Beyond Boundaries

ANNUAL REPORT 2020

About the Cover

Beyond Boundaries

The 2020 pandemic caused fundamental changes in consumer behavior, confidence, and even relationships. People, scared by the prospect of leaving their homes, quickly found different ways to fulfill their needs.

This sudden, accelerated change caused many companies to fall by the wayside.

Not URC. With 65 years of experience, a strong and well-loved product portfolio, and dedicated people who quickly adapted to change, the company doubled down on its customer-first philosophy.

By deploying digital technology, recalibrating its supply chain, and addressing every new challenge with a credible action plan, URC was able to prioritize, care for, and meet the shifting lifestyle needs of its consumers. All while fighting the pandemic and moving beyond the boundaries of the moment.

While others navigate the new normal, URC charts an extraordinary new path.

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Chairman's Message

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Chairman's Message

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2020 has been quite a turbulent year for everyone. In URC, we experienced the impact of the pandemic most visibly in the Philippines, alongside other external challenges. Through our overseas units, we received frequent updates on how the pandemic disrupted communities all over the world.

In the Philippines, the trials started as early as January, when we saw the eruption of the Taal volcano. Soon after the first case of COVID-19 in the country was announced. Come February, the start of community transmission was detected, and by March the government made the call to lock down most of Luzon in order to slow down the pandemic.

This was a painful decision with hard consequences – travel was restricted, many businesses were shut down, consumer confidence declined, and many people lost their jobs.

Unemployment hit a high of 17.6% in April 2020, and the country's gross domestic product for the 2nd quarter of 2020 was almost 17% lower than the same period last year.

We also faced several natural disasters – the earthquake in Central Luzon, and the spate of storms, namely typhoons Ambo, Quinta, and super typhoon Rolly. These events further added to the country's woes.

A global downturn

Outside the Philippines, the pandemic raged around the world; as I write this, almost 125 million people have been infected with COVID-19, with the death toll at 2.7 million people.

The response also varied in the countries where URC operates. Some countries were able to stamp out infections quickly and control the spread of the virus, while others struggled to deal with the pandemic for prolonged periods.

Either way, across the globe, no economies were spared from the value destruction wrought by COVID-19: unemployment at an all-time high and with estimates of the world's GDP contracting between 4 to 5 percent in 2020.

Putting people first

We understood this was an unprecedented situation and we knew that we had to adapt in a decisive and timely manner. We steered our initiatives towards securing not only the business, but the well-being of our employees, families, and communities as well.

During the first chaotic weeks of the lockdown, URC quickly pivoted to operate in the new normal, with many of our colleagues shifting to remote work arrangements. Inessential spending was cut to conserve resources for uncertain times ahead.

Employee health remained paramount, as we initiated COVID-19 tracking and tracing internally to keep our teams safe. We continued to invest in training despite the lockdowns, with the quick rollout of our online Learning Management System.

Everyone came together and worked to ensure steady supply of our food products to the market.

Manufacturing prioritized production of essential core SKUs, while Logistics made sure these were delivered through the myriad of lockdown checkpoints.

Marketing adjusted launch plans and fast-tracked development of relevant new products for the market. The Sales team made sure that trade customers had visibility of supply challenges and collaborated closely with our accounts and distributors to ensure the availability of adequate inventories.

Through all the turmoil, I saw URC working hand-in-hand with the communities we serve – to be essential and to continue being of service.

Serving beyond boundaries

"I chose to live my life unafraid even during times that I was afraid. I discovered that opportunities don't find you; you find your opportunities." — Mr. John

With the passing of our founder, Mr. John Gokongwei, in late 2019, the organization strived to stay true to Mr. John's vision of being a shining example of always giving back to the Filipino nation. Over the past year, the URC leadership team has come through and lived that vision. We worked hand-in-hand with our employees, suppliers, customers, and the communities we impact to codify URC's own North Star – rooted in the heritage of the company, and with an eye towards continuing to serve Filipino generations to come.

Today, as URC formally rolls out its updated Purpose, Values, and Ambition (PVA), I remember something Mr. John once shared: "I chose to live my life unafraid even during times that I was afraid. I discovered that opportunities don't find you; you find your opportunities."

As we continue navigating through the pandemic, I think of all the crises that my father experienced at the helm of URC, and how he led URC through each one – making the company stronger, faster, and better.

As we live his principles through our PVA, I am proud of what our entire company has worked on, overcome, and achieved over the past year. I look forward to the organization's continued transformation – acknowledging the foundations that have brought us to where we are today while striding bravely into the future.

Thank you and stay safe.

Lance Y. Gokongwei
Chairman

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Message from the President & CEO

"URC remained steadfast in its people-first commitment in 2020. We pushed beyond boundaries for the well-being of our employees, consumers, and the communities we serve."

Message from the President & CEO

To our valued Shareholders,

The past year has been challenging to say the least. Each one of us has been affected by the pandemic, whether in our professional or personal lives. As a company with a familial culture, we deeply empathize with those afflicted by the pandemic.

Despite the circumstances, URC remained steadfast in its people-first commitment in 2020. We pushed beyond boundaries for the well-being of our employees, consumers, and the communities we serve. We were determined to deliver delight at a time when people needed it the most.

I write this year's annual report letter with immense gratitude for having withstood these trials, and now, a greater sense of optimism for the journey ahead.

We are pleased to share that this collective effort was rewarded kindly with profit growth despite the challenging market landscape. In this report, we chart the fruitful outcomes of the year, illustrated not only in facts and figures but through stories of success.

Humble Triumphs

URC's robust 4-fold strategy framework, established prior to 2020, served us well to counter the effects of the pandemic:

Products and Brands People Love

Preferred Partner of Choice

Product Supply Chain Transformation

People and Planet Friendly Culture

Implementing these How-To-Win strategies led to strides of growth within 2020. We will detail these in the Strategy Updates section of the report.

URC was able to stay ahead of the curve amid the global economic slowdown by focusing on these key priorities. They enabled us to launch products with purpose, catering to new consumer trends of health, value for money, in-home consumption, and affordable indulgence.

We took this a step further by reinforcing product supply and availability in the market, ramping up production and logistics capabilities. We attribute our reliability and success to our resilient supply chain team and sales force, who see to it that supermarket and grocery shelves are always stocked with our goods.

Introducing alternative selling channels, such as online retailers, caravans, and community marts, was essential in fostering safe and secure environments for our essential workers, employees, and loyal customers. This action plan opened up future expansion opportunities while addressing shifts in the present retail landscape.

Each conscious decision was rooted in our robust organizational strategy, which you will also learn more about in this report.

Business Review

"We achieved a 15% increase in Net Income with Php 11.6 billion, which is linked to our continued growth in operating results."

In 2020, URC's financial performance proved to be stable amid the challenging market landscape. Our Net Sales amounted to Php 133.1 billion, declining 1% versus 2019. This decline was due to challenged consumer sentiment as well as a shift in consumer behavior due to the pandemic. The move from out-of-home to in-home consumption affected major categories within Branded Consumer Foods.

2020 Business Review:
URC Net Income up by 15%

Net Sales
PHP 133.1 billion
-1% vs last year

Operating Income
PHP 16.0 billion
7% vs last year

Net Income
PHP 11.6 billion
15% vs last year

Despite these challenges, we were able to streamline our operating expenses and manage our cost of sales effectively, allowing us to maintain our progress in Operating Income from 2019. This year, URC operating income is up by 7% amounting to Php 16.0 billion, with margins improving by +86 basis points; while Net Income increased 15% to Php 11.6 billion.

Divisional Performance

Sales from **Branded Consumer Foods (BCF)**, a combination of both domestic and international units but excluding the packaging division, decreased by 3% this year, amounting to Php 102.4 billion. This is a result of foreign exchange impacts and the market slowdown after global lockdowns put physical limitations on consumers.

In **BCF Philippines**, we witnessed a similar sales performance from last year, arriving at Php 61.2 billion. Profit growth was sustained with better price/cost mix, as reflected in the 6% improvement of our profit.

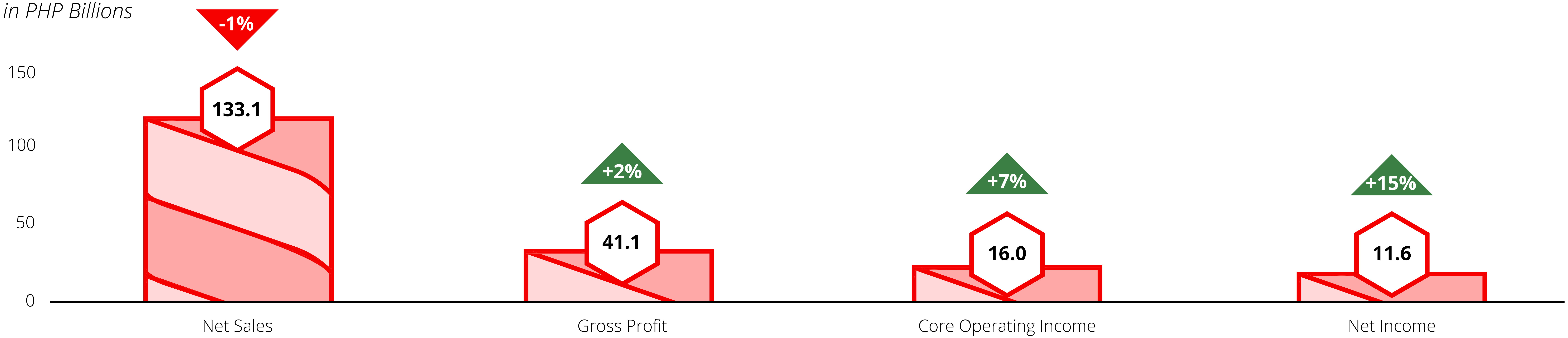
The domestic segment showed strong market share gains despite flattish sales. We expect to regain traction especially in the Ready-to-Drink Beverages once the market stabilizes.

BCF International sales ended at Php 41.2 billion, declining by 5% as it was held back by significant foreign exchange devaluation. Sales however was flat on a constant currency basis. Several countries, particularly in the ASEAN region, were impacted by macroeconomic and retail trade contractions during the early part of 2020. As conditions began to improve, markets started to recover and stabilize from their first semester positions.

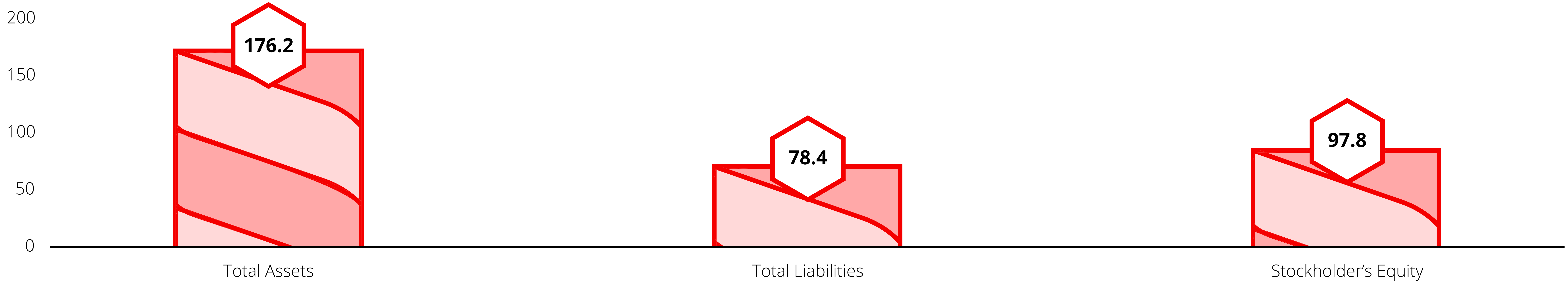
Lastly, our **Agro-Industrial & Commodities (AIC)** division ended the year with Php 29.6 billion in sales, a 7% increase versus last year. Top line growth was driven by the Sugar and Renewables (SURE) division, which increased by 33%, inclusive of the last quarter acquisition of La Carlota sugar mill and Roxol distillery. This strong performance from SURE plus initiatives from other AIC segments, worked to offset the lower volumes in hogs business caused by downsized operations. AIC profits increased across all businesses by 19% to end at Php 5.7 billion.

Financial Highlights

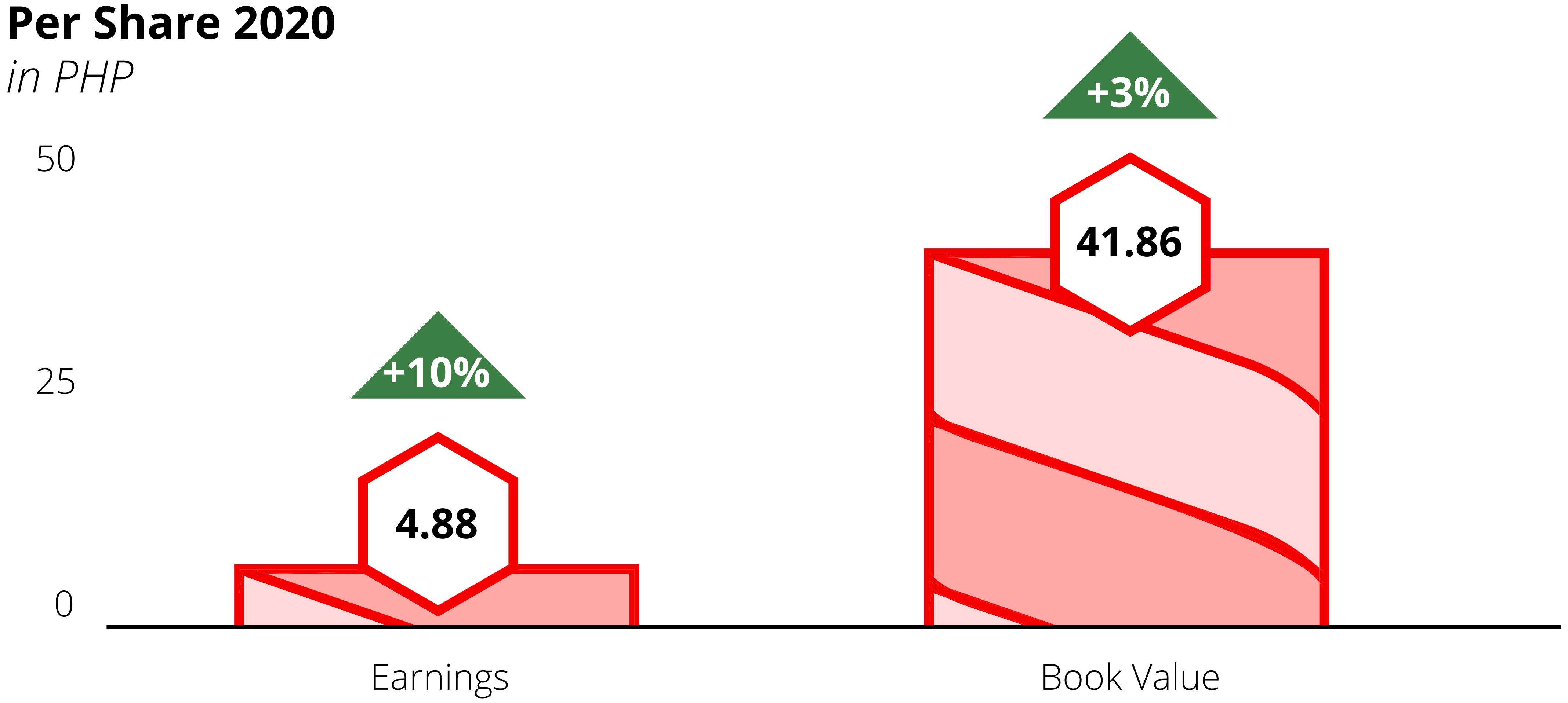
Income Statement 2020
in PHP Billions



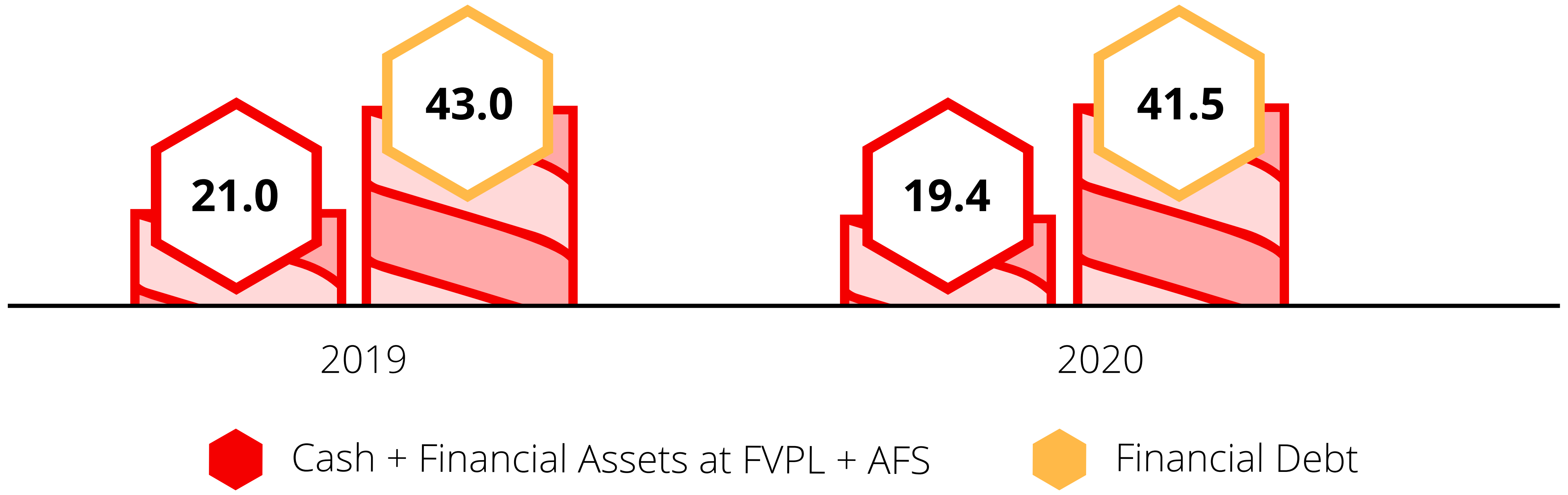
Balance Sheet 2020
in PHP Billions

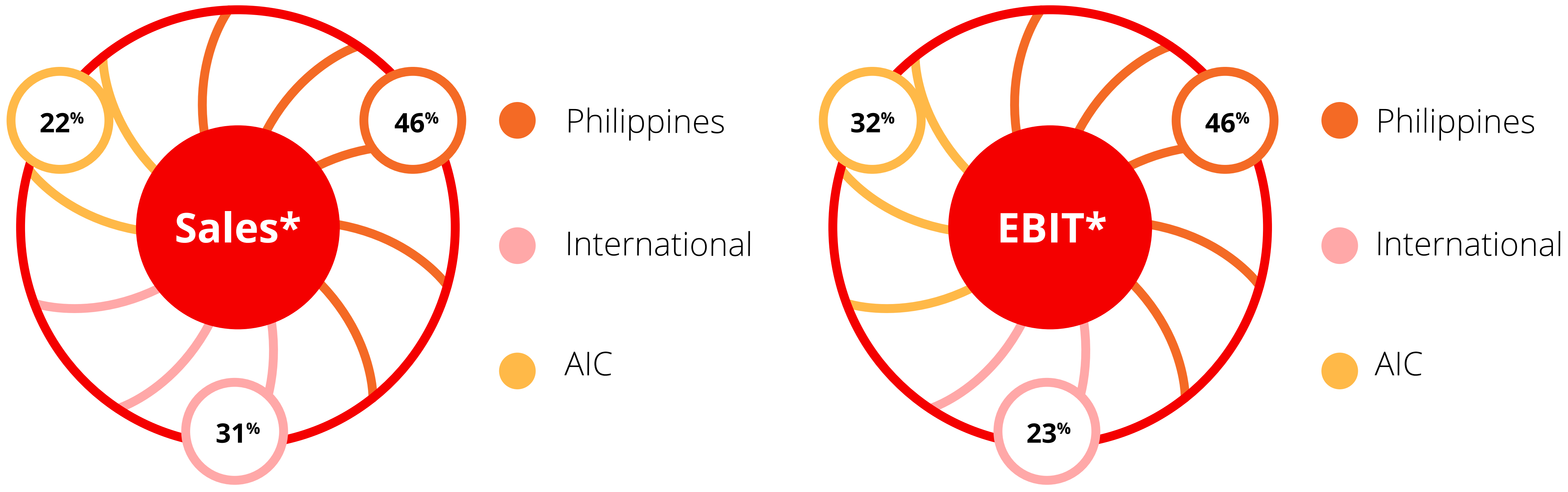


Per Share 2020
in PHP



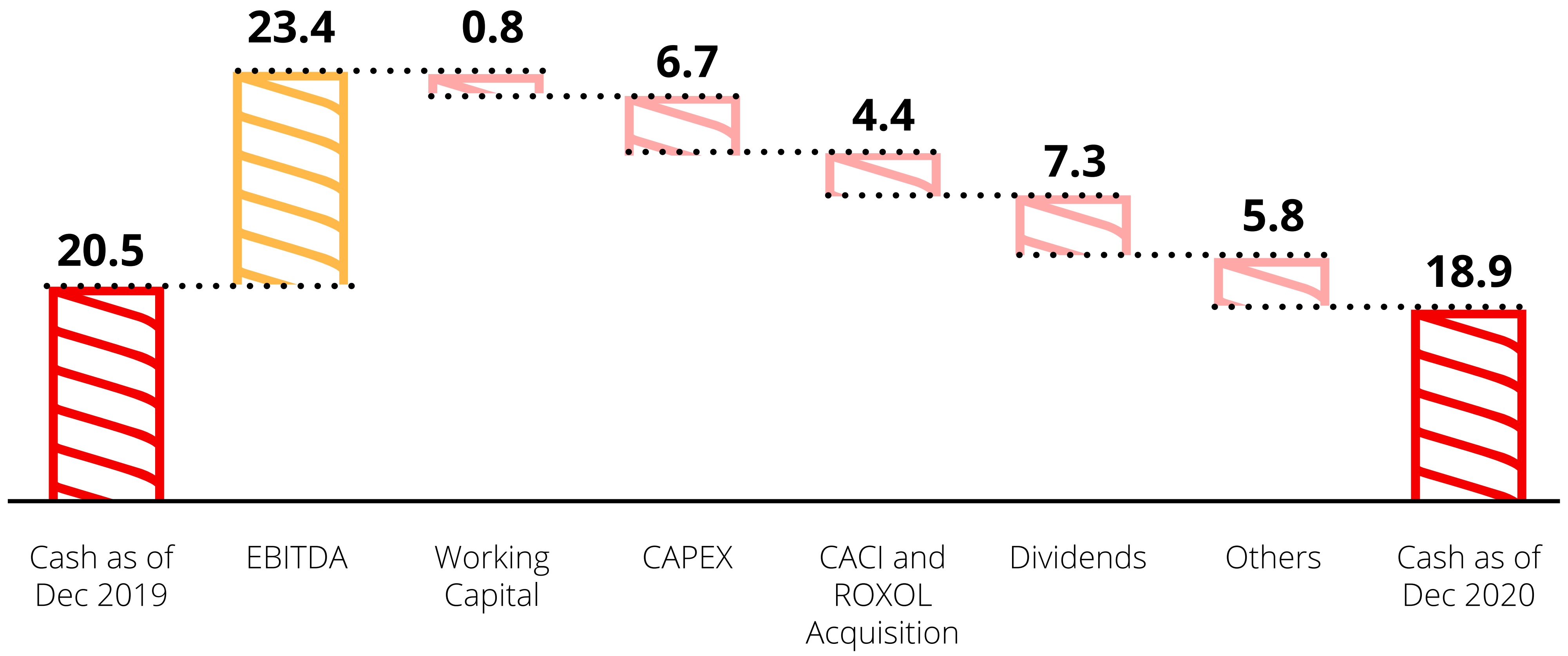
Cash and Financial Debt
in PHP Billions





*excludes packaging division and corporate expenses

Cash Position
in PHP Billions



Other Updates

With the acquisition of Central Azucarera de La Carlota and Roxol Bioenergy Corporation mid-year, we have solidified our position as the largest sugar producer in the country. We're optimistic that these acquisitions will further strengthen our Commodities operations and contribute to strong growth in the future

Moving Forward

2020 was a testament to our fortitude and integrity in service. In facing the trials brought about by COVID-19, URC rose above expectations with notable accomplishments.

In the Philippines, we were recognized by the Department of Trade and Industry (DTI) for being the country's Top Processed Food and Beverage exporter. We reached a record high of approximately USD 30 million in 2019 export sales, as we further strengthened our Global Exports team. We were also recognized with several customer awards for our resiliency and support to retailers in the face of the pandemic.

Extending our How-To-Win and Where-To-Play strategies overseas was also well-received by consumers and industry fellows alike. For URC Vietnam, it was lauded as one of the Top Sustainable Businesses in the country with its application of our People and Planet Friendly practices. Our Thailand unit delighted customers with innovative products, as they received Marketeer Thailand's No.1 Brand award for Biscuits & Crackers categories.

