricultural Venture Inc. (CPAVI)	Subsidiary
Century Pacific Seacrest, Inc. (CPSI)	Subsidiary
Centennial Global Corporation (CGC)	Subsidiary
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	Subsidiary
General Odyssey Inc (GOI)	Subsidiary
Century Pacific Solar Inc, (CP Solar)	Subsidiary
Cindena Resources Limited (CRL)	Subsidiary
Century (Shanghai) Trading Co. Ltd. (CST)	Subsidiary
Century International (China) Co. Ltd. (CIC)	Subsidiary
Century Pacific North America (CPNA)	Subsidiary



The summary of the Company's transactions and outstanding balances with related parties as at and for the years ended December 31, 2020 and 2019 is as follows:

Related Party Category	Notes	Amount of Transactions During the Year			Outstanding Receivable (Payable)		Remarks
		2020	2019	2018	2020	2019	
<b>Ultimate Parent Company</b>							
Dividends	24	<b>P 803,304,000</b>	P 401,652,000	P 437,238,467	<b>P -</b>	P -	
Rental expense	27	<b>22,288,456</b>	19,028,230	18,655,672	<b>(5,516,518)</b>	(1,696,684)	f
Sale of fixed assets		-	-	50,900	-	-	h
Service income	28	<b>107,746</b>	585,955	75,276	<b>30,195</b>	-	c
Miscellaneous deposit		<b>1,173,662</b>	26,338	-	<b>7,155,808</b>	5,982,146	f
<b>Fellow Subsidiaries</b>							
Shared services fee		<b>13,800,000</b>	14,199,999	49,982,780	-	-	d
Sale of inventories		<b>341,088,861</b>	304,329,072	254,378,627	<b>257,826,247</b>	245,086,725	a
Purchase of inventories		<b>80,036,909</b>	112,540,601	82,510,508	<b>(31,789,728)</b>	(17,287,546)	b
Service income	28	<b>42,034,242</b>	14,200,000	14,200,000	<b>849,150</b>	-	c
Shared cost reimbursement		<b>27,191,236</b>	29,886,276	37,265,875	-	-	c
Rental expense	27	<b>3,133,623</b>	3,095,988	4,158,603	-	-	f
Sale of fixed assets		<b>774,719</b>	19,976	-	-	-	h
<b>Subsidiaries</b>							
Shared services fee		<b>142,352,632</b>	101,721,611	75,995,317	-	-	d
Sale of inventories		<b>747,724,681</b>	691,298,133	1,250,366,607	<b>883,481,317</b>	1,467,314,629	a, i
Purchase of inventories		<b>12,947,671,950</b>	10,765,676,456	6,948,518,720	<b>(2,680,138,127)</b>	(655,255,352)	b
Cash advances		<b>750,500,000</b>	899,373,036	-	<b>583,407,218</b>	888,659,224	e
Service income	28	<b>136,546,489</b>	336,228,215	75,332,280	-	-	c
Miscellaneous deposit		-	-	-	<b>19,670,000</b>	-	
Shared cost reimbursement		<b>638,509,447</b>	435,533,841	387,662,381	-	-	c
Cash borrowings		-	-	-	<b>(50,000,000)</b>	(50,000,000)	e
Investment		<b>3,000,000</b>	-	-	<b>(3,000,000)</b>	-	a
Sale of assets		<b>17,613,612</b>	-	5,656,067	-	-	h
Rental expense	27	<b>129,681,227</b>	68,769,163	69,192,100	-	-	f
Dividend income	28	<b>1,096,449,791</b>	1,255,120,652	991,928,238	-	-	i
Rental income	28	-	-	572,512	-	-	f
Royalties		<b>1,321,903,515</b>	966,116,881	960,491,664	-	-	g
Purchase of fixed assets		<b>17,417,817</b>	1,392,919	-	-	-	h
<b>Retirement Fund</b>							
Contributions from the employer		<b>41,889,504</b>	41,889,504	41,889,504	-	-	
<b>Due from related parties</b>					<b>P1,752,419,935</b>	P2,607,042,724	
<b>Due to related parties</b>					<b>P2,770,444,373</b>	P 724,239,582	

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured, interest free and settlement occurs using cash or non-cash consideration. There have been no guarantees provided nor received for any related party receivables or payables. As at December 31, 2020 and 2019, no related party has recognized any impairment losses of receivables relating to amounts advanced to another related party. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

- The Company enters into sale transactions with fellow subsidiaries and subsidiaries for the distribution of products to certain areas where Management deems it necessary to establish customers. Sales are considered pass through sales, hence, they were made without mark-up.
- The Company purchases good from its related parties. These purchase transactions are pass through transactions, hence, they are made without mark-up, except for the goods purchased from SMDC, which are transferred at a certain mark-up.
- The Company shares cost with its related parties relating to repairs and maintenance, supplies, fees and dues, utilities and other operating expenses. Service income from related parties amounted to P178,688,477, P351,014,170 and P89,607,556, in 2020, 2019 and 2018, respectively, shown as part of service income in Note 28. Shared cost reimbursement from related parties amounted to P665,700,683, P465,420,117 and P424,928,256 in 2020, 2019, and 2018, respectively.



- d. The Company entered into a Master Service Agreement (MSA) with related parties to provide corporate office services. In accordance with the terms of the MSA, the Company provides management service for manpower, training and development. For and in consideration, thereof, the Company shall charge the related parties a shared service fee on a monthly basis for the services rendered.

The MSA shall be in effect from date of execution and shall automatically renew on a month-to-month basis, unless terminated by either party through the issuance of a written advice to that effect at least 30 days prior to the intended date of termination.

Shared services fee amounted to P156,152,632, P115,921,610 and P125,978,097 in 2020, 2019, and 2018, respectively.

- e. The Company, in the normal course of business, either provides to or borrows from its related parties funds for working capital requirements. These advances are non-interest bearing and short-term in nature. Included in the balance are advances to CPAVI to pay off its infrastructure expenses, GTC, CFPVI and AWI for operational purposes. As at December 31, 2020, the outstanding amount of these advances amounted to P583,407,217 and P888,659,224, respectively.

In addition, cash borrowing from CGC amounting to P50,000,000 was recognized in 2017. This is still outstanding as at December 31, 2020 and 2019.

- f. The Company, as a lessee, has a lease agreement with CPGI for the use of the latter's office space in Centerpoint, Ortigas. In 2020, 2019 and 2018, the Company has a lease agreement with AWI to house inventories in General Santos City. Total rental expense on lease agreements with related parties amounted to P155,103,306, P90,893,381 and P92,006,375 in 2020, 2018 and 2017, respectively.

- g. In 2014, the Company has entered into a Trademark Licensing Agreements whereby the "Licensor", CGC, granted to the Company the exclusive right to use the various trademarks for a nominal fee which amounts to P50,000,000 for each trademark used. In 2015, the agreements were terminated and resumed in 2016 under the new owner of the trademarks, CPSI. Total royalty fee to CPSI amounted to P1,321,903,515 and P966,116,881 and P960,491,664 in 2020, 2019 and 2018, respectively.

- h. In 2020 the company purchased property plant and equipment from CPAVI amounting to P17,417,817. While in 2019, the Company purchased property, plant and equipment from GTC and from CPAVI amounting to P1,077,079 and P315,840, respectively.

In 2018, the Company sold property, plant and equipment to CPGI for P50,900. The Company also purchased property, plant and equipment from GTC which amounted to P419,460 and from CPAVI which amounted to P5,236,607. While in 2020 the company sold property plant and equipment amounting to P17,613,612 to CPAVI. All property, plant and equipment are sold at carrying values.

- i. Total dividend income earned by the Company, related to the Company's investments to CPSI, for the years ended December 31, 2019, 2018, and 2017 amounted to P1,096,449,791, P1,255,120,652 and P991,928,238 respectively, as disclosed in Note 28



## Remuneration of Key Management Personnel

The remuneration of the Directors and other members of key management personnel of the Parent Company are set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2020	2019	2018
Short-term employee benefits	<b>P777,319,346</b>	P437,620,114	P393,784,821
Post-employment benefits	<b>26,346,154</b>	13,760,427	12,434,708
	<b>P803,665,500</b>	P451,380,541	P406,219,529

The short-term employee benefits of the key management personnel are included as part of compensation and other benefits in the statements of comprehensive income.

No share-based payments were made during 2020, 2019 and 2018.

## 20. RETIREMENT BENEFIT OBLIGATION

The Company is a participant to the Century Pacific Group of Companies Multi-employer Retirement fund, which is a non-contributory, and of the defined benefit type, which provides a retirement benefit ranging from 100% to 130% of plan salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with terms of the plan.

### Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at December 31, 2020 and 2019, respectively.

The Retirement Plan Trustee, as appointed by the Company in the Trust Agreement executed by the Company and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the retirement plan and the management of the retirement plan.

As at December 31, 2020 and 2019, the Company's retirement fund has investments in various shares of stocks under the stewardship of a reputable bank. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of the Company. The power to exercise the voting rights rests with the Board of Trustees.

The plan typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

### *Investment risk*

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan's investments are in the form of debt instruments of government security bonds, equity instruments and fixed income instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in government security bonds.



### Interest rate risk

A decrease in the government security bond interest rate will increase the retirement benefit obligation. However, this will be partially off-set by an increase in return in on the plan's debt investment.

### Longevity risk

The present value of the retirement benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

### Salary risk

The present value of the retirement benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The most recent actuarial valuations of plan assets and the present value of the retirement benefit obligation were carried out as at December 31, 2020 by an independent actuary.

The present value of the retirement benefit obligation and the related current service cost and past service cost was measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2020	2019
Discount rate	<b>3.95%</b>	5.24%
Expected rate of salary increases	<b>6.00%</b>	4.00%
Mortality rate	The 2001 CSO Table – Generational (Scale AA, Society of Actuaries)	

The Company's demographic information of its qualified employees is as follows:

	2020	2019
Average age	<b>35.7</b>	35.3
Average years of service	<b>6.5</b>	6.5

Amounts recognized in statements of comprehensive income in respect of this retirement benefit plan are as follows:

	2020	2019	2018
Service costs:			
Current service cost	<b>P 42,950,710</b>	P25,859,232	P27,519,290
Net interest expense	<b>5,190,437</b>	3,329,869	4,381,286
Components of retirement benefit costs recognized in profit or loss	<b>48,141,147</b>	29,189,101	31,900,576
Actuarial gains and losses:			
from changes in financial assumptions	<b>251,564,756</b>	76,693,286	(52,032,117)
from experience adjustments	<b>119,362,685</b>	9,904,494	20,868,136
Loss (Gain) on plan assets net of amounts included in net interest expense	<b>14,354,132</b>	(18,058,705)	11,798,688
Components of retirement benefit costs recognized in other comprehensive income	<b>385,281,573</b>	68,539,075	(19,455,293)
	<b>P433,422,720</b>	P97,728,176	P12,445,283



The retirement expense was recognized as part of cost of goods sold and operating expenses as shown below:

	2020	2019	2018
Cost of goods sold	<b>P 6,004,675</b>	P 4,043,056	P 3,632,005
Operating expenses	<b>42,136,472</b>	25,146,045	28,268,571
	<b>P48,141,147</b>	P29,189,101	P31,900,576

The amounts included in the statements of financial position arising from the Company's defined benefit retirement plan are as follows:

	2020	2019
Present value of defined benefit obligation	<b>P815,845,521</b>	P367,193,554
Fair value of plan assets	<b>(286,464,174)</b>	(249,510,999)
	<b>P529,381,347</b>	P117,682,555

Movements in the present value of defined benefit obligations are as follows:

	2020	2019
Balance, January 1	<b>P367,193,554</b>	P243,077,292
Current service cost	<b>42,950,710</b>	18,303,720
Interest expense	<b>19,240,942</b>	25,859,232
Benefits paid	<b>(4,632,702)</b>	(6,644,470)
Transfer To/From the Plan	<b>20,165,576</b>	-
Actuarial loss (gains) arising from:		
Changes in financial assumptions	<b>251,564,756</b>	76,693,286
Experience adjustments	<b>119,362,685</b>	9,904,494
Balance, December 31	<b>P815,845,521</b>	P367,193,554

Movements in the fair value of plan assets are as follows:

	2020	2019
Balance, January 1	<b>P249,510,999</b>	P181,233,409
Interest income	<b>14,050,505</b>	14,973,851
Contributions from the employer	<b>41,889,504</b>	41,889,504
Benefits paid	<b>(4,632,702)</b>	(6,644,470)
Remeasurement gain (loss) on plan assets	<b>(14,354,132)</b>	18,058,705
Balance, December 31	<b>P286,464,174</b>	P249,510,999

The following are the composition of plan assets as at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	<b>1.93%</b>	9.28%
Debt instruments - government bonds	<b>64.69%</b>	65.23%
Debt instruments - other bonds	<b>2.34%</b>	3.43%
Unit investment trust funds (UITF)	<b>24.61%</b>	18.60%
Others (market gains or losses, accrued receivables)	<b>6.43%</b>	3.46%
	<b>100.00%</b>	100.00%

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

The Retirement Plan Trustee has no specific matching strategy between the plan assets



and the plan liabilities.

Actual return on plan assets in 2020 and 2019 are as follows:

	<b>2020</b>	2019
Interest income	<b>P14,050,505</b>	P14,973,851
Remeasurement gains (losses) on plan assets	<b>(14,354,132)</b>	18,058,705
<b>Actual return</b>	<b>(P 303,627)</b>	P33,032,556

Movement in the OCI relating to retirement obligation in 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019	2018
Accumulated OCI, January 1	<b>P 88,327,909</b>	P40,350,556	P53,969,261
Actuarial losses (gains) on defined benefit obligation	<b>370,927,441</b>	86,597,780	(31,163,981)
Remeasurement losses (gains) on plan assets	<b>14,354,132</b>	(18,058,705)	11,708,688
	<b>385,281,573</b>	68,539,075	(19,455,293)
Deferred tax	<b>115,584,472</b>	20,561,722	5,836,588
OCI, net of tax	<b>269,697,101</b>	47,977,353	(13,618,705)
Accumulated OCI, December 31	<b>P358,025,010</b>	P88,327,909	P40,350,556

Significant actuarial assumptions for the determination of the retirement benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
<b>2020</b>		
Discount rate	<b>+100 basis points</b>	<b>111,933,094</b>
	<b>-100 basis points</b>	<b>(92,393,487)</b>
Expected salary growth rate	<b>+100 basis points</b>	<b>108,428,294</b>
	<b>-100 basis points</b>	<b>(91,552,406)</b>
<b>2019</b>		
Discount rate	+100 basis points	37,195,452
	-100 basis points	(44,453,110)
Expected salary growth rate	+100 basis points	44,564,309
	-100 basis points	(37,934,865)

The sensitivity analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The weighted average duration of the plan is calculated as 12.5 years and expected future contribution for 2020 is P41,889,504.

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan.





The Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the Retirement Fund.

## 21. SHARE-BASED PAYMENTS

### Employee Stock Purchase Plan (ESPP or Plan)

The ESPP gives benefit-eligible employees an opportunity to purchase the common stock of the Company at a price lower than the fair market value of the stock at grant date. The benefit-eligible employee must be a regular employee of the Company who possesses a strong performance record. The benefit-eligible employee shall be given the option to subscribe or purchase up to a specified number of shares at a specified option price set forth in which they have the option to participate or not. There are designated ESPP purchase periods and an employee may elect to contribute an allowable percentage of the base pay through salary deduction.

The Plan took effect upon the shareholder's approval on September 26, 2014 and was approved by the SEC on December 19, 2014.

On June 3, 2015, the Company's BOD authorized to amend the existing ESPP to increase the underlying shares from 3,269,245 shares to 8,269,245 shares and was approved by the SEC on May 31, 2016.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at the previous annual general meeting and is subject to approval by the remuneration committee.

As at December 31, 2020, 2019 and 2018, the aggregate number of shares that may be granted to any single individual during the term of the ESPP in the form of stock purchase plans shall be determined as follows:

Level	Maximum Share Allocated
Vice-President or Board members	<b>40,000</b>
Assistant Vice-Presidents	<b>18,333</b>
Managers	<b>6,000</b>
Supervisor	<b>2,500</b>
Rank and File	<b>1,250</b>
	<b>68,083</b>

Details of the share options outstanding during the year are as follows.

	2020		2019	
	Number of share options	Weighted Average exercise price in PHP	Number of share options	Weighted Average exercise price in PHP
Outstanding at beginning of year	<b>4,213,145</b>	<b>14.41</b>	4,213,145	14.41
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<b>4,213,145</b>		4,213,145	
Exercisable at the end of the year	<b>4,213,145</b>		4,213,145	



Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at P14.10 per share, 400,000 at P16.54 per share, 1,059,200 shares at P14.82 per share and 1,367,200 shares at P13.75 per share for a total of P17,338,770, P6,616,000, P15,694,380 and P18,779,000 in 2017, 2016, 2015 and 2014. There were no share options offered for purchase or subscription from the management in 2020, 2019, and 2018. Accordingly, the share options has no expiry if the employee is eligible and will exercise the right to purchase or subscribe specified number of shares at a specified option price once offer is available.

In 2018, the Company recognized share based compensation expense and an adjustment to share based compensation reserves which amounted to P8,650,722 and P112,915, respectively.

## 22. EMPLOYEE BENEFITS

Aggregate remuneration charged to profit or loss consists of the following:

	2020	2019
Cost of goods sold:		
Short-term benefits	<b>P1,224,408,596</b>	P 767,506,569
Post-employment benefits	<b>6,004,675</b>	4,043,057
	<b>1,230,413,271</b>	771,549,626
Operating expenses:		
Short-term benefits	<b>1,220,701,235</b>	781,067,153
Post-employment benefits	<b>42,136,472</b>	25,146,045
	<b>1,262,837,707</b>	806,213,198
	<b>P2,493,250,978</b>	P1,577,762,824

## 23. SHARE CAPITAL

	2020		2019	
	Number of Shares	Amount	Number of Shares	Amount
Authorized:				
At P1 par value	<b>6,000,000,000</b>	<b>P6,000,000,000</b>	6,000,000,000	P6,000,000,000
Issued, fully-paid and outstanding:				
Balance, January 1	<b>3,542,258,595</b>	<b>P3,542,258,595</b>	3,542,258,595	P3,542,258,595
Issuances				
Balance, December 31	<b>3,542,258,595</b>	<b>P3,542,258,595</b>	3,542,258,595	P3,542,258,595

The Company declared cash dividends amounting to P1,275,213,094 and P637,606,547 on June 30, 2020 and July 1, 2019, as disclosed in Note 24.

The Company has one class of common shares which carry one vote per share and carry a right to dividends. Share premium as at December 31, 2020 and 2019 amounted to balance amounting to P4,936,859,146 which pertains to the excess proceeds from issuance of share capital over the par value, net of issuance cost.

In 2018, the Board of Directors authorized to appropriate P1,313,000,000 of the total unappropriated retained earnings for capital expenditures, specifically for the construction of a new tuna plant, corporate projects and other projects in connection with the canned meat, sardines and mixed business of the Company. In 2019, the Board of Directors authorized the reversal of the appropriated retained earnings amounting P153,644,352 for the related projects. In 2020, the Board of Directors authorized the reversal of the appropriated retained earnings amounting P84,894,739 for the related projects.



## 24. DIVIDENDS

On July 3, 2018, a cash dividend was declared by the Company's Board of Directors to stockholders of record as of July 17, 2018 for a total amount of P637,606,547.

On July 1, 2019, a cash dividend was declared by the Company's Board of Directors to stockholders of record as of July 31, 2019 for a total amount of P637,606,547 on all ordinary shares of issued and outstanding.

On June 30, 2020, a cash dividend was declared by the Company's Board of Directors to stockholders of record as of July 30, 2020 for a total amount of P1,275,213,094.

The Company declared the following dividends to its equity shareholders:

	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Dividends Per Share</b>	<b>Total Dividends</b>
<b>2020</b>				
<b>Cash dividends</b>	<b>June 30, 2020</b>	<b>July 30, 2020</b>	<b>P0.36</b>	<b>P1,275,213,094</b>
Total dividends declared				<b>P1,275,213,094</b>
<b>2019</b>				
Cash dividends	July 1, 2019	July 31, 2019	P0.18	P637,606,547
Total dividends declared				P637,606,547
<b>2018</b>				
Cash dividends	July 3, 2018	July 17, 2018	P0.18	P637,606,547
Total dividends declared				P637,606,547

Of the total cash dividend declared, the dividends paid to CPGI in 2020 and 2019 amounted to P803,304,000 and P401,652,000 respectively, as disclosed in Note 19.

Of the total cash dividend declared, P1,275,186,440, P637,606,547, and P637,606,547, was paid on August 14, 2020, August 16, 2019 and August 1, 2018, respectively.

## 25. NET SALES

Details of the net sales follow:

	<b>2020</b>	2019	2018
Sales	<b>P45,529,840,251</b>	P36,769,084,860	P32,611,455,042
Sales discount	<b>(3,147,523,008)</b>	(2,733,388,778)	(2,365,852,844)
Variable considerations	<b>(1,057,700,617)</b>	(787,223,287)	(867,244,898)
Considerations payable to a customer	<b>(2,365,300,017)</b>	(1,894,624,696)	(1,471,618,884)
<b>P38,959,316,609</b>		P31,353,848,099	P27,906,738,416

Details of the variable considerations and considerations payable to a customer are shown below:

	<b>2020</b>	2019	2018
<b>Variable considerations:</b>			
Sales discounts and returns	<b>P 451,016,315</b>	P420,590,572	P529,321,758
Contractual trade terms	<b>425,849,701</b>	251,665,398	283,336,090
Price adjustments	<b>60,530,573</b>	12,638,731	26,595,727
Prompt payment	<b>120,304,028</b>	102,328,586	27,991,323
<b>P1,057,700,617</b>		P787,223,287	P867,244,898
<b>Considerations payable to a customer:</b>			
Trade promotions	<b>P2,120,921,527</b>	P1,660,455,343	P1,311,630,849
Display allowance	<b>88,470,922</b>	84,698,257	87,688,787
Distribution program	<b>46,987,541</b>	62,032,552	37,649,462
Other trade promotions	<b>108,920,027</b>	87,438,544	34,649,786
<b>P2,365,300,017</b>		P1,894,624,696	P1,471,618,884



Of the total sales, P173,407,435, P31,880,603 and P17,193,582 pertains to sales to China, America and Vietnam respectively.

## 26. COST OF GOODS SOLD

The components of cost of goods sold are as follows:

	Note	2020	2019	2018
Raw materials, beginning	9	<b>P 1,840,288,599</b>	P 2,749,228,412	P 1,470,911,506
Purchased raw materials		<b>25,037,383,046</b>	14,005,217,052	16,230,915,446
RM non-production receipts/(issuance), net		<b>534,375,132</b>	(870,954,775)	871,451,153
Raw materials, ending	9	<b>(5,227,344,201)</b>	(1,840,288,599)	(2,749,228,412)
Raw materials, used		<b>22,184,702,576</b>	14,043,202,090	15,824,049,693
Direct labor		<b>1,053,096,216</b>	659,276,294	706,422,740
Factory overhead		<b>2,280,874,033</b>	1,593,927,859	1,533,432,174
Provision for inventory obsolescence	9	<b>60,562,965</b>	33,984,264	39,226,263
Total manufacturing cost		<b>25,579,235,790</b>	16,330,390,507	18,103,130,870
Work-in-process, beginning	9	<b>66,097,125</b>	29,503,706	3,722,130
Work-in-process, ending	9	<b>(145,873,484)</b>	(66,097,125)	(29,503,706)
Total finished goods manufactured		<b>25,499,459,431</b>	16,293,797,088	18,077,349,294
Finished goods, beginning	9	<b>3,720,559,152</b>	3,762,218,029	2,697,378,020
Finished goods, purchased		<b>6,529,050,601</b>	8,934,516,264	5,455,266,779
Cost of goods available for sale		<b>35,749,069,184</b>	25,228,313,352	23,532,616,073
Finished goods, issuance		<b>(30,856,596)</b>	(118,384,388)	(50,669,634)
Finished goods, ending	9	<b>(5,156,236,784)</b>	(3,720,559,152)	(3,762,218,029)
		<b>P30,561,975,804</b>	P25,151,587,841	P22,417,106,430

Direct labor includes salaries and employee benefits incurred from contractual and permanent employees while factory overhead includes employee benefit expenses.

## 27. OPERATING EXPENSES

The components of operating expenses are as follows:

	Notes	2020	2019	2018
Advertising trade promotions		<b>P1,793,669,826</b>	P1,354,090,000	P1,220,107,886
Freight		<b>1,520,819,953</b>	1,279,881,446	1,053,896,275
Royalties	16, 19	<b>1,343,543,423</b>	984,161,760	975,717,325
Salaries and employee benefits	22	<b>1,262,837,707</b>	806,213,198	721,190,882
Professional fees		<b>148,113,619</b>	118,391,679	114,210,504
Outside manpower		<b>111,033,660</b>	87,153,958	89,429,887
Repairs and maintenance		<b>109,388,386</b>	99,266,658	66,363,398
Depreciation		<b>107,284,103</b>	109,563,807	42,310,891
Utilities		<b>80,463,972</b>	42,697,131	71,406,308
Travel and entertainment		<b>78,789,096</b>	143,700,650	146,815,213
Rental	30	<b>68,619,617</b>	68,360,132	138,250,139
Supplies		<b>52,992,892</b>	63,382,232	56,224,345
Taxes and licenses		<b>48,967,384</b>	93,759,779	31,818,545
Amortization	16	<b>21,515,840</b>	21,515,840	21,515,840
Insurance		<b>14,992,259</b>	12,759,702	10,795,052
Provision for expected credit losses	8	<b>9,270,257</b>	1,827,819	4,912,152
Others		<b>54,949,766</b>	37,441,534	14,607,779
		<b>P6,827,251,760</b>	P5,324,167,325	P4,779,572,421

Others pertain to subscriptions, donations in cash and in-kind and other fees and dues.