More importantly, we extended crucial help to frontliners and communities. By prioritizing the well-being of each life we touch, we've contributed to the resurgence efforts in the countries we operate in.

Collectively, these achievements give us a renewed sense of confidence to pursue greater endeavours in 2021

Our 2035 Mindset

"Our transition to becoming a sustainable global enterprise shows promise for many win-win returns."

A bright future is in full view. URC is nurturing a healthy ambition by setting its sights on the long game. While uncertainties in external factors remain, such as market recovery rates post-pandemic, we're optimistic about our growth trajectory.

With our healthy balance sheet and cash position, we are poised to serve a larger base of consumers, particularly with the steady performance of our global business units. Our transition to becoming a sustainable global enterprise shows promise as we continue to build organizational capability and develop world class talents.

Our product development program keeps alive URC's entrepreneurial mindset with a roster of attractive and innovative products in the pipeline for consumers to enjoy. And our business model is grounded on pragmatic and balanced decision-making centered on long-term value-creation.

As URC celebrates 65 years of growth and expansion, we refresh our Purpose, Values, and Ambition to remind us and guide us why we exist, how we show up every day, and where we are going, standing on the success of the past 65 years.

As we face the challenges of 2021 head-on, URC is prepared to navigate and mobilize in the face of change. We will build on every valuable insight and experience from 2020, stay attuned to market trends, and adapt with agility.

We would like to extend our utmost gratitude to you, our shareholders, for your continued trust, confidence, and support for URC.

Thank you very much.

Irwin C. Lee
President & CEO

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About URC

"In celebrating URC's wins, we take the time to honor the role of our valuable company heritage that has brought us to where we are today."

ABOUT URC

Business Highlights

Universal Robina Corporation (URC) is one of the largest branded consumer food and beverage product companies in the Philippines. Founded in 1954 by Mr. John Gokongwei, Jr., URC has pioneered brands of exceptional quality for over six decades.

Today, the company continues to delight customers worldwide spanning 13 markets, particularly with its growing presence in the ASEAN and Oceania regions.

Through winning innovations, URC has captured strong market positions across various product categories and markets. It is known for being one of the top snack food companies in Australia. In Thailand and New Zealand, the company is recognized as a market leader in the biscuits category. In Vietnam, URC maintains a strong position in the beverage industry.

URC is also one of the Philippines' largest players in the Agro-Industrial & Commodities industry. It remains the largest sugar miller in the country, landing expansive acquisitions in 2020. The company is also one of the largest players in both flour milling and animal feed milling.

With a future-forward mindset, URC is building upon its legacy of cultivating brands, expanding distribution reach, and honing its capabilities to full potential. The company is committed to being retailers' partner of choice, serving with utmost dedication and sincerity, as it has for years.

As for the URC team, we're on the move towards fulfilling our Ambition 2035 strategy and goals. We press on to honor our people-first heritage, standing by our purpose to delight consumers with every product.

Achievements

15% Net Income Growth with **PHP 11.6 billion** in CY 2020

#1 Processed Food & Beverage Exporter in the Philippines

One of the **Top Sustainable Businesses** in Vietnam[1]

One of Thailand's **Top Companies to Work For**[2]

One of the **largest Agro-Industrial & Commodity Foods** in the Philippines

Biggest sugar milling company in the Philippines in terms of capacity

4 diverse brand categories

5 strategic partnerships with large international snack foods and beverage players

CBUR | VITASOY-URC INC. | DANONE UNIVERSAL ROBINA BEVERAGES | JACK'n JILL Calbee | NISSIN-UNIVERSAL ROBINA CORPORATION

13 Markets within ASEAN and Oceania

[1] The Vietnam Chamber of Commerce and Industry (VCCI) granted the award during the country's Corporate Sustainability Forum 2020.

[2] The award was presented by HR Asia, an authoritative regional publisher on human resources.

ABOUT URC

Pandemic Feature

Adapting to Changes

OUR PANDEMIC RECOVERY

“We acknowledged at the onset that the trail to surmount the consequences of this global downturn was a steep climb.”

During the early part of 2020, URC was quick to gather and come to terms with the gravity of the pandemic as it unfolded. We acknowledged at the onset that the trail to surmount the consequences of this global downturn was a steep climb.

Nevertheless, the company was determined to push forward. The months that followed revealed the true strength of our people, as everyone mobilized to support each other.

Despite the air of uncertainty, URC was able to actively curb obstacles, protect its people, and uplift communities. All this was made possible through well-coordinated strategic plans, implemented with utmost dedication, and more importantly, compassion.

A Sound Strategy

As a collective leadership team, URC began navigating the pandemic by evaluating the soundness of its business strategies in relation to the circumstances. We took stock of our progress and monitored trends to gauge our next move.

Based on our assessment, our Where-to-Play and How-to-Win strategies were stable and versatile. These had served us well in the past as we worked on our purposeful transformation, and we had full confidence that overhauling was not a necessity.

Instead, we needed to prioritize going the extra mile to meet consumers’ needs: prioritizing safety, bridging product-to-consumer limitations, and accelerating the production and development of essential goods.

“The months that followed revealed the true strength of our people, as everyone mobilized to support each other. ”

Protecting Lives and Livelihood

URC’s first course of action was to immediately roll out company-wide safety measures.

Our office-based teams immediately moved to a remote working set-up, maximizing the technology available to us. The shift protected those teams from unnecessary exposure and gave our organization peace of mind, which positively influenced our overall productivity.

For our employees and essential workers in the field, we provided them with personal protective equipment (PPEs) and modified our facilities for proper social distancing. We also organized shuttle services across our plants to ease worries, especially since public transportation options were reduced.

After taking care of our people, our team reached out to several hospitals and LGUs to donate a variety of URC food products, covering basic necessities and delivering comfort to front liners. We also donated PPEs to maintain a safe environment for health workers.

We also brought products closer to communities through the URC BayaniJuan Caravan and

URCommunity Mart. With these programs, consumers can easily purchase their essentials without having to leave the safety of their community. Sari-sari store owners may also stock up on goods for their own shops through our bundle packs, offered at discounted prices. It's our way of thanking them for staying open to help bring food to their neighborhood.

Our Baker John division also teamed up with GMA Kapuso Foundation to create Bike for Good. The project prioritizes those who have lost their source of income during the pandemic. Each of the 30 beneficiaries received bikes and Baker John negosyo starter packs to help them kickstart their own small business.

Even through difficult times, URC stands by its people-first commitment by spearheading programs that empower communities to thrive.

Bridging communities

From Viber groups to a full-fledged distribution channel, our Flour and Pasta division established the Baker John Community Selling program to bring bread and pastries closer to consumers.

It started off when members of our team volunteered to distribute food in their villages. Seeing how their neighborhoods had limited mobility due to heightened safety protocols, they wanted to make essentials more accessible for everyone.

The news was passed on through group chats, and soon after the few loaves of bread turned into crate-loads of orders per person.

Through the experiences of our team, we found that their communities represented the growing demand for accessible, neighborhood-based sellers. Our Baker John division was quick to develop a centralized community partner program, open to home-based entrepreneurs who wanted to introduce safe shopping options to their village.

“What began as a goodwill initiative, turned into a network of over 120 community partners.”

What began as a goodwill initiative, turned into a network of over 120 community partners. In turn, the program increased the division's sales.

We took this a step further by incorporating Baker John products into our Kabalikat Village Hub program. Kabalikat Village partners distribute a variety of URC products within their communities to help them generate additional income. Today, there are 152 active Kabalikat Hubs located across the country.

These initiatives also inspired our Branded Consumer Foods group to explore social commerce channels, primarily through our business-to-business Facebook 2 Benta (FB2B) network. The centralized Facebook platform connects sari-sari stores to URC regional distributors. Using Facebook Messenger, store owners placed their orders online and our regional partners delivered the products immediately to their door.

Through FB2B, small businesses gained safe access to goods, helping them stay in business throughout the crisis.

For direct business-to-consumer selling, URC products are also available on digital retail shops, such as Lazada, Zalora, and GrabMart.

Through these programs, we hope to reach more communities and inspire people to tap into their inner entrepreneurs.

Accelerating Innovation

When the pandemic hit, access to food and basic necessities became a pressing concern for communities. Despite the logistical challenges, URC stepped up to increase the production of essential goods to reassure our customers.

URC's Integrated Supply Chain (ISC) department worked tirelessly to ensure that goods were produced, packed, and delivered to consumers in a timely manner.

With 7 out of 10 Filipino households consuming URC products every day, the department understood the importance of their role in the lives of consumers during this time. Working alongside the sales team, our people fulfilled their duty in earnest to ensure the continuous stream of supplies for Filipino families.

Each member of the team valued their role, doubling efforts amid transport restrictions and manpower limitations to meet delivery targets. Our people took the initiative to attend to their on-site responsibilities, including line managers and plant-based HR leaders who were present to address employee concerns.

Aside from supply chain initiatives, URC fast-tracked the development of products that answer changing consumer trends.

Our product development team created a new roster of healthy foods, value-for-money products, in-home consumption SKUs, and affordable indulgent products. These abundant innovations give consumers more options that are suitable for their needs and budget.

In the AIC division, our team focused on utilizing facilities to expand our core and respond to the demand for hygiene products. This is why we launched Shield+, our line of pharmaceutical-grade rubbing alcohol. We are committed to developing this new category to serve more consumers in the long run while maximizing our distilleries.

With our recent mill and distillery expansion, the AIC team is working on the integration of URC's strategies into our latest acquisitions, strengthening our local manufacturing capabilities.

Champions for Adaptation

"More importantly, URC has become more agile in adapting to changes without compromising our values, strategies, and partnerships."

Healing requires patience, but at least it's within the horizon. While it has been a long and winding year, URC holds on to every silver lining.

We strengthened relationships within our organization, united by our people-first commitment to serve others to our utmost capacity.

We have led the way with innovative ideas and programs to address consumer needs.

More importantly, URC has remained agile in adapting to changes without compromising our values, strategies, and partnerships.

There is still much rebuilding to do as the pandemic continues, but we are certain that our joint efforts with other organizations and institutions will lead to full recovery.

ABOUT URC

Purpose, Values, and Ambition

Our North Star

Purpose, Values, and Ambition 2035

URC witnessed significant improvement since the rollout of its Where-To-Play and How-To-Win strategies in 2018. It advanced multiple aspects of the business: effective communication, seamless operations, and impressive product innovations.

The positive outcome of these strategies has been very beneficial for our organization. Now our goal is to bank on this momentum and propel URC forward.

To this end we've reframed and codified our Purpose, Values, and Ambition (PVA) - the center point from which all our initiatives, campaigns, and products pivot.

Purpose

Our purpose is drawn from the company's beginnings, when Mr. John's keen entrepreneurial intuition urged him to explore greater prospects for the local food industry. He aspired to create homegrown food products that would nourish and delight Filipino consumers.

In turn, Mr. John's hard work redefined consumers' food experiences as his pioneer brands turned into beloved household staples. His legacy lives on through URC as the company continues to delight consumers in their daily lives, as it has done for over six decades.

In elevating our Purpose, we wanted to expand the reach of Mr. John's commitment to address the concerns of modern-day consumers.

While there are many choices in the market, people crave food that is both delicious and healthy. People's heightened consciousness for their well-being inspired us to shift our focus towards creating tastier, accessible, and nutritious food and beverage options.

Consumers believe that food is a major agent in self-care, as well as a medium in caring for the people around them. As a company that shares this belief, our role is to empower consumers and their loved ones to have a well-balanced lifestyle. URC has the capabilities to make this possible building upon its wide variety of wholesome food selections.

PROBLEM	+	IMPACT	+	ROLE
What problem is ours to solve?		What impact do we have on people's lives?		What is the role we play in making an impact?
People increasingly look for health and wellbeing in their lives, while facing an increasing economic divide. **How do people find healthy food for their lifestyle that tastes good?**		People need affordable food and quality nutrition that addresses different needs in their life. We make good food that delights people throughout their day		**We empower everyone to make choices with a variety of options available to them.**

After delving deeply into these insights, we arrived at a distinct, inclusive Purpose statement: URC exists to delight everyone with good food choices.

URC will lead by example, showing how good food can be both healthy and delicious with the right ingredients, innovation, and effort. Our products serve a broad range of consumers with varying preferences and lifestyles, from premium to budget-savvy options.

We will make these products readily available for consumers to have quality nutrition.

With our distinct Purpose, we have a greater sense of direction to guide us in setting new goals and identifying the right values that will motivate us along the way.

Values

At URC, Values are our means of following through with our Purpose. They are a unique combination of principles that make up the fingerprint of our culture and serve as stepping stones towards fulfilling our goals.

We want each Value to be practical and straightforward. They exist to inspire bold action among our people, empowering them to make dynamic contributions to the company.

These four values encapsulate everything URC stands for:

Put People First

People are at the center of everything we do. At URC, we invest our time to understand, honor, and care for each other in all our diversities.

Our firm belief is that we are stronger together. When faced with challenges, everyone should have the initiative to pitch in and support each other. We nurture relationships by showing our commitment to service, which underpin lasting partnerships.

Dare to Do

We believe that achieving better outcomes is always possible with determination and hard work.

We take calculated risks, using innovative data points to inform our experimentation process.

In so doing, our people become trailblazers. We follow our curiosity to navigate new business landscapes. We are a team that challenges the status quo for improvement. This shared characteristic encourages our people to assess situations from different perspectives.

Own It

Empowerment unlocks the full power of our potential. We hold ourselves accountable for our duties and commitments.

We believe stepping up, going beyond, and owning our contribution helps us work as one team, focused on goals that move the whole business forward.

Move Forward Fast

Our success is powered by our ability to see new opportunities and act upon them quickly.

We are constantly learning, embracing change, and challenging each other to achieve better outcomes, even when it means unlearning outdated practices.

"Combined, these Values make up a fully synergized culture that shapes every facet of URC: its products, decisions, and behaviors."

Combined, these Values make up a fully synergized culture that shapes every facet of URC: its products, decisions, and behaviors.

We hope that taking these principles to heart will also inspire personal development, confidence, and camaraderie — life-long growth and relationships that transcend the workplace.

Ambition

Using our Purpose and Values, we gradually pieced together our key objectives for URC's Ambition. The result was a compelling vision that defines what the company aspires to become by 2035.

Ambition 2035 is best illustrated in three parts that complement our business strategies:

Our business model

"We are a sustainable global enterprise."

- URC delivers consistent, superior returns to all of its stakeholders while caring for the environment that brings life to our business.
- We pioneer products with expansive reach developed from fully integrated systems and best-in-class capabilities.
- From our hardworking factory staff to our trusted business partners, people can count on URC to advocate strong win-win outcomes - collaborating for the good of all.

Our products

"We give everyone access to high-quality, planet-friendly products."

- All of URC's food products prioritize taste and health, delighting customers around the world. These products lead within multiple markets by being both accessible and affordable.
- Every brand has a deep connection with consumers through variety and interactive experiences.
- We maintain global standards of quality, including non-food items, while supporting our no-waste agenda to achieve a net-zero impact on the planet.

Our people

"We are top-of-mind for having the best talent in the world."

- URC is a global organization that stays true to its values.
- We foster an open, remote, and fluid work dynamic with a network of productive teams.
- URC empowers each one of us to create innovative solutions and work to our full potential.
- As a team, we foster belongingness. We ensure that everyone feels free to express and contribute their passion, creativity, and talent through their work.

Winning Together

Upon introducing this cohesive Purpose, Values, and Ambition statement, we received great feedback from the different URC teams and branches.

It has been a joy to hear how URC's updated shared identity resonates with the tenured members and partners of our community. New members have also developed a better appreciation for what the company stands for, helping them understand their role on a deeper level.

We are certain that our PVA, coupled with our business strategies, will open new opportunities for URC to flourish.

Branded Consumer Foods (BCF)

Noodles

- Pouch
- Cup Noodles
- Pasta

Powdered Beverages

- Coffee
- Creamer
- Chocolate

Ready-to-Drink Beverages

- Water
- Tea
- Juice
- RTD Chocolate
- Soy
- RTD Coffee
- Energy Drink

Snack Foods

- Snacks
- Chocolates
- Biscuits
- Cakes
- Wrapped Snacks
- Candies

Spanning 4 branded super categories, BCF is recognized for being our largest business segment. It covers a wide range of beloved brands within the snacking, beverage, and noodle groups. With a growing presence across the ASEAN and Oceania markets, each category has grown to become a staple on every family's shopping list.

Agro-Industrial & Commodities (AIC)

Agro Industrial Group

Farms

- Table Eggs
- Pork Meat Cuts
- Processed Meat
- Live Products
- Ready-to-Eat

Feeds

Food Services

Robina Food Partners

Drug and Disinfectants

Sugar and Renewables

- Raw Sugar
- Refined Sugar
- Molasses
- Bioethanol
- Power Export
- Liquid CO_2

This segment is a vertically integrated business comprising the Agro-industrial Group, Sugar and Renewables Group, and Flour Division. The AIC division is designed to complement the branded consumer foods business with its end products, namely sugar and flour.

Flour

Flour

Bread

GEOGRAPHIC PRESENCE

Geographic Locations: Domestic

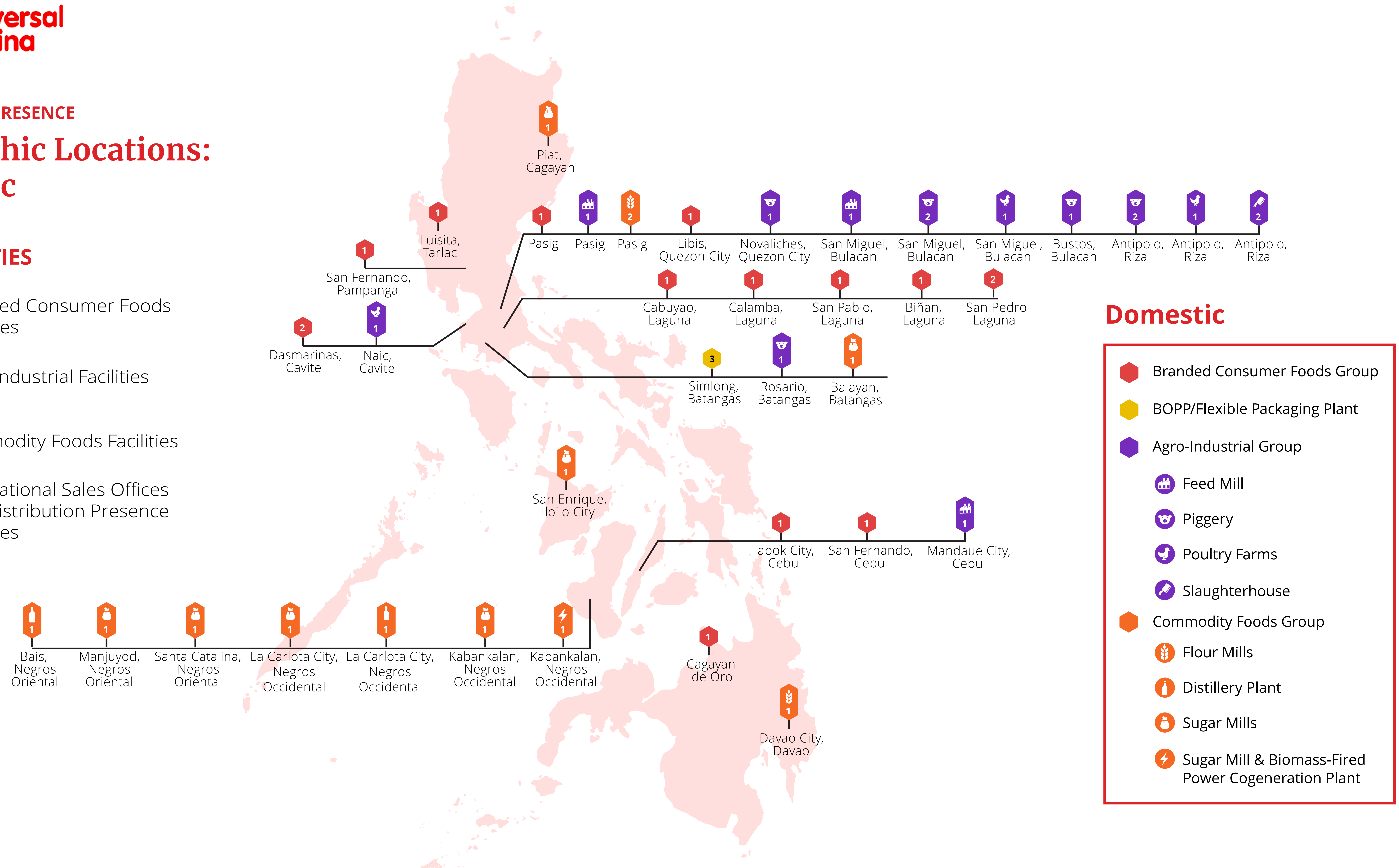
URC FACILITIES

40 Branded Consumer Foods Facilities

15 Agro-Industrial Facilities

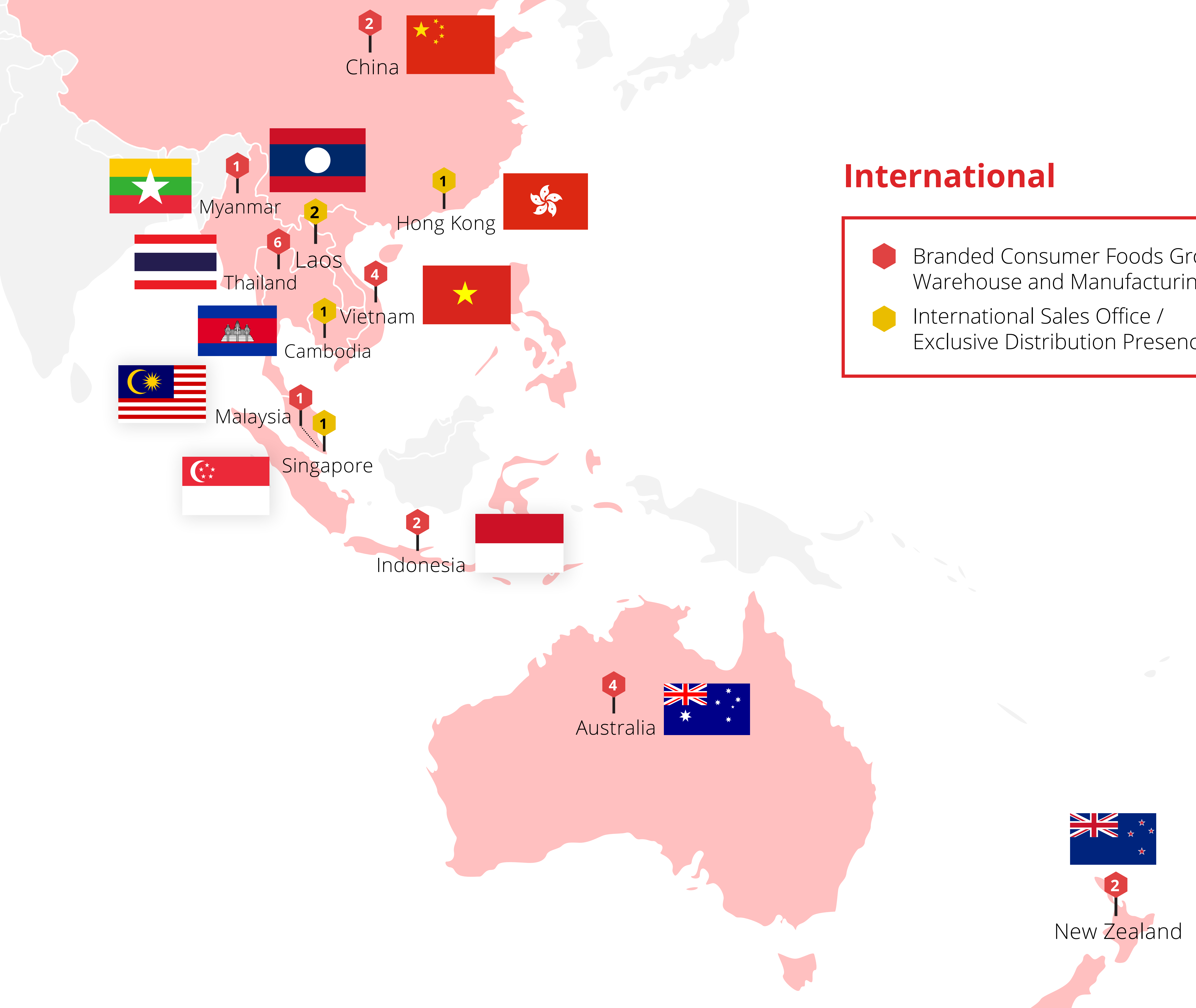
13 Commodity Foods Facilities

5 International Sales Offices and Distribution Presence Facilities



GEOGRAPHIC PRESENCE

Geographic Locations: International



International

- Branded Consumer Foods Group / Warehouse and Manufacturing
- International Sales Office / Exclusive Distribution Presence

Global Exports

Our Branded Consumer Foods' single global export team helped us introduce a diverse portfolio of high-quality products to customers in over 50 countries worldwide. This includes the following regions:

- America
- Europe
- Middle East
- Africa/Indian Ocean
- North Asia
- Oceania/Pacific

The expansion helped us maximize sales resources and manufacturing capabilities while supporting our international distributors and retail partners. Together, we hope to break through to new markets and create more win-win opportunities for our network.

Universal Robina

04

Strategy Updates

"The important thing to know is that life will always deal us a few bad cards. But we have to play those cards the best we can. And we can play to win!"
— Mr. John

Strategy Updates

URC's launchpad for moving beyond boundaries is built upon a sound strategy of hitting targets, securing progress, and exceeding expectations.

Throughout 2020, our 'How-To-Win and Where-To-Play' frameworks aided us in adapting to the challenges posed by the pandemic. Borders closed and consumer needs rapidly shifted, but we did not waver. Instead, URC revisited its core strategies and steered through trials by means of thoughtful innovation.

Here are our leading breakthroughs across our four main platforms:

Products and Brands People Love

At URC, our mission is to delight everyone with good food choices. To achieve this, we develop our food and beverage products through our Innovation Process Management (IPM) system, established in 2018.

IPM strengthens our insighting processes, drives new product development and renovation of existing brands without compromising entrepreneurial speed and agility. It's a cornerstone of our 'How-to-Win' strategies that allows us to nurture brands with purpose - satisfying customer needs amid shifting trends.

This year, we solidified our IPM with the full integration of our Where-to-Play strategies into the system: Grow the Core and Expand for More.

Grow the Core guides us in refining our propositions and maintaining competitiveness in existing segments we play in.

Expand for More helps us identify pressing needs, emerging trends, and new sources of growth in adjacent segments or categories.

For 2020, we followed through on these key areas:

Healthy Snacking

More people becoming mindful of their well-being has resulted in a greater demand for healthier snack options. URC is ahead of this curve, with several hearty food and beverage choices in the pipeline to support this lifestyle shift.

We're currently expanding our C2 line, with last year's launch of its fiber variants, Green Apple and Pineapple.

Introducing Shield+ and BioSure

The demand for hygiene and sanitation products spiked in 2020, particularly for pharmaceutical-grade rubbing alcohol. This motivated us to diversify and launch Shield+ and BioSure, providing essential supplies to more communities. Our recent distillery expansion under the Agro-Industrial & Commodities division will secure capacity for long term production.

Value-adding Variants

Consumers were also on the look-out for products at appealing price points. We took this as an opportunity to cater to a broad spectrum of budgets.

We relaunched Great Taste Premium Classic, our value for money soluble coffee. Customers can also stock up on salty snacks with our affordable new line of Seacharon ni Mang Juan in Chilimansea and Isdalicious flavors.

Supersized Family Treats

The pandemic has led to a shift to in-home consumption. To address this, we created bigger, for sharing, supersized selections for our products, such as Piattos Supersized and Refresh in 5L bottles.

We also introduced C2 milktea variants to satisfy consumers' increasing appreciation for tea drinks, available in Wintermelon and Choco flavors. The positive response inspired us to reimagine our other beverages. Innovating our signature coffee blend, we came up with our café-inspired Great Taste Iced Coffee in Vanilla Latte, Caramel Macchiato, and Chocolate Mocha, extending the coffee shop experience anywhere both out of home and in home.

Simple Joys at Home

In candies, we produced a wider range of options for consumers to enjoy with chewy Lush Chocolate and Strawberry and X.O. Milk Tea. We also added new flavors to our flagship chocolate brands with Nips Fruit and Nut and Cloud 9 Peanut Butter.

Loyal Cream-O consumers were rewarded when we brought back our limited-edition Cream-O Premium chocolate-covered biscuits.

Health

Value

In Home

Affordable Indulgence

Preferred Partner of Choice

Over the years, URC has become one of the top suppliers for major retailers. We are grateful for our partners who continue to trust in our commitment to deliver and in our capacity to evolve. We intend to sustain this with strategies that build upon our integrated supply network.

Today, we foster lasting customer engagement, create diverse product offerings, and maintain accessible price points - setting the landscape for more win-win collaborations.

As we journey towards our 2035 Ambition, we're investing in capabilities that will boost our distribution efficiency and account management. This ties in with our expansion plan to drive and scale up our operations and strengthen our supplier base.

Taken together, these efforts accelerate our goal of becoming a dependable, global sustainable enterprise.

Route-To-Market Reinvention

General trade focuses on our widespread distribution of products to small retail and wholesale establishments. These crucial groups of retailers allow us to reach consumers who prefer day-to-day purchases.

We focused on streamlining our Route-To-Market strategy, following the pilot of our major Philippine coverage expansion last year. We retained perfect store presence through compelling merchandising and excellent product lineup quality across various outlets. The team also enhanced direct distribution, as well as productivity and sales quality for lines sold.

Last year's digitization efforts helped us overcome trade limitations caused by the pandemic. The implementation of Sales Force Automation jumpstarted distributor capabilities, allowing us to prioritize lead generation. We also utilized geotagging in both current and prospective outlets, which we used to monitor daily salesman productivity and monthly acquisitions of new direct accounts.

Alternative selling channels were introduced to deal with imposed movement restrictions and address shifts in the retail landscape. We entered the e-commerce channel and implemented initiatives like URCommunity Mart, a roving store which brings well-loved URC products closer to communities, and social commerce which connects sari-sari store owners with distributors that cover their area.

During this reinvention process, we secured our Route-To-Market progress despite border limitations, pressing on to arrive at valuable outcomes.

Joint Business Planning

For modern trade accounts, we supply a diverse range of products in bulk quantities. Our key partners in this division are composed of large retail institutions, such as supermarkets, groceries, and hypermarkets.

When it comes to modernizing trade, URC has made investments to elevate its engagement with key accounts through joint business planning. The two-way process has opened doors for engaging discussions with key customers, driving strategic partnerships in various territories.

This year, we reaped the benefits of aggressive growth rates, made possible with ideas shared by our key accounts. From precise shopper plans to intuitive consumer engagement, our joint planning strategy made URC a preferred supplier among key partners.

Product Supply Chain Transformation

Encompassing URC's vast network of partners is a comprehensive supply chain framework that is integral to our seamless operations. It's responsible for ensuring we deliver fresh products in full and on-time day in and day out. This is why URC searches for new ways to improve its product supply chain through its supply chain transformation program, which began in 2018.

The on-going optimization has allowed us to improve multiple aspects of the business: customer satisfaction, market reach, productivity and cost efficiency. In terms of structure, we have a fully-integrated supply chain that transitions between processes with ease - from material planning, to product manufacturing, to product storage and down to logistics and delivery.

Our multi-phased supply chain transformation journey continues in these areas:

LEAN Manufacturing Excellence

The LEAN manufacturing methodology has supported countless businesses across industries to minimize waste and optimize conversion costs. We began incorporating the LEAN method in 2019, starting with one of our largest manufacturing facilities in the Philippines. Our goal was to carry on this process to reduce material waste and utility costs, improve production yields, and optimize labor productivity.

The success in our pilot plant prompted us to impart the "LEAN mindset" through training sessions across all our domestic facilities. Our manufacturing teams, now equipped with the right skills and analytical tools, became more proactive in solving issues.

Today, we are currently expanding the LEAN program to other areas, such as product reformulation, packaging and logistics. It continues to enrich our integrated supply chain, cutting down on wastage in input material and finished goods.

Better Sales and Operations Planning

There was a clear need to reform our sales and operations management, as expansion made processes increasingly complex. With the introduction of transformative planning governance, we were able to simplify our processes. Our timely fulfillment of customer orders garnered impressive and satisfying feedback.

Supply Network Design (SND)

Similar to our LEAN manufacturing program, SND uses a multi-phased approach that covers our domestic and international operations.

After completing our SND study in 2018, we identified several opportunities to improve our long-term cost efficiencies while supporting business expansion. We took actionable steps within the year to move our initial SND roadmap along.

Through the study, we were able to rationalize and consolidate certain facilities to balance costs and improve supply resiliency. It allowed us to optimize our supply points, assigning key areas of high demand within their proximity to minimize transportation costs. Moreover, our SND generated meaningful results, such as enhanced regional sourcing support and upscaled Global Exports.

People and Planet Friendly Culture

Among URC's priorities is covering multiple sustainability dimensions that uphold the welfare of the environment and communities.

This is best summed up in our People and Planet Friendly Culture, where we spearhead programs that ensure we leave a positive impact on the areas in which we operate.

World-class Talent

We engage in talent development and next-generation leadership training, encouraging holistic growth in our people. Our digitization and process simplification initiatives are vital in developing new skill sets in our people and for project collaboration.

In 2020, we also ensured the safety of our people with adjustments in how they work. For our essential workers, we supplied personal protective equipment, transportation services, and workplace safety protocols to secure everyone's well-being.

For others, we moved to a work-from-home set up, which allowed people to collaborate productively while staying safe. Today, we are exploring ways to maintain this positive impact on our work environments.

We also continue to promote our Living in an Incident Free Environment (LIFE) safety initiatives for on-site teams in our distribution and production facilities. This includes ensuring safety measures are in place in addition to the proper use of protective equipment to prevent work-related injuries.

Our hope is that this secure, open, and fluid office work situation increases our people's passion, creativity, and dedication to the work at hand.

Our Commitment

4 QUALITY EDUCATION

Growth in Talent
We empower the organization through our People and Planet Friendly Culture initiatives, ensuring holistic growth of our employees at all levels.

8 DECENT WORK AND ECONOMIC GROWTH

Safety
We promote a safe working environment towards zero lost time injuries in the workplace.

Our Progress

Our People

4 QUALITY EDUCATION

Growth in Talent

23 Average training hours per employee

We started adapting to new training methodologies such as digital learning through the URC University Virtual Learning Plan.

8 DECENT WORK AND ECONOMIC GROWTH

Safety

-26% Lost Time Injury Frequency Rate

-27% All Injury Frequency Rate

People

Purpose, Values, and Ambition (PVA)

Space



Sustainable Global Enterprise

By 2035, URC aims to become a sustainable global enterprise, spanning from operational practices down to our end products.

We aim to achieve this through our natural resource management and product portfolio improvement program 'Live Sustainably. Live URC.' It includes responsible resource consumption and proper waste management.

To stay on track in delivering our sustainability goals, we restructured our existing steering committee to oversee this progress. The team is composed of senior leaders with regional roles who will integrate and relay these initiatives to their respective areas.

We also oriented our country and division heads to cascade the program in their respective areas. Since then, this proactive approach has solidified our governance model, promoting accountability, productivity, and trust.

Our Commitment

Energy Efficiency & Reduction in GHG Emissions

We will optimize our energy use by improving Energy Use Ratio by 30% by 2030 and its impact on Carbon Footprint (GHG)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

30%▼

Water Conservation

Substantially improve water use in our facilities by improving our Water Use Ratio by 30% by 2030

6 CLEAN WATER AND SANITATION

30%▼

Our Progress

Natural Resources

13 CLIMATE ACTION

-3%

Energy Use Ratio

We improve our energy use ratio (EUR) versus our 2018 baseline as we continue to optimize our resources with initiatives that drives more efficient use of energy.

6 CLEAN WATER AND SANITATION

-14%

Water Use Ratio

Our water use ratio (WUR) continues to progress versus the 2018 baseline as we drive water saving initiatives.

Coverage: Manufacturing facility in PH, INT, and flour

Quality Planet-Friendly Products

URC also focused on incorporating sustainability into its product portfolio.

We endeavored to make improvements in the nutrition and wellness profile of our products. This led us to create the URC Wellness Criteria which evaluates each product and balances delight with proper nourishment.

In terms of resource conservation, our R&D and manufacturing divisions collaborated on improving our energy and water use ratios. This year, we've managed to reduce our energy consumption by -3% through the efficient use of machinery and equipment in our local facilities. Our water use ratio was also cut down by -14%, which was driven by the recycling of wastewater across business divisions.

The combined effort of our people has effectively brought us a step closer to achieving our zero-waste initiative. As we develop more innovative environmentally friendly practices, our hope is that it inspires consumers to do the same in their homes.

Our Commitment

Our Products

2 ZERO HUNGER
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Quality
We will consistently deliver products of high quality

Product
We will improve the nutrition or wellness profile of our product portfolio aligned to the URC Wellness Criteria

Packaging
We will reduce packaging footprint and make 60% of our packaging recycle-ready

Our Progress

Our Products

Portfolio
We made improvements in the nutrition & wellness profile of our product portfolio aligned to the URC Wellness Criteria

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING

More than **85%** passed 1 URC Wellness Criteria

More than **65%** passed 2 URC Wellness Criteria

More than **30%** passed 3 URC Wellness Criteria

Packaging

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

More than **75%** of our packaging are recycle ready

Enriching Lives

The most integral part of our sustainability journey is caring for society and the communities that continue to believe in URC.

It is our shared ambition to champion positive change. We do this by improving different touchpoints in people's lives.

We take part in coastal clean-ups and tree planting programs every year in partnership with environmental organizations.

For nutrition, URC received the bronze prize during the 2020 Asia-Pacific Stevie Awards for SAGANA Sustansya. The program strives to eradicate malnutrition among public school students in the Philippines, and we hope to reach more communities in the future.

In addition to this, we also continue our partnership with the Department of Agriculture for our pioneer Sustainable Potato Program. It aims to support Filipino potato farmers to increase their crop yields and scale-up productivity.

URC also takes part in several educational initiatives across various sectors. Flourish Pilipinas, led by our Flour and Pasta division in partnership with the Department of Education (DepEd), provides practical instructional materials and training programs on baking and pastry production. We share our knowledge with senior high school teachers to aid them as they teach their students.

Our Kabalikat Program allows us to share our experience with local farmers to transform and elevate their livelihood. This includes training on the upkeep of piggery and poultry farms and easy access to feeds and veterinary medicine.

Project Salig is a program of URC SURE that started in 2019 with the aim to develop partnership with sugarcane planters in districts where URC sugar mills operate. "Salig" is a Visayan word for "trust"; hence, the program aims to create partnership based on trust. URC's sugar mills endeavors to address major areas of concern for the planters – sugar recovery and farm yield, turn-around of hauling trucks during the milling season and customer service provision.

In 2020, we also partnered with GMA Kapuso Foundation for the Bike for Good project. The program aims to help people from Metro Manila and Rizal, who lost their livelihood or source of income due to the COVID-19 pandemic or typhoons. The beneficiaries received a Negosyo starter package (bike and bread products from Baker John) for them to start a community selling business.

Our Commitment

Our Communities

We commit to improve people's capabilities leading to better livelihood, improved nutritional level, and environmental stewardship in communities where we live and operate.

Our Progress

Education

1. Flourish Pilipinas
2. Kabalikat Program
3. Bike for Good Project
4. Project SALIG

Nutrition

1. Sustainable Potato Program
2. SAGANA Sustansya

Environment

1. Coastal Cleanup
2. Tree Planting

05

Corporate Governance

"Do what is right... do it with honesty and vigor."
— Mr. John

Corporate Governance

Universal Robina Corporation ("The Company") acknowledges that good corporate governance is essential to build an environment of trust, transparency and accountability necessary for fostering long-term performance, financial stability, business integrity and sustainability of the company for the protection of the interests of shareholders and other stakeholders.

Corporate governance is the framework of rules, systems and processes of the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stakeholders. The Revised Corporate Governance Manual was adopted to institutionalize corporate governance principles as a guide for the daily conduct of business.

The Company continuously strives to strengthen and improve its corporate governance practices by adopting best practices that includes building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability by defining roles and responsibilities.

The Company believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the company, its ability to attract investment and enhance shareholder value. This includes the Company's commitment to ensure fair and equitable treatment of all shareholders, including the minority, and the protection of their rights that include:

- Right to vote on all matters that require their consent or approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

The Company is transparent and fair in the conduct of the annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting, compliant with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings and those who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the favor of the shareholder.

Guided by the principles of fairness, accountability and transparency to the shareholding public, the Company ensures that the result of the votes taken during the most recent Annual or Special Shareholders' Meeting are made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting may be accessed through the Company Website within five (5) business days from the end of the meeting.

Duty to Other Stakeholders

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that encourages the Company's sustainable growth, while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration Economic, Environmental and Social Governance (EESG) issues and concerns.

Customers' Welfare

The Company adopts customer relations policies and procedures to protect customer's welfare. This includes providing and making available the customer relations contact information who is empowered to address and attend to customer questions and concerns.

Supplier/ Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, safety and welfare
- Training and development
- Reward and compensation

Performance-enhancing mechanisms for employee participation

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

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

Further, the corporate culture and employee know-how are honed at the URC University, an online platform engaging URLearning content via interactive modules that make learning fun, engaging and accessible anytime, anywhere. This platform provides a personalized training experience, a venue to share knowledge and learn from others and a reward system for top performing learners. The URC's brand of people development "inspires personal mastery, encourages servant leadership and collaboration, and ensures operational excellence."

Anti-corruption programs and procedures

The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through training to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensures its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

The anti-corruption programs and procedures of the Company are summarized below:

Business Conduct & Ethics	Policy Statement
Conflict of Interest	The Company's Code of Business Conduct and Conflict of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees who recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions they are involved in.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties may be given or accepted during the Christmas season. There is no restriction in the value of the gift that may be accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of Interest Committee.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.

Business Conduct & Ethics	Policy Statement
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result in disciplinary action, including dismissal and reimbursement for any loss to the Company that resulted from the employee's actions. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. Email Address: cicom@jgsummit.com.ph b. Fax Number: +63(2) 8395-3888 c. Mailing Address - Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM JG Summit Holdings, Inc., 40th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/ Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

The anti-corruption policies and programs are made available online for easy access of the rest of the employees in the organization for their reference and guidance. Through the facilitation of the HR team, URC will also roll-out an eModule of the Code of Business Conduct where all of the Company employees shall be asked to watch and take the exam to gauge their comprehension and retention of the Company policies and guidelines.

On May 2020, the Parent Company have launched iSpeak, an initiative in line with the Company's Whistleblowing Policy. iSpeak is a digital platform where employees can freely and securely share feedback, complaints and reports on non-adherence to Company values including policies on Anti-Corruption.

The Company ensures that Employees reporting via iSpeak are protected from harassment, retaliation or punishment. The implementation of iSpeak is extended to several URC Business Units (BUs).

Consistent with the Revised Corporate Governance Manual and pursuant to the recommendations provided in the Code of Corporate Governance for Publicly Listed Companies (PLCs), the Company strengthened its policies on Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, Insider Trading, and Whistleblowing to reinforce the governance framework of the Company. These policies may be accessed in the Company's website, in the Governance section, https://www.urc.com.ph/corporate-governance/company-policies/

The Company submitted the Integrated Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on June 24, 2020. The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 series of 2017 to all PLCs to disclose the Company's compliance/non-compliance with the recommendations provided under the Corporate Governance Code for PLCs. With the "comply or explain" approach, voluntary compliance to recommended CG best practices is combined with mandatory disclosure. The Company also submitted an amendment to the Revised Corporate Governance Manual and the Material Related Party Transactions (MRPT) Policy to SEC on December 22, 2020.

The Company's I-ACGR may be accessed through the Company website by clicking this link, https://www.urc.com.ph/corporate-governance/I-ACGR

The Board of Directors

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management. It has the duty to foster the long-term success of the Company and to ensure that the Company's competitiveness and profitability will be sustained in a manner consistent with its corporate objectives for the best interest of the company and its stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guide its activities, including the means to effectively monitor Management's performance. It provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the Executive Committee.

The Board exercises care, skill and judgment and observes good faith and loyalty in the conduct and management of the business and affairs of the Company. It ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations. To uphold high standards for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of its duties and responsibilities.

Board Duties and Responsibilities

The Company's Corporate Governance Manual specifies the roles, duties and responsibilities of the Board of Directors in compliance with relevant laws, rules and regulations. In adherence to the principles of corporate governance, the Board is tasked to perform the following:

General Responsibilities

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and in the best interest of the Corporation, its Shareholders and Stakeholders, as a whole.

Duties and Functions

To ensure high standard for the Corporation, its Shareholders and other Stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

• Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;

• Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;

• Oversee the adoption of an effective succession planning program and remuneration policies;

• Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;

• Oversee the implementation of a policy and system on RPTs which shall include the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;

• Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;

• Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;

• Annually review, together with Management, the Company's vision and mission;

• Ensure the Corporation's faithful compliance with all applicable laws and regulations, and best business practices;

• Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Corporation. The Corporation's CEO shall exercise oversight responsibility over this program;

• Identify the Corporation's Stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;

• Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;

• Ensure that the Corporation has an independent audit mechanism for the proper audit and review of the Corporation's financial statements by independent auditors;

• Ensure that the Corporation establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof; and

• Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Corporation and its Shareholders, if applicable.

Balanced board composition

The Company recognizes the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth. The Board Member's biographical details are set out in the succeeding section and may also be found in the Information Statement. The Board is diverse in terms of expertise and professional experience. Furthermore, the posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the Revised Corporate Governance Manual.

Board Independence

The Board has four independent directors that possess all the necessary qualifications and none of the disqualifications to hold the position. The Company reinforce proper mechanisms for disclosure, protection of the rights of shareholders, equitable treatment of shareholders, and the accountability of the Board and Management are in place. In cases of conflicts of interest, Directors with a material interest in any transaction with the Company abstain from participating in the deliberation of the same.

Board Training and Orientation

The Company ensures that directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory policies, foreign and local demands, and the growing complexity of business. Orientation programs are conducted for first-time directors to ensure that new members are appropriately apprised of their duties and responsibilities. This includes overview of the Company's operations, Code of Conduct, Corporate Governance framework and other relevant topics essential in the performance of their functions. As a matter of continuous professional education, the Company facilitates the training opportunities provided for the Directors and Key Officers.

Board Meetings

The Board schedules meetings at the beginning of the year, holds regular meetings in accordance with its By-Laws and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting. Meetings are duly minuted. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission a letter of advisement on the Directors' record of attendance in Board meetings.

Attendance of Directors

January 1,2020 to December 31,2020

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings attended	%
Chairman	Lance Y. Gokongwei	May 14, 2020	4	4	100%
Member	James L. Go	May 14, 2020	4	4	100%
Member	Irwin C. Lee	May 14, 2020	4	4	100%
Member	Patrick Henry C. Go	May 14, 2020	4	4	100%
Member	Johnson Robert G. Go, Jr.	May 14, 2020	4	4	100%
Independent Director	Wilfrido E. Sanchez	May 14, 2020	4	4	100%
Independent Director	Cesar V. Purisima	May 14, 2020	4	4	100%
Independent Director	*Christine Marie B. Angco	August 13, 2020	2	2	100%
Independent Director	*Rizalina G. Mantaring	August 13, 2020	2	2	100%

*Elected on August 13, 2020

The Board Committees

To enable better and more focused attention on the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees set up for the purpose mainly (a) Audit Committee, (b) Corporate Governance Committee (c) Board Risk Oversight Committee (BROC) and (d) Related Party Transaction Committee.

A. Audit Committee

The Audit Committee provides oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitors compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

A Position	Director
Chairman	**Cesar V. Purisima (ID)**
Members	**Wilfrido E. Sanchez (ID)** **Rizalina G. Mantaring (ID)** **James L. Go – Advisory Member**

B. Corporate Governance Committee

The Corporate Governance Committee oversees the development and implementation of Corporate Governance principles and policies and recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers consistent with the Company's culture, strategies and the business environment.

B

Position	Director
Chairman	Wilfrido E. Sanchez (ID)
Members	Cesar V. Purisima (ID) Christine M.B. Angco (ID)

C. Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the establishment of ERM framework that effectively identify, monitor, assess and manage key business risks and assess the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

C

Position	Director
Chairman	Rizalina G. Mantaring (ID)
Members	Cesar V. Purisima (ID) Christine M.B. Angco (ID) Irwin C. Lee (ED)

D. Related Party Transaction Committee

The Related Party Transactions (RPT) Committee ensures that there is group-wide policy and system governing Material Related Party Transactions (MRPTs), particularly those that breach the materiality threshold. The policy shall include the appropriate review and approval of MRPTs, which guarantee fairness and transparency of the transactions.

D

Position	Director
Chairman	Christine M.B. Angco (ID)
Members	Rizalina G. Mantaring (ID) Wilfrido E. Sanchez (ID)

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, including preparation of the annual schedule of Board and Committee meetings and the annual Board calendar. She also assists the Board Chairs and its Committees in setting agendas for the meetings, safekeeps and preserves the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.

The Corporate Secretary keeps herself abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise. She works fairly and objectively with the Board, Management and Shareholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders.

Atty. Maria Celia H. Fernandez-Estavillo is the Senior Vice President and General Counsel of JG Summit Holdings, Inc. (JGSHI) and Corporate Secretary of URC. Prior to her appointment in JGSHI, Atty.

Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, Corporate Secretary and member of the Board of Directors of Rizal Commercial Banking Corporation. She was Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in government as Head of the Presidential Management Staff, Assistant Secretary at the Department of Agriculture and Chief of Staff of Senator Edgardo J. Angara. She began her legal career in ACCRA. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Summa Cum Laude) and a Bachelor of Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law (Cum Laude) from New York University School of Law. She received the highest score in the Philippine Bar examinations of 1997.