## 28. OTHER INCOME

The components of other income are as follows:

	Notes	2020	2019	2018
Dividend income	19	<b>P1,096,449,791</b>	P1,255,120,652	P 991,928,238
Service income	19	<b>178,688,477</b>	351,014,170	89,607,556
Sale of scrap		<b>162,221,854</b>	168,274,330	77,461,854
Shared services fee	19	<b>156,152,632</b>	115,921,610	125,978,097
Interest income	7, 8	<b>32,624,026</b>	5,841,646	2,451,573
Supplier's incentive		<b>25,744,687</b>	38,404,412	-
Reversal of accruals		<b>11,920,798</b>	67,899,605	71,759,813
Gain on disposal of property, plant and equipment	13	-	2,360,072	-
Foreign exchange gain		-	-	52,593,048
Write-off of allowance for inventory obsolescence	9	-	-	28,616,691
Rental income	19, 30	-	-	572,512
Others		<b>45,095,391</b>	38,842,529	18,965,300
		<b>P1,708,897,656</b>	P2,043,679,026	P1,459,934,682

Reversal of accruals pertain to long outstanding liability to third party vendors.

Miscellaneous income pertains to proceeds on sale of dented stocks, price/payment and rounding differences, and other miscellaneous income.

## 29. OTHER EXPENSES

The components of other expenses are as follows:

	Notes	2020	2019	2018
Provision for inventory obsolescence	9	<b>P155,575,005</b>	P 73,975,168	P 22,065,037
Foreign exchange loss		<b>72,612,640</b>	47,284,531	-
Supplier charges		<b>70,094,184</b>	69,533,065	4,550,606
Documentary stamp tax		<b>15,382,945</b>	12,106,750	19,499,893
Allocated input for government sales		<b>10,478,594</b>	26,287,790	16,873,126
Investment loss on investment in subsidiaries	11	<b>6,488,448</b>	20,611,224	65,156,584
Bank charges		<b>1,121,781</b>	983,879	753,169
Loss on disposal of property, plant and equipment	13	<b>249,357</b>	-	1,502,080
Others		<b>31,686,955</b>	22,604,986	10,812,746
		<b>P363,689,909</b>	P273,387,393	P141,213,241

Others pertain to penalties, surcharges and unutilized creditable withholding taxes.



### 30. LEASE LIABILITIES

The Company leased warehouses, office spaces, plant and equipment under finance leases. The average lease term is 1 to 10 years. The Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's lease liabilities are secured by the lessors' title to the leased assets.

Rental expenses charged to cost of goods sold under factory overhead and operating expenses in relation to short-term and low value leases are recognized as follows:

	2020	2019
Cost of goods sold – rental expense	<b>P256,777,280</b>	P224,409,010
Operating expenses – rental expense	<b>68,619,617</b>	68,360,132
Other expenses – rental expense	<b>2,810,542</b>	5,269,767
<b>Total Rental Expense</b>	<b>P328,207,439</b>	P298,038,909

The lease liabilities of the Company in relation to the right of use assets recorded in accordance to PFRS 16 based on undiscounted cashflows fall due as follows:

	2020	2019
Not later than one year	<b>P 297,840,724</b>	P186,379,185
Later than one year but not later than five years	<b>784,742,042</b>	401,868,014
Later than five years	<b>662,998,147</b>	61,726,865
<b>Present value of lease liabilities</b>	<b>P1,745,580,913</b>	P649,974,064

Presented in the statements of financial position as:

	2020	2019
Current	<b>P 224,809,949</b>	P155,434,672
Non-Current	<b>1,152,852,126</b>	408,027,763
<b>Total Lease Liabilities</b>	<b>P1,377,662,075</b>	P563,462,435

Incremental borrowing rates underlying all obligations are fixed at respective contract dates ranging from 5.35% to 7.20% in 2020. Total finance costs for these leases amounting to P60,689,914 and P35,066,250 in 2020 and 2019 respectively was included as part of finance costs presented in the statements of comprehensive income.

Escalation clause ranges from 5% to 8% every two years. As at December 31, 2020 and 2019, total refundable security deposits recognized as part of other non-current assets amounted to P56,605,734 and P52,045,948, respectively, as disclosed in Note 15.

The total cash outflow for leases amounted to P266,596,252 and P166,662,539 in 2020 and 2019 respectively.



**31. INCOME TAXES**

	<b>Note</b>	<b>2020</b>	2019	2018
Current income tax		<b>P767,889,973</b>	P444,799,386	P365,382,344
Deferred tax benefit	32	<b>(288,003,568)</b>	(116,416,009)	(107,876,860)
		<b>P479,886,405</b>	P328,383,377	P257,505,484

A numerical reconciliation between tax expense and the product of accounting income multiplied by 30% is shown below:

	<b>2020</b>	2019	2018
Accounting income	<b>P2,695,948,722</b>	P2,352,362,995	P1,847,986,846
Tax at 30%	<b>P 808,784,617</b>	P 705,708,899	P 554,396,054
Tax effects of:			
Interest income subject to final tax	<b>(9,618,933)</b>	(1,550,531)	(551,794)
Other non-deductible expenses	<b>9,655,658</b>	761,205	1,239,695
Dividend income exempted from tax	<b>(328,934,937)</b>	(376,536,196)	(297,578,471)
	<b>P 479,886,405</b>	P 328,383,377	P 257,505,484



## 32. DEFERRED TAXES

### Deferred Tax Assets

The following are the composition of deferred tax assets recognized by the Company:

	Allowance for impairment of investment	Provision for inventory obsolescence	Allowance for doubtful accounts	Accrued expenses	Finance Lease Liability	Retirement benefit obligation	Unamortized past service cost	Unrealized foreign exchange loss	Total
Balance, January 1, 2019	P 9,546,975	P17,936,992	P21,484,138	P 70,064,855	P -	P 18,553,166	P12,759,100	P 14,877,857	P175,223,083
Charged to profit or loss for the year	6,183,367	19,904,073	(11,142,573)	108,237,297	6,258,275	(3,810,121)	2,556,543	(11,770,852)	116,416,009
Charged to other comprehensive income	-	-	-	-	-	20,561,723	-	-	20,561,723
Balance, December 31, 2019	25,730,342	37,841,065	10,341,565	178,302,152	6,258,275	35,304,768	15,315,643	3,107,005	312,200,815
Charged to profit or loss for the year	1,946,534	23,912,135	(1,562,649)	246,878,629	6,479,997	1,875,493	(2,539,079)	11,012,508	288,003,568
Charged to other comprehensive income	-	-	-	-	-	115,584,472	-	-	115,584,472
<b>Balance, December 31, 2020</b>	<b>P27,676,876</b>	<b>P61,753,200</b>	<b>P 8,778,916</b>	<b>P425,180,781</b>	<b>P12,738,272</b>	<b>P152,764,733</b>	<b>P12,776,564</b>	<b>P14,119,513</b>	<b>P715,788,855</b>





### 33. EARNINGS PER SHARE

The Company computes its basic earnings per share by dividing profit for the years attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit for the years attributable to ordinary equity holders and the weighted average number of shares outstanding are adjusted for the effects of dilutive potential ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	2020	2019	2018
Profit for the year	<b>P2,216,062,317</b>	P2,023,979,618	P1,590,481,362
Weighted average number of shares: Issued and outstanding	<b>3,542,156,120</b>	3,542,156,120	3,542,156,120
Basic and diluted earnings per share	<b>P 0.62</b>	P 0.57	P 0.45

The calculation of weighted average number of shares is shown below:

	2020	2019	2018
January 1, Balance	<b>P3,542,156,120</b>	P3,542,156,120	P3,542,156,120
Weighted average number of shares: Issued for the year	-	-	-
December 31, Balance	<b>P3,542,156,120</b>	P3,542,156,120	P3,542,156,120

As at December 31, 2020, 2019 and 2018, the Company has no potential dilutive shares, accordingly, basic earnings per share of P0.63, P0.57 and P0.45, respectively, are the same as diluted earnings per share.

### 34. CAPITAL COMMITMENTS AND CREDIT FACILITIES

#### *Capital commitments*

As at December 31, 2020 and 2019, the Company's total construction-in progress amounted to P164,584,126 and P465,211,048 respectively, as disclosed in Note 13. The remaining capital project cost of the construction-in progress is estimated at P415,190,615 as at December 31, 2020 and its expected project completion date is second quarter of 2021. The Company shall finance the remaining estimated cost from internally generated cash from operations.

#### *Credit facilities*

As at December 31, 2020 and 2019, the Company has committed and unsecured revolving credit facility agreements with various financial institutions for general corporate funding requirements totaling P10,551,000,000 of which P3,134,000,000 and 4,453,000,000 was already used in 2020 and 2019, respectively, as disclosed in Note 18.



### 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Management considered that the carrying amounts of financial assets and liabilities recognized in the financial statements approximate their fair values as shown below:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P 810,004,353	P 810,004,353	P1,029,937,605	P1,029,937,605
Trade and other receivables*	4,830,292,027	4,830,292,027	4,828,124,504	4,828,124,504
Due from related parties	1,752,419,935	1,752,419,935	2,607,042,724	2,607,042,724
Security deposits	56,605,734	56,605,734	52,045,948	52,045,948
Deposits on utilities	5,146,724	5,146,724	1,725,792	1,725,792
	<b>P 7,454,468,773</b>	<b>P 7,454,468,773</b>	<b>P8,518,876,573</b>	<b>P8,518,876,573</b>
<b>Financial Liabilities</b>				
Trade and other payables**	P 7,049,755,329	P 7,049,755,329	P3,971,219,999	P3,971,219,999
Borrowings	3,134,000,000	3,134,000,000	4,453,000,000	4,453,000,000
Due to related parties	2,770,444,373	2,770,444,373	724,239,582	724,239,582
	<b>P12,954,199,702</b>	<b>P12,954,199,702</b>	<b>P9,148,459,581</b>	<b>P9,148,459,581</b>

\*The trade and other receivables exclude the advances to suppliers, advances to officers and employees, and other statutory receivables as disclosed in Note 8.

\*\*The trade and other payables are net of government liabilities as disclosed in Note 17.

As at December 31, 2020 and 2019, the total statutory receivables amounted to P2,686,697 and nil respectively, presented as part of others in Note 8.

As at December 31, 2020 and 2019, government liabilities that were excluded amounted to P196,471,027 and P211,987,799 respectively, presented as part of trade and other payables in Note 17.

Fair values were determined using the fair value hierarchy below:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 2020 and 2019, the fair values of cash and cash equivalents, trade and other receivables, due from related parties and financial liabilities were determined under level 2 criteria which were derived from inputs other than quoted prices included within level 1. Fair values of security deposit, and deposits on utilities were determined under level 3.

The Management considers that the carrying amounts of financial assets and liabilities recognized in the financial statement approximate their fair values. Further, there has been no change to the valuation technique during the year.



## 36. FINANCIAL RISK MANAGEMENT

### Financial Risk Management Objectives and Policies

The Company is exposed to financial risks such as market risk which includes foreign exchange risk and fair value interest rate risk, credit risk and liquidity risk. The Company's policies and objective in managing these risks are summarized below:

#### Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

#### *Foreign currency exchange risk*

Foreign currency exchange risk arises when an investment's value changing due to changes in currency exchange rate. The Company undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arose. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company seeks to mitigate its foreign currency risk exposures by mitigating its costs at consistent levels, regardless of any upward or downward movements in the foreign currency exchange rates.

The net carrying amount of the Company's foreign currency (USD) denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	2020	2019
Cash and cash equivalents	<b>P 67,446,160</b>	P132,747,171
Trade and other receivables	<b>5,843,776,758</b>	434,628,489
Trade and other payables	<b>(3,706,617,676)</b>	(260,560,686)
	<b>P2,204,605,242</b>	P306,814,974

The following table details the Company's sensitivity to a 5.65% increase and decrease in the functional currency of the Company against the US dollar. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 5.65% and it represents Management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5.65% change in foreign currency rate.

The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit and other equity when the functional currency of the Company strengthens 5.65% against the relevant currency.

For a 5.65% weakening of the functional currency of the Company against the relevant currency, there would be an equal and opposite impact on the profit as shown below:

	2020 Effect in profit and loss	2019 Effect in profit and loss
Cash and cash equivalents	<b>(P 3,810,711)</b>	(P 7,500,215)
Trade and other receivables	<b>(330,173,387)</b>	(24,556,510)
Trade and other payables	<b>2,094,238,987</b>	14,721,679
	<b>P1,760,254,889</b>	(P17,335,046)



### *Interest rate risk*

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to cash and cash equivalents, advances to employees and borrowings. Interest rates are disclosed in Notes 7, 8, and 18, respectively. These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on profit or loss of the Company.

The Company has no established policy for managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Company's financial performance. Further, Management assessed that the sensitivity analysis is not a representative of the interest rate risk.

### *Credit risk*

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company trades only with recognized, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and when appropriate, credit guarantee insurance cover is purchased. The remaining financial assets does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no concentration of credit risk to any other counterparty at any time during the year.

The table below shows the Company's maximum exposure to credit risk:

	<b>2020</b>	2019
Cash in banks and cash equivalents	<b>P 810,004,353</b>	P1,029,937,605
Trade and other receivables	<b>4,830,292,027</b>	4,828,124,503
Due from related parties	<b>1,752,419,935</b>	2,607,042,724
Security deposits	<b>56,605,734</b>	52,045,948
Deposits on utilities	<b>5,146,724</b>	1,725,792
	<b>P7,454,468,773</b>	P8,518,876,572

The amount of trade receivables presented is gross of collections received for which was not yet applied to individual customer balances amounting to P166,883,342 and P111,700,724 as at December 31, 2020 and 2019, respectively.



In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain the Company's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is more than one year past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount
<b>2020</b>							
Trade receivables	8.	N/A	(i)	Lifetime ECL	<b>P4,795,344,882</b>	<b>(P29,263,055)</b>	<b>P4,766,081,827</b>
Other receivables	8.	N/A	Performing	12m ECL	<b>64,210,200</b>	-	<b>64,210,200</b>
Due from related parties	19.	N/A	Performing	12m ECL	<b>1,752,419,935</b>	-	<b>1,752,419,935</b>
Security deposits	15.	N/A	Performing	12m ECL	<b>56,605,734</b>	-	<b>56,605,734</b>
Deposits on utilities	15.	N/A	Performing	12m ECL	<b>5,146,724</b>	-	<b>5,146,724</b>
					<b>P6,673,727,475</b>	<b>(P29,263,055)</b>	<b>P6,644,464,420</b>
<b>2019</b>							
Trade receivables	8.	N/A	(i)	Lifetime ECL	P4,697,809,643	(P34,471,884)	P4,663,337,759
Other receivables	8.	N/A	Performing	12m ECL	164,786,744	-	164,786,744
Due from related parties	19.	N/A	Performing	12m ECL	2,607,042,724	-	2,607,042,724
Security deposits	15.	N/A	Performing	12m ECL	52,045,948	-	52,045,948
Deposits on utilities	15.	N/A	Performing	12m ECL	1,725,792	-	1,725,792
					P7,523,410,851	(P34,471,884)	P7,488,938,967

- (i) For trade receivables, the Company has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers group under "others" from over 120 days. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 8 includes further details on the loss allowance for these assets respectively.



	Past Due Account but Not Impaired						Impaired Financial Assets	Total
	Neither Past Due nor Impaired	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due			
<b>2020</b>								
Trade and other receivables	P2,939,909,427	P1,164,871,234	P359,833,895	P 78,008,803	P287,668,668	P -	P4,830,292,027	
Due from related parties	881,635,405	79,644,941	117,459,217	200,940,687	472,739,685	-	1,752,419,935	
Security deposits	56,605,734					-	56,605,734	
Deposits on utilities	5,146,724					-	5,146,724	
	<b>P3,883,297,290</b>	<b>P1,244,516,175</b>	<b>P477,293,112</b>	<b>P278,949,490</b>	<b>P760,408,353</b>	<b>P -</b>	<b>P6,644,464,420</b>	

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

*High Grade* - applies to highly rated financial obligors and strong corporate counterparties.

*Satisfactory Grade* - applies to financial assets that are performing as expected, including loans and advances to small and medium sized entities and recently established businesses.

*Acceptable Grade* - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

*Low grade* - applies to risks that are neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

Trade and other receivables, security deposits, and deposits on utilities were assessed by Management as standard grade as these are realized within the normal terms.

#### Liquidity risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of these financial liabilities, based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Not past due	1-30 days past due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Total
<b>2020</b>							
Trade and other payables	0%	P 6,803,474,995	P118,425,709	P 1,275,898	P 23,414,071	P 103,164,656	P 7,049,755,329
Borrowings	4.28%	3,148,464,867	-	-	-	-	3,148,464,867
Due to related parties	0%	1,104,717,766	131,692,672	29,523,314	231,105,872	1,273,404,749	2,770,444,373
		<b>P11,056,657,628</b>	<b>P250,118,381</b>	<b>P 30,799,212</b>	<b>P254,519,943</b>	<b>P1,376,569,405</b>	<b>P12,968,664,569</b>
<b>2019</b>							
Trade and other payables	0%	P 3,096,546,698	P517,131,407	P163,612,279	P 87,920,092	P 106,009,523	P 3,971,219,999
Borrowings	3.28%	1,429,741,349	-	-	-	3,086,500,000	4,516,241,349
Due to related parties	0%	593,125,770	59,072,045	10,753,694	5,392,046	55,896,027	724,239,582
		<b>P 5,119,413,817</b>	<b>P576,203,452</b>	<b>P174,365,973</b>	<b>P 93,312,138</b>	<b>P3,248,405,550</b>	<b>P 9,211,700,930</b>

The difference between the carrying amount of trade and other payables disclosed in the statements of financial position and the amount disclosed in this note pertains to government liabilities, due to employees and officers and other payables that are not considered financial liabilities.



### 37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to increase the value of shareholder's investment and maintain high growth by applying free cash flows to selective investments that would further the Company's growth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. The Company's overall strategy remains unchanged from 2017.

The Board of Directors has overall responsibility for monitoring working capital in proportion to risk. Financial analytical reviews are made and reported in the Company's financial reports for the Board of Directors' review on a regular basis. In case financial reviews indicate that the working capital sourced from the Company's own operations may not support future operations of projected capital investments, the Company obtains financial support from its related parties.

The Company's management aims to maintain certain financial ratios that it deems prudent such as debt-to-equity ratio (not to exceed 2.5:1) and current ratio (at least 1.0:1). The Company regularly reviews its financials to ensure the balance between equity and debt is monitored.

In addition, when the Company is able to meet its targeted capital ratios and has a healthy liquidity position, the Company aims to pay dividends to its shareholders of up to 30% of previous year's net income.

The Company's total liabilities and total equity as at December 31, 2020 and 2019 are as follows:

	2020	2019
Total liabilities	<b>P15,140,241,377</b>	P10,041,183,144
Total equity	<b>15,115,686,188</b>	14,444,534,066
Debt-to-equity ratio	<b>1.00:1</b>	0.70:1

### 38. EVENTS AFTER THE REPORTING PERIOD

On March 26, 2021, the President signed into law the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE Act introduces reforms in the areas of corporate income tax, value-added tax, and tax incentives, aside from providing COVID-19 related reliefs to taxpayers.

Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate.

The significant estimated effects of the changes computed without regard to the specific date when specific sales, purchases and other transactions occur as provided for under Section 27(A) of the CREATE Act are as follows:

	As of December 31, 2020	Under the CREATE bill	Impact
Income tax expense	P767,889,974	P703,182,733	P64,707,241
Income tax payable	82,527,226	17,819,985	64,707,241
Prepaid income tax	685,362,748	685,362,748	-
Deferred tax assets	715,788,855	682,156,519	33,632,336



**39. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010**

The following supplementary information are presented for purposes of filing with the BIR and are not required part of the basic financial statements.

*Output VAT*

Details of the Company's output VAT declared during 2020 are as follows:

	Vatable	Zero-rated	VAT-exempt	Total
Vatable Sales-Private	<b>P38,935,341,635</b>	<b>P3,179,280,873</b>	<b>P450,269,089</b>	<b>P42,564,891,597</b>
Sales to Government	<b>166,137,744</b>			<b>166,137,744</b>
Revenue	<b>39,101,479,379</b>			
VAT rate	<b>12%</b>			
<b>Output</b>	<b>P4,692,177,525</b>			

The Company is entitled to zero-rated VAT on its sale of goods to customers outside of the Philippines.

*Input VAT*

Details of the Company's input VAT declared during 2020 are as follows:

Balance, January 1	
Add: Current year's domestic purchases/payments for:	
Input tax on imported goods	<b>P 468,059,457</b>
Goods for resale/manufacture or further processing/other accounts	<b>2,305,169,335</b>
Goods other than for resale or manufacture	<b>1,046,575,010</b>
Capital goods subject to amortization	<b>9,352,995</b>
Total available input VAT	<b>P3,829,156,797</b>
Less: Claims for:	
Tax credit	<b>3,811,640,200</b>
<b>Balance, December 31</b>	<b>P 17,516,597</b>

*Taxes on importation of goods*

Total landed cost of importation in 2020 amounted to P10,013,581,344 which custom duties and tariff fees are all paid during the year.

*Documentary stamp tax*

The documentary stamp tax charged to operating expenses, other expenses and cost of goods sold amounted to P335,654 which amount paid or accrued during the taxable year 2020.

*Other taxes and licenses*

Details of the Company's taxes and licenses and permit fees are charged to operating expenses, and cost of goods sold during 2020 are as follows:

Business tax	<b>P42,300,928</b>
Permit fees	<b>2,714,909</b>
Documentary stamp tax	<b>6,373,711</b>
Real estate tax	<b>1,592,104</b>
Vehicle registration fees	<b>297,234</b>
Others	<b>689,119</b>
	<b>P53,968,005</b>





*Withholding taxes*

Details of the Company's withholding taxes paid or accrued during 2020 are as follows:

Expanded withholding taxes	<b>P464,230,025</b>
Withholding tax on compensation and benefits	<b>289,786,279</b>
Final withholding taxes	<b>66,457,140</b>
Withholding tax on VAT and others	<b>3,187,137</b>
	<b>P823,660,581</b>

**40. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company were approved and authorized for issuance by Board of Directors on April 14, 2021.

\* \* \*



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BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-5

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC.  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

We have audited the financial statements of Century Pacific Food, Inc. as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated April 14, 2021

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedule showing the reconciliation of the retained earnings available for declaration and components of financial soundness indicators as required by the Securities and Exchange Commission under the revised SRC Rule 68, is presented as additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Management and have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner  
CPA License No. 0098090  
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681  
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 28, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



**Reconciliation of Retained Earnings  
Available for Declaration**

As at December 31, 2020

CENTURY PACIFIC FOOD, INC.  
7th Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center Pasig City

<b>Items</b>	<b>Amount</b>
Unappropriated retained earnings, beginning	P4,797,849,279
Adjustments:	
Allowance for impairment loss	85,767,808
Deferred tax assets	(312,200,815)
Remeasurement of retirement benefit obligation - net of tax	88,327,909
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year	P4,659,744,181
Net Income during the period closed to Retained Earnings	2,216,062,317
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Impairment during the year	6,488,448
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(133,890,939)
<b>Net Income Actual Earned/Realized during the Period</b>	2,088,659,827
<b>Less:</b>	
Dividend declarations during the period	(1,275,213,094)
Reversal of appropriations	84,894,739
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>P5,558,085,652</b>



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BOA/PRC Reg. No. 0004  
SEC Accreditation No. 0001-FR-5

## INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC.  
(A Subsidiary of Century Pacific Group, Inc.)  
7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Century Pacific Food, Inc. (the "Company") as at December 31, 2020 and 2019 and for each of the three years in the year ended December 31, 2020, and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the year ended December 31, 2020 and no material exceptions were noted.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
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TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner

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PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



**FINANCIAL SOUNDNESS INDICATORS**

As of December 31, 2020

CENTURY PACIFIC FOOD, INC.