The Compliance Officer

The Compliance Officer monitors, reviews, evaluates and ensures the compliance by the Company; its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Corporate Governance Code, rules and regulations and all governance issuances of regulatory agencies. He also ensures the integrity and accuracy of all documentary submissions to the regulators; identifies possible areas of compliance issues and works towards the resolution of the same. He assists the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company.

Francisco M. Del Mundo, is the Senior Vice President, Chief Financial Officer (CFO) and Compliance Officer of JG Summit Holdings Inc. (JGSHI). He is also concurrently the CFO of Universal Robina Corporation (URC) and Aspen Business Solutions, Inc. (ABSI). He is also the appointed Compliance Officer of Universal Robina Corporation.

In 2013, he joined JGSHI as Vice President for JG Summit and Affiliates Shared Services. He was appointed as CFO of URC International the same year, concurrent with his Shared Services role. In 2016, he was appointed CFO of URC, Head of JG Summit Enterprise Risk Management Group, and CFO of ABSI. He was appointed as CFO of JGSHI in 2017 and given the rank of SVP in 2018 across all 3 business entities. He was appointed JGSHI Compliance Officer in October 2020.

He brings with him 27 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and 3 years in Coca-Cola prior to joining the JG Summit Group. He has worked in three different markets: Manila, Thailand and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore and Malaysia.

He graduated cum laude from the University of the Philippines Diliman with a Bachelor of Science in Business Administration degree. He was recognized as the Most Distinguished Alumnus of the University's College of Business Administration in 2008. He is also a Certified Internal Auditor and has done several external talks on shared service and finance transformation in Manila, Malaysia and Dubai.

Enterprise Risk Management, Accountability, and Audit

The Company recognizes the increasing importance of sound risk management practices to drive business growth and sustainability. The Company implemented systems and processes to facilitate proper risk identification, monitoring and control, which are key to effective corporate governance. Timely and accurate management and financial reporting systems, internal controls, and audits are also employed to protect and maximize stakeholders' value.

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

Enterprise Risk Management

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

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

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

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

3. **Event Identification** – it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

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

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

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

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

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

Risk Assessment Tool

To help Business Units in the Risk Assessment Process, the Risk Assessment Tool, which is a database driven web application, was developed for departments and units to facilitate the assessment, monitoring and management of risks.

The Risk Assessment Tool documents the following activities:

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

1. **Risk Identification** – is the critical step of the risk management process. The objective of risk identification is the early identification of events that may have a negative impact on the Company's ability to achieve its goals and objectives.
   - 1.1 **Risk Indicator** – is a potential event or action that may prevent the continuity of operation or business
   - 1.2 **Risk Driver** – is an event or action that triggers the risk to materialize
   - 1.3 **Value Creation Opportunities** – is the positive benefit of addressing or managing the risk

2. **Identification of Existing Control Measures** – activities, actions or measures already in place to control, prevent or manage the risk.

3. **Risk Rating/Score** – is the quantification of the likelihood and impact to the Company if the risk materializes. The rating has two (2) components:
   - 3.1 **Probability** – the likelihood of occurrence of risk
   - 3.2 **Severity** – the magnitude of the consequence of risk

4. **Risk Management Strategy** – is the structured and coherent approach to managing the identified risk.

5. **Risk Mitigation Action Plan** – is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Internal Controls

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

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

Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Management provides the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also made available in the Company website including its submissions and disclosures to the SEC and Philippine Stock Exchange (PSE). Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;

2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations;

4. The Company consistently complies with the financial reporting requirements of the SEC;

5. The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committeeand Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents; and

6. The Board, after consultations with the Audit Committee shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements

shall be prepared and presented to the Shareholders.

Internal Audit

The Corporate Internal Audit is focused on delivering its mandate of determining whether the governance, risk management and control processes, as designed and represented by management, are adequate and functioning in a manner that provides reasonable level of confidence that:

1. Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;

2. Quality and continuous improvement are fostered in the control processes;

3. Programs, plans, and objectives are achieved;

4. Resources are acquired economically, used efficiently, and protected adequately;

5. Significant financial, managerial, and operating information is accurate, reliable, and timely;

6. Significant key risks are appropriately identified and managed; and

7. Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities for improving management control, profitability and the Company's reputation may be identified during audits.

Other Matters

Audit and Audit-Related Fees

Name of Auditor	Audit Fee	Non-Audit Fee
SyCip, Gorres, Velayo & Co.	Php12,255,397	-0-

Ownership structure

Holding 5% shareholding or more (as of December 31, 2020)

Shareholder	Number of Shares	Percent	Beneficial Owner
JG Summit Holdings, Inc.	1,215,223,061	55.13%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	618,979,971	28.08%	PCD Participants & their clients
PCD Nominee Corporation (Filipino)	335,237,208	15.21%	PCD Participants & their clients

Dealing in securities (changes in shareholdings of directors and key officers)

A. Elected Directors for the calendar year 2020

Name of Director	Number of Direct Shares	% of Total Outstanding Shares
James L. Go	1	0%
Lance Y. Gokongwei	500,001	0.02%
Patrick Henry C. Go	45,540	0%
Johnson Robert G. Go, Jr.	1	0%
Irwin C. Lee	200,001	0.01%
Wilfrido E. Sanchez	1	0%
Cesar V. Purisima	1	0%
Rizalina G. Mantaring	7,401	0%
Christine Marie B. Angco	1	0%

B. Elected Officers for the calendar year 2020

Name of Officer	Position/Designation	Number of Direct Shares	% of Total Outstanding Shares
James L. Go **(same shareholdings as above)**	Chairman Emeritus		
Lance Y. Gokongwei **(same shareholdings as above)**	Chairman		
Irwin C. Lee **(same shareholdings as above)**	President & Chief Executive Officer		
Patrick Henry C. Go **(same shareholdings as above)**	Executive Vice President		
Anna Milagros D. David	Chief Marketing Officer	49,630	0%

Name of Officer	Position/Designation	Numberof Direct Shares	% of Total Outstanding Shares
Maria Celia H. Fernandez-Estavillo	Chief Legal Counsel & Corporate Secretary	0	0%
David J. Lim, Jr.	Senior Vice President	0	0%
Francisco M. Del Mundo	Chief Financial Officer & Compliance Officer	0	0%
Michael P. Liwanag	Senior Vice President & Investor Relations Officer	25,000	0%
Elisa O. Abalajon	Vice President, Human Resources	0	0%
Adriano M. Diaz de Rivera	Vice President, Supply Chain Planning & Logistics	0	0%
Anne Patricia C. Go	Vice President, Marketing Services	8,855	0%
Krishna Mohan Suri	Vice President, Global Innovation, Research & Development	0	0%
Rebecca E. Yap	Vice President, Procurement	0	0%
Socorro M.L. Banting	Vice President	0	0%
Charles Bernard A. Tañega	Treasurer	0	0%
Eunice Anne C. Ignacio	Assistant Corporate Secretary	0	0%
Karen Therese C. Salgado	Chief Information Officer	0	0%

Dividends

The Board of Directors of Universal Robina Corporation ("URC") approved on March 10, 2020 the declaration of the following cash dividends from the unrestricted retained earnings of URC as of December 31, 2019:

a) Regular Cash Dividend of One Peso and Fifty Centavos (P1.50) per share and paid on April 21, 2020 and

b) Special Cash Dividend of One Peso and Sixty-Five Centavos (P1.65) per share and paid on June 26, 2020.

Company Website

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

06

Board of Directors

> “It is entrepreneurs who have the power to harness the creativity and talents of others to achieve a common good.”
> — Mr. John

Board of Directors

James L. Go
Director, Chairman Emeritus

Lance Y. Gokongwei
Director, Chairman

Irwin C. Lee
Director, President & Chief Executive Officer

Patrick Henry C. Go
Director, Executive Vice President

Johnson Robert G. Go, Jr.
Director

Cesar V. Purisima
Independent Director

Wilfrido E. Sanchez
Independent Director

Christine Marie B. Angco
Independent Director

Rizalina G. Mantaring
Independent Director

Corporate Officers

James L. Go
Chairman Emeritus

Lance Y. Gokongwei
Chairman

Irwin C. Lee
President and Chief Executive Officer

Patrick Henry C. Go
Executive Vice President

Anna Milagros D. David
Chief Marketing Officer

Francisco M. del Mundo
Chief Financial Officer

David J. Lim, Jr.
Senior Vice President, Quality, Engineering, Sustainability & Technical Services

Michael P. Liwanag
Senior Vice President and Investor Relations Officer

Elisa O. Abalajon
Vice President, Human Resources

Adriano M. Diaz de Rivera
Vice President, Supply Chain Planning & Logistics

Anne Patricia C. Go
Vice President, Marketing Services

Krishna Mohan Suri
Vice President, Global Innovation, Research & Development

Rebecca E. Yap
Vice President, Procurement

Socorro M.L. Banting
Vice President

Karen Therese C. Salgado
Chief Information Officer

Maria Celia H. Fernandez-Estavillo
Chief Legal Counsel and Corporate Secretary

Eunice Anne C. Ignacio
Assistant Corporate Secretary

Charles Bernard A. Tañega
Treasurer

Rhodora T. Lao*
Corporate Controller and Chief Compliance and Risk Officer

**Ms. Rhodora T. Lao has been appointed as Chief Compliance and Risk Officer effective March 1, 2021. The position of Chief Compliance Officer was previously occupied in a concurrent capacity by Mr. Francisco M. Del Mundo, Chief Financial Officer of URC.*

Executive Management Team

Paul A. Musgrave
CEO, URC Oceania

Francis Emmanuel B. Puno
Senior Vice President & Regional Director
URC Indonesia, Malaysia and Singapore

Laurent Levan*
Senior Vice President, Corporate
Development & External Affairs

Brian M. Go*
Vice President, Global Exports &
Corporate New Ventures

Jean Pierre S. Gamboa*
General Manager, Vietnam

Tanant Suwanraks
General Manager, Thailand

Taufiqurrahman Basthami ST
General Manager, Indonesia

Keerati Chuplang
General Manager, Myanmar

Marcia Y. Gokongwei
Co-Managing Director, Operations,
URC BCFG

Anna Milagros D. David
Co-Managing Director, URC BCFG
PH Brands & Categories and Chief
Marketing Officer, URC

Renato P. Cabati
Managing Director,
Sugar & Renewables (SURE)

Vincent Henry C. Go
Managing Director, Agro-Industrial Group
(AIG) and Food Services

Ellison Dean C. Lee
Managing Director, Flour and Breads

Oscar I. Villamora
Vice President, Sales, BCFG PH and Customer
Development, Southeast Asia (SEA)

Teofilo B. Eugenio, Jr.
Vice President & General Manager,
Nissin URC and Pasta

David Roos
General Manager, Danone URC

Maria Sarah P. Albert
General Manager, Vitasoy URC

Ramon C. Agustines
General Manager, Packaging

**Assumed new roles, effective as of April 1, 2021*

07

Corporate Directory

“Success doesn't happen overnight. It's the small successes achieved day by day that build a company."

— Mr. John

Philippines

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URC Hotline
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Toll Free Hotline
1800-10URCCARE (8722273)

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

INDEPENDENT PUBLIC ACCOUNTANTS
Sycip Gorres Velayo & Co
Certified Public Accountants
SGV Building
6760 Ayala Avenue
Makati City

INVESTOR RELATIONS
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CHINA

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PT URC Indonesia
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URC Snack Foods (Malaysia)
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Griffin's Food Company
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600 Great South Road, Ellerslie PO Box 9129,
Newmarket 1149 Auckland, New Zealand

MYANMAR
URC Myanmar Co., Ltd
Plot No. B-6 and B-7,
Mingaladon Industrial Park,
Mingaladon Township, Yangon Region,
The Republic of the Union of Myanmar
T: +95 1 639-1025

THAILAND
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URC (Thailand) Co., Ltd. Factory
Samutsakorn Industrial Estate, 39/68 Moo2,
Bang Krachao sub district,
Mueang Samut Sakhon district,
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VIETNAM
URC Viet Nam Co. Ltd.
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URC Viet Nam Co. Ltd.
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Tan Binh District, Ho Chi Minh City, Vietnam
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F: +84 28 6296-9675

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Universal Robina Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020 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 consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was 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 this matter. The description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Intangible Assets

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. The annual impairment test is significant to our audit because: (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) the determination of the recoverable amount of the cash-generating units (CGUs) to which goodwill is attributed, and as it relates to the other intangible assets with indefinite useful lives, involves significant management judgment and assumptions about the future results of business.

As of December 31, 2020, the Group's goodwill attributable to the acquisition of Consolidated Snacks, Pty. Ltd., Griffin's Food Limited and other acquired entities amounted to ₱31.2 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks and product formulation amounting to ₱9.4 billion and ₱0.5 billion, respectively. The significant assumptions used in determining the recoverable amounts of these assets, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts, are subject to higher level of estimation uncertainty due to the current economic conditions as impacted by the coronavirus pandemic.

The Group's disclosures about goodwill and other intangible assets with indefinite lives are included in Notes 3 and 15 to the consolidated financial statements.

Audit response
We involved our internal specialists in evaluating the methodologies and the assumptions used in the value in use calculations. These assumptions include revenue growth rate, discount rate and the terminal growth rate. We compared the key assumptions used against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles and market information. In all cases as applicable, we considered the impact associated with the coronavirus pandemic. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 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 Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.
Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534220, January 4, 2021, Makati City

April 5, 2021

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱18,865,392,462**	₱20,484,260,858
Financial assets at fair value through profit or loss (Note 8)	**426,510,677**	414,899,618
Receivables (Note 10)	**16,596,264,658**	15,998,957,924
Inventories (Note 11)	**26,254,330,867**	24,374,509,971
Biological assets (Note 14)	**99,919,468**	733,435,525
Other current assets (Note 12)	**3,320,420,392**	2,838,568,366
	65,562,838,524	64,844,632,262
Noncurrent Assets		
Property, plant and equipment (Note 13)	**58,989,613,043**	54,626,409,715
Right-of-use assets (Note 36)	**6,015,980,376**	3,613,579,513
Biological assets (Note 14)	**134,331,929**	224,128,072
Goodwill (Note 15)	**31,194,495,817**	31,194,495,817
Intangible assets (Note 15)	**11,599,843,220**	11,673,128,525
Investments in joint ventures (Note 16)	**386,494,519**	421,625,100
Deferred tax assets (Note 32)	**555,135,378**	620,165,818
Other noncurrent assets (Note 17)	**1,756,197,461**	1,434,825,051
	110,632,091,743	103,808,357,611
TOTAL ASSETS	**₱176,194,930,267**	₱168,652,989,873

(Forward)

	December 31	
	2020	2019
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 19)	**₱24,831,836,720**	₱21,297,748,872
Current portion of long-term debt (Notes 20 and 22)	**17,838,897,236**	–
Short-term debts (Notes 18 and 22)	**2,668,790,196**	3,848,485,273
Trust receipts payable (Notes 11 and 22)	**7,454,089,371**	8,747,355,847
Income tax payable	**392,320,487**	535,595,909
Lease liabilities - current portion (Note 36)	**481,895,880**	504,164,127
	53,667,829,890	34,933,350,028
Noncurrent Liabilities		
Long-term debts (Notes 20 and 22)	**13,498,653,900**	30,386,077,608
Deferred tax liabilities (Note 32)	**3,800,923,112**	3,880,163,558
Lease liabilities - net of current portion (Note 36)	**6,196,660,683**	3,216,854,082
Other noncurrent liabilities (Notes 16 and 21)	**1,246,700,748**	1,052,042,403
	24,742,938,443	38,535,137,651
	78,410,768,333	73,468,487,679
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	**₱23,422,134,732**	₱23,422,134,732
Retained earnings (Note 22)	**70,448,067,424**	66,644,456,817
Other comprehensive income (Note 23)	**1,734,016,815**	3,229,388,251
Equity reserve (Note 22)	**(2,665,824,256)**	(2,665,824,256)
Treasury shares (Note 22)	**(679,489,868)**	(679,489,868)
	92,258,904,847	89,950,665,676
Equity attributable to non-controlling interest (Note 22)	**5,525,257,087**	5,233,836,518
	97,784,161,934	95,184,502,194
TOTAL LIABILITIES AND EQUITY	**₱176,194,930,267**	₱168,652,989,873

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
SALE OF GOODS AND SERVICES (Notes 24 and 34)	**₱133,140,081,384**	₱134,174,527,579	₱127,769,949,329
COST OF SALES (Note 24)	**92,081,882,538**	93,861,929,762	90,332,569,341
GROSS PROFIT	**41,058,198,846**	40,312,597,817	37,437,379,988
Selling and distribution costs (Note 25)	**(19,335,833,380)**	(19,827,312,084)	(18,719,558,853)
General and administrative expenses (Note 26)	**(5,675,209,103)**	(5,473,328,075)	(5,337,208,345)
OPERATING INCOME	**16,047,156,363**	15,011,957,658	13,380,612,790
Finance costs (Note 30)	**(1,440,491,530)**	(1,669,869,069)	(1,661,700,393)
Net foreign exchange losses	**(486,271,868)**	(557,668,047)	(174,658,640)
Finance revenue (Note 29)	**342,722,549**	327,611,502	359,281,191
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss - net (Note 8)	**136,239,105**	(5,253,797)	(35,424,289)
Equity in net losses of joint ventures (Note 16)	**(30,387,041)**	(158,602,482)	(132,407,965)
Provision for credit and impairment losses (Notes 10, 11 and 15)	**(32,583,003)**	(2,211,403)	(45,001,536)
Other losses - net (Notes 13, 14, 17 and 19)	**(780,100,168)**	(1,049,552,732)	(145,821,109)
INCOME BEFORE INCOME TAX	**13,756,284,407**	11,896,411,630	11,544,880,049
PROVISION FOR INCOME TAX (Note 32)	**2,131,681,697**	1,781,727,853	2,082,093,827
NET INCOME	**₱11,624,602,710**	₱10,114,683,777	₱9,462,786,222
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 33)	**₱10,746,720,491**	₱9,772,121,586	₱9,204,306,540
Non-controlling interests (Notes 16 and 22)	**877,882,219**	342,562,191	258,479,682
	₱11,624,602,710	₱10,114,683,777	₱9,462,786,222
EARNINGS PER SHARE (Note 33)			
Basic/diluted, for income attributable to equity holders of the parent	**₱4.88**	₱4.43	₱4.18

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱11,624,602,710**	₱10,114,683,777	₱9,462,786,222
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments (Note 23)	**(1,566,642,568)**	1,197,749,346	1,630,309,574
Unrealized loss on cash flow hedge (Notes 9 and 23)	**(31,878,965)**	(4,600,119)	(3,336,554)
	(1,598,521,533)	1,193,149,227	1,626,973,020
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans (Notes 23 and 31)	**(203,848,275)**	(471,116,684)	300,219,467
Income tax effect	**61,154,482**	141,335,005	(90,065,840)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Notes 17 and 23)	**(890,000)**	25,990,000	4,320,000
	(143,583,793)	(303,791,679)	214,473,627
OTHER COMPREHENSIVE INCOME (LOSS)	**(1,742,105,326)**	889,357,548	1,841,446,647
TOTAL COMPREHENSIVE INCOME	**₱9,882,497,384**	₱11,004,041,325	₱11,304,232,869
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱9,251,349,055**	₱10,666,943,309	₱11,046,721,446
Non-controlling interests	**631,148,329**	337,098,016	257,511,423
	₱9,882,497,384	₱11,004,041,325	₱11,304,232,869

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent															
	Paid-up Capital (Note 22)			Retained Earnings (Note 22)			Other Comprehensive Income (Loss) (Note 23)									
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 17)	Unrealized Gain (Loss) on Cash Flow Hedge (Note 9)	Remeasurement Gain (Loss) on Defined Benefit Plans	Total Other Comprehensive Income (Loss)	Equity Reserve (Note 22)	Treasury Shares (Note 22)	Total	Equity Attributable to Non-controlling Interest (Notes 16 and 23)	Total Equity
Balances as at January 1, 2020	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱64,644,456,817**	**₱2,000,000,000**	**₱66,644,456,817**	**₱3,678,701,625**	**₱54,570,000**	**₱–**	**(₱503,883,374)**	**₱3,229,388,251**	**(₱2,665,824,256)**	**(₱679,489,868)**	**₱89,950,665,676**	**₱5,233,836,518**	**₱95,184,502,194**
Net income for the year	–	–	–	**10,746,720,491**	–	**10,746,720,491**	–	–	–	–	–	–	–	**10,746,720,491**	**877,882,219**	**11,624,602,710**
Other comprehensive loss	–	–	–	–	–	–	**(1,333,855,802)**	**(890,000)**	**(19,127,379)**	**(141,498,255)**	**(1,495,371,436)**	–	–	**(1,495,371,436)**	**(246,733,890)**	**(1,742,105,326)**
Total comprehensive income	–	–	–	**10,746,720,491**	–	**10,746,720,491**	**(1,333,855,802)**	**(890,000)**	**(19,127,379)**	**(141,498,255)**	**(1,495,371,436)**	–	–	**9,251,349,055**	**631,148,329**	**9,882,497,384**
Cash dividends (Note 22)	–	–	–	**(6,943,109,884)**	–	**(6,943,109,884)**	–	–	–	–	–	–	–	**(6,943,109,884)**	**(343,000,000)**	**(7,286,109,884)**
Acquisition of new subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**3,272,240**	**3,272,240**
Reversal of appropriation of retained earnings (Note 22)	–	–	–	**2,000,000,000**	**(2,000,000,000)**	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2020	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱70,448,067,424**	**₱–**	**₱70,448,067,424**	**₱2,344,845,823**	**₱53,680,000**	**(₱19,127,379)**	**(₱645,381,629)**	**₱1,734,016,815**	**(₱2,665,824,256)**	**(₱679,489,868)**	**₱92,258,904,847**	**₱5,525,257,087**	**₱97,784,161,934**
Balances as at January 1, 2019, as previously reported	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱61,789,482,388	₱2,000,000,000	₱63,789,482,388	₱2,480,952,279	₱28,580,000	₱4,600,119	(₱179,565,870)	₱2,334,566,528	(₱5,075,466,405)	(₱679,489,868)	₱83,791,227,375	₱202,251,895	₱83,993,479,270
Effect of adoption of sugar revenue recognition – PFRS 15	–	–	–	25,962,727	–	25,962,727	–	–	–	–	–	–	–	25,962,727	–	25,962,727
Balances as at January 1, 2019, as restated	2,230,160,190	21,191,974,542	23,422,134,732	61,815,445,115	2,000,000,000	63,815,445,115	2,480,952,279	28,580,000	4,600,119	(179,565,870)	2,334,566,528	(5,075,466,405)	(679,489,868)	83,817,190,102	202,251,895	84,019,441,997
Net income for the year	–	–	–	9,772,121,586	–	9,772,121,586	–	–	–	–	–	–	–	9,772,121,586	342,562,191	10,114,683,777
Other comprehensive income (loss)	–	–	–	–	–	–	1,197,749,346	25,990,000	(4,600,119)	(324,317,504)	894,821,723	–	–	894,821,723	(5,464,175)	889,357,548
Total comprehensive income	–	–	–	9,772,121,586	–	9,772,121,586	1,197,749,346	25,990,000	(4,600,119)	(324,317,504)	894,821,723	–	–	10,666,943,309	337,098,016	11,004,041,325
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	(294,000,000)	(7,237,109,884)
Gain from sale of equity interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	–	–	2,409,642,149	–	2,409,642,149	4,988,486,607	7,398,128,756
Balances as at December 31, 2019	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱64,644,456,817	₱2,000,000,000	₱66,644,456,817	₱3,678,701,625	₱54,570,000	₱–	(₱503,883,374)	₱3,229,388,251	(₱2,665,824,256)	(₱679,489,868)	₱89,950,665,676	₱5,233,836,518	₱95,184,502,194
Balances as at January 1, 2018, as previously reported	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱58,743,842,044	₱4,500,000,000	₱63,243,842,044	₱850,642,705	₱24,260,000	₱7,936,673	(₱390,687,756)	₱492,151,622	(₱5,075,466,405)	(₱341,137,179)	₱81,403,172,125	₱282,840,472	₱81,686,012,597
Effect of adoption of new accounting standard – PFRS 9	–	–	–	(1,715,556,312)	–	(1,715,556,312)	–	–	–	–	–	–	–	(1,715,556,312)	–	(1,715,556,312)
Balances as at January 1, 2018, as restated	2,227,638,933	20,856,143,110	23,083,782,043	57,028,285,732	4,500,000,000	61,528,285,732	850,642,705	24,260,000	7,936,673	(390,687,756)	492,151,622	(5,075,466,405)	(341,137,179)	79,687,615,813	282,840,472	79,970,456,285
Net income for the year	–	–	–	9,204,306,540	–	9,204,306,540	–	–	–	–	–	–	–	9,204,306,540	258,479,682	9,462,786,222
Other comprehensive income (loss)	–	–	–	–	–	–	1,630,309,574	4,320,000	(3,336,554)	211,121,886	1,842,414,906	–	–	1,842,414,906	(968,259)	1,841,446,647
Total comprehensive income	–	–	–	9,204,306,540	–	9,204,306,540	1,630,309,574	4,320,000	(3,336,554)	211,121,886	1,842,414,906	–	–	11,046,721,446	257,511,423	11,304,232,869
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	(338,100,000)	(7,281,209,884)
Issuance of shares (purchase of treasury shares) (Note 22)	2,521,257	335,831,432	338,352,689	–	–	–	–	–	–	–	–	–	(338,352,689)	–	–	–
Reversal of appropriation of retained earnings (Note 22)	–	–	–	2,500,000,000	(2,500,000,000)	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2018	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱61,789,482,388	₱2,000,000,000	₱63,789,482,388	₱2,480,952,279	₱28,580,000	₱4,600,119	(₱179,565,870)	₱2,334,566,528	(₱5,075,466,405)	(₱679,489,868)	₱83,791,227,375	₱202,251,895	₱83,993,479,270