7TH Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center, Pasig City

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Total Current Assets divided by Total Current Liabilities  <div style="display: flex; justify-content: space-between;"> <div>Total Current Assets</div> <div>18,363,379,142</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Current Liabilities</div> <div>13,458,007,904</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Current Ratio</div> <div>1.36</div> </div>	1.36x	2.25x
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  <div style="display: flex; justify-content: space-between;"> <div>Total Current Assets</div> <div>18,363,379,142</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Less: Inventories</div> <div>(10,454,399,422)</div> </div> <div style="display: flex; justify-content: space-between;"> <div>    Biological Assets</div> <div>(65,726,630)</div> </div> <div style="display: flex; justify-content: space-between;"> <div>    Prepayments and other Current Assets</div> <div>(196,591,225)</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Quick assets</div> <div>7,646,661,865</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Current Liabilities</div> <div>13,458,007,904</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Quick/Acid test ratio</div> <div>0.57</div> </div>	0.57x	1.34x
Debt-to-equity ratio	Total Liabilities divided by Total Equity  <div style="display: flex; justify-content: space-between;"> <div>Total Liabilities</div> <div>15,140,241,377</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Equity</div> <div>15,115,686,188</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Debt-to-equity ratio</div> <div>1.00</div> </div>	1.00x	0.70x
Asset-to-equity ratio	Total Assets divided by Total Equity  <div style="display: flex; justify-content: space-between;"> <div>Total Assets</div> <div>30,255,927,565</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Equity</div> <div>15,115,686,188</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Asset-to-equity ratio</div> <div>2.00</div> </div>	2.00x	1.70x
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense  <div style="display: flex; justify-content: space-between;"> <div>EBIT</div> <div>2,915,296,792</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Interest Expenses</div> <div>219,348,070</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Interest rate coverage ratio</div> <div>13.29</div> </div>	13.29x	8.95x
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities)  <div style="display: flex; justify-content: space-between;"> <div>Net Sales</div> <div>38,959,316,609</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Working capital</div> <div></div> </div> <div style="display: flex; justify-content: space-between;"> <div>    Current Assets</div> <div>18,363,379,142</div> </div> <div style="display: flex; justify-content: space-between;"> <div>    Less: Current Liabilities</div> <div>(13,458,007,904)</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>    Working Capital</div> <div>4,905,371,238</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Working Capital Turnover</div> <div>7.94</div> </div>	7.94x	3.91x



Solvency ratio	Profit for the Year adjusted for Noncash Expenses divided by Average Total Liabilities	20.56%	22.61%
	Profit for the Year	2,216,062,317	
	Adjustments:		
	Tax Benefit from DTA	(288,003,568)	
	Depreciation	508,786,613	
	Provision for inventory obsolescence	216,137,970	
	Amortization of intangible asset	21,515,840	
	Investment loss on investment in subsidiaries	6,488,448	
	Unrealized foreign exchange loss - net	47,065,043	
	Provision for expected credit losses	9,270,257	
	Reversal of accruals	(11,920,798)	
	Reversal of allowance for inventory obsolescence	(136,430,853)	
	Adjusted Profit for the Year	2,588,971,270	
	Divide by: Average Total Liabilities		
Current Year Total Liabilities	15,140,241,377		
Prior Year Total Liabilities	10,041,183,144		
Total	25,181,424,521		
Divide by: 2 Years	2		
Average Total Liabilities	12,590,712,261		
Solvency ratio	20.56%		
Return on equity	Profit before Taxes (PBT) divided by Total Equity	17.84%	16.28%
	PBT	2,695,948,722	
	Divide by: Total Equity	15,115,686,188	
	Return on equity	17.84%	
Return on assets	Profit from operations divided by Total Assets	9.64%	10.82%
	Profit from Operations	2,915,296,792	
	Divide by: Total Assets	30,255,927,565	
	Return on assets	9.64%	
Net profit margin	Profit before Taxes (PBT) divided by Net Sales	6.92%	7.50%
	PBT	2,695,948,722	
	Divide by: Net Sales	38,959,316,609	
	Net profit margin	6.92%	
Operating profit margin	Profit from Operations divided by Net Sales	7.48%	8.45%
	Profit from Operations	2,915,296,792	
	Divide by: Net Sales	38,959,316,609	
	Net profit margin	7.48%	





# CENTURY PACIFIC FOOD INC.

Centerpoint Building Julia Vargas Ave.,  
Ortigas Center Pasig City, Metro Manila  
Philippines  
Tel : (632) 8633 8555  
Fax : (632) 638 6336  
website : www.centurypacific.com.ph

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

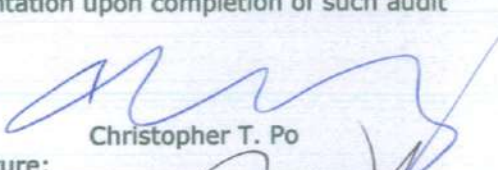
The management of CENTURY PACIFIC FOOD INC. and SUBSIDIARIES (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year(s) ended December 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

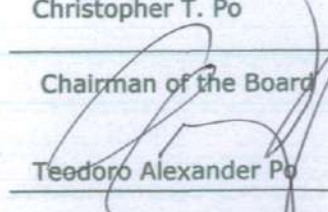
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

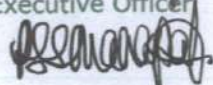
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit

  
Signature: Christopher T. Po  
Chairman of the Board

  
Signature: Teodoro Alexander Po  
Chief Executive Officer

  
Signature: Richard Kristoffer S. Manapat  
Chief Financial Officer

Signed this \_\_\_ day of \_\_\_\_, 2021.

SUBSCRIBED AND SWORN to before me this 16 April 2021 in Pasig City by the following:

Christopher T. Po with Passport No. P8631182A issued at DFA Manila, valid until 05 Sep 2028

Teodoro Alexander Po with Passport No. P3975398A issued at DFA NCR North, valid until 08 Aug 2022

Richard Kristoffer S. Manapat with UMID No. CRN-0111-1445113-3

Doc. No. 248 ;  
Page No. 51 ;  
Book No. I ;  
Series of 2021.



**ARLEO ANTONIO R. MAGTIBAY JR.**  
Appointment No. 177 (2019-2020)  
Notary Public for Pasig City, Pateros, and San Juan  
Until 30 June 2021  
Unit 424, Strata 100 Bldg.  
F. Ortigas Jr. Road, Ortigas Center, Pasig City  
Roll No. 61659  
PTR No. 7233545; 01.05.21; Pasig City  
IBP No. 143329; 01.08.21; RSM  
MCLE Compliance No. VI-0011536; 04.14.22



**CENTURY PACIFIC FOOD, INC. AND  
SUBSIDIARIES**

**Financial Statements  
December 31, 2020 and 2019  
and  
Independent Auditors' Report**

7<sup>th</sup> Floor Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila, Philippines

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	2	0	7	7	8
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Company Name

C	E	N	T	U	R	Y		P	A	C	I	F	I	C		F	O	O	D	,		I	N	C	.		A	N	D
S	U	B	S	I	D	I	A	R	I	E	S																		

Principal Office (No./Street/Barangay/City/Town)Province

7	T	H		F	L	O	O	R		C	E	N	T	E	R	P	O	I	N	T		B	L	D	G	.	,		
J	U	L	I	A		V	A	R	G	A	S		S	T	.	,	O	R	T	I	G	A	S						
C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y	,		M	E	T	R	O					
M	A	N	I	L	A																								

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	.	A	.
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### COMPANY INFORMATION

Company's Email Address

N.A.
------

Company's Telephone Number/s

8633-8555
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Mobile Number

N.A.
------

No. of Stockholders

31
----

Annual Meeting  
Month/Day

6/30
------

Fiscal Year  
Month/Day

12/31
-------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

MANUEL Z. GONZALES
--------------------

Email Address

<a href="mailto:manuel.gonzales@mgslaw.com">manuel.gonzales@mgslaw.com</a>
--

Telephone Number/s

8687-1195
-----------

Mobile Number

0918-843-8888
---------------

Contact Person's Address

7TH FLOOR CENTERPOINT BLDG., JULIA VARGAS ST., ORTIGAS CENTER, PASIG 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.



## SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

Gentlemen:

We have audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2020, on which we have rendered the attached report, dated April 14, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Group is listed with the Philippine Stock Exchange.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lamacang, Jr.  
Partner  
CPA License No. 0098090  
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681  
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



## INDEPENDENT AUDITOR'S REPORT

To the Stockholders and the Board of Directors  
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>TH</sup> Floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

### *Opinion*

We have audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and of its financial performance, and cash flows for the years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippines Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We identified the following key audit matter:

**Key Audit Matter**

**Our audit performed and responses thereon**

**Goodwill**

Goodwill has been recognized in the consolidated statements of financial position resulting from acquisitions of the Group. Under PFRS 3 and PAS 36, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the balance of goodwill amounting to P2.92 billion is material to the consolidated financial statements and represents 8.04% of the consolidated total assets of the Group as at December 31, 2020.

In addition, the Management conducts annual impairment test to assess the recoverability of the carrying value of goodwill. This annual impairment test involves a number of key sensitive judgments and estimates made in determining the inputs used in the assessment process.

The carrying value of goodwill as at December 31, 2020 is disclosed in Note 12 to the consolidated financial statements.

Our audit procedures were focused on performing a detailed understanding of the Management's assessment process and challenging the key assumptions and judgments as follows:

1. We assessed the appropriateness and reasonableness of the Group's position on the impairment assessment of goodwill including consideration of various factors such as historical business performance, current year developments, current risk evaluations, business plans, outlook, revenue potential and other market considerations.
2. We engaged our internal valuation specialist to review and assess the appropriateness of the valuation methodology and key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rates by comparing the expectations to those used by Management.
3. We also compared the discount rate, earnings before interest, taxes, depreciation, and amortization margins, and growth rates to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook.
4. We also considered the adequacy and appropriateness of the related disclosures in the financial statements.

*Information Other than the Consolidated Financial Statements and Auditors' Report Thereon*

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.



### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bonifacio F. Lamacang, Jr.

Navarro Amper & Co.

BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021

SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lamacang, Jr.

Partner

CPA License No. 0098090

SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681

BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines

April 14, 2021



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
(A Subsidiary of Century Pacific Group, Inc.)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31

	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	P 1,229,381,273	P 1,607,844,054
Trade and other receivables - net	9	7,599,984,172	7,000,528,129
Due from related parties	27	280,788,885	261,588,910
Inventories - net	10	14,313,100,885	11,781,872,041
Biological assets	14	65,726,630	33,380,356
Prepayments and other current assets - net	11	484,492,819	829,609,933
Total Current Assets		23,973,474,664	21,514,823,423
<b>Non-current Assets</b>			
Property, plant and equipment - net	15	7,290,756,893	6,414,543,344
Intangible assets - net	12	3,448,276,612	3,504,492,460
Right-of-use assets - net	13	678,300,084	705,437,893
Deferred tax assets	34	752,107,229	359,681,319
Other non-current assets	16	133,450,144	89,793,109
Total Non-current Assets		12,302,890,962	11,073,948,125
		P36,276,365,626	P32,588,771,548
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	P 9,670,565,636	P 6,832,729,150
Borrowings - current portion	17	3,533,466,680	2,433,508,587
Income tax payable		194,877,487	148,438,723
Due to related parties	27	75,894,675	19,706,847
Lease liabilities- current portion	32	271,207,134	269,082,105
Total Current Liabilities		13,746,011,612	9,703,465,412
<b>Non-Current Liabilities</b>			
Borrowings - net of current portion	17	-	3,086,500,000
Retirement benefit obligation	19	618,902,329	160,025,025
Lease liabilities - net of non current portion	32	465,842,247	484,103,079
Deferred tax liability	34	9,398,845	360,285
Total Non-current Liabilities		1,094,143,421	3,730,988,389
		14,840,155,033	13,434,453,801
<b>Equity</b>			
Share capital	20	3,542,258,595	3,542,258,595
Share premium	20	4,936,859,146	4,936,859,146
Share-based compensation reserve	28	8,211,398	8,211,398
Other reserves		30,628,942	30,628,942
Currency translation adjustment		23,818,317	25,440,484
Retained earnings		12,894,434,195	10,610,919,182
		21,436,210,593	19,154,317,747
		P36,276,365,626	P32,588,771,548

See Notes to Consolidated Financial Statements.





**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
(A Subsidiary of Century Pacific Group, Inc.)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31

	Notes	2020	2019	2018
<b>Net Sales</b>	21	<b>P48,301,741,084</b>	P40,560,362,956	P37,885,300,679
<b>Cost of Goods Sold</b>	22	<b>36,374,034,421</b>	30,836,294,070	29,737,566,156
<b>Gross Profit</b>		<b>11,927,706,663</b>	9,724,068,886	8,147,734,523
<b>Other Income</b>	23	<b>615,688,399</b>	536,291,593	535,516,845
		<b>12,543,395,062</b>	10,260,360,479	8,683,251,368
<b>Operating Expenses</b>	24	<b>6,350,811,842</b>	5,332,626,089	4,720,581,843
<b>Finance Costs</b>	17,32	<b>261,151,374</b>	369,427,817	196,861,598
<b>Other Expenses</b>	25	<b>803,600,697</b>	519,677,568	163,669,529
		<b>7,415,563,913</b>	6,221,731,474	5,081,112,970
<b>Profit Before Tax</b>		<b>5,127,831,149</b>	4,038,629,005	3,602,138,398
<b>Income Tax Expense</b>	33	<b>1,248,387,296</b>	890,031,995	767,865,538
<b>Profit for the Year</b>		<b>3,879,443,853</b>	3,148,597,010	2,834,272,860
<b>Other Comprehensive Income (Loss)</b>				
<b>Item that will not be Reclassified Subsequently to Profit or Loss</b>				
Remeasurement gain (loss) on retirement benefit obligation - net of tax	19	<b>(320,715,746)</b>	(64,171,850)	15,556,508
<b>Item that will be Reclassified Subsequently to Profit or Loss</b>				
Exchange differences on translating foreign operations		<b>(1,622,167)</b>	(17,072,597)	2,770,342
		<b>(322,337,913)</b>	(81,244,447)	18,326,850
<b>Total Comprehensive Income</b>		<b>P 3,557,105,940</b>	P 3,067,352,563	P 2,852,599,710
<b>Basic and Diluted Earnings Per Share</b>		<b>P1.0952</b>	P0.8890	P0.8001

See Notes to Consolidated Financial Statements



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
*A Subsidiary of Century Pacific Group, Inc.*

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31, 2020, 2019 and 2018

	Notes	Share Capital (Note 20)	Share Premium (Note 20)	Share-based Compensation Reserve	Other Reserves	Currency Translation Adjustment	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total
<b>Balance, January 1, 2018 (as previously restated)</b>		<b>P3,542,258,595</b>	<b>P4,928,095,509</b>	<b>P8,324,313</b>	<b>P30,628,942</b>	<b>P39,742,739</b>	<b>P5,934,065,745</b>	<b>P</b>	<b>P14,483,115,843</b>
Transition to PFRS 9 adjustment		-	-	-	-	-	17,812,003	-	17,812,003
Balance, January 1, 2018 (as adjusted)		3,542,258,595	4,928,095,509	8,324,313	30,628,942	39,742,739	5,951,877,748	-	14,500,927,846
Profit for the year		-	-	-	-	-	2,834,272,860	-	2,834,272,860
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	2,770,342	-	-	2,770,342
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	15,556,508	-	15,556,508
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,770,342</b>	<b>2,849,829,368</b>	<b>-</b>	<b>2,852,599,710</b>
Transactions with owners:									
Cash dividends	29	-	-	-	-	-	(637,606,547)	-	(637,606,547)
Equity-settled share-based compensation	28	-	8,763,637.00	(112,915)	-	-	-	-	8,650,722
Appropriation of retained earnings		-	-	-	-	-	(1,599,300,000)	1,599,300,000	-
<b>Balance, December 31, 2018</b>		<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>42,513,081</b>	<b>6,564,800,569</b>	<b>1,599,300,000</b>	<b>16,724,571,731</b>
<b>Balance, January 1, 2019 (as adjusted)</b>		<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>42,513,081</b>	<b>6,564,800,569</b>	<b>1,599,300,000</b>	<b>16,724,571,731</b>
Profit for the year		-	-	-	-	-	3,148,597,010	-	3,148,597,010
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	(17,072,597)	-	-	(17,072,597)
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	(64,171,850)	-	(64,171,850)
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,072,597)</b>	<b>3,084,425,160</b>	<b>-</b>	<b>3,067,352,563</b>
Transactions with owners:									
Cash dividends	29	-	-	-	-	-	(637,606,547)	-	(637,606,547)
Appropriation of retained earnings		-	-	-	-	-	-	(240,784,514)	(240,784,514)
<b>Balance, December 31, 2019</b>		<b>3,542,258,595</b>	<b>4,936,859,146</b>	<b>8,211,398</b>	<b>30,628,942</b>	<b>25,440,484</b>	<b>9,252,403,696</b>	<b>1,358,515,486</b>	<b>19,154,317,747</b>
Profit for the year		-	-	-	-	-	3,879,443,853	-	3,879,443,853
Other comprehensive income:									
Currency translation adjustment		-	-	-	-	(1,622,167)	-	-	(1,622,167)
Remeasurement of retirement benefit obligation - net of tax		-	-	-	-	-	(320,715,746)	-	(320,715,746)
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,622,167)</b>	<b>3,558,728,107</b>	<b>-</b>	<b>3,557,105,940</b>
Transactions with owners:									
Cash dividends	29	-	-	-	-	-	(1,275,213,094)	-	(1,275,213,094)
Appropriation of retained earnings		-	-	-	-	-	(2,253,635,800)	2,253,635,800	-
<b>Balance, December 31, 2020</b>		<b>P3,542,258,595</b>	<b>P4,936,859,146</b>	<b>P8,211,398</b>	<b>P30,628,942</b>	<b>P23,818,317</b>	<b>P9,282,282,909</b>	<b>P3,612,151,286</b>	<b>P21,436,210,593</b>

See Notes to Consolidated Financial Statements.



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
(A Subsidiary of Century Pacific Group, Inc.)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		For the Years Ended December 31		
	Notes	2020	2019	2018
<b>Cash Flows from Operating Activities</b>				
Profit before tax		P5,127,831,149	P4,038,629,005	P3,602,138,398
Adjustments for:				
Depreciation and amortization	12,13,15	1,106,149,015	932,365,731	726,908,805
Finance costs	17,32	261,151,374	369,427,817	196,861,598
Provision on slow moving inventories	10	83,254,371	72,394,430	94,774,003
Loss on impairment of input VAT	11	9,316,412	5,538,547	50,880,193
Retirement benefit expense	19	70,397,959	38,685,892	41,694,411
Provision on write-down	10	391,036,678	185,817,650	22,065,037
Loss (Gain) on disposal of property, plant and equipment - net	15	(2,503,626)	31,630,206	2,098,022
Allowance for expected loss	9	9,270,257	5,794,328	14,125,264
Provisions on inventory obsolescence	24	-	-	92,972,821
Loss on impairment of goodwill	12	-	-	36,957,396
Share based compensation expense	28	-	-	8,650,722
Impairment loss of trademark		34,700,000	-	-
Interest income	23	(35,206,519)	(8,082,061)	(7,579,050)
Gain from sale of scrap - net	23	(107,664,525)	(15,150,463)	(123,654,220)
Unrealized foreign exchange loss (gain) - net		41,100,997	(31,083,986)	44,741,545
Reversal of allowance for sales return	9	(3,446,268)	(48,887,970)	(4,659,690)
Reversal of accruals	19	(107,184,824)	(125,718,029)	(71,759,813)
Reversal of allowance of inventory	10	(373,327,170)	(192,375,933)	(28,616,691)
Operating cash flows before working capital changes		6,504,875,280	5,258,985,164	4,698,598,751
Decrease (Increase) in:				
Trade and other receivables		(605,209,506)	119,292,471	(1,800,951,571)
Due from related parties		(19,199,975)	(138,741,763)	62,914,412
Inventories		(2,524,528,199)	(176,845,510)	(4,625,110,543)
Biological assets		(32,346,274)	9,473,395	(20,129,879)
Prepayments and other current assets		335,800,702	(347,649,729)	(41,599,054)
Other non-current assets		(43,657,035)	2,683,773	(32,551,162)
Increase (Decrease) in:				
Trade and other payables		2,955,682,590	(23,410,693)	1,954,459,654
Due to related parties		88,515,508	9,125,107	(11,232,702)
Finance lease obligation		-	-	99,522,472
Exchange differences on translating operating assets and liabilities		-	(17,072,597)	20,504,761
Cash generated from operations		6,659,933,091	4,695,839,618	304,425,139
Contribution to the retirement fund	19	(48,612,624)	(48,612,624)	(48,612,624)
Income tax paid		(1,468,959,658)	(974,189,582)	(681,338,695)
Interest received		35,136,001	7,731,582	7,095,123
Net cash from (used in) operating activities		5,177,496,810	3,680,768,994	(418,431,057)
<b>Cash Flows from Investing Activities</b>				
Acquisitions of property, plant and equipment	15	(1,736,384,126)	(1,774,163,199)	(1,307,707,845)
Proceeds from sale of property, plant and equipment		2,503,626	4,250,055	77,958,840
Net cash used in investing activities		(1,733,880,500)	(1,769,913,144)	(1,229,749,005)
<b>Cash Flows from Financing Activities</b>				
Proceeds from borrowings	17	5,551,000,000	4,986,000,000	4,050,000,000
Repayments of borrowings	17	(7,537,541,907)	(5,778,491,413)	(1,445,500,000)
Dividends paid	29	(1,275,213,094)	(637,606,547)	(637,606,547)
Finance costs paid		(264,635,783)	(363,634,829)	(190,802,503)
Payment of lease liabilities	32	(295,688,307)	(185,753,933)	-
Net cash from (used in) financing activities		(3,822,079,090)	(1,979,486,722)	1,776,090,950
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(378,462,781)</b>	<b>(68,630,872)</b>	<b>127,910,888</b>
<b>Cash and Cash Equivalents, Beginning</b>		<b>1,607,844,054</b>	<b>1,676,474,926</b>	<b>1,548,564,038</b>
<b>Cash and Cash Equivalents, End</b>	8	<b>P1,229,381,273</b>	<b>P1,607,844,054</b>	<b>P1,676,474,926</b>

See Notes to Consolidated Financial Statements.



## **CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

(A Subsidiary of Century Pacific Group, Inc.)

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020 AND 2019 AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

#### **1. CORPORATE INFORMATION**

Century Pacific Food, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 25, 2013. The Parent Company is primarily engaged in the business of buying and selling, processing, canning and packaging and manufacturing all kinds of food and food products, such as, but not limited to fish, seafood and other marine products, cattle, hog and other animals and animal products, fruits, vegetables and other agricultural crops and produce of land, including by-products thereof.

The Parent Company's shares of stocks were listed in the Philippines Stock Exchange (PSE) on May 6, 2014 through initial public offering (IPO) and listing of 229.65 million shares in the PSE at a total value of P3.3 billion, as discussed in Note 20.

The Parent Company is 68.71% and 68.71% owned subsidiary of Century Pacific Group, Inc. (CPGI) the ultimate parent, as at December 31, 2020 and 2019, respectively. CPGI is a corporation registered with SEC and is domiciled in the Philippines.

The Parent Company's registered office and principal place of business, is located at 7<sup>th</sup> floor, Centerpoint Building, Julia Vargas St., Ortigas Center, Pasig City.

#### **2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION**

##### **Statement of Compliance**

The consolidated financial statements of the Parent Company and its subsidiaries (the "Group") have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy (BOA), and adopted by the SEC.

##### **Basis of Preparation and Presentation**

The consolidated financial statements have been prepared on the historical cost basis, except for:

- certain financial instruments carried at amortized cost;
- inventories carried at the lower of cost and net realizable value (NRV); and
- the retirement benefit obligation recognized as the net total of the present value of the defined benefit obligation less the fair value of plan assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.



Fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, *Share-based Payment*, leasing transactions that are within the scope of PFRS 16, *Leases* (PAS 17, *Leases* in 2018), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2, *Inventories*, or value in use in PAS 36, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Functional currency

The functional currency of Century Pacific Food, Inc. (CPFI), Snow Mountain Dairy Corporation (SMDC), Allforward Warehousing Inc. (AWI), Century Pacific Agricultural Ventures, Inc. (CPAVI), Century Pacific Seacrest Inc. (CPSI), Century Pacific Food Packaging Ventures, Inc. (CPFPVI), General Odyssey Inc (GOI and Century Pacific Solar Inc (CPSolar) is Philippine Peso (PHP), the currency of the primary economic environment in which they operate. The functional currency of General Tuna Corporation (GTC) and Century Pacific North America (CPNA) is United States (US) Dollar, the currency of the primary economic environment in which they operate. The functional currency of Century International (China) Co. Ltd. (CIC), Century (Shanghai) Trading Co. Ltd. (CST) and Cindena Resources Limited (CRL) is Chinese Yuan, the currency of the primary economic environment in which they operate.

#### Presentation currency

These consolidated financial statements are presented in Philippine Peso (PHP). The financial position and results of operations of GTC and CPNA were translated from US Dollar to PHP, and CIC, CST and CRL from Chinese Yuan to PHP, using the following procedures:

- assets and liabilities, except those assets presented at historical costs, for each statement of financial position presented, are presented at the closing rate at the date of that statement of financial position;
- for each period presented, income and expenses recognized in the period by GTC, CPNA, CIC, CST and CRL are translated using either the rate at the date of the transaction or the average exchange rate at that period; and
- all resulting exchange differences are recognized in other comprehensive income (OCI) as currency translation adjustment.

All amounts are recorded in the nearest peso, except when otherwise indicated.



### 3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2020 and 2019 are as follows:

Name of Subsidiary	Ownership Interest	
	2020	2019
General Tuna Corporation (GTC)	100%	100%
Snow Mountain Dairy Corporation (SMDC)	100%	100%
Allforward Warehousing Inc. (AWI)	100%	100%
Century Pacific Agricultural Ventures, Inc. (CPAVI)	100%	100%
Century Pacific Seacrest Inc. (CPSI)	100%	100%
Centennial Global Corporation (CGC)	100%	100%
Century Pacific Food Packaging Ventures, Inc. (CPFPVI)	100%	100%
General Odyssey Inc (GOI)	100%	-
Century Pacific Solar Inc (CP Solar)	100%	-
Century International (China) Co. Ltd. (CIC)	100%	100%
Century (Shanghai) Trading Co. Ltd. (CST)	100%	100%
Cindena Resources Limited (CRL)	100%	100%
Century Pacific North America Enterprise Inc. (CPNA)	100%	100%

The significant financial information on the financial statements of wholly owned subsidiaries of the Parent Company are shown below. The summarized financial information represents amounts before intragroup eliminations.

#### **GTC**

GTC was incorporated in the Philippines and was registered with the SEC on March 10, 1997. GTC is presently engaged in manufacturing and exporting private label canned, pouched and frozen tuna products. Its processing plant is located at Purok Lansong, Brgy. Tumbler, General Santos City, Philippines.