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱13,756,284,407**	₱11,896,411,630	₱11,544,880,049
Adjustments for:			
Depreciation and amortization (Note 27)	**7,364,956,117**	7,310,056,927	6,369,775,844
Finance costs (Note 30)	**1,440,491,530**	1,669,869,069	1,600,072,501
Net foreign exchange losses	**486,271,868**	557,668,047	174,658,640
Finance revenue (Note 29)	**(342,722,549)**	(327,611,502)	(359,281,191)
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 14)	**(37,039,948)**	70,184,825	467,471,975
Equity in net losses of joint ventures (Note 16)	**30,387,041**	158,602,482	132,407,965
Loss (gain) on sale/disposals of property, plant and equipment (Note 13)	**3,151,000**	5,478,708	(629,392,076)
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**(136,239,105)**	5,253,797	35,424,289
Provision for credit and impairment losses (Notes 10, 11 and 15)	**32,583,003**	2,211,403	45,001,536
Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Notes 20 and 30)	**–**	–	61,627,892
Operating income before working capital changes	**22,598,123,364**	21,348,125,386	19,442,647,424
Decrease (increase) in:			
Receivables	**(1,608,936,413)**	(2,318,944,164)	(921,314,586)
Inventories	**(2,046,782,286)**	(2,368,577,423)	(3,704,007,347)
Biological assets	**653,186,037**	(27,562,723)	(272,030)
Other current assets	**(98,416,313)**	845,787,837	(634,703,473)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**3,557,926,082**	(1,273,079,149)	1,781,140,708
Trust receipts payable	**(1,257,836,274)**	2,751,087,671	2,758,725,897
Net cash generated from operations	**21,797,264,197**	18,956,837,435	18,722,216,593
Income taxes paid	**(2,253,123,509)**	(2,304,626,825)	(2,558,923,595)
Interest paid	**(884,404,162)**	(1,316,264,578)	(1,527,185,331)
Interest received	**276,644,858**	274,971,649	359,587,480
Net cash provided by operating activities	**18,936,381,384**	15,610,917,681	14,995,695,147

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(6,690,489,884)**	(8,988,692,240)	(8,641,730,098)
Asset acquisition (Note 13)	**(4,446,205,366)**	−	−
Investments in joint ventures (Note 16)	**−**	(125,000,000)	(406,841,074)
Subsidiary, net of cash acquired (Note 16)	**−**	−	(173,995,570)
Intangible assets (Note 15)	**−**	−	(11,234,200)
Proceeds from sale/disposal of:			
Property, plant and equipment (Note 13)	**41,083,408**	30,934,961	691,614,716
Financial assets at fair value through profit or loss	**25,750**	−	−
Business without loss of control (Note 22)	**−**	7,204,512,000	−
Decrease (increase) in other noncurrent assets	**(321,475,301)**	108,994,799	(170,240,967)
Dividends received (Note 8)	**64,605,739**	16,151,435	32,302,870
Net cash used in investing activities	**(11,352,455,654)**	(1,753,099,045)	(8,680,124,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debts (Notes 18 and 37)	**(₱3,202,003,095)**	(₱771,313,583)	(₱4,050,000,000)
Long-term debts (Notes 20 and 37)	**−**	−	(15,356,761,921)
Proceeds from availments of:			
Short-term debts (Notes 18 and 37)	**2,125,000,000**	2,100,000,000	4,650,000,000
Long-term debt (Note 20)	**−**	−	14,226,028,915
Principal portion of lease liabilities (Note 36)	**(830,570,104)**	(753,266,948)	−
Cash dividends paid (Note 22)	**(7,286,109,884)**	(7,237,109,884)	(7,281,209,884)
Increase (decrease) in other noncurrent liabilities	**(9,111,043)**	265,030,725	21,956,187
Net cash used in financing activities	**(9,202,794,126)**	(6,396,659,690)	(7,789,986,703)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,618,868,396)**	7,461,158,946	(1,474,415,879)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,484,260,858**	13,023,101,912	14,497,517,791
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱18,865,392,462**	₱20,484,260,858	₱13,023,101,912

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Universal Robina Corporation (hereinafter referred to as “the Parent Company” or “URC”) was incorporated on September 28, 1954, domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company’s corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

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

The Parent Company and its subsidiaries (hereinafter referred to as “the Group”) is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into three (3) business segments: (a) the branded consumer food segment which manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packed cakes, beverages, instant noodles and pasta; (b) the agro-industrial segment which engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; and (c) the commodity food segment which engages in sugar milling and refining, flour milling and pasta manufacturing, and renewable energy development. The Parent Company also engages in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. The Parent Company’s packaging business is included in the branded consumer food segment.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 35).

The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

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

Subsidiaries	Country of Incorporation	Functional Currency
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	New Zealand Dollar
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited (Griffin's)	- do -	- do -
Nice and Natural Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Yarra Valley Group Holding Pty Ltd. (Yarra Valley)	- do -	- do -
Snack Brands Australia Partnership (SBA)	- do -	- do -
Uni Snack Holding Company Ltd. (UHC)	- do -	- do -
Uni Snack Mid Company Ltd. (UMC)	- do -	- do -

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned direct subsidiaries as of December 31, 2020 and 2019.

Subsidiaries	Place of Incorporation	Effective Percentages of Ownership 2020	2019
CFC Corporation	Philippines	100.00	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00	100.00
Najalin Agri-Ventures, Inc. (NAVI)	- do -	95.82	–
URC Snack Ventures Inc. (USVI)	- do -	100.00	100.00
URC Beverage Ventures, Inc. (UBVI)	- do -	100.00	100.00
Nissin - URC (NURC)	- do -	51.00	51.00
URC Philippines, Ltd. (URCPL)	British Virgin Islands	100.00	100.00
URCICL and Subsidiaries*	- do -	100.00	100.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	100.00	100.00
URCCCL and a Subsidiary	China	100.00	100.00

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

Change in Ownership Structure of URC AU HoldCo and URC NZ HoldCo (a subsidiary of URCICL)
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's). On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date (see Note 22).

In 2019, UHC and UMC were incorporated under URCICL.

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

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

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

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

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

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

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

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

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

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of income; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

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

Subsidiaries*	Year-end
Bio-resource Power Generation Corporation	September 30
Southern Negros Development Corporation	-do-
Najalin Agri-Ventures, Inc.	-do-

**Dormant/non-operating subsidiaries*

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

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

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

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

Combinations of Entities under Common Control

Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Goodwill

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2020. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarify that to be considered a business, an integrated 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 output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The Group used this updated definition of a business in evaluating the transaction entered into with Roxas Holdings Inc. (RHI) in 2020 (see Note 13). The Group will use this amended definition moving forward in evaluating whether relevant transactions should be accounted for as business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states "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."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The amendments had no impact on the consolidated financial statements of the Group.

Significant Accounting Policies

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each reporting date. Fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets
Initial recognition and measurement
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows which are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of December 31, 2020 and 2019 consist of financial assets at amortized cost, financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), derivative assets and financial assets at FVTPL (equity instruments).

Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in club shares under this category.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost criteria, or meets the criteria but the Group has designated as at FVTPL upon initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of income.

This category includes equity instruments which the Group had not irrevocably elected to classify at fair value through OCI and currency options.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivables, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

The key inputs in the model include the Group’s definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analyses.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Staging assessment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for financial assets that are in default. The Group considers a financial asset in default when contractual payments are 30-60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of December 31, 2020 and 2019.

Financial liabilities at amortized cost
This is the category most relevant to the Group. It pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial recognition, these financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding advances from customers, advances from third parties, statutory and taxes payables), short-term debt, trust receipts payable and long-term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

<u>Inventories</u>
Inventories, including goods-in-process, are recorded at cost and subsequently valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in the consolidated statement of income in the period when the related revenue is recognized.

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

Finished goods, goods-in-process, raw materials, containers and packaging materials, and spare parts and supplies
Cost is determined using the weighted average method. The cost of raw materials, containers and packaging materials, and spare parts and supplies consist of their purchase cost. The cost of finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Materials in-transit
Cost is determined on a specific identification basis.

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

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

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

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

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce of swine livestock are hog carcasses, while the agricultural produce of poultry livestock are table eggs and hatched chick. These are then subsequently measured following PAS 2, *Inventories*.

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

Property, Plant and Equipment

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

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes:

(a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and
(b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any, representing the present value of the expected cost for the decommissioning of an asset after its use, and provided the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

The Group’s investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 17).

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

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

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

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

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group’s cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

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

Intangible Assets

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

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

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

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

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

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

	EUL	Amortization method used	Internally generated or acquired
Product formulation	Indefinite	No amortization	Acquired
Brands/Certain trademarks	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software costs	Finite (10 years)	Straight line amortization	Acquired
Customer relationship	Finite (35 years)	Straight line amortization	Acquired

Investment in Joint Ventures

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

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

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), right-of-use assets (see Note 36), investment properties (see Note 17), investments in joint ventures (see Note 16), goodwill and intangible assets (see Note 15).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized under 'Provision for credit and impairment losses' in the consolidated statement of income.

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

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

Goodwill and intangible assets with indefinite useful lives
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sale of goods and services
Revenue from sale of goods and services is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods and services provide customers with a right to return the goods within a specific period.

Sale of sugar and molasses
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses is recognized upon (a) surrendering of molasses certificates (warehouse receipts for molasses) or (b) delivery and acceptance by the customer for physical molasses, whichever comes first.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue at the point in time when the related services have been rendered.

Revenue outside the scope of PFRS 15:
Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs.

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

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

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

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority by each entity is included as part of 'Other current assets' or 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete.

If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate. Borrowing costs which do not qualify for capitalization are expensed as incurred.

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

Leases

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets, which are presented under 'Noncurrent Assets' in the consolidated statement of financial position, are subject to impairment.

The depreciation period for each class of ROU assets follows:

	Period
Land and land improvements	10 years
Buildings and improvements	2-20 years
Machinery and equipment	2 years
Transportation equipment	2 years
Furniture and fixture	2 years

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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

Rent income
Rent income arising from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases and is included in other loss in the consolidated statement of income.

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

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

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. Differences arising from settlement or translation of monetary items are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies
As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity as ‘Cumulative translation adjustments’ under ‘Other comprehensive income’. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

The Group has determined that the cumulative translation adjustments will not be realized in the foreseeable future. Therefore, the Group does not recognize deferred tax liabilities on its cumulative translation adjustments.

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

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

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

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

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

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

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

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

Equity Reserves
Equity reserves arise from transactions in which the proportion of equity held by non-controlling interests changes. These are initially measured as the difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received. Equity reserves are attributed to the owners of the Parent Company.

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

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

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

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

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

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have an impact on the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Judgments and Estimates

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

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

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

a. *Revenue recognition on sale of goods and services*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the Group will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

  i. *Existence of a contract*
  The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract.

  ii. *Identifying performance obligation*
  The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*
The Group recognizes its revenue for all revenue streams at a point in time, when the goods are sold and delivered and when services are already rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

iv. *Method to estimate variable consideration and assess constraint*
The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement and cane purchase agreement*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operations. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

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

c. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - the Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group did not include the option to renew nor the option to terminate the lease in the lease term as the Group assessed that it is not reasonably certain that these options will be exercised.

d. Assessment of retention of control

The Group determined that it has retained control over UHC, following the sale of 40% of its ownership interest in UHC to Intersnack. The Group considered the impact of the terms and conditions of the shareholders' agreement and other related agreements, and assessed that it still has control over UHC. URC retained control because it still has:

(i) power over UHC through URC's representation in UHC's BOD;
(ii) exposure or rights to variable returns from its involvement with UHC; and
(iii) the ability to use its power to direct UHC's decision-making over its operations (i.e., the ability to direct the relevant activities of UHC), in order to affect its returns from UHC.

e. Accounting for the call option

The Group issued a purchase option as part of its transaction to sell 40% of its ownership interest in UHC to Intersnack. Based on its assessment of the terms of the instrument reflected in the shareholders' agreement, the option should be accounted for as a derivative liability under PFRS 9, *Financial Instruments.* The Group considered the following:

(i) The option holder has no present access to the returns associated with the shares subject to the call option; and
(ii) The option will not be settled with the payment by the option holder of a fixed amount of cash because of certain contractual terms of the option.

f. Assessment of elements of a business

The Group determined that its acquisition of properties in La Carlota City should be accounted for as a purchase of assets. The Group considered the terms and conditions of the asset purchase agreement and other related agreements, and assessed that the properties acquired do not meet the elements of a business because:

(i) there were no outputs as of acquisition date;
(ii) the inputs acquired do not include an organized workforce; and
(iii) no substantive processes were acquired either as part of the terms of the agreements or through the intellectual capacity of any organized workforce.

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

a. *Assessment for ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECLs on trade receivables is not material because significant amount of its receivables are normally collected within one year. The carrying amount of trade receivables is ₱13.7 billion and ₱13.6 billion as at December 31, 2020 and 2019, respectively
(see Note 10).

b. *Assessment for ECL on Other Financial Assets at Amortized Cost*
The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of other financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been an SICR since initial recognition in which case lifetime ECLs are provided.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and,
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent an SICR such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019.

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

As of December 31, 2020 and 2019, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱234.3 million and ₱957.6 million, respectively (see Note 14). For the years ended December 31, 2020, 2019 and 2018, the Group recognized changes in the fair value less costs to sell of biological assets amounting to ₱37.0 million gain, ₱70.2 million loss, and ₱467.5 million loss, respectively (see Note 14). Changes in fair value of biological assets are recognized in the consolidated statements of income.

d. *Impairment of goodwill and intangible assets with indefinite useful lives*
The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2020 and 2019, the balance of the Group's goodwill and intangible assets with indefinite useful lives and accumulated impairment losses follow:

	2020	2019
Goodwill (Note 15)	**₱31,194,495,817**	₱31,194,495,817
Intangible assets (Note 15)	**11,599,843,220**	11,673,128,525

e. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, right-of-use assets, investment properties, investments in joint venture and intangible assets with finite useful lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business such as plans to discontinue or restructure the operation to which an asset belongs; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from recent, binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the years ended December 31, 2020 and 2019, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13), right-of-use assets (see Note 36), investment properties (see Note 17), goodwill and its other intangible assets (see Note 15). For the year ended December 31, 2018, the Group recognized impairment losses on its goodwill and property, plant and equipment amounting to ₱17.6 million and ₱1.7 million, respectively. No impairment was recognized for its right-of-use assets, investment properties and other intangibles.

As of December 31, 2020 and 2019, the balances of the Group's nonfinancial assets with finite useful lives, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2020	2019
Property, plant and equipment (Note 13)	**₱58,989,613,043**	₱54,626,409,715
Right-of-use assets (Note 36)	**6,015,980,376**	3,613,579,513
Intangible assets (Note 15)	**1,811,906,549**	1,885,191,854
Investments in joint ventures (Note 16)	**386,494,519**	421,625,100
Investment properties (Note 17)	**29,962,148**	33,173,512

f. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

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

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property (see Note 13). Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

g. Estimation of pension and other benefits costs
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 31). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future salary increase rates of the Group.

As of December 31, 2020 and 2019, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 31 to the consolidated financial statements.

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

As of December 31, 2020 and 2019, the Group recognized net deferred tax assets amounting to ₱555.1 million and ₱620.2 million, respectively (see Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱3.8 billion and ₱3.9 billion as of December 31, 2020 and 2019, respectively (see Note 32).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 32.

i. *Valuation of ROU assets and lease liabilities*
The application of PFRS 16 requires the Group to make assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term, the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount rate. The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

j. COVID-19 Pandemic

The COVID-19 pandemic did not have a significant impact on the Group's business operations. The operations in the Philippines and other areas around the world remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's consolidated financial statements, the Group has assessed the impact of COVID-19 as follows:

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of trade receivables has not been identified.
- The cash flow projections used in the impairment testing for goodwill and intangible assets with indefinite lives include the Group's best estimates of any potential future impact from the COVID-19 pandemic.
- The market data used by the Group in other estimates (such as market risk, risk free borrowing rates, and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic
- The Group has also considered the increase uncertainty in determining key assumptions within the assessment of future taxable income of the entities of the Group upon which recognition of the deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange exposures.

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

Risk Management Structure

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

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

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

AC

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

The AC also aims to ensure that:

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

Enterprise Risk Management Group (ERMG)

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

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

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

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

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

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

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

a. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
b. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
c. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.

e. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
g. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

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

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

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

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

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

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents and receivables, the Group's maximum exposure to credit risk is equal to its carrying amount as of December 31, 2020 and 2019, except for the Group's trade receivables as of December 31, 2020 and 2019 with carrying value of ₱13.7 billion and ₱13.6 billion, respectively, and collateral with fair value amounting to ₱2.3 billion and ₱2.9 billion as of December 31, 2020 and 2019, respectively, resulting to net exposure of ₱11.4 billion and ₱10.7 billion, respectively.

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

b. Risk concentrations of the maximum exposure to credit risk

   Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.
   Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed in accordance with the Group's policies and procedures.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2020 and 2019 before taking into account any collateral held or other credit enhancements are categorized by geographic location follow:

	2020						
	Philippines	**Asia**	**New Zealand**	**Australia**	**United States**	**Others**	**Total**
Cash and cash equivalents* (Note 7)	**₱7,901,208,004**	**₱8,479,302,955**	**₱1,109,266,434**	**₱1,315,087,410**	**₱–**	**₱–**	**₱18,804,864,803**
Receivables (Note 10):							
Trade receivables	**8,234,367,066**	**2,619,538,241**	**896,055,554**	**1,965,709,767**	**–**	**979,342**	**13,716,649,970**
Due from related parties	**835,512,682**	**68,826,811**	**–**	**–**	**–**	**–**	**904,339,493**
Advances to officers and employees	**140,876,064**	**6,317,086**	**–**	**–**	**–**	**–**	**147,193,150**
Interest receivable	**24,872,980**	**22,777,739**	**–**	**–**	**–**	**–**	**47,650,719**
Non-trade and other receivables	**1,527,849,086**	**34,126,797**	**16,113,438**	**202,342,005**	**–**	**–**	**1,780,431,326**
	₱18,664,685,882	**₱11,230,889,629**	**₱2,021,435,426**	**₱3,483,139,182**	**₱–**	**₱979,342**	**₱35,401,129,461**

** Excludes cash on hand*

	2019						
	Philippines	**Asia**	**New Zealand**	**Australia**	**United States**	**Others**	**Total**
Cash and cash equivalents* (Note 7)	₱4,855,565,370	₱13,679,076,047	₱964,614,414	₱918,069,813	₱–	₱–	₱20,417,325,644
Receivables (Note 10):							
Trade receivables	7,976,316,071	2,697,022,456	797,891,165	2,046,033,051	14,326,882	57,252,232	13,588,841,857
Due from related parties	893,959,761	98,963,264	–	–	–	–	992,923,025
Advances to officers and employees	128,606,887	9,345,770	–	–	–	–	137,952,657
Interest receivable	16,187,764	29,991,003	–	–	–	–	46,178,767
Non-trade and other receivables	1,092,220,854	66,929,330	15,920,630	57,990,804	–	–	1,233,061,618
	₱14,962,856,707	₱16,581,327,870	₱1,778,426,209	₱3,022,093,668	₱14,326,882	₱57,252,232	₱36,416,283,568

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2020 and 2019 before taking into account any collateral held or other credit enhancements.

	2020					
	Manufacturing	**Financial Intermediaries**	**Petrochemicals**	**Tele-Communication**	**Others***	**Total**
Cash and cash equivalents** (Note 7)	**₱–**	**₱18,804,864,803**	**₱–**	**₱–**	**₱–**	**₱18,804,864,803**
Receivables (Note 10):						
Trade receivables	**13,298,472,064**	**–**	**14,096,903**	**–**	**404,081,003**	**13,716,649,970**
Due from related parties	**214,744,158**	**28,728,789**	**–**	**–**	**660,866,546**	**904,339,493**
Advances to officers and employees	**130,311,475**	**–**	**–**	**–**	**16,881,675**	**147,193,150**
Interest receivable	**–**	**47,650,719**	**–**	**–**	**–**	**47,650,719**
Non-trade and other receivables	**987,421,358**	**82,106,561**	**126,311,768**	**8,491,617**	**576,100,022**	**1,780,431,326**
	₱14,630,949,055	**₱18,963,350,872**	**₱140,408,671**	**₱8,491,617**	**₱1,657,929,246**	**₱35,401,129,461**

**Includes real estate, agriculture, automotive, mining and electrical industries*
***Excludes cash on hand*

	2019					
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Others*	Total
Cash and cash equivalents** (Note 7)	₱–	₱20,417,325,644	₱–	₱–	₱–	₱20,417,325,644
Receivables (Note 10):						
Trade receivables	13,040,437,910	–	6,631,851	–	541,772,096	13,588,841,857
Due from related parties	108,163,925	33,539,220	–	–	851,219,880	992,923,025
Advances to officers and employees	114,038,433	–	–	–	23,914,224	137,952,657
Interest receivable	–	46,178,767	–	–	–	46,178,767
Non-trade and other receivables	898,069,310	41,685,016	58,003,442	6,249,876	229,053,974	1,233,061,618
	₱14,160,709,578	₱20,538,728,647	₱64,635,293	₱6,249,876	₱1,645,960,174	₱36,416,283,568

**Includes real estate, agriculture, automotive, mining and electrical industries*
***Excludes cash on hand*

iii. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2020 and 2019, gross of allowance for credit losses:

	2020				
	Neither Past Due nor Impaired			Past Due or Individually Impaired	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Cash and cash equivalents* (Note 7)	**₱18,804,864,803**	**₱–**	**₱–**	**₱–**	**₱18,804,864,803**
Receivables (Note 10):					
Trade receivables	**11,497,989,212**	**–**	**–**	**2,391,909,878**	**13,889,899,090**
Due from related parties	**904,339,493**	**–**	**–**	**–**	**904,339,493**
Advances to officers and employees	**17,707,080**	**97,685,845**	**–**	**51,446,907**	**166,839,832**
Interest receivable	**47,437,656**	**–**	**–**	**213,063**	**47,650,719**
Non-trade and other receivables	**460,186,419**	**479,220,083**	**–**	**1,030,348,518**	**1,969,755,020**
	₱31,732,524,663	**₱576,905,928**	**₱–**	**₱3,473,918,366**	**₱35,783,348,957**

**Excludes cash on hand*

	2019				
	Neither Past Due nor Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Cash and cash equivalents* (Note 7)	₱20,417,325,644	₱–	₱–	₱–	₱20,417,325,644
Receivables (Note 10):					
Trade receivables	11,921,969,017	–	–	1,806,951,997	13,728,921,014
Due from related parties	992,923,025	–	–	–	992,923,025
Advances to officers and employees	18,752,307	95,955,364	–	42,891,668	157,599,339
Interest receivable	45,288,161	–	–	890,606	46,178,767
Non-trade and other receivables	495,422,939	327,096,227	–	599,866,146	1,422,385,312
	₱33,891,681,093	₱423,051,591	₱–	₱2,450,600,417	₱36,765,333,101

**Excludes cash on hand*

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

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

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

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

iv. Credit risk under general approach and simplified approach

	2020			
	General Approach			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**
Cash and cash equivalents* (Note 7)	**₱18,804,864,803**	**₱–**	**₱–**	**₱–**
Receivables (Note 10):				
Trade receivables	**–**	**–**	**–**	**13,889,899,090**
Due from related parties	**904,339,493**	**–**	**–**	**–**
Advances to officers and employees	**147,193,150**	**–**	**19,646,682**	**–**
Interest receivable	**47,650,719**	**–**	**–**	**–**
Non-trade and other receivables	**939,406,502**	**841,024,824**	**189,323,694**	
Total financial assets at amortized cost	**₱20,843,454,667**	**₱841,024,824**	**₱208,970,376**	**₱13,889,899,090**

Excludes cash on hand

	2019			
	General Approach			
	Stage 1	Stage 2	Stage 3	Simplified Approach
Cash and cash equivalents* (Note 7)	₱20,417,325,644	₱–	₱–	₱–
Receivables (Note 10):				
Trade receivables	–	–	–	13,728,921,014
Due from related parties	992,923,025	–	–	–
Advances to officers and employees	137,952,657	–	19,646,682	–
Interest receivable	46,178,767	–	–	–
Non-trade and other receivables	822,519,166	410,542,452	189,323,694	–
Total financial assets at amortized cost	₱22,416,899,259	₱410,542,452	₱208,970,376	₱13,728,921,014

Excludes cash on hand

v. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of December 31, 2020 and 2019 is as follows:

	2020					
	Past Due but Not Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	**₱1,855,893,993**	**₱185,907,376**	**₱34,650,801**	**₱142,208,588**	**₱173,249,120**	**₱2,391,909,878**
Advances to officers and employees	**3,506,619**	**2,937,030**	**3,435,645**	**21,920,931**	**19,646,682**	**51,446,907**
Nontrade and other receivables	**24,318,197**	**77,177,011**	**112,341,800**	**627,400,879**	**189,323,694**	**1,030,561,581**
Balances at end of year	**₱1,883,718,809**	**₱266,021,417**	**₱150,428,246**	**₱791,530,398**	**₱382,219,496**	**₱3,473,918,366**

	2019					
	Past Due but Not Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	₱1,367,303,271	₱174,080,784	₱10,999,967	₱114,488,818	₱140,079,157	₱1,806,951,997
Advances to officers and employees	1,855,835	2,216,849	1,545,750	17,626,552	19,646,682	42,891,668
Nontrade and other receivables	43,354,114	38,265,148	78,479,509	251,334,287	189,323,694	600,756,752
Balances at end of year	₱1,412,513,220	₱214,562,781	₱91,025,226	₱383,449,657	₱349,049,533	₱2,450,600,417

Liquidity risk

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

Maturity Profile of Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2020 and 2019 based on the remaining undiscounted contractual cash flows.

	2020					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other accrued liabilities:						
Trade payable and accrued expenses*	**₱10,152,273,623**	**₱13,442,772,930**	**₱674,819,862**	**₱–**	**₱–**	**₱24,269,866,415**
Due to related parties	**140,590,767**	**–**	**–**	**–**	**–**	**140,590,767**
Short-term debts**	**–**	**2,670,717,615**	**–**	**–**	**–**	**2,670,717,615**
Trust receipts payable**	**–**	**7,462,894,566**	**–**	**–**	**–**	**7,462,894,566**
Long-term debts**	**–**	**96,174,509**	**18,130,601,415**	**14,010,474,922**	**–**	**32,237,250,846**
Lease liabilities**	**–**	**210,054,450**	**608,239,236**	**2,961,540,951**	**6,069,158,735**	**9,848,993,372**
	₱10,292,864,390	**₱23,882,614,070**	**₱19,413,660,513**	**₱16,972,015,873**	**₱6,069,158,735**	**₱76,630,313,581**

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

	2019					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other accrued liabilities:						
Trade payable and accrued expenses*	₱8,558,494,035	₱11,915,441,559	₱379,746,923	₱–	₱–	₱20,853,682,517
Due to related parties	151,785,243	–	–	–	–	151,785,243
Short-term debts**	–	3,851,473,421	–	–	–	3,851,473,421
Trust receipts payable**	–	8,763,964,585	–	–	–	8,763,964,585
Long-term debts**	–	161,689,285	320,708,563	32,032,677,804	–	32,515,075,652
Lease liabilities**	–	209,511,617	519,363,605	2,195,913,016	2,718,442,085	5,643,230,323
	₱8,710,279,278	₱24,902,080,467	₱1,219,819,091	₱34,228,590,820	₱2,718,442,085	₱71,779,211,741

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

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The three types of market risk are interest rate risk, foreign currency exchange risk and equity price risk.

Foreign currency risk

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

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. For the years ended December 31, 2020, 2019, and 2018, approximately 31.0%, 31.4%, and 33.8% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 1.81% and 4.4% of the Group's debts are denominated in various currencies as of December 31, 2020 and 2019, respectively.

The Group estimates a reasonably possible change of +5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱241.3 million and ₱27.5 million on income before income tax, and equity for the years ended December 31, 2020 and 2019, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of December 31, 2020 and 2019 are not significant.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱48.02 to US$1.00 and ₱50.64 to US$1.00 as of December 31, 2020 and 2019, respectively.

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

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

	2020		2019	
Changes in PSEi	**33.14%**	**(33.14%)**	14.49%	(14.49%)
Change in trading gain (loss) at equity portfolio	**134,257,159**	**(134,257,159)**	₱57,113,121	(₱57,113,121)
As a percentage of the Parent Company's trading gain for the year	**(8.67%)**	**8.67%**	(103.71%)	103.71%

The Group's investment in golf shares designated as financial assets at FVOCI are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group estimates an increase of 1.00% would have an impact of approximately ₱0.8 million on equity for the year ended December 31, 2020 and 2019. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

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

	2020								
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**Total**	**Total (in Philippine Peso)**	**Debt Issuance Costs (in Philippine Peso)**	**Carrying Value (in Philippine Peso)**
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loan	**AU$488,118,042**	**AU$–**	**AU$–**	**AU$–**	**AU$–**	**AU$488,118,042**	**₱17,888,983,093**	**₱50,085,857**	**₱17,838,897,236**
Interest rate:									
BBSY Bid+1.25%									
New Zealand Dollar loans	**NZ$5,622,167**	**NZ$5,606,806**	**NZ$400,560,722**	**NZ$–**	**NZ$–**	**NZ$411,789,695**	**13,625,258,770**	**126,604,870**	**13,498,653,900**
Interest rate:									
NZ BKBM+1.10%									
							₱31,514,241,863	**₱176,690,727**	**₱31,337,551,136**

	2019								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loan	AU$8,987,286	AU$490,891,198	AU$–	AU$–	AU$–	AU$499,878,484	₱17,200,057,755	₱110,736,987	₱17,089,320,768
Interest rate:									
BBSY Bid+1.25%									
New Zealand Dollar loans	NZ$9,505,456	NZ$9,557,683	NZ$9,531,569	NZ$404,453,228	NZ$–	NZ$433,047,936	13,462,223,310	165,466,470	13,296,756,840
Interest rate:									
NZ BKBM+1.10%									
							₱30,662,281,065	₱276,203,457	₱30,386,077,608

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the long-term debts. With all other variables held constant, the Group's income before tax is affected through the impact on floating rate borrowings, as follows:

	Change in basis points	Effect on income before tax
2020	**+100**	**(₱315,142,417)**
	-100	**315,142,417**
2019	+100	(₱299,653,411)
	-100	299,653,411

5. Fair Value Measurement

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

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

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

Financial assets at FVTPL, derivatives and financial assets at FVOCI
Fair values of quoted equity securities are based on quoted prices published in markets.

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

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

Investment properties
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

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

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

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	**₱426,510,677**	**₱426,510,677**	**₱–**	**₱–**	**₱426,510,677**
Financial assets at FVOCI					
Quoted equity securities (Note 17)	**75,400,000**	**–**	**75,400,000**	**–**	**75,400,000**
Deposits (Note 17)	**623,260,441**	**–**	**–**	**623,260,441**	**623,260,441**
	₱1,125,171,118	**₱426,510,677**	**₱75,400,000**	**₱623,260,441**	**₱1,125,171,118**
Non-financial assets					
Biological assets (Note 14)	**₱234,251,397**	**₱–**	**₱8,146,945**	**₱226,104,452**	**₱234,251,397**
Assets for which fair values are disclosed					
Investment properties (Note 17)	**₱29,962,148**	**₱–**	**₱–**	**₱324,572,000**	**₱324,572,000**
Liabilities for which fair values are disclosed					
Derivative liability – call option	**₱169,449,156**	**₱–**	**₱169,449,156**	**₱–**	**₱169,449,156**
Long-term debts (Note 20)	**31,337,551,136**	**–**	**–**	**31,499,768,092**	**31,499,768,092**
	₱31,507,000,292	**₱–**	**₱169,449,156**	**₱31,499,768,092**	**₱31,669,217,248**

	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	₱414,899,618	₱414,899,618	₱–	₱–	₱414,899,618
Financial assets at FVOCI					
Quoted equity securities (Note 17)	76,290,000	–	76,290,000	–	76,290,000
Deposits (Note 17)	612,546,621	–	–	612,546,621	612,546,621
	₱1,103,736,239	₱414,899,618	₱76,290,000	₱612,546,621	₱1,103,736,239
Non-financial assets					
Biological assets (Note 14)	₱957,563,597	₱–	₱59,841,764	₱897,721,833	₱957,563,597
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱33,173,512	₱–	₱–	₱324,572,000	₱324,572,000
Liabilities for which fair values are disclosed					
Derivative liability – call option	₱305,835,400	₱–	₱305,835,400	₱–	₱305,835,400
Long-term debts (Note 20)	₱30,386,077,608	–	₱–	₱30,556,330,251	₱30,556,330,251
	₱30,691,913,008	₱–	₱305,835,400	₱30,556,330,251	₱30,862,165,651

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

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

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements
Deposits	Discounted cash flow method	Credit spread

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

Significant unobservable inputs

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

6. **Business Segment Information**

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four (4) reportable operating segments as follows:

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

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

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

The following tables present the financial information of each of the operating segments in accordance with PFRSs except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the years ended December 31, 2020, 2019, and 2018.

The Group's business segment information follows (amounts in thousands):

	As of and for the year ended December 31, 2020					
	Branded Consumer Food	**Agro-Industrial**	**Commodity Food**	**Corporate Business**	**Eliminations**	**Total**
Sale of Goods and Services						
Third party	**₱103,566,276**	**₱11,858,467**	**₱17,715,338**	**₱–**	**₱–**	**₱133,140,081**
Inter-segment	**18,698,103**	**253**	**7,768,296**	**–**	**(26,466,652)**	**–**
	₱122,264,379	**₱11,858,720**	**₱25,483,634**	**₱–**	**(₱26,466,652)**	**₱133,140,081**
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	**₱17,865,400**	**₱1,807,097**	**₱5,551,062**	**(₱1,811,446)**	**₱–**	**₱23,412,113**
Depreciation and amortization (Note 27)	**(5,505,745)**	**(432,522)**	**(1,188,026)**	**(238,664)**	**–**	**(7,364,957)**
Earnings before interest and income tax (EBIT)	**₱12,359,655**	**₱1,374,575**	**₱4,363,036**	**(₱2,050,110)**	**₱–**	**16,047,156**
Finance revenue (Note 29)	**₱227,064**	**₱138**	**₱1,537**	**₱113,984**	**₱–**	**342,723**
Finance costs (Note 30)	**(₱1,021,296)**	**(₱126,160)**	**(₱182,241)**	**(₱110,795)**	**₱–**	**(1,440,492)**
Equity in net loss of joint ventures (Note 16)	**₱–**	**₱–**	**₱–**	**(₱30,387)**	**₱–**	**(30,387)**
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	**₱124,602**	**₱–**	**₱–**	**₱11,637**	**₱–**	**136,239**
Provision for credit and impairment losses (Notes 10)	**(₱32,583)**	**₱–**	**₱–**	**₱–**	**₱–**	**(32,583)**
Other expenses*						**(1,266,371)**
Income before income tax						**13,756,285**
Provision for income tax (Note 32)						**(2,131,682)**
Net income						**₱11,624,603**
Other Information						
Total assets	**₱131,259,159**	**₱7,675,315**	**₱30,008,649**	**₱7,251,807**	**₱–**	**₱176,194,930**
Total liabilities	**₱65,823,953**	**₱4,120,282**	**₱5,680,809**	**₱2,785,724**	**₱–**	**₱78,410,768**
Capital expenditures**	**₱5,095,885**	**₱455,811**	**₱5,471,710**	**₱113,289**	**₱–**	**₱11,136,695**
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on receivables (Note 10)	**(₱32,583)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱32,583)**

**Includes net foreign exchange losses and other revenues (expenses)*
***Includes La Carlota and Roxol acquisition*

	As of and for the year ended December 31, 2019					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱105,886,280	₱13,138,215	₱15,150,033	₱–	₱–	₱134,174,528
Inter-segment	19,469,025	12,000	7,976,445	–	(27,457,470)	–
	₱125,355,305	₱13,150,215	₱23,126,478	₱–	(₱27,457,470)	₱134,174,528
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱17,562,549	₱1,309,580	₱5,074,282	(₱1,624,396)	₱–	₱22,322,015
Depreciation and amortization (Note 27)	(5,539,825)	(422,106)	(1,100,122)	(248,004)	–	(7,310,057)
Earnings before interest and income tax (EBIT)	₱12,022,724	₱887,474	₱3,974,160	(₱1,872,400)	₱–	15,011,958
Finance revenue (Note 29)	₱203,803	₱162	₱1,205	₱122,442	₱–	327,612
Finance costs (Note 30)	(₱1,207,899)	(₱150,716)	(₱231,814)	(₱79,440)	₱–	(1,669,869)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱158,602)	₱–	(158,602)
Market valuation loss on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱–	(₱5,254)	₱–	(5,254)
Provision for credit and impairment losses (Notes 10, 11 and 15)	(₱2,211)	₱–	₱–	₱–	₱–	(2,211)
Other expenses*						(1,607,222)
Income before income tax						11,896,412
Provision for income tax (Note 32)						(1,781,728)
Net income						₱10,114,684
Other Information						
Total assets	₱133,181,540	₱7,903,695	₱22,903,714	₱4,664,041	₱–	₱168,652,990
Total liabilities	₱58,847,775	₱4,498,489	₱6,626,024	₱3,496,200	₱–	₱73,468,488
Capital expenditures	₱6,538,448	₱699,550	₱1,713,010	₱37,684	₱–	₱8,988,692
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	(₱2,208)	₱–	₱–	₱–	₱–	(₱2,208)
Inventories (Note 11)	(3)	–	–	–	–	(3)
	(₱2,211)	₱–	₱–	₱–	₱–	(₱2,211)

**Includes net foreign exchange losses and other revenues (expenses)*

	As of and for the year ended December 31, 2018					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱102,537,877	₱11,693,453	₱13,538,619	₱–	₱–	₱127,769,949
Inter-segment	17,266,362	63,901	5,353,541	–	(22,683,804)	–
	₱119,804,239	₱11,757,354	₱18,892,160	₱–	(₱22,683,804)	₱127,769,949
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱15,674,743	₱1,237,539	₱4,487,433	(₱1,649,326)	₱–	₱19,750,389
Depreciation and amortization (Note 27)	(4,756,491)	(419,526)	(948,368)	(245,391)	–	(6,369,776)
Earnings before interest and income tax (EBIT)	₱10,918,252	₱818,013	₱3,539,065	(₱1,894,717)	₱–	13,380,613
Finance revenue (Note 29)	₱208,796	₱102	₱23,931	₱126,452	₱–	359,281
Finance costs (Note 30)	(₱1,419,134)	(₱66,536)	(₱84,784)	(₱91,246)	₱–	(1,661,700)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱132,408)	₱–	(132,408)
Market valuation loss on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱–	(₱35,424)	₱–	(35,424)
Provision for credit and impairment losses (Notes 10, 11 and 15)	(₱45,002)	₱–	₱–	₱–	₱–	(45,002)
Other expenses*						(320,480)
Income before income tax						11,544,880
Provision for income tax (Note 32)						(2,082,094)
Net income						₱9,462,786
Other Information						
Total assets	₱117,089,788	₱7,846,913	₱21,713,667	₱5,285,345	₱–	₱151,935,713
Total liabilities	₱56,251,419	₱4,598,732	₱5,882,522	₱1,209,561	₱–	₱67,942,234
Capital expenditures	₱5,468,991	₱696,640	₱2,191,679	₱284,420	₱–	₱8,641,730
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	(₱17,774)	₱–	₱–	₱–	₱–	(₱17,774)
Property, plant and equipment	(1,700)	–	–	–	–	(1,700)
Goodwill (Note 15)	(17,580)	–	–	–	–	(17,580)
Inventories (Note 11)	(7,948)	–	–	–	–	(7,948)
	(₱45,002)	₱–	₱–	₱–	₱–	(₱45,002)

**Includes net foreign exchange losses and other revenues (expenses)*

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

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

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

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

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

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

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

	December 31, 2020	December 31, 2019	December 31, 2018
		(In Thousands)	
Domestic	**₱91,931,417**	₱92,016,612	₱84,566,692
Foreign	**41,208,664**	42,157,916	43,203,257
	₱133,140,081	₱134,174,528	₱127,769,949

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

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

	December 31, 2020	December 31, 2019
	(In Thousands)	
Domestic	**₱43,366,429**	₱38,370,529
Foreign	**66,635,127**	64,741,373
	₱110,001,556	₱103,111,902

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱60,527,659**	₱66,935,214
Cash in banks (Note 34)	**6,913,377,042**	3,627,188,460
Short-term investments (Note 34)	**11,891,487,761**	16,790,137,184
	₱18,865,392,462	₱20,484,260,858

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.04% to 6.50%, 0.05% to 7.50%, and from 0.05% to 6.80% for foreign currency-denominated money market placements for the years ended December 31, 2020, 2019, and 2018, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 0.12% to 0.60%, 2.48% to 3.20%, and from 1.50% to 5.50% for the years ended December 31, 2020, 2019, and 2018, respectively.

Interest earned on cash and cash equivalents amounted to ₱278.1 million, ₱311.5 million, and ₱327.0 million for the years ended December 31, 2020, 2019, and 2018, respectively (see Note 29).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱426.5 million and ₱414.9 million as of December 31, 2020 and 2019, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic entities.

Market valuation on financial assets at fair value though profit or loss and derivative liabilities amounted to ₱136.2 million gain, ₱5.3 million loss and ₱35.4 million loss for the years ended December 31, 2020, 2019, and 2018, respectively.

The Group received dividends from its quoted equity securities amounting to ₱64.6 million, ₱16.2 million and ₱32.3 million for the years ended December 31, 2020, 2019, and 2018, respectively (see Note 29).

9. Derivative Financial Instruments

Derivative designated as accounting hedge

Currency Option

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

The Group entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. The Group recognized unrealized loss (presented under 'Other comprehensive income') amounting to ₱19.1 million, ₱4.6 million and ₱3.3 million for the years ended December 31, 2020, 2019, and 2018 (see Note 23). The Group made a settlement of ₱4.6 million in 2019 for the related derivatives. The Group's currency options have negative fair value of ₱44.3 million and nil as of December 31, 2020 and 2019, respectively, recorded under 'Accounts payable and other accrued liabilities' (see Note 19).

Derivative not designated as accounting hedge

Call Option

As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9% equity share in UHC. The call option has a fair value of ₱169.4 million and ₱305.8 million as of December 31, 2020 and 2019, respectively, recorded under 'Accounts payable and other accrued liabilities' (see Note 19).

10. **Receivables**

This account consists of:

	2020	2019
Trade receivables (Note 34)	**₱13,889,899,090**	₱13,728,921,014
Non-trade receivables	**1,322,631,386**	940,812,881
Due from related parties (Note 34)	**904,339,493**	992,923,025
Advances to officers and employees	**166,839,832**	157,599,339
Interest receivable (Note 34)	**47,650,719**	46,178,767
Others	**647,123,634**	481,572,431
	16,978,484,154	16,348,007,457
Less allowance for credit losses	**382,219,496**	349,049,533
	₱16,596,264,658	₱15,998,957,924

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

	2020			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of the period	**₱120,938,630**	**₱208,970,376**	**₱19,140,527**	**₱349,049,533**
Provision for credit losses	**32,583,003**	**–**	**–**	**32,583,003**
Others	**586,960**	**–**	**–**	**586,960**
Balances at end of the period	**₱154,108,593**	**₱208,970,376**	**₱19,140,527**	**₱382,219,496**

	2019			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱127,033,476	₱208,970,376	₱19,140,527	₱355,144,379
Provision for credit losses	2,247	2,206,477	–	2,208,724
Write-off	(2,511,366)	(2,206,477)	–	(4,717,843)
Others	(3,585,727)	–	–	(3,585,727)
Balances at end of the period	₱120,938,630	₱208,970,376	₱19,140,527	₱349,049,533

Allowance for credit losses on other receivables includes credit losses on nontrade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2020 and 2019. Allowance for credit losses on nontrade and other receivables amounted to ₱189.3 million as of December 31, 2020 and 2019.

Non-trade and other receivables are noninterest-bearing and are due and demandable.

11. Inventories

This account consists of inventories as follows:

	2020	2019
Raw materials	**₱9,897,605,874**	₱8,936,932,459
Finished goods	**7,424,416,487**	7,373,069,435
Spare parts and supplies	**5,201,919,622**	4,329,580,895
Containers and packaging materials	**2,147,554,861**	2,070,051,257
Goods in-process	**1,582,834,023**	1,664,875,925
	₱26,254,330,867	₱24,374,509,971

Under the terms of the agreements covering interest-bearing liabilities under trust receipts totaling ₱7.5 billion and ₱8.7 billion as of December 31, 2020 and 2019, respectively, certain inventories which approximate the trust receipts payable have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise. Interest expense from trust receipts payable amounted to ₱304.2 million, ₱371.6 million and ₱143.6 million for the years ended December 31, 2020, 2019, and 2018, respectively (see Note 30).

Inventory obsolescence included in 'Cost of sales', amounted to ₱782.3 million, ₱573.1 million, and ₱749.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The Group recognized impairment losses on its inventories amounting to nil for the years ended December 31, 2020 and 2019, and ₱7.9 million for the year ended December 31, 2018.

12. Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers	**₱1,093,626,488**	₱1,001,719,423
Input VAT	**1,046,626,946**	1,062,325,854
Prepaid insurance	**251,223,732**	311,636,727
Prepaid taxes	**236,532,712**	249,997,040
Prepaid rent	**47,274,474**	46,317,873
Others	**645,136,040**	166,571,449
	₱3,320,420,392	₱2,838,568,366

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to repairs and maintenance activities.

Others include prepayments of advertising, office supplies and income tax credits.

13. Property, Plant and Equipment

The rollforward of this account follows:

	As of and for the year ended December 31, 2020				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,772,683,438	₱2,397,316,246	₱19,861,579,349	₱77,735,766,070	₱103,767,345,103
Additions	1,739,997,215	57,342,583	1,095,784,151	5,797,613,068	8,690,737,017
Disposals, reclassifications and other adjustments	(64,758,315)	(54,249,302)	(223,791,386)	(696,770,727)	(1,039,569,730)
Balance at end of year	5,447,922,338	2,400,409,527	20,733,572,114	82,836,608,411	111,418,512,390
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	824,340,805	9,522,920,468	54,491,657,365	64,838,918,638
Depreciation and amortization (Note 27)	–	75,797,528	869,927,406	4,753,967,914	5,699,692,848
Disposals, reclassifications and other adjustments	–	(7,275,162)	(66,813,311)	(987,997,660)	(1,062,086,133)
Balance at end of year	–	892,863,171	10,326,034,563	58,257,627,619	69,476,525,353
Net Book Value	₱5,447,922,338	₱1,507,546,356	₱10,407,537,551	₱24,578,980,792	₱41,941,987,037

	As of and for the year ended December 31, 2020				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,768,660,001	₱5,792,641,093	₱9,117,139,747	₱5,014,136,348	₱126,459,922,292
Additions	122,849,528	440,349,250	1,846,318,199	93,748,991	11,194,002,985
Disposals, reclassifications and other adjustments	(7,735,656)	(233,806,904)	(254,975,413)	(192,234,915)	(1,728,322,618)
Balance at end of the year	2,883,773,873	5,999,183,439	10,708,482,533	4,915,650,424	135,925,602,659
Accumulated Depreciation and Amortization					
Balance at beginning of year	2,280,164,254	4,714,429,686	–	–	71,833,512,578
Depreciation and amortization (Note 27)	213,594,013	552,473,986	–	–	6,465,760,847
Disposals, reclassifications and other adjustments	(11,145,707)	(290,051,969)	–	–	(1,363,283,809)
Balance at end of year	2,482,612,560	4,976,851,703	–	–	76,935,989,616
Net Book Value	₱401,161,313	₱1,022,331,736	₱10,708,482,533	₱4,915,650,424	₱58,989,613,043

	As of and for the year ended December 31, 2019				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,748,093,521	₱2,020,928,072	₱18,308,946,671	₱73,187,178,560	₱97,265,146,824
Additions	–	390,606,942	1,557,247,813	5,278,482,315	7,226,337,070
Additions from acquisition of subsidiaries (Note 22)	–	–	29,148,248	659,837,348	688,985,596
Disposals, reclassifications and other adjustments (Note 19)	24,589,917	(14,218,768)	(33,763,383)	(1,389,732,153)	(1,413,124,387)
Balance at end of year	3,772,683,438	2,397,316,246	19,861,579,349	77,735,766,070	103,767,345,103
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	754,568,956	8,378,044,362	50,905,095,518	60,037,708,836
Depreciation and amortization (Note 27)	–	75,299,276	895,172,593	4,742,600,865	5,713,072,734
Additions from acquisition of subsidiaries (Note 22)	–	–	14,747,981	248,628,009	263,375,990
Disposals, reclassifications and other adjustments (Note 19)	–	(5,527,427)	234,955,532	(1,404,667,027)	(1,175,238,922)
Balance at end of year	–	824,340,805	9,522,920,468	54,491,657,365	64,838,918,638
Net Book Value	₱3,772,683,438	₱1,572,975,441	₱10,338,658,881	₱23,244,108,705	₱38,928,426,465

	As of and for the year ended December 31, 2019				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,645,015,231	₱5,303,718,980	₱7,832,623,483	₱4,870,159,025	₱117,916,663,543
Additions	152,383,808	413,113,549	1,037,578,357	159,279,456	8,988,692,240
Additions from acquisition of subsidiaries (Note 22)	1,471,310	15,849,306	–	–	706,306,212
Disposals, reclassifications and other adjustments (Note 19)	(30,210,347)	59,959,258	246,937,907	(15,302,133)	(1,151,739,702)
Balance at end of the year	2,768,660,002	5,792,641,093	9,117,139,747	5,014,136,348	126,459,922,293
Accumulated Depreciation and Amortization					
Balance at beginning of year	2,061,485,901	3,867,152,540	–	–	65,966,347,277
Depreciation and amortization (Note 27)	211,583,960	515,746,153	–	–	6,440,402,847
Additions from acquisition of subsidiaries (Note 22)	1,471,310	12,694,555	–	–	277,541,855
Disposals, reclassifications and other adjustments (Note 19)	5,623,083	318,836,438	–	–	(850,779,401)
Balance at end of year	2,280,164,254	4,714,429,686	–	–	71,833,512,578
Net Book Value	₱488,495,748	₱1,078,211,407	₱9,117,139,747	₱5,014,136,348	₱54,626,409,715

Acquisition of CACI Sugar Mill, RBC Bioethanol Plant and NAVI Shares
The Parent Company entered into an agreement with RHI, together with its wholly-owned subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation (RBC) for the acquisition of sugar mill and bio-ethanol plant located in La Carlota City, Negros Occidental and shares held by RHI in NAVI.