The significant information on the audited statements of financial position of GTC as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency, are as follows:

	2020	2019
<b>Financial Position</b>		
Current assets	<b>P4,315,675,831</b>	P3,584,769,432
Non-current assets	<b>1,265,275,471</b>	976,627,267
Total Assets	<b>5,580,951,302</b>	4,561,396,699
Current liabilities	<b>2,760,934,265</b>	1,913,384,179
Non-current liabilities	<b>97,152,491</b>	39,406,549
Total Liabilities	<b>P2,858,086,756</b>	1,952,790,728
Equity	<b>P2,722,864,546</b>	P2,608,605,971

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P6,007,349,439</b>	P6,393,918,056	P6,636,521,686
Cost and expenses	<b>5,865,074,075</b>	5,968,133,955	6,266,779,627
Profit for the year	<b>P 142,275,364</b>	P 425,784,101	P 369,742,059



## **SMDC**

SMDC was incorporated in the Philippines and was registered with the SEC on February 14, 2001. SMDC is engaged in producing, canning, freezing, preserving, refining, packing, buying and selling at wholesale and retail, food products including all kinds of milk and dairy products, fruits and vegetable juices and other milk or dairy preparations and by-products. Its principal place of business is located at 32 Arturo Drive, Bagumbayan, Taguig City, Philippines.

The significant information on the audited statements of financial position of SMDC as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019
<b>Financial Position</b>		
Current assets	<b>P2,042,747,471</b>	P3,926,413,678
Non-current assets	<b>652,236,210</b>	629,634,109
Total Assets	<b>2,694,983,681</b>	4,556,047,787
Current liabilities	<b>505,108,396</b>	2,885,215,085
Non-current liabilities	<b>49,980,675</b>	60,776,010
Total Liabilities	<b>555,089,071</b>	2,945,991,094
Equity	<b>P2,139,894,610</b>	P1,610,056,693

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P9,898,001,543</b>	P8,725,013,878	P6,072,863,729
Cost and expenses	<b>9,357,992,454</b>	8,508,463,882	5,939,540,597
Profit for the year	<b>P 540,009,089</b>	P 216,549,996	P 133,323,132

## **AWI**

AWI was incorporated in the Philippines and was registered with the SEC on October 3, 2014. AWI is engaged in the business of operating cold storage facilities, handling, leasing, maintaining, buying, selling, warehouse and storage facilities, including its equipment, forklift, conveyors, pallet towers and other related machineries, tools and equipment necessary in warehousing, and storage operation. Its principal place of business is located at Purok Lansong, Barangay Calumpang, General Santos City, Philippines.

Significant financial information on the audited statements of financial position of AWI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019
<b>Financial Position</b>		
Current assets	<b>P128,239,608</b>	P103,387,395
Non-current assets	<b>559,208,676</b>	559,118,008
Total Assets	<b>687,448,284</b>	662,505,403
Current liabilities	<b>18,081,486</b>	95,983,601
Non-current liabilities	<b>16,626,603</b>	252,064
Total Liabilities	<b>34,708,809</b>	96,235,665
Equity	<b>P652,740,195</b>	P566,269,738

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P196,083,925</b>	P195,253,134	P164,259,622
Cost and expenses	<b>109,613,467</b>	81,524,716	76,639,482
Profit for the year	<b>P 86,470,458</b>	P113,728,418	P 87,620,140



## **CPAVI**

CPAVI was incorporated in the Philippines and was registered with the SEC on August 29, 2012. CPAVI is engaged in the business of manufacturing and distributing all kinds of food and beverage products and other foodstuffs derived from fruits and other agricultural products. Its principal place of business is located at Purok Lansong, Barangay Tambler, General Santos City, Philippines.

Significant information on the audited statements of financial position of CPAVI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Current assets	<b>P1,706,298,146</b>	P1,408,387,380
Non-current assets	<b>2,147,422,899</b>	2,176,677,649
Total Assets	<b>3,853,721,045</b>	3,585,065,029
Current liabilities	<b>516,740,257</b>	564,427,021
Non-current liabilities	<b>48,992,378</b>	15,785,065
Total Liabilities	<b>565,732,635</b>	580,212,086
Equity	<b>P3,287,988,410</b>	P3,004,852,943

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P3,616,037,666</b>	P3,003,799,935	P3,400,599,076
Cost and expenses	<b>3,321,063,136</b>	2,531,668,005	2,992,798,341
Profit for the year	<b>P 294,974,530</b>	P 472,131,930	P 407,800,735

## **CPSI**

CPSI was incorporated in the Philippines and was registered with the SEC on November 13, 2015. CPSI is engaged in the business of developing and designing, acquiring, selling, transferring, exchanging, managing, licensing, franchising and generally in exercising all rights, powers and privileges of ownership or granting any right or privilege of ownership or any interest to label marks, devices, brands, trademark rights and all other forms of intellectual property, including the right to receive, collect and dispose of any and all payments, dividends, interests and income derived therefrom.

The significant information on the audited statements of financial position of CPSI as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Current assets	<b>P110,932,793</b>	P 131,263,494
Non-current assets	<b>111,474,788</b>	111,474,788
Total Assets	<b>222,407,581</b>	242,738,282
Total Liabilities	<b>124,672,701</b>	168,459,603
Equity	<b>P 97,734,880</b>	P 74,278,679

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P1,392,036,077</b>	P1,096,328,236	P1,254,236,199
Cost and expenses	<b>272,129,985</b>	216,327,886	240,089,293
Profit for the year	<b>P1,119,906,092</b>	P 880,000,350	P1,014,146,906





## **CGC**

CGC was incorporated in the British Virgin Islands (BVI) on November 13, 2006. CGC is a company limited by shares.

The significant information on the unaudited statements of financial position of CGC as at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Total assets	<b>P50,004,438</b>	P50,004,438
Equity	<b>P50,004,438</b>	P50,004,438

CGC has no operations and no revenue and expenses were recognized or incurred in 2020, 2019, and 2018.

## **CPFPVI**

CPFPVI was incorporated in the Philippines and registered with Philippine SEC on June 29, 2016. CPFPVI is engaged in the business of manufacturing, processing, buying, selling, importing, exporting and dealing in all kinds of packaging products. Its registered place of business is located at Purok Lansong, Barangay Calumpang, General Santos City.

The significant information on the audited statements of financial position of CPFPVI as at December 31, 2020 and 2019, and the results of its operations for the years ended December 31, 2020, 2019 and 2018 is as follows:

	<b>2020</b>	2019	
<b>Financial Position</b>			
Current assets	<b>P1,405,686,988</b>	P 899,189,465	
Non-current assets	<b>802,117,723</b>	845,328,570	
Total Assets	<b>2,207,804,711</b>	1,744,518,035	
Current liabilities	<b>620,069,260</b>	694,767,183	
Non-current liabilities	<b>2,563,384</b>	2,558,383	
Total liabilities	<b>622,632,644</b>	697,325,566	
Equity	<b>P1,585,172,067</b>	P1,047,192,469	

	<b>2020</b>	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P2,211,214,721</b>	P1,444,549,922	P1,386,618,900
Cost and expenses	<b>1,673,235,122</b>	1,150,079,587	1,138,124,353
Profit for the year	<b>P 537,979,599</b>	P 294,470,335	P 248,494,547



## **GOI**

GOI was incorporated in the Philippines and was registered with SEC on July 27, 2020. GOI is engaged in the business to buy and sell, process, can, pack, manufacture, market, produce, distribute, import and export, and deal in all kinds of feeds. On July 27, 2020 the Parent Company acquired 100% interest in GOI for a total consideration of P1,000,000.

The significant information on the audited statements of financial position of GOI as at December 31, 2020 and the results of its operations for the year ended December 31, 2020 are as follows:

	<b>2020</b>
<b>Financial Position</b>	
Current assets	<b>P1,000,000</b>
Noncurrent assets	<b>37,562</b>
Total assets	<b>1,037,562</b>
Current liabilities	<b>125,207</b>
Total liabilities	<b>125,207</b>
	<b>P 912,355</b>

	<b>2020</b>
<b>Results of Operations</b>	
Revenue	<b>P -</b>
Cost and expenses	<b>87,645</b>
Profit for the year	<b>(P87,645)</b>

## **CP Solar**

CP Solar was incorporated in the Philippines and was registered with SEC on August 10, 2020. CP Solar is engaged in the business of exploration, development, and utilization of renewable energy sources, including the generation and distribution of power. On August 10, 2020 the Parent Company acquired 100% interest in CPSI for a total consideration of P2,000,000.

The significant information on the audited statements of financial position of CP Solar as at December 31, 2020 and the results of its operations for the years ended December 31, 2020 are as follows:

	<b>2020</b>
<b>Financial Position</b>	
Current assets	<b>P2,012,021</b>
Noncurrent asset	<b>246,535</b>
Total assets	<b>2,258,556</b>
Current liabilities	<b>439,732</b>
Total liabilities	<b>439,732</b>
	<b>P1,818,824</b>

	<b>2020</b>
<b>Results of Operations</b>	
Revenue	<b>P -</b>
Cost and expenses	<b>181,175</b>
Profit for the year	<b>P181,175</b>



## **CIC**

CIC was incorporated in China and was registered on June 9, 2003. CIC is engaged in the selling of hardware and electrical apparatus, auto spare parts, building decoration materials and products, telecommunication equipment, stationery commodities, mechanical equipment, pre-package food; wholesales of beverage; development and sale of computer software and hardware; and consulting services. Its registered address is Room A3011, No. 70 Licheng Road, Pudong New Area, Shanghai, China.

The significant information on the audited statements of financial position of CIC as at December 31, 2020 and 2019, and the result of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency are as follows:

	2020	2019
<b>Financial Position</b>		
Current assets	<b>P121,854,056</b>	P95,321,469
Non-current assets	<b>623,603</b>	885,651
Total Assets	<b>122,477,659</b>	96,207,120
Total Liabilities	<b>168,399,493</b>	145,300,083
Deficit	<b>(P 45,921,834)</b>	(P49,092,963)

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P223,272,368</b>	P219,351,897	P203,507,056
Cost and expenses	<b>219,534,165</b>	212,650,224	208,684,732
Profit (Loss) for the year	<b>P 3,738,203</b>	P 6,701,673	(P 5,177,676)

## **CST**

CST was incorporated in China and was registered on August 24, 2005. CST is engaged in the wholesale, import and export of food, provision of ancillary services, relevant business consulting services subject to administrative approval and relevant authority. Its registered address is at Room 520A, No. 335 Changli Road, Pudong New District, Shanghai, China.

The significant information on the audited statements of financial position of CST as at December 31, 2020 and 2019, and the result of its operations for the years ended December 31, 2020, 2019 and 2018, as translated to the Group's presentation currency are as follows:

	2020	2019
<b>Financial Position</b>		
Current assets	<b>P35,770,934</b>	P45,102,428
Non-current assets	-	-
Total Assets	<b>35,770,934</b>	45,102,428
Total Liabilities	<b>693,294</b>	3,444,921
Equity	<b>P35,077,640</b>	P41,657,507

	2020	2019	2018
<b>Results of Operations</b>			
Revenue	<b>P -</b>	P11,190,545	P185,238,262
Cost and expenses	<b>6,969,778</b>	61,607,663	216,351,780
Loss for the year	<b>(P6,969,778)</b>	(P50,417,118)	(P 31,113,518)



## **CRL**

CRL was originally incorporated in the BVI under The International Business Companies Act (CAP.291) on March 27, 2002. CRL is engaged in the purchase or otherwise acquire and undertake the whole or any part of the business, goodwill, assets and liabilities of any person, firm or company, to import, export, buy, sell, exchange, barter, let on hire, distribute, and otherwise deal in and turn to account goods, materials, commodities, produce and merchandise generally in their prepared, manufactured, semi-manufactured and raw state, to enter into, carry on and participate in financial transactions and operations of all kinds and to manufacture, construct, assemble, design, repair, refine, develop, alter, convert, process, and otherwise produce materials, fuels, chemicals, substance and industrial, commercial and consumer products of all kinds. The Company was re-registered under the BVI Business Companies Act (No. 16 of 2004) on January 1, 2009 upon the compulsory implementation of the new Act. CRL's registered office is at P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands and its registered agent is Offshore Incorporations Limited.

The significant information on the unaudited statements of financial position of CRL as at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	2019
<b>Financial Position</b>		
Total Non-current Asset	<b>P100</b>	P100
Equity	<b>P100</b>	P100

## **CPNA**

CPNA was incorporated in the United States and was registered with the Secretary of State of California on April 20, 2017 as a domestic stock Company type. CPNA is engaged in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust Company business or the practice of a profession permitted to be incorporated by the California Corporation Code. The agent for service process in this state is Vcorp Services CA, Inc. The registered address of CPNA is at 350 N. Glendale Avenue Ste B348, Glendale, California 91206. Its principal place of business is at 7<sup>th</sup> Floor, Centerpoint Building, J. Vargas Avenue Corner Garnet Road, Ortigas Center, Pasig City, Philippines.

The significant information on the unaudited statements of financial position of CPNA as at December 31, 2020 and 2019 and the results of its operations for the years ended December 31, 2020 and 2019 as translated are as follows:

	<b>2020</b>	2019	
<b>Financial Position</b>			
Current assets	<b>P401,080,534</b>	P150,895,844	
Non-current assets	<b>6,727,204</b>	8,032,504	
Total assets	<b>407,807,738</b>	158,928,348	
Total liabilities	<b>362,947,525</b>	136,050,042	
Equity	<b>P 44,860,213</b>	P 22,878,306	
<b>Results of Operations</b>			
Revenue	<b>P304,084,639</b>	P202,394,126	P126,297,809
Cost and expenses	<b>280,657,728</b>	202,216,992	127,812,719
Profit (loss) for the year	<b>P 23,426,911</b>	P 177,314	(P 1,514,370)



#### 4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group adopted all accounting standards and interpretations as at December 31, 2020. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the consolidated financial statements, are as follows:

##### *Amendments to PFRS 16, COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The amendments did not have a significant impact on the consolidated financial statements since there are no rent concessions that occurred as direct consequence of COVID-19.

##### *Amendments to PFRS 3, Definition of a Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The amendments are being applied by the Group and has no significant impact on the consolidated financial statements.



#### Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of 'material':

*"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments are being applied by the Group and has no significant impact on the consolidated financial statements.

#### PIC Q&A No. 2019-02, *Accounting for Cryptographic Assets*

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
  - i. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
  - ii. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
  - iii. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
  - iv. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.



The interpretation did not have a significant impact on the consolidated financial statements since the Group does not have cryptographic assets.

### **New Accounting Standards Effective after the Reporting Period Ended December 31, 2020**

The Group will adopt, to the extent applicable, the following standards when these become effective

#### *PFRS 17 – Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The future adoption of the standard will not have a significant impact on the Group's consolidated financial statements as the Group does not issue insurance contracts.

#### *Amendments to PFRS 3, References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Group is still evaluating the impact of the amendments on the Group's consolidated financial statements.



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

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

*Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

*Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.





The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

#### *Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

#### *Annual Improvements to PFRS Standards 2018-2020 Cycle*

##### *Amendments to PFRS 1 – Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

##### *Amendments to PFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.



#### Amendments to PFRS 16 – *Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

#### Amendments to PAS 41 – *Taxation in fair value measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of the amendments on the consolidated financial statements.

### **New Accounting Standards Effective in 2020 - Adopted by FRSC but pending for approval by the BOA**

#### PIC Q&A No. 2019-04, *Conforming Changes to PIC Q&As – Cycle 2019*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

#### PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, Leases, for the first time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, Investment Property, has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of depreciation of right-of-use asset as part of construction costs of a building
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.



PIC Q&A No. 2018-05: PAS 37 - Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

#### PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	This PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, Leases, and Philippine Interpretation SIC-15, Operating Leases— Incentives
PIC Q&A No. 2018-07: PAS 27 and PAS 28 - Cost of an associate, joint venture, or subsidiary in separate financial statements	This PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision - Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27 Separate Financial Statements) in January 2019.

The effective date of the amendments is included in the affected interpretations.

The Management of the Group is still evaluating the potential impact of the amendments.

#### PIC Q&A No. 2019-06, *Accounting for step acquisition of a subsidiary in a parent*

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.

- Accumulated cost approach

Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The Management of the Group is still evaluating the potential impact of the interpretation.



PIC Q&A No. 2019-07, *Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLAs)*

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFIS) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the Circular, each qualified member of an NSSLAs shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

- a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLAs's by-laws.
- b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLAs shall establish and prescribe the conditions and/or circumstances when the NSSLAs may limit the reduction of the members' capital contribution buffer, such as, when the NSSLAs is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFIS Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLAs's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS32, Financial Instruments: Presentation.

The interpretation is effective for periods beginning on December 11, 2019, and should be applied retrospectively.

The future adoption of the interpretation will have no effect on the Group's consolidated financial statements since the Company is not classified as a non-bank financial institutions under non-stock savings and loan associations.

PIC Q&A No. 2019-08, *PFRS 16, Leases - Accounting for Asset Retirement or Restoration Obligation ("ARO")*

The interpretation clarifies the recognition of ARO under the following scenarios:

1) Accounting for ARO at lease commencement date

The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term



## 2) Change in ARO after initial recognition

- 2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).
- 2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:
- a. *Modified retrospective approach* - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.
- b. *Full retrospective approach* - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The future adoption of the interpretation will have no effect on the Group's consolidated financial statements since the Group does not have leased property with any related ARO.

### *PIC Q&A No. 2019-09, Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects*

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and
2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.



PIC Q&A No. 2019-10, *Accounting for variable payments with rent review*

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2019-11, *Determining the current portion of an amortizing loan/lease liability*

The interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The interpretation is effective upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2019-12, *PFRS 16, Leases – Determining the lease term*

The interpretation provides guidance how an entity determine the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lessee cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial noncancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.



PIC Q&A No. 2019-13, *PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance how an entity determine the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 upon approval by the FRSC.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due ot the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due ot the revised framework effective January 1, 2020



## PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive)

The effective date of the amendments is included in the affected interpretations.

The Management of the Group is still evaluating the potential impact of the interpretation.

*PIC Q&A No. 2020-02, Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management of the Group is still evaluating the potential impact of the interpretation.

*PIC Q&A No. 2020-03, On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management of the Group is still evaluating the potential impact of the interpretation.

*PIC Q&A No. 2020-04(Addendum to PIC Q&A 2018-12-D), PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management of the Group is still evaluating the potential impact of the interpretation.





PIC Q&A No. 2020-05, PFRS 15 - Accounting for Cancellation of Real Estate Sales

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three(3) approaches as follows:

1. The reposessed property is recognized at its fair value less cost to reposess
2. The reposessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as its applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-06, PFRS 16 - Accounting for payments between and among lessors and lessees

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

		Treatments in the financial statements of			
	Transaction	Lessor	Old lessor	New Lessee	Basis
1	Lessor pays old lessee - lessor intends to renovate the building	<p>i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term.</p> <p>ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs under PAS 16 or PAS 40.</p>	<p>i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of-use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease.</p> <p>ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-of use-asset by referring to the revised lease payments (net of any amount to be received from the lessor)and using a revised discount rate.</p> <p>iii. Revisit the amortization period of right-of-use asset and any related leasehold improvement following the shortening of the term.</p>		<ul style="list-style-type: none"> <li>• PFRS 16; par. 87</li> <li>• PAS 16; pars. 6, 16-17</li> <li>• PAS 40; par. 21</li> <li>• PFRS 16; par. 45</li> <li>• Illustrative example 18 issued by IASB</li> <li>• PAS 16; pars. 56-57</li> </ul>



2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	<p>i. Finance lease:</p> <ul style="list-style-type: none"> <li>• If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease.</li> <li>• If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease.</li> </ul> <p>ii. Operating lease add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.</p>		<p>i. Record as a deduction to the cost of the right-of-use asset.</p> <p>ii. Lease incentive receivable is also included as reduction in measurement of lease liability.</p> <p>iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.</p>	<ul style="list-style-type: none"> <li>• PAS 16; par. 68</li> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par. 83</li> <li>• PFRS 16; par. 24</li> </ul>
4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		<p>i. Same as in fact pattern 1C.</p> <p>ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold improvement in accordance with PAS 16 or PAS 40.</p>	<ul style="list-style-type: none"> <li>• Same as in fact pattern 1C.</li> <li>• PAS 40; par. 21</li> <li>• PAS 16; pars. 16-17</li> </ul>
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; par. 18</li> </ul>



		another systematic basis.			
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately	<ul style="list-style-type: none"> <li>• PAS 16</li> <li>• PAS 38</li> <li>• PFRS 16; Appendix A</li> </ul>
7	New lessee pays lessor to secure the right to obtain a lease agreement	<p>i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets</p> <p>ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight-line basis or another systematic basis.</p>		Recognize as part of the cost of the right-of-use asset.	<p>PFRS 16; par. 24</p> <ul style="list-style-type: none"> <li>• PAS 16; par. 71</li> <li>• PFRS 16; par 81</li> </ul>
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right-of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of-use asset.	<ul style="list-style-type: none"> <li>• PFRS 16; Appendix A</li> <li>• PFRS 16; Example 13 in par. IE5</li> <li>• PFRS 16; par. 24</li> </ul>

The Management of the Group is still evaluating the potential impact of the interpretation.

PIC Q&A No. 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS

For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return



- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation

The Management of the Group is still evaluating the potential impact of the interpretation.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control: a) has power over the investee; b) exposure or rights, to variable returns from its involvement with the investee; or the ability to use its power to affect its returns.

The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 owners of the Parent Company.



When the Parent Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable PFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PFRS 9.

### **Business Combination**

Common control business combinations are excluded from the scope of PFRS 3, *Business Combinations*. However, there are no specific rules under existing PFRS which prescribe how such transactions shall be accounted for. In August 2011, the PIC issued Q&A No. 2011-02, PFRS 3.2, *Common Control Business Combinations*, to provide guidance in accounting for common control business combinations in order to minimize diversity in the current practices until further guidance is provided by the International Accounting Standard Board (IASB).

The consensus in Q&A No. 2011-02 provides that common control business combinations shall be accounted for using either (a) the pooling of interests method, or (b) the acquisition method in accordance with PFRS 3. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.

In accordance with PIC Q&A No. 2011-02, the Group's acquisitions of businesses under common control are accounted for using either the acquisition method or the pooling of interest method, depending on the specific circumstances of the acquisition.

#### *Acquisition method*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PAS 12, *Income Taxes* and PAS 19, *Employee Benefits*, respectively;
- liabilities and equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with PFRS 2, *Share-based Payment*, at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with PFRS 5, *Non-current assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) is recognized immediately in profit or loss as bargain purchase gain.



When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with PFRS 9, *Financial Instruments: Recognition and Measurement*, or PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

#### *Pooling of interest method*

Common control business combinations are accounted for using 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 that otherwise would have been done under the acquisition method. 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 within equity;
- The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

The Group applied the pooling of interest method when it acquired GTC and SMDC as these companies remained to be wholly owned subsidiaries at the time of the acquisition. In 2016, the Group applied the same method in accounting for its acquisition of CRL as there is no commercial substance relating to the acquisition.

#### **Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill arising on an acquisition of a business is measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. For purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (CGU) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.



On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

## **Financial Instruments**

Financial assets and financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument.

### Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## **Financial Assets**

### Classification and subsequent measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at fair value through profit or loss (FVTPL).

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost.

### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.



The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for financial assets at amortized cost.

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For financial assets measured at amortized cost, exchange differences are recognized in profit or loss.

#### *Impairment of financial assets*

The Group recognizes a loss allowance for expected credit losses (ECL) on its financial assets at amortized cost.

The ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognizes lifetime ECL for trade receivables. The ECL on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.





In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, since the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

#### *Default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one year past due, since the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.



### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether financial assets measured at amortized cost are credit-impaired at each reporting date. To assess if the financial instruments measured at amortized cost are credit-impaired, the Group considers the credit standing and the ability of the counterparty to meet its contractual obligations.

### *Write-off*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the Group has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

### *Measurement and recognition of expected credit losses*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and loss given default is based on historical data adjusted by forward-looking information.

### *Presentation of allowance for ECL in the consolidated statement of financial position*

Loss allowances for ECL are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the assets.

### *Derecognition*

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.



## **Financial Liabilities and Equity Instruments**

### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### *Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

### *Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by Group are recognized at the proceeds received, net of direct issue costs.

### *Share capital*

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



### *Share premium*

Share premium represents the excess over the par-value received on subscriptions for the Group's shares which is represented in equity. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the share premium.

Direct costs incurred related to equity issuance are chargeable to share premium account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

### *Currency translation adjustment*

Currency translation adjustment represents the exchange differences resulting from translating the financial position and results of operations of GTC, CPNA, CIC, CRL and CST, whose functional currencies differ from the functional currency of the Group.

### *Retained earnings*

Retained earnings represent accumulated profits and losses attributable to equity holders of the Group after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy as may be required by the standard's transitional provisions.

## **Inventories**

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the first-in, first-out method. The costs of inventories are calculated as follows:

Raw materials	Moving average
Work-in-process	Weighted average
Finished goods	Weighted average
Finished goods (CPAVI)	Moving average

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Provision for inventory losses is established for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation. Inventories and its related provision for impairment are written off when the Group has determined that the related inventory is already obsolete and damaged. Write-offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited in the consolidated statements of comprehensive income based on the result of Management's current statement, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Spare parts with useful lives of one year or less are classified as inventories and recognized as expense as they are consumed.



## **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

## **Biological Assets**

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the assets can be measured reliably.

Biological assets are required to be measured on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be measured reliably. Accordingly, the Management shall exercise its judgment in determining the best estimate of fair value.