On September 30, 2020, the Parent Company and RHI proceeded to close the sale transaction, with the signing and delivery of the definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱4.4 billion from the purchase transaction.

In July 2018, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱3.4 million at ₱ 584.9 million selling price. Gain on disposal attributable to sale was ₱581.5 million, which was recognized under 'Other losses - net' in the consolidated statements of income.

Borrowing Costs
For the years ended December 31, 2020, 2019, and 2018, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Cost of sales (Note 24)	**₱5,879,709,062**	₱5,769,099,525	₱5,444,705,459
Selling and distribution costs (Note 25)	**114,758,979**	189,087,851	219,016,116
General and administrative expenses (Note 26)	**471,292,806**	482,215,471	502,459,358
	₱6,465,760,847	₱6,440,402,847	₱6,166,180,933

Collateral
As of December 31, 2020 and 2019, the Group has no property and equipment that are pledged as collateral.

14. **Biological Assets**

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

	2020	2019
Current portion	**₱99,919,468**	₱733,435,525
Noncurrent portion	**134,331,929**	224,128,072
	₱234,251,397	₱957,563,597

These biological assets consist of:

	2020	2019
Swine livestock		
Commercial	**₱74,123,306**	₱711,301,722
Breeder	**42,920,185**	136,695,328
Poultry livestock		
Commercial	**25,796,162**	22,133,803
Breeder	**91,411,744**	87,432,744
	₱234,251,397	₱957,563,597

The rollforward analysis of this account follows:

	2020	2019
Balances at beginning of year	**₱957,563,597**	₱1,107,904,051
Additions	**1,756,709,312**	3,641,918,030
Disposals	**(1,966,488,386)**	(3,483,083,335)
Write-down	**(550,573,074)**	(238,990,324)
Gain (loss) arising from changes in fair value less estimated costs to sell	**37,039,948**	(70,184,825)
Balances at end of year	**₱234,251,397**	₱957,563,597

The Group has 21,142 and 209,630 heads of swine livestock and 623,821 and 529,971 heads of poultry livestock as of December 31, 2020 and 2019, respectively.

15. Goodwill and Intangible Assets

The movement of the goodwill as of December 31, 2020 and 2019 follows :

Cost	
Balance at beginning and end of year	₱31,460,215,108
Accumulated impairment losses	
Balance at beginning and end of year	265,719,291
Net book value at end of year	₱31,194,495,817

As of December 31, 2020 and 2019, the Group's goodwill pertains to the following:

Acquisition of CSPL in September 2016	₱16,492,854,332
Acquisition of URC NZ HoldCo in November 2014	13,913,396,261
The excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000	775,835,598
Acquisition of Balayan Sugar Mill in February 2016	12,409,626
	₱31,194,495,817

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2020				
	Trademarks/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Total**
Cost					
Balances at beginning of period	**₱9,564,461,252**	**₱425,000,000**	**₱64,694,751**	**₱2,201,281,173**	**₱12,255,437,176**
Disposal/others	**–**	**–**	**(7,515,962)**	**–**	**(7,515,962)**
	9,564,461,252	**425,000,000**	**57,178,789**	**2,201,281,173**	**12,247,921,214**
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	**201,524,581**	**–**	**44,669,404**	**336,114,666**	**582,308,651**
Amortization during the period (Note 27)	**–**	**–**	**24,735,801**	**69,251,299**	**93,987,100**
Disposal/others	**–**	**–**	**(18,642,154)**	**(9,575,603)**	**(28,217,757)**
	201,524,581	**–**	**50,763,051**	**395,790,362**	**648,077,994**
Net Book Value at End of Period	**₱9,362,936,671**	**₱425,000,000**	**₱6,415,738**	**₱1,805,490,811**	**₱11,599,843,220**

	As of and for the year ended December 31, 2019				
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of period	₱9,564,461,252	₱425,000,000	₱91,177,370	₱2,201,281,173	₱12,281,919,795
Disposal/others	–	–	(26,482,619)	–	(26,482,619)
	9,564,461,252	425,000,000	64,694,751	2,201,281,173	12,255,437,176
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	201,524,581	–	78,247,580	271,887,280	551,659,441
Amortization during the period (Note 27)	–	–	11,593,520	73,357,370	84,950,890
Disposal/others	–	–	(45,171,696)	(9,129,984)	(54,301,680)
	201,524,581	–	44,669,404	336,114,666	582,308,651
Net Book Value at End of Period	₱9,362,936,671	₱425,000,000	₱20,025,347	₱1,865,166,507	₱11,673,128,525

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

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2020 and 2019. In 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations. In 2019, recoverable amounts were determined based on value in use calculations for goodwill and other intangible assets allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for those allocated to CSPL and URC NZ HoldCo.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.03% to 14.52% and 8.30% to 10.50% for the years ended December 31, 2020 and 2019, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.00% to 6.60% and 2.00% to 6.90% as of December 31, 2020 and 2019, respectively.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

FVLCTS of CSPL and URC NZ HoldCo as of December 31, 2019 were based on enterprise values that were derived from EBITDA multiples. These enterprise values served as basis for the transaction price in the sale of 40% ownership interest in the Oceania business (Note 22). This fair value measurement is categorized as a Level 2 fair value measurement, since it is observable from the recent transaction.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group’s acquisitions to materially exceed their recoverable amounts.

16. **Investments in Joint Ventures**

The rollforward analysis of this account follows:

	2020	2019
Acquisition Cost		
Balance at beginning of year	**₱1,203,555,432**	₱1,143,634,145
Additional investments	**–**	59,921,287
Balance at end of year	**1,203,555,432**	1,203,555,432
Accumulated Equity in Net Losses		
Balance at beginning of year	**(781,654,671)**	(623,052,189)
Equity in net losses during the year	**(30,387,041)**	(158,602,482)
Balance at end of year	**(812,041,712)**	(781,654,671)
Cumulative Translation Adjustments	**(5,019,201)**	(275,661)
Net Book Value at End of Year	**₱386,494,519**	₱421,625,100

Proper Snack Foods Ltd.
On June 30, 2017, Griffin's purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) for approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded under 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

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

Danone Universal Robina Beverages, Inc.
On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines.

In 2019, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2018, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

Equity in net losses in the 2017 consolidated statement of income amounting to ₱280.5 million includes the excess of the share in net loss over the investment in DURBI amounting to ₱147.6 million presented in 'Other noncurrent liabilities' as of December 31, 2018.

Calbee-URC Malaysia
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

As of December 31, 2020 and 2019, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets are summarized below:

	Place of Business	Percentage of Ownership
VURCI	Philippines	50.00
DURBI	-do-	50.00
PSFL	New Zealand	50.10
CURM	Malaysia	50.00

Summarized financial information in respect of the Group's joint ventures as of December 31, 2020 and 2019 are presented below (in thousands).

	CURM		DURBI		VURCI		PSFL	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**₱395,629**	₱275,118	**₱420,497**	₱583,760	**₱311,439**	₱315,444	**₱581,349**	₱548,500
Costs and expenses	**25,810**	270,900	**604,555**	749,776	**707,383**	531,775	**518,700**	513,389
Net income (loss)	**32,509**	2,021	**(184,059)**	(166,016)	**(325,314)**	(239,067)	**63,174**	39,684
Current assets	**₱118,426**	₱142,673	**₱381,449**	₱671,399	**₱494,355**	₱475,390	**₱200,555**	₱122,410
Noncurrent assets	**24,722**	21,786	**16,006**	7,702	**739,300**	844,629	**600,764**	671,877
Current liabilities	**52,408**	99,399	**838,961**	934,039	**573,742**	717,420	**80,169**	129,203
Noncurrent liabilities	**–**	–	**6,861**	9,522	**734,877**	450,000	**40,263**	40,751
Equity	**₱90,740**	₱65,060	**(₱448,367)**	(₱264,460)	**(₱74,964)**	₱152,599	**₱680,887**	₱624,333
Group share in equity	**₱45,370**	₱32,530	**₱–**	₱–	**₱–**	₱76,300	**₱341,124**	₱312,791
Carrying amount of investment	**₱45,370**	₱32,530	**₱–**	₱–	**₱–**	₱76,300	**₱341,124**	₱312,791

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRSs.

The joint venture companies are private companies and there are no quoted prices available for their shares.

No dividends were declared and received for the years ended December 31, 2020 and 2019.

As of December 31, 2020 and 2019, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

17. **Other Noncurrent Assets**

This account consists of:

	2020	2019
Input VAT	**₱768,562,753**	₱514,866,037
Deposits	**623,260,441**	612,546,621
Financial assets at FVOCI	**75,400,000**	76,290,000
Investment properties	**29,962,148**	33,173,512
Others	**259,012,119**	197,948,881
	₱1,756,197,461	₱1,434,825,051

Input VAT
Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Deposits
The Group's deposits pertain to the installation of power and water meters, returnable containers and security deposits for operating leases of plants, warehouses and office buildings.

Financial Assets at FVOCI
As of December 31, 2020 and 2019, financial assets at FVOCI consists of equity securities with the following movement:

	2020	2019
Balance at beginning of period	**₱76,290,000**	₱50,300,000
Changes in fair value during the period	**(890,000)**	25,990,000
Balance at end of period	**₱75,400,000**	₱76,290,000

Fair value changes of financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity (see Note 23).

Investment Properties
The rollforward analysis of investment properties follows:

	2020	2019
Cost		
Balance at beginning and end of period	**₱94,554,666**	₱94,554,666
Accumulated depreciation		
Balance at beginning of period	**61,381,154**	58,169,787
Depreciation (Note 27)	**3,211,364**	3,211,367
Balance at end of period	**64,592,518**	61,381,154
Net book value at end of period	**₱29,962,148**	₱33,173,512

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 34 and 36).

Total rental income earned from investment properties (included under 'Other losses - net' in the consolidated statements of income) amounted to ₱69.0 million, ₱112.4 million, and ₱61.2 million for years ended December 31, 2020, 2019, and 2018, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million for each of the years ended December 31, 2020, 2019, and 2018.

Collateral
As of December 31, 2020 and 2019, the Group has no investment properties that are pledged as collateral.

Others
Others include noncurrent portion of advances to suppliers and deferred charges.

18. **Short-term Debts**

This account consists of:

	2020	2019
Peso-denominated loan - unsecured with interest ranging from 2.80% to 2.95% and 3.95% for the years ended December 31, 2020 and 2019, respectively	**₱1,000,000,000**	₱1,980,000,000
Thai Baht-denominated loans - unsecured with interest ranging from 1.30% to 1.62% and from 2.18% to 2.22% for the years ended December 31, 2020 and 2019, respectively	**1,365,399,032**	1,535,498,728
Malaysian Ringgit-denominated loan - unsecured with interest at 3.20% and 4.43% for the years ended December 31, 2020 and 2019, respectively	**303,391,164**	332,986,545
	₱2,668,790,196	₱3,848,485,273

Accrued interest payable on the Group’s short-term debts (included under ‘Accounts payable and other accrued liabilities’ in the consolidated statements of financial position) amounted to ₱2.9 million and ₱15.7 million as of December 31, 2020 and 2019, respectively. Interest expense from the short-term debts amounted to ₱82.8 million, ₱93.9 million and ₱134.9 million for the years ended December 31, 2020, 2019, and 2018, respectively (see Note 30).

19. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

	2020	2019
Trade payables (Note 34)	**₱15,226,257,283**	₱13,461,966,827
Accrued expenses	**8,021,725,105**	6,284,949,047
Customers' deposits	**539,913,731**	373,750,960
VAT payable	**245,575,404**	167,096,180
Derivative liabilities (Note 9)	**213,725,486**	305,835,400
Advances from stockholders (Note 34)	**187,943,346**	192,691,243
Withholding taxes payable	**185,126,132**	148,494,243
Due to related parties (Note 34)	**140,590,767**	151,785,243
Others	**70,979,466**	211,179,729
	₱24,831,836,720	₱21,297,748,872

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

The accrued expenses account consists of:

	2020	2019
Advertising and promotions	**₱4,168,067,417**	₱3,289,303,049
Personnel costs	**1,145,936,799**	1,005,262,168
Freight and handling costs	**480,495,182**	270,631,087
Utilities	**420,920,617**	302,097,687
Rent	**348,924,743**	97,735,880
Contracted services	**295,941,690**	464,476,698
Interest	**89,132,405**	59,383,839
Professional and legal fees	**59,423,865**	46,067,820
Others	**1,012,882,387**	749,990,819
	₱8,021,725,105	₱6,284,949,047

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

Accrued professional and legal fees include fees or services rendered by third party consultants for the review of the Group's brand portfolio. The related expense recognized under 'Other losses – net' in the 2020, 2019 and 2018 consolidated statements of income amounted to nil, ₱161.3 million and ₱341.5 million, respectively.

Others include accruals for taxes and licenses, commission, royalties, restructuring provision and other benefits. In 2019, the Group recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) to maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 14), property, plant and equipment (Note 13) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively.

The related expense is recognized under "Other losses - net" in the consolidated statement of income. As of December 31, 2020, ₱39.5 million remains of the accrual for employee redundancy costs.

20. Long-term Debts

This account consists of:

	2020			2019		
	Principal	**Unamortized debt issuance cost**	**Net**	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	**₱17,888,983,093**	**₱50,085,857**	**₱17,838,897,236**	₱17,200,057,755	₱110,736,987	₱17,089,320,768
URC NZ FinCo Loan	**13,625,258,770**	**126,604,870**	**13,498,653,900**	13,462,223,310	165,466,470	13,296,756,840
	₱31,514,241,863	**₱176,690,727**	**₱31,337,551,136**	₱30,662,281,065	₱276,203,457	₱30,386,077,608

URC AU FinCo Loan due 2021
On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC NZ FinCo NZ$395 Million Term Loan due 2023
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For each of these loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of December 31, 2020 and 2019.

21. Other Noncurrent Liabilities

This account consists of:

	2020	2019
Net pension liability (Note 31)	**₱1,022,260,701**	₱761,383,080
Miscellaneous	**224,440,047**	290,659,323
	₱1,246,700,748	₱1,052,042,403

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices of CSPL at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

As of December 31, 2020 and 2019, the carrying value of asset retirement obligation amounted to ₱183.8 million and ₱90.9 million, respectively. The amortization of this asset retirement obligation (included under ‘Finance costs’ in the consolidated statements of income) amounted to ₱3.0 million, ₱3.3 million and ₱3.5 million for the years ended December 31, 2020, 2019, and 2018, respectively (see Note 30).

22. **Equity**

The details of the Parent Company's common stock as of December 31, 2020 and 2019 follow:

Authorized shares	2,998,000,000
Par value per share	₱1.00
Issued shares:	
Balance at beginning and end of year	2,230,160,190
Outstanding shares	2,204,161,868

The paid-up capital of the Parent Company consists of the following as of December 31, 2020 and 2019:

Common stock	₱2,230,160,190
Additional paid-in capital	21,191,974,542
Total paid-up capital	₱23,422,134,732

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio:

	December 31, 2020	December 31, 2019
(a) Short-term debts (Note 18)	**₱2,668,790,196**	₱3,848,485,273
Trust receipts payable (Note 11)	**7,454,089,371**	8,747,355,847
Long-term debts (Note 20)	**31,337,551,136**	30,386,077,608
	₱41,460,430,703	₱42,981,918,728
(b) Capital	**₱97,784,161,934**	₱95,184,502,194
(c) Debt-to-capital ratio (a/b)	**0.42:1**	0.45:1

The Group's policy is to not exceed a debt-to-capital ratio of 2:1. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of December 31, 2020 and 2019.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries

A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱66.1 billion and ₱59.6 billion as of December 31, 2020 and 2019, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

Dividends

Details of the Group's dividend declarations follow:

Parent Company

On March 10, 2020, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 24, 2020. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of June 1, 2020. Total dividends declared amounted to ₱6.9 billion. On April 21, 2020, the regular cash dividend was paid amounting to ₱3.3 billion. On June 26, 2020, the special cash dividend was paid amounting to ₱3.6 billion.

On February 28, 2019, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 14, 2019. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of July 1, 2019. Total dividends declared amounted to ₱6.9 billion. On March 28, 2019, the regular cash dividend was paid amounting to ₱3.3 billion. On July 25, 2019, the special cash dividend was paid amounting to ₱3.6 billion.

On February 5, 2018, the Parent Company's BOD declared regular cash dividends amounting to ₱3.15 per share to stockholders of record as of February 26, 2018. On March 22, 2018, the total dividends declared was paid amounting to ₱6.9 billion.

NURC

On June 9, 2020, NURC's BOD approved the declaration of cash dividends amounting to ₱700.0 million (₱3.70 per share) to stockholders of record as of December 31, 2019 payable on or before September 30, 2020.

On June 6, 2019, NURC's BOD approved the declaration of cash dividends amounting to ₱600.0 million (₱3.17 per share) to stockholders of record as of December 31, 2018 payable on or before September 30, 2019.

On March 23, 2018, NURC's BOD approved the declaration of cash dividends amounting to ₱690.0 million (₱3.65 per share) to stockholders of record as of December 31, 2017 payable on or before September 30, 2018.

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings

On December 16, 2020, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

On December 18, 2018, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

Treasury Shares
Under the Articles and Plan of Merger of CFC Clubhouse Property, Inc. (CCPI) with and into the Parent Company which was approved by the SEC on April 24, 2018, the Parent Company has issued 2,521,257 common shares to the stockholders of CCPI. Since CCPI is a wholly-owned subsidiary of URC, these issued shares were consequently classified as treasury shares amounting to ₱338.4 million.

The Parent Company has outstanding treasury shares of 26.0 million shares (₱679.5 million) as of December 31, 2020 and 2019, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 million (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under 'Equity reserve' in the consolidated statements of financial position. See Note 9 for the disclosure on call option.

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under 'Equity reserve' in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about ₱3.7 billion presented under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interest
The equity interest held by non-controlling interest in subsidiaries with material non-controlling interest as of December 31, 2020 and 2019 as follows:

Subsidiaries	Percentage of Ownership of Material NCI
NURC	49.00
UHC	40.00

The summarized financial information (before inter-company eliminations) of subsidiaries with material non-controlling interest follows (in thousands):

	NURC		UHC	
	2020	2019	**2020**	2019
Current assets	**₱2,089,361**	₱1,543,576	**₱8,143,192**	₱6,842,073
Noncurrent assets	**1,287,978**	1,344,946	**64,663,475**	51,734,288
Current liabilities	**2,278,429**	1,845,306	**23,376,043**	4,800,314
Noncurrent liabilities	**30,933**	168,831	**21,305,195**	34,643,347
Revenue	**7,406,463**	6,344,753	**19,987,025**	19,800,977
Costs and expenses	**6,130,273**	4,532,473	**17,057,554**	17,512,287
Net income	**893,471**	694,195	**1,120,473**	526,258

The accumulated non-controlling interest of material non-controlling interest are as follows:

	2020	2019
UHC	**₱5,007,081,716**	₱4,805,419,186
NURC	**513,909,767**	427,419,011

The profit allocated to non-controlling interest for the years ended December 31, 2020, 2019, and 2018, amounted to ₱877.9 million, ₱342.6 million, and ₱258.5 million, respectively.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code:

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	₱–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common Shares	929,890,908	1.00	1.00	–	929,890,908
	New common shares	309,963,636	1.00	21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
September 30, 2016	Sale of treasury shares	–	–	–	–	22,659,935
April 24, 2018	Issuance of shares to stockholders	–	–	–	–	2,521,257
April 24, 2018	Re-purchase of shares issued to stockholders	–	–	–	–	(2,521,257)
						2,204,161,868

The table below provides information regarding the number of stockholders of the Parent Company:

	December 31, 2020	December 31, 2019	December 31, 2018
Common shares	**1,002**	1,003	1,012

23. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follow:

	December 31, 2020	December 31, 2019	December 31, 2018
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments*	**₱2,344,845,823**	₱3,678,701,625	₱2,480,952,279
Net unrealized gain on AFS financial assets Balance at beginning of period	**–**	–	24,260,000
Reclassification due to PFRS 9	**–**	–	(24,260,000)
Balance at end of period	**–**	–	–
Net unrealized gain (loss) on cash flow hedges:			
Balance at beginning of period	**–**	4,600,119	7,936,673
Change in fair value during the period (Note 9)	**(19,127,379)**	(4,600,119)	(3,336,554)
Balance at end of period	**(19,127,379)**	–	4,600,119
	2,325,718,444	3,678,701,625	2,485,552,398
Item not to be reclassified to profit or loss in subsequent periods:			
Net unrealized gain on financial assets at FVOCI			
Balance at beginning of period	**54,570,000**	28,580,000	–
Reclassification due to PFRS 9	**–**	–	24,260,000
Change in fair value during the period (Note 17)	**(890,000)**	25,990,000	4,320,000
Balance at end of period	**53,680,000**	54,570,000	28,580,000
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of period	**(719,833,392)**	(256,522,672)	(558,125,366)
Remeasurement gain (loss) on defined benefit plans during the period (Note 31)	**(202,140,364)**	(463,310,720)	301,602,694
Balance at end of period	**(921,973,756)**	(719,833,392)	(256,522,672)
Income tax effect	**276,592,127**	215,950,018	76,956,802
Balance at end of period	**(645,381,629)**	(503,883,374)	(179,565,870)
	(591,701,629)	(449,313,374)	(150,985,870)
	₱1,734,016,815	₱3,229,388,251	₱2,334,566,528

**All movements in cumulative translation adjustments arise from translation of foreign operations. No foreign operations were disposed of in 2020, 2019 and 2018.*

The breakdown and movement of other comprehensive income attributable to non-controlling interests follow:

	December 31, 2020	December 31, 2019	December 31, 2018
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments	**(₱232,786,766)**	₱–	₱–
Net unrealized loss on cash flow hedges:			
Balance at beginning of period	**–**	–	–
Change in fair value during the period (Note 9)	**(12,751,586)**	–	–
Balance at end of period	**(12,751,586)**	–	–
	(245,538,352)	–	–
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of period	**(10,142,916)**	(2,336,952)	(953,725)
Remeasurement gain on defined benefit plans during the period (Note 31)	**(1,707,911)**	(7,805,964)	(1,383,227)
Balance at end of period	**(11,850,827)**	(10,142,916)	(2,336,952)
Income tax effect	**3,555,248**	3,042,875	701,086
	(8,295,579)	(7,100,041)	(1,635,866)
	(₱253,833,931)	(₱7,100,041)	(₱1,635,866)

24. Sale of Goods and Services/Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱1.4 billion, ₱1.1 billion, and ₱241.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Cost of sales account consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Raw materials used	**₱60,881,756,876**	₱63,361,227,250	₱61,935,144,153
Direct labor	**6,399,182,386**	6,360,549,254	6,229,393,398
Overhead costs	**24,770,248,426**	25,918,285,625	23,292,309,420
Total manufacturing costs	**92,051,187,688**	95,640,062,129	91,456,846,971
Goods in-process	**82,041,902**	(558,182,283)	(218,195,227)
Cost of goods manufactured	**92,133,229,590**	95,081,879,846	91,238,651,744
Finished goods	**(51,347,052)**	(1,219,950,084)	(906,082,403)
	₱92,081,882,538	₱93,861,929,762	₱90,332,569,341

Raw materials used include the Group's usage of both raw materials and containers and packaging materials inventory.