After exerting its best effort in determining the fair value of the Group's biological assets, Management believes that the fair value of its biological assets cannot be measured reliably since the market determined prices or values are not available and other methods of reasonably estimating fair value are determined to be clearly unreliable. Thus, the Group measures biological assets at its cost less any accumulated impairment losses.

There is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

Biological assets of the Group are classified as consumable biological assets which include fish in farms. The Group manages the growth of fish which will subsequently be used in production upon harvest.

Biological assets are recognized as expense when consumed.

## **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Major spare parts qualify as property, plant and equipment when the Group expects to use them for more than one year. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, item of property, plant and equipment measured are carried at cost less any subsequent accumulated depreciation and impairment losses.



Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method, other than construction in progress, based on the estimated useful lives of the assets as follows:

Land Improvements	5-15 years
Buildings	15 - 40 years
Building improvements	5-15 years
Plant machinery and equipment	2 - 20 years
Office furniture, fixtures and equipment	2 - 5 years
Laboratory tools and equipment	1 - 15 years
Transportation and delivery equipment	3 - 10 years

Properties in the course of construction for production, rental, administrative purposes or for purposes not yet determined, are carried at cost less any recognized impairment loss. Depreciation commences at the time the assets are ready for their intended use.

Leasehold improvements are depreciated over the improvements useful life of five years or when shorter, the term of the relevant lease.

Spare parts and properties in the course of construction for production or for purposes not yet determined are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

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. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

### **Intangible Assets**

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets, such as trademarks, with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.



## **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, such as trademarks, and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

## **Provisions**

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.



## **Share-based Payments**

### Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be exercised. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The valuation of the share based compensation reserve is determined by the number of share options exercised multiplied by the intrinsic value which is the difference between fair value of the shares at grant date and the exercise price.

## **Employee Benefits**

### Short-term benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### Post-employment benefits

#### *Defined benefit plan*

The Group classifies its retirement benefit as defined benefit plans. Under the defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of retirement benefit costs in profit or loss.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.





## **Revenue Recognition**

The Group recognizes revenue from the sale of its manufactured goods.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product to a customer. The Group recognizes revenue when it transfers control of a product to a customer.

### *Sale of goods*

The Group contracts to sell goods to the wholesale market and retailers. It identifies each party's rights and payment terms regarding goods to be transferred.

For sales of goods to the wholesale market and retailers, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the wholesalers' and retailers' specific location. Following delivery, the wholesaler and retailer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler and retailer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### *Transaction price*

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

The transaction price is also adjusted for any consideration payable to the customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer (or to other parties that purchase the Group's goods from the customer). Consideration payable to a customer also includes credit or other items that can be applied against amounts owed to the Group (or to other parties that purchase the Group's goods or services from the customer).

### *Variable consideration*

The amount of consideration can vary because of discounts, rebates, refunds, credits, incentives, penalties or other similar items. The Group estimated the amount of consideration to which it will be entitled to in exchange for transferring the promised goods to a customer.

The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group estimated the value of the variable consideration by obtaining the most likely amount in a range of possible consideration amounts.

The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.



In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved, the Group considers both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:

- The amount of consideration is highly susceptible to factors outside the Group's influence. Those factors may include volatility in a market, the judgment or actions of third parties, weather conditions and a high risk of obsolescence of the promised goods;
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; or
- The contract has a large number and broad range of possible consideration amounts.

#### Service income

Service income is recognized over time in which the services are rendered. The service income pertains to the management fees.

#### Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

#### Rental income

Revenue recognition for rental income is disclosed in the Group policy for leases.

#### Commission income

Commission income is recognized when earned, based on the terms of the agreement.

The commission income pertains to the co-packing services rendered by the Group to one of its suppliers.

#### Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.



## Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Expenses in the consolidated statements of comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold and includes raw materials used, direct labor and manufacturing overhead. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

## Leases

### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined,

The Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives:
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise Of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under PAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Operating Expenses" in the "Consolidated Statement of Comprehensive Income".

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

#### The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.



## Foreign Currency

### Foreign currency transactions

Transactions in currencies other than functional currency of the Group are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

### Foreign operations

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Philippine Peso using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising from that transaction are recognized in other comprehensive income.



### Translation to foreign currency

The separate financial statements of GTC, CPNA, CIC, CRL and CST whose functional currencies differ from the functional currency of the Group are translated to Philippine peso using the prevailing current exchange rate for the statements of the financial position accounts, except those which are translated at historical costs, and average rate during the period for the statements of comprehensive income accounts. Any resulting difference from the translation is charged to currency translation adjustments in OCI.

### **Related Party Transactions**

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Group and the key management personnel of the Group are also considered to be related parties.

Upon consolidation, significant intra-group balances are eliminated to reflect the Group's consolidated financial position and performance as a single entity.

### **Taxation**

Income tax expense represents the sum of current tax expense and deferred tax.

#### Current tax

The current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT) rate, whichever is higher. CPSI and CFPVI use Optional Standard Deduction (OSD), while other subsidiaries use itemized deductions in the computation of their respective taxable income.

AWI registered its Cold Storage Facilities (Panda 1 and 2) with Board of Investments (BOI) for Income Tax Holiday (ITH) provided under Article 39(a) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by R.A 7918. AWI operations under Panda 1 and 2 are entitled for ITH up to February 28, 2020 and June 30, 2023, respectively. Other income that arises outside from the registered activities of the AWI and local services in excess of 30% is subject to the statutory rate of 30%.

CPAVI is entitled to corporate income tax holiday (ITH) for four years, which can be extended for another year subject to condition that the Group shall undertake CSR activities and must be completed on the actual availment of the bonus year. The Group's liability for current tax is calculated using a 0% tax rate for BOI registered activities including sale to domestic market as authorized by BOI and 30% tax rate for non-registered activities.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the year

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized outside profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Earnings per Share**

The Group computes its basic earnings per share by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit for the period attributable to ordinary equity holders of the Parent Company and the weighted average number of shares outstanding are adjusted for the effects of dilutive potential ordinary shares.

#### **Events after the Reporting Period**

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

#### **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.



Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into seven business segments namely: Canned and Processed Fish, Canned Meat, Milk, Tuna Export, Coco Water, Packaging and Corporate. These divisions are the basis on which the Group reports its primary segment information.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Financial information on segment reporting is presented in Note 7.

## **6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical Judgments in Applying Accounting Policies**

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

#### Determination of functional and presentation currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency of that mainly influences the Group in determining the costs and the selling price of its inventories. It is the currency in which the Group measures its performance and reports its results.

The results of operations and financial position of GTC and CPNA, which are measured using US Dollar, and financial position of CIC, CST and CRL, which are measured using Chinese Yuan, were translated into Philippine Peso using the accounting policies in Note 5.

#### Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the qualitative and quantitative criteria have been met as disclosed in Note 36.

As at December 31, 2020 and 2019, the Group's financial instrument measured at amortized cost has not experienced a significant increase in credit risk.





### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Based on Management's assessment, receivables are classified into various types such as General Trade, Modern Trade, Food Service and Others. Only the Food Service and other receivables are included in the computation of ECL. The Group does not include in the computation the receivables from Modern Trade as they are unlikely to default as they are relatively stable in the business sector. For the General Trade, the obligations of the customers are secured by bank guarantees which exceeds the balance of the receivable.

### Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Due to the absence of implicit interest rate in each lease contract, the Company uses its incremental borrowing rate. The rate is equal to the effective interest rate of an external bank loan obtained by the Company. Such rate was used since the lease payments are included in the funding received by the Company from the banks as part of the financing activities.

### Discount rate used to determine the carrying amount of the Group's retirement benefit obligation

The Group's retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the report period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

### **Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As at December 31, 2020 and 2019, the Group assessed a nil probability of default for all of its financial assets measured at amortized cost. The Group monitors and maintains an updated status of all outstanding receivables per customer and in some instances, stops the delivery of goods for customers with overdue invoices. A provision matrix was used based on comparable percentage of receivable write-off of the same industry applied to accounts passed due for over 120 days without or with but expired bank guarantee. The assumptions used by the Group in estimating PD is disclosed in Note 36.



### Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Group uses the gross calculation method or the gross amount of receivable per category and considers the reverse repurchase rate and inflation rate to determine the LGD, as disclosed in Note 36.

### Estimating loss allowance for expected credit losses

The Group measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers group under "others" from over 120 days.

Total trade receivables recognized in the Group's consolidated statements of financial position amounted to P7,599,984,174 and P7,000,528,129 as at December 31, 2020 and 2019, respectively which is net of the related allowance for expected credit losses amounting to P48,671,328 and P42,847,339 as at December 31, 2020 and 2019, respectively, as shown in Note 9.

### Estimating useful lives of assets

The useful lives of the Group's assets with definite lives are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets and contractual arrangements, if applicable.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets would increase the recognized operating expenses and decrease non-current assets.

As at December 31, 2020 and 2019, the carrying amounts of the Group's property, plant and equipment amounted to P7,290,756,893 and P6,414,543,344, respectively, as disclosed in Note 15. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to P4,365,700,047 and P3,558,377,128 respectively, as disclosed in Note 15.

As at December 31, 2020 and 2019, the carrying amounts of the Group's right-of-use assets amounted to P678,300,084 and P705,437,893, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to P530,536,220 and P315,973,675, respectively, as disclosed in Note 13.

As at December 31, 2020 and 2019, the carrying amounts of the Group's intangible assets from licensing agreement amounted to P466,176,533 and P487,692,373 respectively, as disclosed in Note 12. Total accumulated amortization as at December 31, 2020 and 2019 amounted to P71,719,467 and P50,203,627 respectively, as disclosed in Note 12.



#### Estimating net realizable value of inventories

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Group records provision for excess of cost over net realizable value of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Reversals of previously recorded impairment provisions are credited in the consolidated statements of comprehensive income based on the result of Management's current assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Total inventories recognized in the Group's consolidated statements of financial position amounted to P14,313,100,885 and P11,781,872,041 as at December 31, 2020 and 2019, respectively, as shown in Note 10.

#### Impairment of goodwill

Determining whether goodwill is impaired requires estimation of the value of CGU to which goodwill has been allocated. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Group used the following, but not limited to, as key estimates in determining the value-in-use: Discount rate, EBITDA, and growth rates. Discount rate used to calculate the present value of the free cashflow to the firm is the determined weighted average capitalization cost (WACC) for the five-year projection and with consideration of the inflation rate in the free cashflow to the Group for the residual years. Based on the management's assessment, the value in use is assessed to be higher than the carrying value of the CGU and hence no impairment is required in 2020 and 2019.

The carrying amount of goodwill as at December 31, 2020 and 2019 amounted to P2,915,325,199 as shown in Note 12.

#### Asset impairment

The Group identified impairment indicators present for trademarks and input VAT and performed an impairment review for these assets to determine the recoverable amount and the extent of the impairment loss.

Total carrying amounts of trademarks as at December 31, 2020 and 2019 are disclosed in Notes 12. The Group recognized P34,700,000 impairment loss on trademarks in 2020, and nil for the years 2019 and 2018 as disclosed in Note 25.

Moreover, impairment loss on input VAT amounting to P9,316,412, P5,538,547, P5,823,633 were recognized in 2020, 2019 and 2018, respectively, as disclosed in Note 11. The amounts pertain mainly to CPAVI.

In 2019, reversal of impairment loss on property, plant and equipment of AWI amounting to P5,184,818 was recognized, as disclosed in Note 23. None was recognized in 2020.

#### Retirement benefit and other post-employment benefits

The determination of the retirement benefit obligation and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality and rates of compensation increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the amount of retirement benefit obligation and other post-employment benefits recognized.



The total retirement benefit expense recognized in 2020, 2019 and 2018 amounted to P70,087,891 and P38,685,892 and P41,694,411 respectively, and retirement benefit obligation as at December 31, 2020 and 2019 amounted to P618,902,329 and P160,025,025 respectively, as shown in Note 19.

Deferred tax assets

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 amounted to P752,107,229 and P359,681,319, respectively, as disclosed in Note 34.

Estimation of lease term

When estimating the lease term of the respective lease arrangement, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further.

**7. SEGMENT INFORMATION**

*Business segments*

For Management purposes, the Group is organized into seven major business segments: Canned and Processed Fish, Canned Meat, Milk, Tuna Export, Coco Water, Packaging and Corporate.

These divisions are the basis on which the Group reports its primary segment information to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The principal products and services of each of these divisions are as follows:

Canned and processed fish	Tuna Sardines Other seafood-based products
Canned meat	Corned beef Meatloaf Other meat-based products
Milk	Canned milk Powdered milk Other dairy products
Tuna export	Private label canned, pouched and frozen tuna Other tuna products
Coco water	Coconut beverages Coconut oil Coconut shells Other coconut products
Packaging	Packaging products
Corporate	Shared services Warehousing



The segments' results of operations of the reportable segments for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Segment Revenue	Segment Profit Before Tax
<b>2020</b>		
Canned and processed fish	<b>P15,935,223,188</b>	<b>P 838,377,406</b>
Canned meat	<b>12,383,595,068</b>	<b>1,549,909,501</b>
Milk	<b>10,548,290,713</b>	<b>308,406,055</b>
Tuna export	<b>6,007,349,439</b>	<b>248,249,295</b>
Coco water	<b>3,704,633,600</b>	<b>338,313,104</b>
Packaging	<b>2,211,214,721</b>	<b>662,020,085</b>
Corporate	<b>12,017,090,258</b>	<b>2,260,715,806</b>
Segment total	<b>62,807,396,987</b>	<b>6,205,991,252</b>
Eliminations	<b>(14,505,655,903)</b>	<b>(1,078,160,103)</b>
	<b>P48,301,741,084</b>	<b>P5,127,831,149</b>
<b>2019</b>		
Canned and Processed Fish	P12,408,081,553	P 679,694,886
Canned Meat	9,712,536,529	713,128,541
Milk	9,140,400,873	339,667,029
Tuna Export	6,393,918,051	606,898,449
Coco Water	3,092,758,690	480,406,148
Packaging	1,444,549,922	374,809,249
Corporate	10,453,402,210	2,078,534,131
Segment total	52,645,647,828	5,273,138,433
Eliminations	(12,085,284,872)	(1,234,509,428)
	P40,560,362,956	P4,038,629,005
<b>2018</b>		
Canned and processed fish	P12,493,671,620	P 417,615,243
Canned meat	9,561,159,515	943,014,380
Milk	5,707,060,556	53,249,472
Tuna export	6,636,521,686	535,094,321
Coco water	3,541,148,756	388,489,971
Packaging	1,386,618,900	297,550,010
Corporate	8,010,699,721	1,930,854,056
Segment total	47,336,880,754	4,565,867,453
Eliminations	(9,451,580,075)	(963,729,055)
	P37,885,300,679	P3,602,138,398

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Segment profit represents the profit before tax by each segment without allocation of central administration costs and directors' salaries, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The segment assets and liabilities as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Canned and processed Fish	<b>P8,098,476,229</b>	<b>P2,926,208,852</b>	P 7,700,221,184	P 2,239,983,073
Canned meat	<b>4,957,919,512</b>	<b>3,090,820,687</b>	4,757,246,743	2,083,980,608
Milk	<b>9,774,875,950</b>	<b>4,947,957,317</b>	6,970,719,444	3,731,702,799
Tuna export	<b>5,580,951,302</b>	<b>2,858,086,756</b>	4,561,396,699	1,952,790,728
Coco water	<b>3,921,750,774</b>	<b>618,105,962</b>	3,638,400,239	592,965,322
Packaging	<b>2,207,804,711</b>	<b>622,632,644</b>	1,744,518,035	697,325,566
Corporate	<b>11,580,875,162</b>	<b>5,370,008,788</b>	10,815,728,533	5,468,244,837
Segment total	<b>46,122,653,640</b>	<b>20,433,821,006</b>	40,188,230,877	16,766,992,933
Eliminations	<b>(9,846,288,014)</b>	<b>(5,593,665,973)</b>	(7,599,459,329)	(3,332,539,132)
	<b>P36,276,365,626</b>	<b>P14,840,155,033</b>	P32,588,771,548	P13,434,453,801



For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments, other than other financial assets, and current and deferred tax assets, which are booked under Corporate segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments, other than loans, other financial liabilities, current and deferred tax liabilities, which are booked under Corporate segment. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- Eliminations include transactions among the segments of the Parent Company.

Other segment information as at and for the year ended December 31, 2020, 2019 and 2018 are as follows:

	<b>Additions to Property, Plant, and Equipment</b>	<b>Depreciation and Amortization</b>	<b>Interest Income</b>	<b>Finance Costs</b>
<b>2020</b>				
Canned and processed fish	<b>P 763,410,756</b>	<b>P 144,789,997</b>	<b>P 120,786</b>	<b>P 3,497,508</b>
Packaging	<b>2,277,424</b>	<b>56,662,694</b>	<b>95,404</b>	<b>340,966</b>
Canned meat	<b>75,219,858</b>	<b>187,904,259</b>	<b>59,266</b>	<b>10,699,028</b>
Milk	<b>162,283,921</b>	<b>105,625,292</b>	<b>256,105</b>	<b>42,036,672</b>
Tuna export	<b>447,873,678</b>	<b>194,515,141</b>	<b>1,757,672</b>	<b>24,133,190</b>
Coco water	<b>198,206,867</b>	<b>255,086,619</b>	<b>304,302</b>	<b>4,846,176</b>
Corporate	<b>87,111,622</b>	<b>161,565,013</b>	<b>32,612,984</b>	<b>175,597,834</b>
	<b>P1,736,384,126</b>	<b>P1,106,149,015</b>	<b>P35,206,519</b>	<b>P261,151,374</b>
<b>2019</b>				
Canned and processed fish	P 498,517,833	P 99,218,297	P 142,294	P 723,706
Packaging	223,292,178	48,560,395	65,738	375,338
Canned meat	119,462,001	165,301,202	64,556	9,469,571
Milk	239,628,836	62,239,000	213,431	45,287,647
Tuna export	308,516,334	146,137,279	900,580	25,964,423
Coco water	190,499,834	252,155,358	946,006	6,187,068
Corporate	194,246,183	158,754,201	5,749,456	281,420,064
	<b>P1,774,163,199</b>	<b>P932,365,731</b>	<b>P8,082,061</b>	<b>P369,427,817</b>
<b>2018</b>				
Canned and processed fish	P 110,682,493	P 74,962,425	P 107,199	P -
Packaging	270,501,646	36,160,152	64,905	-
Canned meat	70,502,093	122,156,984	66,350	-
Milk	79,589,730	26,021,644	239,443	9,403,715
Tuna export	122,526,282	112,442,847	4,018,307	2,533,333
Coco water	527,999,704	307,663,230	301,655	6,059,095
Corporate	125,905,897	47,501,523	2,781,191	178,865,455
	<b>P1,307,707,845</b>	<b>P726,908,805</b>	<b>P7,579,050</b>	<b>P196,861,598</b>

### Geographical Information

The Group operates in three principal geographical areas: Philippines, United States of America and China.

The Group's revenue from continuing operations from external customers by location of operation and information about its non-current assets by location of assets are detailed below

	Revenue from external customers For the year ended December 31		Non-current assets December 31	
	<b>2020</b>	2019	<b>2020</b>	2019
Philippines	<b>P47,774,384,077</b>	P40,127,426,388	<b>P12,295,540,155</b>	P11,065,029,970
USA	<b>304,084,639</b>	202,394,126	<b>6,727,204</b>	8,032,504
China	<b>223,272,368</b>	230,542,442	<b>623,603</b>	885,651
	<b>P48,301,741,084</b>	P40,560,362,956	<b>P12,302,890,962</b>	P11,073,948,125



## 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period, as shown in the consolidated statements of cash flows, can be reconciled to the related items in the consolidated statements of financial position as follows:

	2020	2019
Cash on hand	P 27,242,934	P 60,508,152
Cash in banks	1,054,018,005	1,504,022,717
Cash equivalents	148,120,334	43,313,185
	<b>P1,229,381,273</b>	<b>P1,607,844,054</b>

Cash on hand includes petty cash fund and undeposited collections.

Cash in banks earned average interest rate ranging from 0.10% to 0.125% and from 0.10% to 0.35% and per annum in 2020 and 2019, respectively, and is unrestricted and immediately available for use in the current operations of the Group.

Cash equivalents represent short-term fund placements and investments in unit-trust funds (UITFs) with local banks. Short-term fund placements will mature in three months or less from the date of acquisition with annual interest rates ranging from 1.32% to 2.25% in 2020 and from 1.01% to 5.0% in 2019. These placements are from excess cash and can be withdrawn anytime.

Interest income earned from bank deposits and placements amounted to P 33,939,292, P6,781,847 and P6,427,927 in 2020, 2019, and 2018, respectively, as disclosed in Note 23.

## 9. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables consist of:

	2020	2019
Trade receivables from third parties	P6,243,691,205	P5,985,029,736
Allowance for expected credit losses	(33,558,388)	(24,288,131)
Allowance for sales return	(15,112,940)	(18,559,208)
	<b>6,195,019,877</b>	<b>5,942,182,397</b>
Advances to suppliers	1,181,909,910	786,574,073
Advances to officers and employees	49,196,728	47,169,974
Others	173,857,657	224,601,685
	<b>P 7,599,984,172</b>	<b>P7,000,528,129</b>

Trade receivables represent short-term, non-interest bearing receivables from various customers and generally have 30 to 90 days term or less. No interest is charged on trade receivables.

Advances to suppliers are non-interest bearing and generally have terms of 30 days to 45 days. These are generally applied against future billings within next year.

Advances to officers and employees are non-interest bearing and are liquidated within one month. Advances to officers include salary loans which earned average interest rate of 8% per annum. Interest income earned from salary loans amounted to P1,267,227 in 2020 and P1,386,641 in 2019 and P1,151,103 in 2018 as disclosed in Note 23.

Other receivables, which consist mainly of statutory receivables and receivables from various parties for transactions other than sale of goods, are non-interest bearing and generally have terms of 30 to 45 days.



Movements in the allowance for expected credit losses and allowance for sales returns as at December 31 are as follows:

	Notes	Expected Credit Losses	Allowance for Sales Return	2020
Balance, January		P24,288,131	P18,559,208	<b>P42,847,339</b>
Expected Credit Loss	24	9,270,257	-	<b>9,270,257</b>
Write off		-	-	-
Reversal		-	(3,446,268)	<b>(3,446,268)</b>
<b>Balance, December 31</b>		<b>P33,558,388</b>	<b>P15,112,940</b>	<b>P48,671,328</b>
2019				
Balance, January		P18,493,803	P67,447,178	P85,940,981
Expected Credit Loss	24	5,794,328	-	5,794,328
Write off		-	-	-
Reversal		-	(48,887,970)	(48,887,970)
<b>Balance, December 31</b>		<b>P24,288,131</b>	<b>P18,559,208</b>	<b>P42,847,339</b>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Management believes that there is no further allowance for estimated credit losses required in excess of those that were already provided.

#### 10. INVENTORIES - net

Details of the Group's inventories are as follows:

	2020	2019
Finished goods	<b>P6,338,087,442</b>	P 5,594,397,614
Work in process	<b>162,276,236</b>	76,621,972
Raw materials	<b>7,675,369,911</b>	5,910,396,114
Spare parts and supplies	<b>421,509,561</b>	383,634,727
	<b>14,597,243,150</b>	11,965,050,427
Allowance for obsolescence	<b>(284,142,265)</b>	(183,178,386)
	<b>P14,313,100,885</b>	P11,781,872,041

The Group's inventories are recorded at their respective costs.

Cost of inventories recognized as expense in 2020, 2019 and 2018 amounted to P 36,374,034,421, P30,836,294,070 and P29,737,566,156, respectively, as disclosed in Note 22.

Movements in the allowance for obsolescence of inventories are as follows:

	Notes	2020	2019	2018
Balance, January 1		<b>P183,178,386</b>	P117,342,239	P 55,521,218
Provision on slow moving inventories	22, 24	<b>83,254,371</b>	72,394,430	94,774,003
Provision on write-down	25	<b>391,036,678</b>	185,817,650	22,065,037
Write off		-	-	(26,401,328)
Reversal		<b>(373,327,170)</b>	(192,375,933)	(28,616,691)
<b>Balance, December 31</b>		<b>P284,142,265</b>	<b>P183,178,386</b>	<b>P117,342,239</b>

The Group has recognized value write-down inventories which amounted to P391,036,678, P185,817,650, and P22,065,037 in 2020, 2019 and 2018, respectively, as disclosed in Note 25.





**11. PREPAYMENTS AND OTHER CURRENT ASSETS - net**

The details of the Group's prepayments and other current assets are shown below:

	<b>2020</b>	2019
Input value-added tax (VAT) – net	<b>P336,577,746</b>	P564,377,793
Prepaid taxes	<b>79,198,545</b>	167,851,940
Prepaid insurance	<b>9,557,430</b>	10,431,023
Prepaid rent	<b>3,438,969</b>	8,650,873
Others	<b>62,707,558</b>	90,302,145
	<b>491,480,248</b>	841,613,774
Allowance for VAT claims	<b>(6,987,429)</b>	(12,003,841)
	<b>P484,492,819</b>	P829,609,933

Input VAT as at December 31, 2020 and 2019 are presented net of output VAT of nil and P1,423,595 respectively.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers and tax credit certificates (TCC) issued by the Bureau of Customs (BOC) to GTC and SMDC. TCCs from BOC are granted to Board of Investment (BOI) registered companies and are given for taxes and duties paid on raw materials used for the manufacture of their export products. GTC can apply its TCC against tax liabilities other than withholding tax or can be refunded as cash.

In prior years, CPAVI filed an application with the BOC for the conversion of its input VAT to TCC. The Group determined that the TCC amounting to nil and P 45,056,560 of the total prepaid taxes for 2020 and 2019 respectively will no longer be recovered and was written off, as disclosed in Note 25.

The Group recognized provision for impairment of input VAT amounting to P9,316,412, P5,538,547 and P5,823,633 as disclosed in Note 25.

Others pertain to advance payments related to maintenance on software and system used by the Group.

The Group's application for tax appeal with the BIR is still ongoing as at December 31, 2020.

Movement in the allowance for VAT claims are as follows:

	<b>Note</b>	<b>2020</b>	2019	2018
Balance, January 1		<b>P12,003,841</b>	P 6,465,294	P19,887,888
Provision	25	<b>9,316,412</b>	5,538,547	5,823,633
Write off		<b>(14,332,824)</b>	-	(19,246,227)
Balance, December 31		<b>P 6,987,429</b>	P12,003,841	P 6,465,294

**12. INTANGIBLE ASSETS**

The details of the Group's intangible assets are as follows:

	<b>2020</b>	2019
Goodwill	<b>P2,915,325,199</b>	P2,915,325,199
Licensing agreement	<b>466,176,533</b>	487,692,373
Trademarks	<b>66,774,880</b>	101,474,888
	<b>P3,448,276,612</b>	P3,504,492,460



## **Goodwill**

The goodwill is associated with the excess of the investment cost over the fair value of the net assets of CPAVI, CIC and CST at the time of acquisitions.

Goodwill recognized from the acquisitions of the businesses are as follows:

	<b>2020</b>	2019
CPAVI	<b>P2,915,325,199</b>	P2,915,325,199

In 2018, the Group assessed that the goodwill arising from the acquisition of CIC and CST was fully impaired. It was determined that the carrying amount of the CGU exceeded its recoverable amount considering the value in use of the CGU. Based on Management's assessment, the projected revenue growth in the coming years is not sufficient to sustain its operations in the future. Accordingly, an impairment loss equal to the amount recognized as goodwill amounting to P36,957,396 was recognized in 2018, as disclosed in Note 25.

Based on Management review of recoverable amount, goodwill arising from the acquisition of CPAVI is not impaired as at December 31, 2020 and 2019. CPAVI's primary purpose, the CGU, is to engage in the business of converting and processing input raw materials derived from fruits, vegetables and other agricultural products, such as drilled, deshelled and pared coconuts, into finished products and distributing, and exporting the same.

The Company performs an impairment review on goodwill annually.

The structure of the impairment review is at CGU level.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using 2.4% and 15% per annum growth rate in 2020 and 2019, respectively which is the projected long-term average growth rate for the international leisure goods market.

Critical assumptions in the impairment review is as follows.

- Discount rate – discount rate reflects the current market assessment of the risks specific to the CGU and estimated based on the weighted average cost of capital for CGU. The Group has used a discount rate of 12.7% and 11.6% per annum in 2020 and 2019, respectively.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) margins – the margins have been estimated based on past experience after considering incremental revenue arising out of income from sale of coconut-based products. Margins will be positively impacted from the increased inflow of revenues and other initiatives driven by the Group, whereas factors like failure to meet commitment per contract in buying or producing of the products may impact the margins negatively.
- Growth rates – In line with the long-term average growth rates of the coconut industry in the country in which the entity operates and are consistent with the internal/external sources of information. The Group has used growth rate of 33% in 2021, this is taking into consideration the Group's expansion plan to meet the higher demand as a result of the additional production of coconut milk product line starting 2021 and the renewed contracts with the existing customers which is expected to grow the CGU's business significantly starting 2021 and a steady growth rate of 1% to 2% thereafter.

The Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.



## Licensing Agreement

In 2017, CPFI has acquired the Philippine license for the Hunt's brand from Hunt-Universal Robina Corporation ("HURC"). HURC is a joint venture corporation of Universal Robina Corporation ("URC") and ConAgra Grocery Products Company, LLC for the purpose of the manufacture, sell and distribute of Hunt's licensed products. HURC entered into various agreements with URC to act as HURC's exclusive partner for the manufacture, sale and distribution of the licensed products. The acquisition supported the growth of the Parent Company's branded businesses, as well as expand its presence into adjacent shelf-stable categories.

### *Trademark licensing agreement*

CPFI entered into a trademark licensing agreement with ConAgra Foods RDM, Inc. ("ConAgra"). The trademark license will entitle the CPFI an exclusive revocable right and license to manufacture and sell in the Philippines and other licensed territories the licensed products in accordance with the formulas and specifications furnished by ConAgra and to affix to the products the licensed marks after the grant date and during the term of the agreement. The licensing agreement shall have an initial term of 25 years subject to renewal of 3 years thereafter subject to the terms of the licensing agreement. On the same date, CPFI paid a one-time upfront fee of P214,230,000.

On each contract year, CPFI shall pay ConAgra the following:

- Guaranteed royalty to be paid quarterly and serves as a non-refundable advance towards the earned royalty for the licensed products; and
- Earned royalty is non-refundable and to be paid based on an agreed percentage of net sales per contract year.

Further, under the licensing agreement, CPFI purchased from the plant machinery and equipment (the "assets") that can be used to manufacture the licensed products.

As at December 31, 2020, 2019 and 2018, royalty fee expense to ConAgra amounted to P21,639,909, P18,044,879 and P15,225,661, as disclosed in Note 24.

In 2020, the remaining useful life of the intangible asset acquired is 21.33 years.

Movements in carrying amounts of the Group's intangible assets arising from the licensing agreement are as follows:

	<b>Note</b>
<b>Cost</b>	
Balance, January 1, 2019	P537,896,000
Addition	-
Balance, December 31, 2019	537,896,000
Additions	-
Balance, December 31, 2020	<b>537,896,000</b>
<b>Accumulated Depreciation</b>	
Balance, January 1, 2019	28,687,787
Amortization	24 21,515,840
Balance, December 31, 2019	50,203,627
Amortization	24 21,515,840
<b>Balance, December 31, 2020</b>	<b>71,719,467</b>
<b>Carrying Amount, December 31, 2020</b>	<b>P466,176,533</b>
Carrying Amount, December 31, 2019	P487,692,373

Management believes that there is no indication that an impairment loss has occurred on its intangible assets.



## Trademarks

In July 2008, the Group purchased Kaffe de Oro and Home Pride trademarks amounting to P40,000,000 from General Milling Corporation (GMC) owned and registered with the Intellectual Property Office.

In 2016, the Group acquired the "KAMAYAN" trademark from Concentrated Foodline Corporation for a total purchase price of USD1,307,700 or P61,474,888. The deed of assignment for the said trademark was dated August 17, 2016 and the purchase price was paid in full in the same year.

The Group has recognized P34,700,000 impairment loss on trademarks in 2020, and nil for the years 2019 and 2018 as disclosed in Note 25.

The Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the asset.

### 13. RIGHT OF USE ASSETS – net

Movements in the carrying amounts of the Group's Right of Use Assets are as follows:

	Warehouse	Office Space	Equipment	Plant	Total
<b>Cost</b>					
Balance January 1, 2019	P448,806,342	P41,346,160	P218,482,180	P146,112,024	P854,746,706
Additions	155,134,668	4,643,804	6,886,390	-	166,664,862
Balance, December 31, 2019	603,941,010	45,989,964	225,368,570	146,112,024	1,021,411,568
Additions	103,155,224	3,286,325	72,787,024	50,483,138	229,711,711
Termination	(6,306,881)	(1,059,134)	(15,795,176)	(19,125,784)	(42,286,975)
<b>Balance, December 31, 2020</b>	<b>700,789,353</b>	<b>48,217,155</b>	<b>282,360,418</b>	<b>177,469,378</b>	<b>1,208,836,304</b>
<b>Accumulated Depreciation</b>					
Balance January 1, 2019	-	-	90,009,473	16,231,603	106,241,076
Depreciation	127,695,488	8,659,987	43,145,730	30,231,394	209,732,599
Balance December 31, 2019	127,695,488	8,659,987	133,155,203	46,462,997	315,973,675
Depreciation	160,642,466	9,883,980	51,046,997	35,216,835	256,790,278
Termination	(6,306,881)	(1,059,134)	(29,039,299)	(5,822,419)	(42,227,733)
<b>Balance, December 31, 2020</b>	<b>P282,031,073</b>	<b>P17,484,833</b>	<b>P155,162,901</b>	<b>P 75,857,413</b>	<b>P530,536,220</b>
<b>Carrying Amount</b>					
<b>December 31, 2020</b>	<b>P418,758,280</b>	<b>P30,732,322</b>	<b>P127,197,517</b>	<b>P101,611,965</b>	<b>P678,300,084</b>
Carrying Amount December 31, 2019	P476,245,522	P37,329,977	P92,213,367	P99,649,027	P705,437,893

The Management believes that there is no indication of impairment on the carrying amount of its Right-of-use assets as at December 31, 2020.

#### Amounts recognized in profit or loss

Depreciation expenses charged to cost of goods sold under factory overhead and operating expenses in relation to right of use assets are as follows:

	2020	2019
Cost of goods sold - depreciation expense	<b>P150,770,805</b>	P144,816,285
Operating expenses - depreciation expense	<b>98,609,155</b>	98,609,155
Other expenses - depreciation expense	<b>7,410,318</b>	7,410,318
<b>Total Depreciation Expense of Right of Use Assets</b>	<b>P256,790,278</b>	P250,835,758



**14. BIOLOGICAL ASSETS**

Biological assets of the Group comprise of fingerlings and mature milk fish. Movements of the carrying amounts of the biological assets are shown below.

	<b>2020</b>	2019
Balance, January 1	<b>P 33,380,356</b>	P 42,853,751
Purchased fingerlings	<b>147,706,093</b>	33,223,057
Consumed feeds	<b>33,629,983</b>	96,068,590
Direct labor	<b>375,429</b>	1,257,578
Overhead	<b>3,137,020</b>	1,074,926
Total cost	<b>218,228,881</b>	174,477,902
Decreases due to harvest	<b>(152,502,251)</b>	(141,097,546)
Balance, December 31	<b>P 65,726,630</b>	P 33,380,356

Fingerlings and mature milk fish are measured at cost since the fair market value cannot be measured reliably as they do not have either appropriate market index or individually effective measurement practices and they have short inventory period.

The Management believes that there is no recognized depreciation on biological assets given its nature which is to grow and use it as part of its production.

As at December 31, 2020 and 2019, the Management believes that there is no objective evidence of impairment on its biological assets carried at cost. Accordingly, no impairment loss was recognized in both years.



## 15. PROPERTY, PLANT AND EQUIPMENT - net

Movements in the carrying amounts of the Group's property, plant and equipment are as follows:

	Land Improvements	Building and Building Improvement	Plant Machinery and Equipment	Office Furniture, Fixtures and Equipment	Laboratory, Tools and Equipment	Transportation and Delivery Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance, January 1, 2019	P54,346,495	P2,365,690,532	P5,034,330,564	P65,154,154	P453,255,008	P116,844,022	P 316,412,352	P 8,406,033,127
Additions	848,435	88,180,888	565,818,079	5,369,790	47,908,052	12,232,842	1,053,805,113	1,774,163,199
Reclassifications	1,697,531	287,729,262	183,267,619	307,559	6,895,886	3,386,383	(651,117,525)	(167,833,285)
Disposals	-	-	-	(304,754)	(768,151)	(3,352,678)	(35,016,987)	(39,442,570)
Balance, December 31, 2019	56,892,461	2,741,600,682	5,783,416,262	70,526,749	507,290,795	129,110,569	684,082,953	9,972,920,472
Additions	452,008	26,727,570	295,066,903	5,735,656	44,285,575	4,347,038	1,359,769,376	1,736,384,126
Reclassifications	960,000	530,166,188	1,016,368,240	3,400,471	12,022,099	621,541	(1,563,538,539)	-
Disposals	(158,464)	(1,612,481)	(29,643,690)	(58,903)	(366,578)	(3,393,929)	(17,613,612)	(52,847,657)
<b>Balance, December 31, 2020</b>	<b>58,146,005</b>	<b>3,3,296,881,959</b>	<b>7,065,207,715</b>	<b>79,603,973</b>	<b>563,231,891</b>	<b>130,685,219</b>	<b>462,700,178</b>	<b>11,656,456,940</b>
<b>Accumulated Depreciation and Impairment Losses</b>								
Balance, January 1, 2019	46,958,319	601,200,981	1,929,318,437	45,273,296	270,197,526	55,015,128	-	2,947,963,687
Depreciation	1,466,506	128,209,810	470,561,038	8,116,054	72,693,251	20,070,633	-	701,117,291
Reclassification	-	9,437,588	(96,579,130)	-	-	-	-	(87,141,542)
Disposal	-	-	-	(285,342)	(38,858)	(3,238,109)	-	(3,562,309)
Balance, December 31, 2019	48,424,825	738,848,379	2,303,300,345	53,104,008	342,851,919	71,847,652	-	3,558,377,128
Depreciation	1,932,437	164,145,225	567,749,634	8,844,397	65,465,755	19,705,448	-	827,842,896
Reclassifications	-	-	635,160	-	(635,160)	-	-	-
Disposal	(144,495)	(1,474,964)	(14,812,731)	(15,722)	(624,753)	(3,447,312)	-	(20,519,977)
<b>Balance, December 31, 2020</b>	<b>P50,212,767</b>	<b>P 901,518,640</b>	<b>P2,856,872,408</b>	<b>P61,932,683</b>	<b>P407,057,761</b>	<b>P 88,105,788</b>	<b>P -</b>	<b>P 4,365,700,047</b>
<b>Carrying Amounts</b>								
<b>As at December 31, 2020</b>	<b>P 7,933,238</b>	<b>P2,395,363,319</b>	<b>P4,208,335,307</b>	<b>P17,671,290</b>	<b>P156,174,130</b>	<b>P 42,579,431</b>	<b>P 462,700,178</b>	<b>P 7,290,756,893</b>
Carrying Amounts As at December 31, 2019	P 8,467,636	P2,002,752,303	P3,480,115,918	P17,422,741	P164,438,876	P 57,262,917	P 684,082,953	P 6,414,543,344



Details of depreciation charged to profit or loss are disclosed below:

	Notes	2020	2019	2018
Cost of goods sold	22	<b>P770,227,299</b>	P638,174,865	P638,585,720
Operating expenses	24	<b>57,608,710</b>	62,924,774	66,807,245
Reimbursable expenses		<b>6,887</b>	17,653	-
		<b>P827,842,896</b>	P701,117,292	P705,392,965

Construction in progress pertains to accumulated costs incurred on the ongoing construction of the Group's new production plant and administration building as part of the Group's expansion program.

The Group recognized loss on sale of certain equipment amounting to P269,848, P34,610,707 and P2,098,022 in 2020, 2019, and 2018, respectively, as disclosed in Note 25 and and gain amounting to P2,773,474, P2,980,501 and nil in 2020, 2019 and 2018, respectively, as disclosed in Note 23.

Management believes that there is no indication of impairment loss on its property, plant and equipment as at December 31, 2019 and 2020.

## 16. OTHER NON-CURRENT ASSETS

The Group's other non-current assets consist of:

	Note	2020	2019
Security deposits	32	<b>P 87,345,066</b>	P64,329,977
Returnable containers		<b>35,743,734</b>	17,447,561
Deposits on utilities		<b>5,211,224</b>	1,725,791
Others		<b>5,150,120</b>	6,289,780
		<b>P133,450,144</b>	P89,793,109

Security deposits pertain to deposits required under the terms of the lease agreements of the Group with certain lessors.

Returnable containers are assets used in the delivery of the Group's products. Products for delivery do not include the value of these containers.

Others pertain to claims from suppliers not yet settled as at December 31, 2020 and 2019.

## 17. BORROWINGS

This account is composed of:

	2020	2019
Current	<b>P3,533,466,680</b>	P2,433,508,587
Non-current	-	3,086,500,000
	<b>P3,533,466,680</b>	P5,520,008,587

Movements in the Group's borrowings are as follows:

	2020	2019
Balance, January 1	<b>P5,520,008,587</b>	P6,312,500,000
Additions	<b>5,551,000,000</b>	4,986,000,000
Repayments	<b>(7,537,541,907)</b>	(5,778,491,413)
	<b>P3,533,466,680</b>	P5,520,008,587



The Company's borrowings are composed of unsecured bank loans at amortized cost.

- a. In 2016, the Parent Company entered into a long-term and unsecured loan amounting to P1,150,000,000 due on May 5, 2021 payable annually with interest rate of 4.30% per annum. Current portion of this loan amounted to P11,500,000 which will be due in less than 12 months. Repayments of these loans amounted to P11,500,000 in 2020 and 2019. Outstanding balance amounted to P1,104,000,000 as of December 2020 which will be due in less than 12 months.
- b. In, 2016, the Parent Company entered into a long-term and unsecured loan amounting to P500,000,000 due on April 21, 2021 payable annually with interest rate of 4.25% per annum. Repayment of these loans amounted to P7,500,00 and P5,000,000 in 2020 and 2019. The outstanding balance of this loan amounted to P480,000,000 as at December 31, 2020 which will be due in less than 12 months.
- c. In 2018, the Parent Company entered into a long-term loan and unsecured peso loan amounting to P1,500,000,000 due on July 11, 2023 interest is payable annually with rate of 5.85% per annum. The loan has been fully paid in 2020.
- d. In 2020, the Parent Company entered into short-term and unsecured peso loans from local bank amounting to 2,950,000,000 with maturity date of less than 12 months with interest ranging from 3.125% to 4.500%. Repayments of the short-term loans amounted to 1,400,000,000 in 2020. The outstanding balance of this loan amounted to P1,550,000,000 as at December 31, 2020 which will be due in less than 12 months.
- e. In 2020, GTC obtained a short-term interest-bearing and unsecured loans from local commercial banks to primarily fund the Parent Company's working capital needs. The unsecured loans, amounting to P530,000,000, have annual interest rates ranging from 5% to 7%. The outstanding balance of this loan amounted to P 399,466,680 as at December 31, 2020 which will be due in less than 12 months.
- f. In 2020 SMDC entered into an unsecured peso loans from local banks amounting P400,000 to with maturity date of less than 12 months with interest rates ranging from 3.80 to 7% per annum. Loans has been fully paid in 2020.

Total finance costs incurred on these loans amounted to P 215,645,210, P325,478,402 and P190,802,503 in 2020, 2019 and 2018, respectively, as presented in the consolidated statements of comprehensive income.

Total accrued interest payable on these loans amounted to P14,897,506 and P68,734,154 as at December 31, 2020 and 2019, respectively, as part of accrued expenses, as disclosed in Note 18.

The Parent has loan covenants of maintaining a debt-to-equity ratio not greater than 3:1 and a Debt Service Coverage Ratio of at least 1.05x based on its latest audited financial statements as of the relevant periods.

In addition, the Group must not materially change the voting control of its capital stocks and it must not declare or pay dividends or purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding in case the Group is in default of its obligation under the agreement.

The Group is compliant with the bank covenants imposed by the bank institutions.

## 18. TRADE AND OTHER PAYABLES

The Group's trade and other payables consist of:

	2020	2019
Trade payables to third parties	<b>P4,375,180,898</b>	P3,687,910,262
Accrued expenses	<b>4,851,881,944</b>	2,741,844,194
Withholding taxes payable	<b>235,126,519</b>	136,744,967
Non-trade payables	<b>193,732,982</b>	66,874,097
Others	<b>14,643,293</b>	199,355,630
	<b>P9,670,565,636</b>	P6,832,729,150





The credit period on purchases of certain goods from suppliers ranges from 30 to 120 days. No interest is charged on trade payables. Accrued expenses are non-interest bearing and are normally settled within one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

Non-trade payables pertain to payables to government and reimbursements to employees which are payable on demand and no interest is charged.

Other payables include liabilities related to utilities, various agencies and regulatory bodies.

Details of accrued expenses are shown below:

	Note	2020	2019
Product-related cost		<b>P2,980,123,845</b>	P1,370,811,789
Advertising and promotion		<b>1,426,031,754</b>	1,118,282,530
Employee benefits		<b>72,019,929</b>	101,701,678
Professional cost		<b>287,276,511</b>	10,454,464
Interest	17	<b>14,897,506</b>	68,734,154
Rent		<b>45,278,337</b>	17,668,455
Utilities		<b>6,967,336</b>	12,865,484
Others		<b>19,286,726</b>	41,325,640
		<b>P4,851,881,944</b>	P2,741,844,194

Reversals of accruals pertaining to long-outstanding liability to third party vendors amounting to P107,184,824, P125,718,029 and P71,759,813 were made in 2020, 2019 and 2018, respectively, as disclosed in Note 23.

Others pertain to accruals for insurance expenses.

## 19. RETIREMENT BENEFIT OBLIGATION

The Group has set up the Century Pacific Group of Companies Multiemployer Retirement Plan which is a funded, non-contributory and of the defined benefit type which provides a retirement benefit ranging from 100% to 130% of plan salary for every credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with terms of the plan.

Under the existing regulatory framework, Republic Act (RA) No. 7641, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the fund.

The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed by the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the retirement plan and the management of the retirement plan.

As at December 31, 2020, 2019 and 2018, the Group's retirement fund has investments in various shares of stocks under the stewardship of a reputable bank. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of the Group. The power to exercise the voting rights rests with the Board of Trustees.

The plan typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.



### *Investment risk*

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan's investments are in the form of debt instruments of government security bonds, equity instruments and fixed income instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in government security bonds.

### *Interest rate risk*

A decrease in the government security bond interest rate will increase the retirement benefit plan obligation. However, this will be partially off-set by an increase in return in on the plan's debt investment.

### *Longevity risk*

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

### *Salary risk*

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary for the year ended December 31, 2020.

The present value of the defined benefit obligation and the related current service cost was measured using the Projected Unit Credit Method.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	<b>Valuation at 2020</b>		Valuation at 2019		Valuation at 2018	
	<b>Discount Rate</b>	<b>Expected Rate of Salary Increase</b>	Discount Rate	Expected Rate of Salary Increase	Discount Rate	Expected Rate of Salary Increase
CPFI	<b>3.95%</b>	<b>6.00%</b>	5.24%	4.00%	7.52%	4.00%
GTC	<b>3.95%</b>	<b>6.00%</b>	5.24%	4.00%	7.52%	4.00%
SMDC	<b>3.95%</b>	<b>6.00%</b>	5.24%	4.00%	7.52%	4.00%
CPAVI	<b>3.95%</b>	<b>6.00%</b>	5.24%	4.00%	7.52%	4.00%

The mortality rate used for the above subsidiaries is based on The 2001 CSO Table – Generational (Scale AA, Society of Actuaries).



Amounts recognized in the consolidated statements of comprehensive income in respect of this retirement benefit plan are as follows:

	2020	2019	2019
Service costs:			
Current service cost	<b>P62,800,854</b>	P 34,308,653	P36,461,217
Net interest expense	<b>7,287,037</b>	4,377,239	5,233,194
Components of defined benefit costs recognized in profit or loss	<b>70,087,891</b>	38,685,892	41,694,411
Remeasurement on the net defined benefit asset:			
(Gain)/Loss on plan assets (excluding amounts included in net interest expense)	<b>15,795,087</b>	(20,695,314)	14,819,902
Effect of asset ceiling	<b>6,148,440</b>	(64,632)	60,103
Actuarial (gains) losses:			
from changes in financial assumptions from experience adjustments	<b>305,713,517</b>	100,112,888	(65,547,706)
	<b>109,744,993</b>	12,321,121	28,429,832
Components of defined benefit costs recognized in other comprehensive income	<b>437,402,037</b>	91,674,063	(22,237,869)
	<b>P507,489,928</b>	P130,424,587	P19,456,542

The amounts included in the consolidated statements of financial position arising from the Group's retirement benefit plans are as follows:

	2020	2019
Present value of retirement benefit obligation	<b>P947,256,761</b>	P452,006,056
Fair value of plan assets	<b>(334,502,872)</b>	(291,981,031)
Effect of the asset ceiling - SMDC	<b>6,148,440</b>	-
Retirement benefit obligation	<b>P618,902,329</b>	P160,025,025

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 present value of the reduction in future contributions is determined using the discount rate applied to measure the year-end defined benefit obligation.

Movements in the present value of retirement benefit obligations are as follows:

	2020	2019
Balance, January 1	<b>P452,006,056</b>	P291,649,515
Current service cost	<b>62,800,854</b>	34,308,653
Interest cost	<b>23,685,117</b>	21,957,251
Benefits paid	<b>(6,693,776)</b>	(8,343,372)
Remeasurement loss:		
from changes in financial assumption	<b>305,713,517</b>	100,112,888
from changes in experience adjustment	<b>109,744,993</b>	12,321,121
Balance, December 31	<b>P947,256,761</b>	P452,006,056



Movements in the fair value of plan assets are as follows:

	2020	2019
Balance, January 1	<b>P291,981,031</b>	P213,431,933
Contributions paid into the plan	<b>48,612,624</b>	48,612,624
Interest income	<b>16,398,080</b>	17,584,532
Benefits paid	<b>(6,693,776)</b>	(8,343,372)
Return on plan assets (excluding amounts included in net interest expense/income)	<b>(15,795,087)</b>	20,695,314
<b>Balance, December 31</b>	<b>P334,502,872</b>	P291,981,031

The following is the composition of plan assets as at the December 31, 2019 and 2018:

	2020	2019
Cash and cash equivalents	<b>P 6,455,905</b>	P 27,105,212
Debt instruments - government bonds	<b>216,389,908</b>	190,525,109
Debt instruments - other bonds	<b>7,827,367</b>	10,018,414
Unit investment trust funds	<b>82,321,157</b>	54,327,258
Others (market gains or losses, accrued receivables, etc.)	<b>21,508,535</b>	10,106,038
	<b>P334,502,872</b>	P292,082,031

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Management is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Management's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

Actual return on plan assets as at December 31, 2020 and 2019 are as follows:

	2020	2019
Interest income	<b>P16,398,080</b>	P17,584,532
Remeasurement loss	<b>(15,795,087)</b>	20,695,314
<b>Actual return</b>	<b>P 602,993</b>	P38,279,846

Movements in the OCI relating to retirement obligation for 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Accumulated OCI, beginning	<b>P155,960,213</b>	P 64,286,150	P86,524,019
Actuarial losses on DBO	<b>415,458,510</b>	112,434,009	(37,117,874)
Remeasurement losses on plan assets	<b>15,795,987</b>	(20,695,314)	14,819,902
Effect of asset ceiling	<b>6,148,440</b>	(64,632)	60,103
	<b>437,402,037</b>	91,674,063	(22,237,869)
<b>Accumulated OCI, end</b>	<b>P593,363,150</b>	P155,960,213	P64,286,150



Amounts of OCI, net of tax recognized in the consolidated statements of comprehensive income for 2020, 2019 and 2018 are computed below:

	2020	2019	2018
Actuarial losses on DBO	<b>P415,458,510</b>	P112,434,009	(P37,117,874)
Remeasurement losses on plan assets	<b>15,795,087</b>	(20,695,314)	14,819,902
Effect of asset ceiling	<b>6,148,440</b>	(64,632)	60,103
	<b>437,402,037</b>	91,674,063	(22,237,869)
Deferred tax	<b>116,686,291</b>	27,502,213	6,681,361
OCI, net of tax	<b>P320,715,746</b>	P 64,171,850	(P15,556,508)

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Details on the expected contribution to the defined benefit pension plan in 2020 and the weighted average duration of the defined benefit obligation at the end of the reporting period of the Group are as follows:

	Expected contribution	Duration of the plan (in years)
CPFI	<b>P41,889,504</b>	<b>12.5</b>
SMDC	<b>685,056</b>	<b>30.5</b>
GTC	<b>4,535,736</b>	<b>16.2</b>
CPAVI	<b>1,502,328</b>	<b>20.3</b>

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2020 and 2019:

	Impact on post-employment defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>2020</b>			
<b>CPFI</b>			
Discount rate	+/- 1%	111,933,094	(92,393,487)
Salary increase rate	+/- 1%	108,428,294	(91,552,406)
<b>SMDC</b>			
Discount rate	+/- 1%	22,978	16,314
Salary increase rate	+/- 1%	22,206	16,176
<b>GTC</b>			
Discount rate	+/- 1%	15,177,686	(12,326,400)
Salary increase rate	+/- 1%	14,698,859	(12,215,139)
<b>CPAVI</b>			
Discount rate	+/- 1%	10,591,838	(8,226,839)
Salary increase rate	+/- 1%	10,250,663	(8,154,247)
<b>2019</b>			
<b>CPFI</b>			
Discount rate	+/- 1%	44,453,110	(37,195,452)
Salary increase rate	+/- 1%	44,564,309	(37,934,865)
<b>SMDC</b>			
Discount rate	+/- 1%	1,517,163	(1,246,824)
Salary increase rate	+/- 1%	1,520,989	(1,271,383)
<b>GTC</b>			
Discount rate	+/- 1%	8,501,679	(6,986,190)
Salary increase rate	+/- 1%	8,523,143	(7,123,762)
<b>CPAVI</b>			
Discount rate	+/- 1%	4,256,991	(3,351,805)
Salary increase rate	+/- 1%	4,267,962	(3,416,363)



The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

## 20. SHARE CAPITAL

	2020		2019	
	Number of Shares	Amount	Number of Shares	Amount
Authorized:				
At P1 par value	6,000,000,000	6,000,000,000	6,000,000,000	P6,000,000,000
Issued, fully-paid and outstanding:				
Balance, January 1	P3,542,258,595	P3,542,258,595	P3,542,258,595	P3,542,258,595
Issuance	-	-	-	-
Balance, December 31	P3,542,258,595	P3,542,258,595	P3,542,258,595	P3,542,258,595

The Parent Company has one class of common shares which carry one vote per share and carry a right to dividends.

Share premium as at December 31, 2020 and 2019 amounted to P4,936,859,146 and P4,936,859,146, respectively, which pertains to the excess proceeds from issuance of share capital over the par value, net of issuance cost.

The history of the share issuances from the initial public offering IPO of the Parent Company is as follows:

Transaction	Subscriber	Registration	Number of Shares Issued
Issuance at incorporation	Various	2013	1,500,000,000
IPO	Various	2014	229,650,000
Issuance subsequent to IPO	Various	2014	500,004,404
Equity settled share based compensation	Various	2014	1,367,200
Issuance	Various	2015	128,205,129
Equity-settled share based compensation	Various	2015	1,059,200
Stock grants	Various	2015	400,000
Stock dividends	Various	2016	1,180,342,962
Equity-settled share based compensation	Various	2017	1,229,700
			3,542,258,595



The Company's Board of Directors (BOD) authorized to appropriate from the unappropriated retained earnings for capital expenditures, specifically for the construction of a new tuna plant, corporate projects, and other projects in connection with the canned meat, sardines, and mixed business of the Parent Company and its subsidiaries.

	2020	2019
CPFI	<b>P1,074,460,909</b>	P1,159,355,648
CPAVI	<b>725,807,409</b>	84,128,298
CPFPVI	<b>712,356,109</b>	115,031,540
GTC	<b>643,661,859</b>	-
SMDC	<b>400,000,000</b>	-
AWI	<b>55,865,000</b>	-
Balance, December 31	<b>P3,612,151,286</b>	P1,358,515,486

Appropriation in 2019 was reversed upon completion of the project in 2020.

## 21. NET SALES

	2020	2019	2018
Sales	<b>P54,962,504,209</b>	P45,976,906,330	P42,742,112,669
Sales discount	<b>(3,150,546,558)</b>	(2,736,739,619)	(2,489,712,070)
Variable considerations	<b>(1,144,916,550)</b>	(785,179,059)	(882,195,175)
Considerations payable to a customer	<b>(2,365,300,017)</b>	(1,894,624,696)	(1,484,904,745)
	<b>P48,301,741,084</b>	P40,560,362,956	P37,885,300,679

Details of the variable considerations and considerations payable to a customer are shown below:

	2020	2019	2018
<b>Variable Considerations:</b>			
Sales returns	<b>P 538,232,250</b>	P418,546,344	P544,202,955
Contractual trade terms	<b>425,849,701</b>	251,665,398	283,405,159
Price adjustments	<b>60,530,573</b>	12,638,731	26,595,727
Prompt payment discount	<b>120,304,026</b>	102,328,586	27,991,334
	<b>P1,144,916,550</b>	P785,179,059	P882,195,175
<b>Considerations Payable to a Customer:</b>			
Trade promotions	<b>P2,120,921,527</b>	P1,660,455,343	P1,321,591,920
Display allowance	<b>88,470,922</b>	84,698,257	87,688,787
Distribution program	<b>46,987,541</b>	62,032,552	39,649,082
Other trade promotions	<b>108,920,027</b>	87,438,544	35,974,956
	<b>P2,365,300,017</b>	P1,894,624,696	P1,484,904,745

## 22. COST OF GOODS SOLD

The Group's cost of goods sold consists of:

	Note	2020	2019	2018
Raw materials used		<b>P34,940,027,618</b>	P26,675,416,000	P28,044,364,550
Direct labor		<b>2,078,533,942</b>	1,450,063,783	1,395,352,671
Factory overhead		<b>4,021,764,098</b>	3,348,472,230	3,133,018,494
Provisions for slow moving inventories	10	<b>74,267,890</b>	9,737,244	47,024,856
Total manufacturing cost		<b>41,114,593,548</b>	31,483,689,257	32,619,760,571
Changes in finished goods		<b>(4,740,559,127)</b>	(647,395,187)	(2,882,194,415)
		<b>P36,374,034,421</b>	P30,836,294,070	P29,737,566,156



### 23. OTHER INCOME

The Group's other income consists of:

	Notes	2020	2019	2018
Reversal of allowance for inventory obsolescence	10	<b>P236,896,318</b>	P 192,375,933	P 28,616,691
Foreign currency gain		-	-	184,310,016
Gain from sale of scrap		<b>107,664,525</b>	15,150,463	123,654,220
Reversal of accruals	18	<b>107,184,824</b>	125,718,029	71,759,813
Service income	27	<b>43,433,358</b>	57,645,388	50,679,793
Interest income	7,8,9	<b>35,206,519</b>	8,082,061	7,579,050
Marketing support and reimbursements		<b>24,779,436</b>	62,682,715	29,011,908
Commission income		-	-	20,910,557
Shared services fee	27	<b>13,800,000</b>	14,200,000	14,200,000
Gain on sale of property, plant and equipment	15	<b>2,773,474</b>	2,980,501	-
Reversal of impairment loss	6	-	5,184,818	-
Rental income		-	-	2,780,000
Others		<b>43,949,945</b>	52,271,685	2,014,797
		<b>P615,688,399</b>	P536,291,593	P535,516,845

Others pertain to net amount collectible from supplier and other payment adjustments.

### 24. OPERATING EXPENSES

The Group's operating expenses consist of:

	Notes	2020	2019	2018
Advertising and trade promotion		<b>P 1,918,652,901</b>	P1,610,234,923	P1,332,081,122
Freight and handling		<b>1,685,152,882</b>	1,427,537,717	1,271,775,083
Salaries and employee benefits	26	<b>1,422,494,782</b>	993,298,422	863,538,633
Travel and entertainment		<b>110,237,103</b>	179,539,042	177,461,067
Depreciation and amortization	12,13, 15	<b>177,733,705</b>	166,915,584	88,323,085
Outside services		<b>149,216,711</b>	163,631,296	145,800,680
Taxes and licenses		<b>139,911,379</b>	148,879,518	87,508,148
Legal and professional fees		<b>181,958,235</b>	145,454,938	126,294,861
Repairs and maintenance		<b>110,952,789</b>	101,856,212	68,068,174
Rent	32	<b>105,042,504</b>	98,877,716	194,174,763
Supplies		<b>64,300,244</b>	66,135,483	67,849,836
Provisions for slow moving inventories	10	<b>8,986,481</b>	62,657,186	92,972,821
Utilities		<b>89,805,547</b>	53,595,287	82,142,979
Royalties	12	<b>30,169,950</b>	28,144,008	35,204,024
Insurance		<b>16,979,298</b>	18,931,345	19,143,439
Expected Credit Losses	9	<b>9,270,257</b>	5,794,328	14,125,264
Fees and dues		<b>10,956,722</b>	-	7,824,521
Others		<b>118,990,352</b>	61,143,084	46,293,343
		<b>P6,350,811,842</b>	P5,332,626,089	P4,720,581,843

Part of the royalties amounting to P8,530,041, P10,099,129 and P19,978,363 in 2020, 2019 and 2018, respectively pertain to the royalty agreement of CPAVI with All Market Singapore (AMS) where the basis of the amount is 18.5% on CPAVI monthly gross sales.





## 25. OTHER EXPENSES

The Group's other expenses consist of:

	Notes	2020	2019	2018
Loss on inventory write-down	10	<b>P391,036,678</b>	P185,817,650	P22,065,037
Foreign currency Loss		<b>174,174,228</b>	131,988,441	-
Reimbursables		<b>52,837,945</b>	58,387,557	-
Penalties and other taxes		<b>50,531,194</b>	14,758,875	-
Loss on impairment of trademark	12	<b>34,700,000</b>	-	-
Documentary stamp tax		<b>30,784,527</b>	20,783,462	19,690,515
Input tax for government sales		<b>10,441,225</b>	26,287,790	16,873,126
Bank charges		<b>5,835,534</b>	4,225,504	9,622,675
Provision on impairment of input tax	11	<b>9,316,412</b>	5,538,547	5,823,633
Loss on disposal of property, plant and equipment	15	<b>269,848</b>	34,610,707	2,098,022
Loss on impairment of TCC	11	-	-	45,056,560
Goodwill impairment	12	-	-	36,957,396
Others		<b>43,673,106</b>	37,279,035	5,482,565
		<b>P803,600,697</b>	P519,677,568	P163,669,529

## 26. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised of:

	Notes	2020	2019	2018
Cost of goods sold:				
Short-term benefits		<b>P 393,977,584</b>	P 308,896,697	P 289,361,819
Post-employment benefits	19	<b>19,806,239</b>	8,746,963	7,583,775
		<b>413,783,823</b>	317,643,660	296,945,594
Operating expenses:				
Short-term benefits		<b>1,372,213,130</b>	963,359,513	829,427,997
Post-employment benefits	19	<b>50,281,652</b>	29,938,929	34,110,636
	24	<b>1,422,494,782</b>	993,298,442	863,538,633
		<b>P1,835,969,509</b>	P1,310,942,102	P1,160,484,227

## 27. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Transactions*, as summarized below.

	Relationship
Century Pacific Group, Inc.	Ultimate Parent Company
The Pacific Meat Company, Inc.	Fellow subsidiary
Columbus Seafoods Corporation	Fellow subsidiary
Yoshinoya Century Pacific, Inc.	Fellow subsidiary
Century Pacific Vietnam Co. Ltd.	Fellow subsidiary
Century Pacific Vietnam Co., Ltd. (CPVL)	Fellow Subsidiary
RSPO Foundation, Inc.	Fellow subsidiary
Rian Realty Corporation (RRC )	Fellow subsidiary
Pacifica Agro Industrial Corp. (PAIC)	Fellow subsidiary
Millennium Land Development Corporation (MLDC)	Fellow subsidiary
Shining Ray Limited (SRL)	Fellow subsidiary
Pacific Pabahay Homes, Inc. (PPHI)	Fellow subsidiary
Century Sino-Beverage Company Limited (CSBCL)	Fellow subsidiary
Centrobless Corp. (CBC)	Fellow subsidiary
Shakey's Asia Foods, Holding Inc. (SAFHI)	Fellow subsidiary
DBE Project Inc.	Fellow subsidiary
Shakey's Pizza Asia Ventures, Inc. (SPAVI)	Fellow subsidiary



The summary of the Group's transactions and outstanding balances with related parties as at and for the years ended December 31, 2020 and 2019 are as follows:

Related Party Category	Notes	Amount of Transactions During the Year			Outstanding Receivable (Payable)	
		2020	2019	2018	2020	2019
<b>Ultimate Parent Company</b>						
Sale of inventories	a	P -	P -	P -	P -	P -
Service fee	c	107,746	-	75,276	-	-
Sale of fixed assets	f	-	-	50,900	-	-
Cost reimbursements	c	-	585,955	1,833,126	10,066,123	26,338
Rental expense	e	68,106,971	45,145,379	44,029,749	(33,735,104)	(4,442,390)
Dividends	29	803,304,000	438,092,637	437,238,467	-	-
Miscellaneous deposit	h	-	-	-	10,148,520	14,024,067
Cash advance	g	-	-	-	-	-
<b>Fellow Subsidiaries</b>						
Shared services fee	d	13,800,000	14,200,000	14,200,000	-	-
Sale of inventories	a	341,424,585	305,193,172	255,344,779	259,725,092	246,689,355
Purchase of inventories	b	80,036,909	125,958,838	82,515,908	(42,159,571)	(15,264,457)
Service fee	c	43,325,612	57,059,433	50,604,517	-	-
Cost reimbursements	c	27,205,209	29,886,276	33,071,723	-	-
Rental expense	e	3,133,623	3,095,988	4,158,603	-	-
Miscellaneous deposit	h	-	-	-	849,150	849,150
Sale of property, plant and equipment	f	774,719	19,976	526,424	-	-
<b>Retirement Fund</b>						
Contributions from the employer	19	48,612,624	48,612,624	48,612,624	-	-
<b>Due from Related Parties</b>					<b>P 280,788,885</b>	P261,588,910
<b>Due to Related Parties</b>					<b>(P 75,894,675)</b>	(P 19,706,847)



*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2020 and 2019, no related party has recognized any impairment losses of receivables relating to amounts advanced to another related party. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

- a. The Parent Company enters into sale transactions with its ultimate parent company and fellow subsidiaries for the distribution of products to certain areas where Management deems it necessary to establish customers. Sales are considered pass through sales, hence, they were made without mark-up.
- b. The Parent Company purchases goods from its related parties. These purchase transactions are pass through transactions, hence, they were made without mark-up.
- c. The Parent Company shares cost with its related parties relating to repairs and maintenance, supplies, fees and dues, utilities and other operating expenses. Service income from related parties amounted to P43,433,358, P57,059,433, and P50,679,793 in 2020, 2019 and 2018, respectively, as disclosed in Note 23. Shared cost reimbursement from related parties amounted to P27,205,209, P30,472,231 and P34,904,849 in 2020, 2019 and 2018, respectively.
- d. The Parent Company entered into a Master Service Agreement (MSA) with related parties to provide corporate office services. In accordance with the terms of the MSA, the Parent Company provides management service for manpower, training and development. For and in consideration thereof, the Parent Company shall charge the related parties their share of the costs on a monthly basis for the services rendered.

The MSA shall be in effect from date of execution and shall automatically renew on a month-to-month basis, unless terminated by either party through the issuance of a written advice to that effect at least 30 days prior to the intended date of termination.

Shared services fee amounted to P13,800,000, P14,200,000 and P14,200,000 in 2020, 2019 and 2018, respectively, which is included in other income account in the consolidated statements of comprehensive income shown in Note 23.

- e. The Group, as a lessee, has a lease agreement with CPGI and RRC for the use of the office space in Centerpoint, Ortigas and Land in Zamboanga. Total rental expense related on this lease agreement amounted to P71,240,594, P48,241,367 and P48,188,352 in 2020, 2019 and 2018, respectively, presented as part of rental expense disclosed in Note 24.
- f. The Group entered into sale of property, plant and equipment to PMCI for 774,719 in 2020, PPHI for P19,976 in 2019, PMCI for P526,424 2018, and to CPGI for P50,900 in 2018. All property, plant and equipment are sold at carrying value.
- g. The Group, in the normal course of business, borrowed from its Ultimate Parent Company funds for working capital requirements. These advances are non-interest bearing and short-term in nature.
- h. In 2020 and 2019, the Group has a lease agreement with CPGI and RRC for the use of land, warehouses and office space as a lessee. Total security deposits as at December 31, 2020 and 2019 amounted to P10,997,670 and P14,873,217 respectively.

Total amount of receivables to the Ultimate Parent and Fellow Subsidiaries as at December 31, 2020 and 2019 amounted to P280,788,885 and P2,238,968,256, respectively. Total amount of intercompany payables to Ultimate Parent and Fellow Subsidiaries as at December 31, 2020 and 2019 amounted to P 75,894,675 and P2,236,797,086 respectively.



## Remuneration of Key Management Personnel

The remuneration of the Directors and other members of key management personnel of the Group are set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2020	2019	2018
Short-term employee benefits	<b>P851,844,534</b>	P522,809,016	P443,159,765
Post-employment benefit	<b>26,293,802</b>	15,972,818	14,064,316
	<b>P878,138,336</b>	P538,781,834	P457,224,081

The short-term employee benefits of the key management personnel are included as part of compensation and other benefits in the consolidated statements of comprehensive income.

The Group has provided share-based payments to its key management employees for the years ended December 31, 2020 and 2019, as disclosed in Note 28.

## 28. SHARE-BASED PAYMENTS

### Employee Stock Purchase Plan (ESPP)

The ESPP gives benefit-eligible employees an opportunity to purchase the common shares of the Parent Company at a price lower than the fair market value of the stock at grant date. The benefit-eligible employee must be a regular employee of the Parent Company who possesses a strong performance record. The benefit-eligible employee shall be given the option to subscribe or purchase up to a specified number of shares at a specified option price set forth in which they have the option to participate or not. There are designated ESPP purchase periods and an employee may elect to contribute an allowable percentage of the base pay through salary deduction.

The plan took effect upon the shareholder's approval on September 26, 2014 and was approved by the SEC on December 19, 2014.

On June 3, 2015, the Parent Company's BOD authorized to amend the existing ESPP to increase the underlying shares from 3,269,245 shares to 8,269,245 shares and was approved by the SEC on May 31, 2016.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at the previous annual general meeting and is subject to approval by the remuneration committee.

As at December 31, 2020, 2019 and 2018, the aggregate number of shares that may be granted to any single individual during the term of the ESPP in the form of stock purchase plans shall be determined in the following capping of shares as follows:

Level	Maximum Share Allocated
Vice-President or Board members	<b>40,000</b>
Assistant Vice-Presidents	<b>18,333</b>
Managers	<b>6,000</b>
Supervisor	<b>2,500</b>
Rank and File	<b>1,250</b>
	<b>68,083</b>



Details of the share options outstanding during the year are as follows.

	2020		2019	
	Number of share options	Weighted Average exercise price in PHP	Number of share options	Weighted Average exercise price in PHP
Outstanding at beginning of year	<b>4,213,145</b>	<b>14.41</b>	4,213,145	14.41
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<b>4,213,145</b>		4,213,145	
Exercisable at the end of the year	<b>4,213,145</b>		4,213,145	

Of the total shares available under the ESPP, employees subscribed to 1,229,700 shares at P14.10 per share, 400,000 at P16.54 per share, 1,059,200 shares at P14.82 per share and 1,367,200 shares at P13.75 per share for a total of P17,338,770, P6,616,000, P15,694,380 and P18,779,000 in 2017, 2016, 2015 and 2014. There were no share options offered for purchase or subscription from the management in 2020, 2019, and 2018. Accordingly, the share options has no expiry if the employee is eligible and will exercise the right to purchase or subscribe specified number of shares at a specified option price once offer is available.

In 2018, the Parent Company recognized share-based compensation expense and an adjustment to share based compensation reserves which amounted to P8,650,722 and P112,915, respectively.



## 29. DIVIDENDS

On July 3, 2018, a cash dividend was declared by the Parent Company's Board of Directors to stockholders of record as of July 17, 2018 for a total amount of P637,606,547.

On July 1, 2019, a cash dividend was declared by the Parent Company's Board of Directors to stockholders of record as of July 31, 2019 for a total amount of P637,606,547.

On June 30, 2020, a cash dividend was declared by the Company's Board of Directors to stockholders of record as of July 30, 2020 for a total amount of P1,275,213,094

The Parent Company declared the following dividends to its equity shareholders:

	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Date of Payment</b>	<b>Dividends Per Share</b>	<b>Total Dividends</b>
<b>2020</b>					
Cash dividends	<b>June 30, 2020</b>	<b>July 30, 2020</b>	<b>August 14, 2020</b>	<b>P0.36</b>	<b>P1,275,213,094</b>
Total dividends declared					<b>P1,275,213,094</b>
<b>2019</b>					
Cash dividends	July 1, 2019	July 31, 2019	August 16, 2019	P0.18	P637,606,547
Total dividends declared					P637,606,547
Cash dividends	July 3, 2018	July 17, 2018	August 1, 2018	P0.18	P637,606,547
Total dividends declared					P637,606,547

Of the total cash dividend declared, the dividends paid to CPGI in 2020 and 2019 amounted to P803,304,000 and P401,652,000 respectively. Dividends paid to the public amounted to P471,909,094 and P235,954,547 in 2020 and 2019, respectively.

## 30. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2020</b>	2019	2018
Profit for the year	<b>P 3,879,443,861</b>	P3,148,597,010	P2,834,272,860
Weighted average number of common shares	<b>3,542,156,120</b>	3,542,156,120	3,542,156,120
Basic and diluted earnings per share	<b>1.10</b>	P 0.889	P 0.8001

The calculation of the weighted average number of shares is shown below:

	<b>2020</b>	2019	2018
January 1, Balance	<b>3,542,156,120</b>	3,542,156,120	3,542,156,120
Weighted average number of shares: Issued for the year	-	-	-
December 31, Balance	<b>3,542,156,120</b>	3,542,156,120	3,542,156,120

As at December 31, 2020, 2019, and 2018, the Parent Company has no potential dilutive shares, accordingly, basic earnings per share of P1.10, P0.889 and P0.8001 in 2020, 2019, and 2018, respectively, are the same as diluted earnings per share.



## 31. COMMITMENTS AND CONTINGENCIES

### Credit Facilities

The credit facilities of the Group with several major banks are basically short-term omnibus lines intended for working capital use. Included in these omnibus bank line are revolving promissory note line, import letters of credit and trust receipts line, export packing credit line, domestic and foreign bills purchase line, and foreign exchange line.

The credit facilities extended to the Group as at December 31, 2013 included a surety provision where loans obtained by the Group and its related parties, CPGI and PMCI, are covered by cross-corporate guarantees. As at December 31, 2020, the total credit line facility amounted to P10,551,000,000 of which P5,520,008,587 is already used, as disclosed in Note 17.

### Capital Commitments

As at December 31, 2020 and 2019, the Group has construction-in progress relating to its ongoing civil works and installation of new machinery and equipment as part of the plant expansion and upgrade of the Group as follows:

	2020	2019
GTC	<b>P118,763,280</b>	P138,824,506
CPFI	<b>164,584,125</b>	465,211,048
CPAVI	<b>201,165,094</b>	26,216,800
CPFPVI	<b>852,060</b>	-
SMDC	<b>1,900,000</b>	87,655,086
Solar	<b>168,889</b>	-
	<b>P487,433,448</b>	P717,907,440

The construction is expected to be completed in 2021 and has remaining estimated costs to complete as follows:

	2020	2019
CPAVI	<b>P 484,718,428</b>	P 34,931,413
CPFI	<b>415,190,615</b>	312,130,510
GTC	<b>287,134,010</b>	251,267,575
AWI	-	-
SMDC	-	12,720,614
CPFPVI	-	-
CPNA	-	-
	<b>P1,187,043,053</b>	P611,050,112

The Group shall finance the remaining estimated costs from internally generated cash from operations.

### Others

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the accompanying consolidated financial statements. As at December 31, 2020, Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.



## 32. LEASE AGREEMENTS

### The Group as a Lessee

The Group leased land, building, warehouses, office spaces, plant and equipment with an average lease term is 1 to 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's lease obligations are secured by the lessors' title to the leased assets.

Rental expenses charged to cost of goods sold under factory overhead and operating expenses in relation to short-term and low value leases are recognized as follows:

	2020	2019
Cost of goods sold – rental expense	<b>P321,690,086</b>	268,267,060
Operating expenses – rental expense	<b>105,042,504</b>	96,447,847
Other expenses – rental expense	<b>2,810,543</b>	5,263,070
<b>Total Rental Expense</b>	<b>P429,543,133</b>	P369,977,977

The lease liabilities of the Group in relation to the right of use assets recorded in accordance to PFRS 16 based on undiscounted cash flows fall due as follows:

	2020	2019
Not later than one year	<b>P382,939,799</b>	P249,009,334
Later than one year but not later than five yea	<b>940,772,290</b>	523,193,440
Later than five years	<b>668,650,068</b>	80,943,399
<b>Present value of Lease Liabilities</b>	<b>P1,992,362,157</b>	P853,146,173

Presented in the consolidated statements of financial position as:

	2020	2019
Current	<b>P271,207,134</b>	P269,082,105
Non-current	<b>465,842,247</b>	484,103,079
	<b>P737,049,381</b>	P753,185,184

Interest rates underlying all obligations are fixed at respective contract dates ranging from 3.16% to 7.32% and 5.35% to 7.29% in 2020 and 2019, respectively. Total finance cost for these leases amounting to P45,506,164 and P43,949,415 in 2020 and 2019 was included as part of finance costs presented in the consolidated statements of comprehensive income.

As at December 31, 2020 and 2019, total refundable security deposits recognized in the consolidated statements of financial position as part of non-current assets amounted to P87,345,066 and P60,907,539, respectively, as disclosed in Note 16.





### 33. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

	Note	2020	2019	2018
Current tax expense		<b>P1,515,088,355</b>	P1,002,756,220	P905,936,468
Deferred tax benefit	34	<b>(266,701,059)</b>	(112,724,225)	(138,070,930)
		<b>P1,248,387,296</b>	P 890,031,995	P767,865,538

A reconciliation of tax on pretax income computed at the applicable statutory rate to tax expense reported in the consolidated statements of comprehensive income is presented below.

	2020	2019	2018
Accounting profit	<b>P 5,127,831,156</b>	P4,038,629,005	P3,602,138,398
Tax on pretax income at 30%	<b>P1,538,349,347</b>	P1,211,588,702	P1,080,641,519
Adjustment for income subjected to lower and higher income tax rate	-	(1,088,802)	(1,092,512)
Tax effects of:			
Income exempted from income tax	<b>(6,058,601)</b>	(121,496,275)	-
Interest income subject to final tax	<b>(10,193,718)</b>	(2,065,913)	(651,716)
Effects of using OSD instead of itemized deductions	<b>(235,108,756)</b>	(157,952,993)	(186,406,125)
Nontaxable income	<b>(5,371)</b>	(965,298)	(8,816,636)
Effects of previously unrecognized deferred tax asset	<b>(111,316)</b>	(10,964,392)	5,450,440
Income under income tax holiday	<b>(77,803,837)</b>	(27,962,843)	(152,944,181)
Non-deductible expenses	<b>39,319,548</b>	939,809	31,684,749
	<b>P1,248,387,296</b>	P 890,031,995	P 767,865,538

The details of Group's net operating loss carry-over which mainly pertains to CPAVI are as follows:

Year of Incurrence	Year of Expiry	Beginning Balance	Application	Expired	Balance
2016	2019	P 3,305,409	P -	P3,305,409	<b>P -</b>
2017	2020	30,045,494	30,045,494	-	<b>-</b>



### 34. DEFERRED TAXES

#### Deferred Tax Assets

The Group recognized the deferred tax assets related to the following temporary differences as at December 31, 2020 and 2019:

	Allowance for write-down of inventory	Unrealized foreign currency loss	Allowance for doubtful accounts	Excess of contribution over retirement expense	Post-employment benefit obligation	Accrued expenses	Others	Total
<b>Deferred Tax Assets</b>								
Balance, January 1, 2019	P20,269,704	P27,385,978	P26,912,060	P 9,479,274	P 24,874,549	P 97,399,547	P12,773,475	P219,094,587
Charged to profit or loss for the year	24,795,697	5,680,476	11,964,021	2,509,231	3,668,164	108,237,311	1,154,569	113,084,510
Charged to OCI					27,502,222			27,502,222
Balance, December 31, 2019	45,065,401	21,705,502	14,948,039	11,988,505	48,708,607	205,636,858	11,618,906	359,681,319
Charged to profit or loss for the year	26,945,336	7,965,158	1,786,322	1,825,531	19,505,614	246,878,630	13,504,819	275,739,620
Charged to OCI					116,686,291			116,686,291
<b>Balance, December 31, 2020</b>	<b>P 72,010,737</b>	<b>P29,670,660</b>	<b>P16,734,361</b>	<b>P10,162,974</b>	<b>P145,889,284</b>	<b>P452,515,488</b>	<b>P25,123,725</b>	<b>P752,107,229</b>

Deferred tax assets amounting to nil and P5,450,440 as at December 31, 2020 and 2019, respectively, were not recognized in the consolidated statements of financial position, due to the evaluation by Management that it is not probable that future taxable profit will be available against which deferred tax assets can be utilized.

The following are the composition of unrecognized deferred tax assets:

	2020	2019
NOLCO	P -	P5,450,440

#### Deferred Tax Liability

The deferred tax liability recognized by the Group pertains to unrealized foreign exchange gain detailed as follows:

	Unrealized foreign exchange gain
Balance, January 1, 2019	P -
Charged to profit or loss for the year	360,285
Balance, December 31, 2019	360,285
Charged to profit or loss for the year	9,038,560
<b>Balance, December 31, 2020</b>	<b>P9,398,845</b>



### 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial assets and financial liabilities as at December 31, 2020 and 2019 are shown below:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P 1,229,381,273	P 1,229,381,273	P 1,607,844,054	P 1,607,844,054
Trade receivables - net	6,365,280,912	6,365,280,912	6,166,784,082	6,166,784,082
Due from related parties	280,788,885	280,788,885	261,588,910	261,588,910
Security deposits	87,345,066	87,345,066	64,329,977	64,329,977
Deposits on utilities	5,211,224	5,211,224	1,725,791	1,725,791
	<b>P 7,968,007,360</b>	<b>P 7,968,007,360</b>	<b>P 8,102,272,814</b>	<b>P 8,102,272,814</b>
<b>Financial Liabilities</b>				
Borrowings	P 3,533,466,680	P 3,533,466,680	P 5,520,008,587	P 5,520,008,587
Trade and other payables	9,397,595,932	9,397,595,932	6,679,404,600	6,679,404,600
Due to related parties	75,894,675	75,894,675	19,706,847	19,706,847
	<b>P13,006,957,287</b>	<b>P13,006,957,287</b>	<b>P12,219,120,034</b>	<b>P12,219,120,034</b>

\*The trade receivables exclude the advances to suppliers, advances to officers and employees, and other statutory receivables, as disclosed in Note 9.

\*\*The trade and other payables are net of government liabilities, due to employees and officers, and other payables, as disclosed in Note 18.

As at December 31, 2020 and 2019, the total statutory receivables amounted to P3,596,624 and nil respectively, presented as part of others in Note 8.

As at December 31, 2020 and 2019, other payables amounted to P37,843,185 and P16,579,583 respectively, presented as part of non-trade payables in Note 18.

Fair values were determined using the fair value hierarchy below:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 2020 and 2019, the fair values of cash and cash equivalents, trade and other receivables, due from related parties and financial liabilities were determined under level 2 criteria which were derived from inputs other than quoted prices included within level 1. Fair values of security deposit, and deposits on utilities were determined under level 3.

The Group considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements approximate their fair values. Further, there has been no change to the valuation technique during the year.



## 36. FINANCIAL RISK MANAGEMENT

### Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk (which include foreign currency exchange risk and interest rates risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

#### Market risk

Market risk happens when the changes in market prices, such as foreign exchange rates, interest rates will affect the Group's profit or the value of its holdings of financial instruments. The objective and management of this risk are discussed below.

#### Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changes due to movements in currency exchange rate. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group undertakes certain transactions denominated in US Dollar (USD) and Chinese Yuan (CNY), hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in such currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

The net carrying amounts of the Group's foreign currency denominated monetary assets and financial liabilities at the end of each reporting period are as follows:

	2020	2019
Cash and cash equivalents	<b>P 213,324,440</b>	P 451,553,141
Trade and other receivables	<b>2,124,814,306</b>	1,267,284,853
Trade and other payables	<b>(446,103,390)</b>	(921,496,272)
	<b>P1,892,035,356</b>	P 797,341,722

Breakdown of Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	2020		2019	
	USD	CNY	USD	CNY
Cash and cash equivalents	<b>162,249,308</b>	<b>51,075,132</b>	397,186,658	54,366,483
Trade and other receivables	<b>2,089,072,715</b>	<b>35,741,591</b>	1,266,327,126	957,727
Trade and other payables	<b>(276,958,119)</b>	<b>(169,145,271)</b>	(772,751,268)	(148,745,004)
	<b>1,974,363,904</b>	<b>(82,328,548)</b>	890,762,516	(204,069,214)

The following table demonstrates the sensitivity to a reasonably possible change, based on prior year percentage change in exchange rates in Philippine peso (PHP) rate to USD with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of financial assets and liabilities).

	Change in currency	Effect on income/equity
<b>December 31, 2020</b>		
Philippine Peso	+/-5.65%	106,899,998
December 31, 2019		
Philippine Peso	+/-5.65%	P45,049,807



The following table details the Group's sensitivity to a 5.65% and 5.65% increase and decrease in the functional currency of the Group against the US Dollar. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 5.65% and 5.65% and it represents Management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5.65% and 5.65% change in foreign currency rate. The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit when the functional currency of the Group strengthens 5.65% and 5.65% against the relevant currency.

For a 5.65% and 5.65% decline of the functional currency of the Group against the relevant currency, there would be an equal and opposite impact on the profit as shown below:

	<b>2020</b>	2019
	<b>Effect in profit and loss</b>	Effect in profit and loss
Cash and cash equivalents	<b>(P12,052,831)</b>	(P25,512,752)
Trade and other receivables	<b>(120,052,008)</b>	(71,601,594)
Trade and other payables	<b>25,204,842</b>	52,064,539
	<b>P106,899,997</b>	(P45,049,807)

Further, the Management assessed that the sensitivity analysis is not a representative of the currency exchange risk.

#### *Interest rate risk*

Interest rate risk refers to the possibility that the value of a financial instrument will fluctuate due to change in the market interest rates.

The primary source of the Group's interest rate risk relates to cash and cash equivalents, advances to employees, and borrowings. Interest rates are disclosed in Notes 8, 9, and 17, respectively. These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on profit or loss of the Group.

The Group has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Group's financial performance.

#### *Credit risk*

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is confirmed to independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.



The Group trades only with recognized, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not grant credit terms without the specific approval of the credit departments.

Trade receivables consist of a large number of customers, spread across geographical areas. The remaining financial assets does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no concentration of credit risk to any other counterparty at any time during the year.

The table below shows the Group's maximum exposure to credit risk:

	<b>2020</b>	2019
Cash in banks and cash equivalents	<b>P1,229,381,273</b>	P1,607,844,054
Trade receivables	<b>6,365,280,912</b>	6,166,784,082
Due from related parties	<b>280,788,885</b>	261,588,910
Security deposits	<b>87,345,066</b>	64,329,977
Deposits on utilities	<b>5,211,224</b>	1,725,791
	<b>P7,968,007,360</b>	P8,102,272,814

The amount of trade receivables presented is gross of collections received but not applied against individual customer balances pending identification of the collections against specific customers amounting to P213,717,061 and P299,556,305 as at December 31, 2020 and 2019, respectively.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for recognizing expected credit losses</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is more than one year past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off



The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12m or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount
<b>2020</b>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	<b>P6,413,952,240</b>	<b>P48,671,328</b>	<b>P6,365,280,912</b>
Due from related parties	28	Performing	12m ECL	<b>280,788,885</b>	-	<b>280,788,885</b>
Security deposits	12	Performing	12m ECL	<b>87,345,066</b>	-	<b>87,345,066</b>
Deposits on utilities	12	Performing	12m ECL	<b>5,211,224</b>	-	<b>5,211,224</b>
				<b>P6,787,297,415</b>	<b>48,671,328</b>	<b>P 6,738,626,087</b>
<b>2019</b>						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	P6,209,631,421	P42,847,339	P6,166,784,082
Due from related parties	28	Performing	12m ECL	261,588,910	-	261,588,910
Security deposits	12	Performing	12m ECL	64,329,976	-	64,329,976
Deposits on utilities	12	Performing	12m ECL	1,725,791	-	1,725,791
				<b>P6,537,276,098</b>	<b>P42,847,339</b>	<b>P6,494,428,759</b>

(i) For trade receivables, the Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on the market interest rate plus the inflation rate to be applied to the receivable from the customers grouped under "others" from over 120 days. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 includes further details on the loss allowance for these assets respectively.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows, inclusive of principal and interest, of financial liabilities, based on the earliest date on which the Group can be required to pay.

	Weighted Average Rate	Less than One Year	More than One Year	Total
<b>2020</b>				
Trade and other payables	n/a	<b>P 9,397,595,932</b>	<b>P -</b>	<b>P 9,397,595,932</b>
Borrowings	3.75%	<b>3,548,364,186</b>	<b>-</b>	<b>3,548,364,186</b>
Due to related parties	n/a	<b>75,894,675</b>	<b>-</b>	<b>75,894,675</b>
		<b>P13,021,854,793</b>	<b>P -</b>	<b>P13,021,854,793</b>
<b>2019</b>				
Trade and other payables	n/a	P 6,679,404,600	P -	P 6,679,404,600
Borrowings	4.79%	2,502,242,741	3,086,500,000	5,588,742,741
Due to related parties	n/a	19,706,847	-	19,706,847
		<b>P 9,201,354,188</b>	<b>P3,086,500,000</b>	<b>P12,287,854,199</b>

Government payables, which are not considered financial liabilities, are excluded in the carrying amount of trade and other payables for the purpose of presenting the liquidity risk.



### 37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to increase the value of shareholder's investment and maintain high growth by applying free cash flows to selective investments that would further the Group's growth. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. The Group's overall strategy remains unchanged from 2019.

The BOD has overall responsibility for monitoring working capital in proportion to risk. Financial analytical reviews are made and reported in the Group's financial reports for the BOD's review on a regular basis. In case financial reviews indicate that the working capital sourced from the Group's own operations may not support future operations of projected capital investments, the Group obtains financial support from its related parties.

The Group's management aims to maintain certain financial ratios that it deems prudent such as debt-to-equity ratio (not to exceed 2.5:1) and current ratio (at least 1.0:1). The Group regularly reviews its financials to ensure the balance between equity and debt is monitored.

In addition, when the Group is able to meet its targeted capital ratios and has a healthy liquidity position, the Group aims to pay dividends to its shareholders of up to 30% of previous year's net income.

The Group's debt-to-equity and current ratio as at December 31, 2020 and 2019 are as follows:

	2020	2019
Total liabilities	<b>P14,840,155,033</b>	P13,434,453,801
Total equity	<b>21,436,210,592</b>	19,154,317,747
Debt-to-equity ratio	<b>0.69:1</b>	0.70:1
Total current asset	<b>23,973,474,666</b>	P21,514,823,423
Total current liabilities	<b>13,746,011,612</b>	9,703,465,412
Current ratio	<b>1.74:1</b>	2.22:1

Pursuant to the PSE's rules in minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2020 and 2019, the public ownership is 31.21% and 31.29% respectively.

### 38. EVENTS AFTER THE REPORTING PERIOD

On March 26, 2021, the President signed into law the Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE Act introduces reforms in the areas of corporate income tax, value-added tax, and tax incentives, aside from providing COVID-19 related reliefs to taxpayers.

The salient provisions of the CREATE Act applicable to the Company are as follows:

1. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% tax income tax rate;
2. Minimum corporate income tax (MCIT) rate is reduced to from 2% to 1% from July 1, 2020 to June 30, 2023;
3. Repeal of the improperly accumulated earnings tax





The significant estimated effects of the changes computed without regard to the specific date when specific sales, purchases and other transactions occur as provided for under Section 27(A) of the CREATE Act are as follows:

	As of December 31,2020	Under the CREATE bill	Impact
Income tax expense	P1,516,147,095	P1,388,257,601	P127,889,494
Income tax payable	194,877,487	62,874,832	132,002,655
Prepaid income tax	1,321,269,608	1,153,833,742	167,435,866
Deferred tax assets	752,107,229	719,479,204	32,628,025
Deferred tax liabilities	P 9,398,845	P 7,946,423	P 1,452,422

**39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of the Group were approved and authorized for issuance by the Board of Directors on April 14, 2021.

\* \* \*



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
(A Subsidiary of Century Pacific Group, Inc.)  
7<sup>th</sup> Floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

We have audited the consolidated financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated April 14, 2021.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on the attached schedules showing the reconciliation of the retained earnings available for dividend declaration, the map showing the relationships between and among the Group and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2020, as required by the Securities and Exchange Commission under the Revised SRC Rule 68, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information are the responsibility of Management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner

CPA License No. 0098090

SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681

BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



**Reconciliation of Retained Earnings  
Available for Declaration**  
As at December 31, 2020

Annex A

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
7th Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center Pasig City

Items	Amount
Unappropriated Retained Earnings, beginning	P10,610,919,182
Adjustments:	
Deferred tax assets	(359,681,319)
Remeasurement of retirement benefit obligation - net of tax	109,172,155
Appropriation of retained earnings	(1,358,515,486)
<b>Unappropriated Retained Earnings, available for dividend distribution, beginning of the year</b>	<b>P9,001,894,532</b>
Net Income during the period closed to Retained Earnings	3,557,105,940
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(71,710,164)
<b>Net Income actual earned/realized during the period</b>	<b>3,485,395,776</b>
<b>Less:</b>	
Dividend declarations during the period	(1,275,213,094)
Appropriations of Retained Earnings during the period	(2,253,635,800)
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>P8,958,441,414</b>



## INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

To the Board of Directors and Shareholders  
CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
(A Subsidiary of Century Pacific Group, Inc.)  
7th floor, Centerpoint Building, Julia Vargas St., Ortigas Center  
Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Century Pacific Food, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019, and for each of the three years in the year ended December 31, 2020, and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for each of the three years in the year ended December 31, 2020 and no material exceptions were noted.

Navarro Amper & Co.  
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021  
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A  
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.  
Partner  
CPA License No. 0098090  
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A  
TIN 170035681  
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023  
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines  
April 14, 2021



**FINANCIAL SOUNDNESS INDICATORS**

As of December 31, 2020

CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES  
7TH Floor Centerpoint Bldg., Julia Vargas St., Ortigas Center, Pasig City

Ratio	Formula	Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 23,973,474,664 Divide by: Total Current Liabilities 13,746,011,612 Current Ratio 1.74	1.74x	2.22x
Quick/Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 23,973,474,664 Less: Inventories (14,313,100,885) Biological Assets (65,726,630) Prepayments and other Current Assets (484,492,819) Quick assets 9,110,154,330 Divide by: Total Current Liabilities 13,746,011,612 Quick/Acid test ratio 0.66	0.66x	0.91x
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities 14,840,155,033 Divide by: Total Equity 21,436,210,593 Debt-to-equity ratio 0.69	0.69x	0.70x
Asset-to-equity ratio	Total Assets divided by Total Equity  Total Assets 36,276,365,626 Divide by: Total Equity 21,436,210,593 Asset-to-equity ratio 1.69	1.69x	1.70x
Interest rate coverage ratio	Earnings before Interest and Taxes (EBIT) divided by Interest Expense  EBIT 5,388,982,523 Divide by: Interest Expenses 261,151,374 Interest rate coverage ratio 20.64	20.64x	11.93x
Working capital turnover	Net Sales divided by Working Capital (Current Assets less Current Liabilities)  Net Sales 48,301,741,084 Divide by: Working capital Current Assets 23,973,474,664 Less: Current Liabilities (13,746,011,612) Working Capital 10,227,463,052 Working Capital Turnover 4.72	4.72x	3.43x
Return on equity	Profit before Taxes (PBT) divided by Total Equity  PBT 5,127,831,149 Divide by: Total Equity 21,436,210,593 Return on equity 23.92%	23.91%	21.08%
Return on assets	Profit from operations divided by Total Assets  Profit from Operations 5,127,831,149 Divide by: Total Assets 36,276,365,626 Return on assets 14.14%	14.14%	12.39%
Net profit margin	Profit before Taxes (PBT) divided by Net Sales  PBT 5,127,831,149 Divide by: Net Sales 48,301,741,084 Net profit margin 10.62%	10.62%	9.96%
Operating profit margin	Profit from Operations divided by Net Sales  Profit from Operations 5,127,831,149 Divide by: Net Sales 48,301,741,084 Net profit margin 10.62%	10.62%	9.96%



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Additional Requirements for Issuers of Securities to the Public**  
**Required by the Securities and Exchange Commission**  
**As at December 31, 2020**

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**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule A - Financial Assets**  
**As of December 31, 2020**

<b>HTM Investments</b>	<b>Name of Issuing Entity</b>	<b>Face Value</b>	<b>Amount Shown in Balance Sheet</b>	<b>Income Received and Accrued</b>
<b>Total</b>				



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule B - Amounts Receivable from Employees**  
**As of December 31, 2020**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written-off</b>	<b>Current</b>	<b>Non-Current</b>	<b>Balance at end of Period</b>
Employees	47,169,974	327,481,811	325,455,058	-	49,196,727	-	49,196,727





**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**

**Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements  
As of December 31, 2020**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written-off</b>	<b>Current</b>	<b>Non- Current</b>	<b>Balance at end of Period</b>
<b>Subsidiaries:</b>							
General Tuna Corporation	P 318,662,522	P -	P 27,074,021	P -	P 291,588,501	-	P 291,588,501
Snow Mountain Dairy Corporation	767,510,186	-	2,380,732,302	-	(1,613,222,115)	-	(1,613,222,115)
Allforward Warehousing, Inc.	28,329,306	-	31,682,995	-	(3,353,689)	-	(3,353,689)
Century Pacific Agri Ventures Inc	(92,912,230)	-	115,161,715	-	(208,073,945)	-	(208,073,945)
Century Pacific Seacrest Inc	25,404,098	-	26,072,195	-	(668,097)	-	(668,097)
Century Pacific Food Packaging Ventures Inc.	394,432,971	-	285,479,831	-	108,953,140	-	108,953,140
General Odyssey Inc.	-	-	984,793	-	(984,793)	-	(984,793)
Century Pacific Solar Inc.	-	-	2,000,000	-	(2,000,000)	-	(2,000,000)
Century Pacific North America Enterprise Inc.	104,161,039	-	5,896,482	-	98,264,558	-	98,264,558
Century International (China) Co., Ltd.	146,001,587	-	13,080,302	-	132,921,285	-	132,921,285
Centennial Global Corporation	(50,004,439)	-	-	-	(50,004,439)	-	(50,004,439)
<b>Total</b>	<b>P1,641,585,040</b>	<b>P -</b>	<b>P2,888,164,635</b>	<b>P -</b>	<b>(P1,246,579,594)</b>	<b>P -</b>	<b>(P1,246,579,594)</b>



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule D - Intangible Assets**  
**As of December 31, 2020**

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	P2,915,325,191	P -	P -	P -	P -	P2,915,325,191
Trademark	101,474,888	-	(34,700,000)	-	-	66,774,888
Trademark License	487,692,373	-	(21,515,840)	-	-	466,176,533
<b>Total</b>	<b>P3,504,492,452</b>	<b>P -</b>	<b>(P56,215,840)</b>	<b>P -</b>	<b>P -</b>	<b>P3,448,276,612</b>



**CENTURY PACIFIC FOOD INC. AND SUBSIDIARIES**  
**Schedule E - Long Term Debt**  
**As of December 31, 2020**

<b>Bank</b>	<b>Beginning Balance</b>	<b>Availment</b>	<b>Payment</b>	<b>Ending Balance</b>	<b>Current</b>	<b>Non Current</b>
Security Bank	P1,115,500,000	P -	P 11,500,000	P1,104,000,000	P1,104,000,000	P -
Metrobank	487,500,000	-	7,500,000	P480,000,000	480,000,000	-
BPI	1,500,000,000	-	1,500,000,000	-	-	-
<b>Total</b>	<b>P3,103,000,000</b>	<b>P -</b>	<b>P1,519,000,000</b>	<b>P1,104,000,000</b>	<b>P1,584,000,000</b>	<b>P -</b>



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule F - Indebtedness to Related Parties**  
**As of December 31, 2020**

<b>Name of Related Party</b>	<b>Balance at Beginning of Period</b>	<b>Balance at End of Period</b>
<b>Total</b>		



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule G - Guarantee of Securities of Other Issuers**  
**As of December 31, 2020**

Name of Issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
<b>Total</b>				



**CENTURY PACIFIC FOOD, INC. AND SUBSIDIARIES**  
**Schedule H - Capital Stock**  
**As of December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants, conversion and other rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Ordinary Shares	6,000,000,000	3,542,258,595	-	2,433,960,781	2,870,807	1,105,427,007



**CENTURY PACIFIC FOOD INC.  
CONGLOMERATE MAP  
AS OF DECEMBER 31, 2020**