Overhead costs are broken down as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Utilities	**₱8,285,133,844**	₱8,373,558,035	₱7,898,234,689
Depreciation and amortization (Note 27)	**6,397,549,700**	6,302,960,643	5,548,177,852
Personnel expenses (Note 28)	**3,694,576,955**	3,582,738,030	3,344,085,895
Repairs and maintenance	**3,282,297,449**	3,407,462,606	2,943,488,316
Security and other contracted services	**754,449,782**	781,742,318	722,503,684
Insurance	**275,058,744**	200,592,711	192,985,628
Rental expense (Note 36)	**184,028,580**	205,284,893	523,104,472
Research and development	**87,019,320**	86,888,100	86,766,264
Handling and delivery charges	**44,386,508**	238,260,011	176,880,414
Others	**1,765,747,544**	2,738,798,278	1,856,082,206
	₱24,770,248,426	₱25,918,285,625	₱23,292,309,420

Others include excise taxes amounting to ₱1.0 billion, ₱1.4 billion, and ₱1.2 billion for the years ended December 31, 2020, 2019, and 2018, respectively.

25. Selling and Distribution Costs

This account consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Freight and other selling expenses	**₱8,025,671,309**	₱8,205,907,551	₱8,051,330,943
Advertising and promotions	**7,819,144,647**	8,050,648,898	7,153,068,812
Personnel expenses (Note 28)	**2,331,737,530**	2,417,165,856	2,475,786,677
Depreciation and amortization (Note 27)	**281,318,030**	319,222,942	219,016,116
Repairs and maintenance	**123,598,696**	124,619,270	131,244,077
Others	**754,363,168**	709,747,567	689,112,228
	₱19,335,833,380	₱19,827,312,084	₱18,719,558,853

Others include research and development, communication, travel and transportation, rent and concessionaire's fee.

26. **General and Administrative Expenses**

This account consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Personnel expenses (Note 28)	**₱2,998,753,443**	₱2,834,313,060	₱2,882,430,173
Depreciation and amortization (Note 27)	**686,088,387**	687,873,342	602,581,876
Repairs and maintenance	**418,493,049**	229,681,422	243,392,263
Security and contractual services	**378,857,936**	372,219,881	285,204,116
Professional and legal fees	**246,012,545**	228,281,772	217,085,528
Taxes, licenses and fees	**203,028,161**	241,262,338	256,080,911
Communication	**108,776,357**	124,345,022	122,195,855
Rental expense (Note 36)	**79,864,265**	229,404,741	236,787,812
Travel and transportation	**76,830,309**	154,739,024	150,412,629
Utilities	**41,960,706**	42,529,228	60,836,183
Stationery and office supplies	**21,087,224**	24,320,840	30,784,674
Donations and contributions	**4,441,594**	6,210,131	29,603,765
Others	**411,015,127**	298,147,274	219,812,560
	₱5,675,209,103	₱5,473,328,075	₱5,337,208,345

Others include insurance, memberships, bank charges, and representation and entertainment related to general and administrative functions.

27. **Depreciation and Amortization**

The breakdown of consolidated depreciation and amortization follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Cost of sales (Notes 13, 24 and 36)	**₱6,397,549,700**	₱6,302,960,643	₱5,548,177,852
Selling and distribution costs (Notes 13 and 36)	**281,318,030**	319,222,942	219,016,116
General and administrative expenses (Notes 13, 15, 17 and 36)	**686,088,387**	687,873,342	602,581,876
	₱7,364,956,117	₱7,310,056,927	₱6,369,775,844

28. Personnel Expenses

This account consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Salaries and wages	**₱6,939,959,687**	₱6,742,290,939	₱6,278,052,294
Other employee benefits	**1,821,609,472**	1,740,720,386	2,247,665,666
Pension expense (Note 31)	**263,498,769**	351,205,621	176,584,785
	₱9,025,067,928	₱8,834,216,946	₱8,702,302,745

The breakdown of personnel expenses follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Cost of sales (Note 24)	**₱3,694,576,955**	₱3,582,738,030	₱3,344,085,895
Selling and distribution costs (Note 25)	**2,331,737,530**	2,417,165,856	2,475,786,677
General and administrative expenses (Note 26)	**2,998,753,443**	2,834,313,060	2,882,430,173
	₱9,025,067,928	₱8,834,216,946	₱8,702,302,745

29. Finance Revenue

This account consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Bank interest income (Note 7)	**₱278,116,810**	₱311,460,067	₱326,978,321
Dividend income (Note 8)	**64,605,739**	16,151,435	32,302,870
	₱342,722,549	₱327,611,502	₱359,281,191

30. **Finance Costs**

This account consists of finance costs arising from:

	December 31, 2020	December 31, 2019	December 31, 2018
Long-term debts (Note 20)	**₱505,451,038**	₱866,375,210	₱1,354,936,980
Interest expense on lease liabilities (Note 36)	**385,939,191**	188,347,893	–
Trust receipts (Note 11)	**304,240,663**	371,613,584	143,610,059
Short-term debts (Note 18)	**82,791,315**	93,925,041	134,922,658
Net interest on net pension liability (Note 31)	**42,023,710**	26,381,202	8,751,555
Others (Notes 20 and 21)	**120,045,613**	123,226,139	19,479,141
	₱1,440,491,530	₱1,669,869,069	₱1,661,700,393

Others include unamortized debt issue costs recognized as expense on pretermination of NZD loan, amortization of asset retirement obligation and other financing charges.

31. **Pension Costs**

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641, *the Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

As of December 31, 2020 and 2019, the Group recognized net pension liability amounting to ₱1.0 billion and ₱761.4 million, respectively, included under 'Other noncurrent liabilities' in the consolidated statements of financial position amounted to (see Note 21).

Changes in net defined benefit liability of funded funds and fair value of plan assets of the Group are as follows:

	2020													
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								
	January 1, 2020	Current service cost (Note 28)	Finance cost (Note 30)	Settlement gain	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	Asset Transfer	December 31, 2020
Present value of defined benefit obligation	₱2,899,055,814	₱251,873,194	₱142,180,922	(₱30,398,135)	₱363,655,981	(₱396,323,880)	₱–	(₱174,029,016)	₱132,002,295	₱288,255,542	₱246,228,821	₱–	(₱3,864,025)	₱3,108,752,711
Fair value of plan assets	(2,137,672,734)	–	(100,157,212)	–	(100,157,212)	396,323,880	(42,892,919)	–	–	–	(42,892,919)	(252,232,263)	50,139,238	(2,086,492,010)
	₱761,383,080	₱251,873,194	₱42,023,710	(₱30,398,135)	₱263,498,769	₱–	(₱42,892,919)	(₱174,029,016)	₱132,002,295	₱288,255,542	₱203,335,902	(₱252,232,263)	₱46,275,213	₱1,022,260,701

	2019													
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								
	January 1, 2019	Current service cost (Note 28)	Past service cost (Note 28)	Finance cost (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	Asset Transfer	December 31, 2019
Present value of defined benefit obligation	₱2,060,607,006	₱203,574,299	₱121,250,120	₱143,286,707	₱468,111,126	(₱152,251,708)	₱–	₱48,574,536	(₱18,574,799)	₱492,589,653	₱522,589,390	₱–	₱–	₱2,899,055,814
Fair value of plan assets	(2,054,229,051)	–	–	(116,905,505)	(116,905,505)	152,251,708	(51,472,706)	–	–	–	(51,472,706)	(67,317,180)	–	(2,137,672,734)
	₱6,377,955	₱203,574,299	₱121,250,120	₱26,381,202	₱351,205,621	₱–	(₱51,472,706)	₱48,574,536	(₱18,574,799)	₱492,589,653	₱471,116,684	(₱67,317,180)	₱–	₱761,383,080

The fair value of net plan assets of the Group by class as at the end of the reporting period are as follows:

	2020	2019
Assets		
Cash and cash equivalents (Note 34)	**₱974,943**	₱19,721,001
Loans receivable	**240,570,000**	240,570,000
Financial assets at FVOCI	**56,980,800**	86,935,900
Investments at amortized cost	**294,918,104**	328,572,712
UITF investments	**1,345,513,206**	1,313,720,699
Interest receivable	**4,707,167**	5,009,207
Prepaid taxes	**–**	840
Land	**143,201,000**	143,201,000
	2,086,865,220	2,137,731,359
Liabilities		
Accounts payable, accrued trust and management fees	**373,210**	58,625
	₱2,086,492,010	₱2,137,672,734

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC	
	2020	2019	**2020**	2019
Discount rate	**3.95%**	4.91%	**3.97%**	4.88%
Salary increase	**4.00% to 5.70%**	5.70%	**5.70%**	5.70%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Parent Company **2020**	Parent Company 2019	NURC **2020**	NURC 2019
Discount rate	1.00%	**(₱313,674,690)**	(₱235,033,950)	**(₱7,456,849)**	(₱4,945,848)
	(1.00%)	**374,153,976**	273,449,444	**8,930,181**	5,722,738
Salary increase	1.00%	**363,884,506**	281,947,303	**8,680,414**	5,865,354
	(1.00%)	**(311,805,652)**	(246,797,516)	**(7,409,251)**	(5,159,532)

The Group expects to contribute ₱344.9 million in the pension fund in 2021.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2020	2019
Less than one year	**₱149,778,409**	₱210,584,111
More than one year to five years	**824,835,258**	1,064,247,687
More than five years to 10 years	**1,518,479,037**	1,660,917,933
More than 10 years to 15 years	**2,177,478,768**	2,119,848,493
More than 15 years to 20 years	**2,511,576,982**	2,178,874,761
More than 20 years	**8,732,285,054**	5,834,070,929

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2020 (Years)	2019 (Years)
Parent Company	**11**	18
NURC	**12**	17

32. **Income Taxes**

Provision for income tax consists of:

	December 31, 2020	December 31, 2019	December 31, 2018
Current	**₱1,736,449,598**	₱2,220,880,800	₱2,004,462,439
Deferred	**395,232,099**	(439,152,947)	77,631,388
	₱2,131,681,697	₱1,781,727,853	₱2,082,093,827

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

	Net deferred tax assets		**Net deferred tax liabilities**	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Net unrealized foreign exchange loss	**₱–**	₱106,489,365	**₱–**	₱–
Loss arising from changes in fair value less estimated point-of-sale costs of swine stocks	**–**	10,081,568	**–**	–
Pension liabilities	**252,456,867**	223,134,051	**171,368,029**	230,542,430
Accrued expenses	**–**	–	**163,366,945**	318,702,139
Leases	**71,342,988**	31,562,949	**158,445,022**	53,106,721
Impairment losses on trade receivables and property and equipment	**101,414,636**	100,852,134	**–**	–
Inventory write-downs	**62,212,573**	33,546,186	**11,223,749**	5,962,337
Foreign subsidiaries	**39,938,807**	49,683,994	**–**	–
Unearned revenue	**–**	–	**–**	22,726,694
NOLCO	**54,156,024**	76,791,846	**–**	–
MCIT	**–**	34,312	**–**	–
	581,521,895	632,176,405	**504,403,745**	631,040,321
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**1,030,416**	–	**–**	
Accelerated depreciation	**–**	–	**366,814,562**	483,787,981
Intangibles	**–**	–	**2,923,321,145**	2,945,109,949
Undistributed income of subsidiaries	**6,988,650**	4,054,703	**1,015,191,150**	1,082,305,949
Unearned revenue	**14,951,034**	7,955,884	**–**	–
Net unrealized foreign exchange gain	**3,416,417**	–	**–**	–
	26,386,517	12,010,587	**4,305,326,857**	4,511,203,879
Net deferred tax assets (liabilities)	**₱555,135,378**	₱620,165,818	**(₱3,800,923,112)**	(₱3,880,163,558)

As of December 31, 2020 and 2019, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱337.6 million and ₱220.3 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

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

	December 31, 2020	December 31, 2019	December 31, 2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Net income of subsidiaries with different tax rate	**(13.20)**	(14.17)	(8.26)
Income exempt from tax	**(2.94)**	(2.20)	(2.64)
Interest income subjected to final tax	**(0.11)**	(0.27)	(0.31)
Income subject to lower tax rate	**(0.11)**	–	–
Equity in net income of a joint venture	**(0.07)**	(0.40)	(0.34)
Nondeductible interest expense	**0.05**	0.11	0.13
Change in value of financial assets at FVTPL	**(0.03)**	0.01	0.09
Others	**1.91**	1.90	(0.64)
Effective income tax rate	**15.50%**	14.98%	18.03%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.0% for peso deposits and 7.5% for foreign currency deposits on gross interest income from bank deposits and short-term investments.

Current tax regulations provide that the RCIT rate shall be 30.0% and interest allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax beginning January 1, 2009.

Current tax regulations also provide for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Current tax regulations further provides that an Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the years ended December 31, 2020, 2019, and 2018, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱40.9 million, ₱76.2 million, and ₱57.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

MCIT

An MCIT of 2.0% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and incentives in the country by implementing certain changes to the current tax regulations. These changes include:

- Reduction in the RCIT from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million excluding the value of land on which the particular business entity's office, plant and equipment are situated;
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Lowering of MCIT from 2% to 1% of gross income for 3 years;
- Instead of 10% of taxable income, application of RCIT on regional operating headquarters;
- Standardization of final taxes on foreign corporations to 15%;
- Exemption of foreign sourced dividends received by domestic corporations subject to certain conditions;
- Additional deduction of one-half (1/2) of the value of labor training expenses subject to certain conditions;
- Repeal of the 10% improperly accumulated earnings tax (IAET);
- VAT exemption for medicines for certain critical illnesses; and
- VAT-free importation and sale for 3 years of COVID-19 medicines, personal protective equipment and materials used for their production.

Under the bill, the above changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill as passed by the Bicameral Conference Committee was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the CREATE bill was passed into law and subsequently called RA No. 11534 or CREATE Act. The CREATE Act will become effective 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

Once applied, the CREATE Act will reduce the Group's net deferred tax assets recognized as of 2020 year-end by an estimated amount of ₱84.0 million loss comprised of ₱37.3 million in profit or loss and ₱46.7 million (reduction) in other comprehensive income.

33. Earnings Per Share

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

	December 31, 2020	December 31, 2019	December 31, 2018
Net income attributable to equity holders of the parent	**₱10,746,720,491**	₱9,772,121,586	₱9,204,306,540
Weighted average number of common shares	**2,204,161,868**	2,204,161,868	2,204,161,868
Basic/dilutive EPS	**₱4.88**	₱4.43	₱4.18

The weighted average number of common shares excludes the treasury shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares for the years ended December 31, 2020, 2019, and 2018.

34. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

		December 31, 2020							
Related Party	**Category/ Transaction**	**Amount/ Volume**	**Cash and Cash Equivalents** (Note 7)	**Short-term debt** (Note 18)	**Lease Liability** (Note 36)	**Trade Receivable (Payable) - net** (Notes 10 and 19)	**Non-trade Receivable (Payable) - net** (Notes 10 and 19)	**Terms**	**Conditions**
Ultimate Parent Company	Rental expense	**₱121,063,946**	**₱–**	**₱–**	**(₱764,321,855)**	**₱–**	**₱–**	On demand	Unsecured
	Management services	**40,414,311**	–	–	–	–	**(243,066,092)**	On demand	Unsecured
Entities under common control									
Due from related parties	Sales	**1,274,143,021**	–	–	–	**25,245,126**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**49,501,228**	–	–	–	–	**34,688,812**	On demand; non-interest bearing	Unsecured; no impairment
	Engineering services	**6,664,509**	–	–	–	–	**61,416,363**	On demand; non-interest bearing	Unsecured; no impairment
	Management services	**411,141,548**	–	–	–	**70,348,843**	**261,615,143**	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	–	**689,359,835**	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	**211,864,735**	–	–	**(1,588,880,760)**	–	–	On demand	Unsecured
	Purchases	**673,852,625**	–	–	–	**(56,927,174)**	–	On demand	Unsecured
	Utilities	**262,792,339**	–	–	–	–	**(40,270,009)**	On demand	Unsecured
	Contracted services	**137,542,136**	–	–	–	**(68,741)**	**4,676**	On demand	Unsecured
Cash and cash equivalents	Cash in bank	**508,735,676**	**943,157,274**	–	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	**474,642,999**	**1,645,648,816**	–	–	–	–	Interest-bearing at prevailing market rate; due from 7 to 119 days; with interest ranging from 0.1% to 0.6%	Unsecured; no impairment
	Interest income	**9,817,642**	–	–	–	**1,464,611**	–	Due from 7 to 119 days	Unsecured; no impairment
Short-term debt	Short-term debt	**200,000,000**	–	**(200,000,000)**	–	–	–	Interest-bearing at prevailing market rate; due within 30 days from availment; with interest of 2.8%	Unsecured
	Interest expense	**46,027**	–	**(46,027)**	–	–	–	Due within 30 days	Unsecured
Subsidiaries									
Due from related parties	Sales	**2,776,408,565**	–	–	–	**552,967,141**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**22,573,198**	–	–	–	–	–		
	Dividend income	**357,000,000**	–	–	–	–	–		
Due to related parties	Purchases	**13,999,697,744**	–	–	–	**(4,656,218,581)**	–	On demand	Unsecured
Joint Venture									
Due from related parties	Sales	**52,408,053**	–	–	–	**14,901,911**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**1,498,893**	–	–	–	**1,923,368**	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	**1,063,089,575**	–	–	–	**(116,524,260)**	–	1 to 30 days; non-interest bearing	Unsecured

					December 31, 2019			
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Lease Liability (Note 36)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Rental expense	₱114,348,078	₱–	(₱812,744,581)	₱–	₱–	On demand	Unsecured
	Management services	94,979,667	–	–	–	(133,281,084)	On demand	Unsecured
Entities under common control								
Due from related parties	Sales	1,308,193,620	–	–	116,540,404	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	108,059,769	–	–	–	55,497,924	On demand; non-interest bearing	Unsecured; no impairment
	Engineering services	9,557,254	–	–	–	85,785,887	On demand; non-interest bearing	Unsecured; no impairment
	Management services	410,814,202	–	–	98,396,360	203,603,020	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	676,845,919	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	123,978,820	–	(1,672,628,370)	–	–	On demand	Unsecured
	Purchases	953,972,641	–	–	(1,728,788)	–	On demand	Unsecured
	Utilities	464,081,720	–	–	–	(50,765,776)	On demand	Unsecured
	Contracted services	125,798,697	–	–	–	3,501,234	On demand; non-interest bearing	Unsecured; no impairment
Cash and cash equivalents	Cash in bank	99,590,571	435,189,020	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,645,648,816	1,645,648,816	–	–	–	Interest-bearing at prevailing market rate; due from 7 to 71 days; with interest ranging from 1.5% to 2.8%	Unsecured; no impairment
	Interest income	50,723,345	–	–	717,908	–	Due from 11 to 71 days	Unsecured; no impairment
Short-term debt	Short-term debt	–	–	–	–	–		
	Interest expense	–	–	–	–	–		
Subsidiaries								
Due from related parties	Sales	1,802,420,482	–	–	1,025,248,922	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	22,558,622	–	–	–	–		
	Dividend income	306,000,000	–	–	–	–		
Due to related parties	Purchases	15,344,794,857	–	–	(255,059,464)	–	On demand	Unsecured
Joint Venture								
Due from related parties	Sales	55,252,314	–	–	12,828,560	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	1,427,517	–	–	514,288	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	1,034,585,102	–	–	(64,894,000)	–	1 to 30 days; non-interest bearing	Unsecured

			December 31, 2018				
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Rental expense	₱10,020,423	₱–	₱–	₱–		
	Management services	63,697,344	–	–	(384,624,521)	On demand	Unsecured
Entities under common control							
Due from related parties	Sales	1,160,637,764	–	4,721,315	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	36,985,499	–	–	43,824,848	On demand; non-interest bearing	Unsecured; no impairment
	Engineering services	12,918,430	–	–	178,325,306	On demand; non-interest bearing	Unsecured; no impairment
	Management services	743,572,957	–	–	234,151,630	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	702,114,273	On demand; non-interest bearing	Unsecured; with impairment
Due to related parties	Rental expense	85,628,177	–	–	–		
	Purchases	885,671,562	–	(17,252,781)	–	On demand	Unsecured
	Utilities	380,497,664	–	–	(53,943,706)	On demand	Unsecured
	Contracted services	116,083,484	–	–	2,778,671	On demand; non-interest bearing	Unsecured; no impairment
Cash and cash equivalents	Cash in bank	145,020,946	335,598,449	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	(1,832,041,774)	2,216,003,012	–	–	Interest-bearing at prevailing market rate; due from 7 to 90 days; with interest ranging from 1.5% to 5.5%	Unsecured; no impairment
	Interest income	75,013,903	–	3,616,138	–	Due from 7 to 90 days	Unsecured; no impairment
Short-term debt	Short-term debt	–	–	–	–		
	Interest expense	–	–	–	–		
Subsidiaries							
Due from related parties	Sales	1,572,990,693	–	777,622,489	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	17,313,222	–	–	–		
	Dividend income	901,900,000	–	–	–		
Due to related parties	Purchases	13,391,836,679	–	(4,709,196,441)	–	On demand	Unsecured
Joint Venture							
Due from related parties	Sales	47,496,986	–	7,316,815	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	4,538,682	–	996,778	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	1,045,752,811	–	(82,456,142)	–	1 to 30 days; non-interest bearing	Unsecured

The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earn interest at the prevailing bank deposit rates.

As of December 31, 2020 and 2019, the Group has advances from stockholders amounting to ₱187.9 million and ₱192.7 million, respectively (see Note 19). These advances are non-interest bearing and payable on demand.

Transactions with the retirement plan
The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱ 25.3 million for the years ended December 31, 2020 and 2019. Terms are unsecured, noninterest-bearing and payable on demand.

Included in the Group's retirement plan assets are special savings deposits with RBC. As of December 31, 2020 and 2019, special savings deposit with RBC amounting to nil and ₱19.5 million bears annual interest rates ranging from nil and from 0.3% to 3.0%, respectively.

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

	December 31, 2020	December 31, 2019	December 31, 2018
Short-term employee benefits	**₱250,161,746**	₱332,029,853	₱291,597,774
Post-employment benefits	**205,220,282**	123,379,622	81,989,490
	₱455,382,028	₱455,409,475	₱373,587,264

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

35. **Registration with the BOI**

Certain operations of the Parent Company are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these entities are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Sugar Millsite - Tolong
On January 14, 2015, Sugar Millsite - Tolong was registered with the BOI as an expanding producer of raw sugar.

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from February 2015 (as an expanding producer raw sugar) or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order (EO) No. 70 and its implementing rules and regulations for a period of five (5) years reckoned from the date its registration or until the expiration of EO No. 70 whichever is earlier; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to posting of re-export bond; (e) tax credit equivalent to national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (f) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from the date of registration; (g) employment of foreign nationals; (h) simplifications of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

The ITH entitlement has ended last February 14, 2018.

Sugar Millsite - Sonedco

On June 29, 2018, Sugar Millsite - Sonedco was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from September 2018 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier but availment shall in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its implementing rules; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Customs Bonded Manufacturing Warehouse (CBMW) exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of customs procedures for the

importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and export tax duty, impost and fee for a period of ten (10) years from the data of registration; (i) access to CBMW subject to the BOC rules and regulations, and additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

The said expansion started commercial operation on November 27, 2018.

Sugar Millsite - Balayan

On September 8, 2017, Sugar Millsite - Balayan was registered with the BOI as an expanding producer of raw sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from November 2018 (as an expanding producer of raw sugar and its by-product) or actual start of commercial operation, whichever is earlier but in no case be earlier than the data of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its implementing rules. Only equipment directly needed and exclusively use in its operation shall be entitled to capital equipment incentives; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals; and (f) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies. The said expansion will start commercial operation early of 2019.

Cogeneration
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years at which the RE plant generated the first kilowatt-hour energy after commissioning or testing, or two months from date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery
Producer of bioethanol (anhydrous) under RA 9513
On September 30, 2020, the Parent Company took over the operations of the Distillery from Roxol Bioenergy Corporation (RBC) after executing a Deed of Sale on the purchase of RBC's land and assets. The Distillery operations was registered with the BOI on October 24, 2008 as new producer of bioethanol (anhydrous) and potable (hydrous) ethanol under EO 226.

Per BOI letter dated October 22, 2014, the BOI registration as new producer of bioethanol (anhydrous) was transferred from EO 226 to RA 9513 (Renewable Energy Act of 2008) subject to new terms and conditions.

On February 24, 2021, the Certificate of Accreditation No. DOE-COA-2021-BE003A and Certificate of Registration No. RE-B2013-11-077A were both awarded by the Department of Energy (DOE) to the Parent Company. In addition, on March 24, 2021, the DOE issued a letter of endorsement to the BIR in relation to the Parent Company's application of 10% Corporate Tax Rate for income generated from the Distillery operations.

Under the new terms of the registration under RA 9513, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for seven (7) years reckoned from the date of actual commercial operations, as certified by the DOE; (b) duty-free importation of RE machinery, equipment and materials including control and communication equipment, within the first ten (10) years from the issuance of BOI certificate of registration or until October 23, 2018; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery; (e) the NOLCO during the first three years from the start of commercial operation shall be carried over as deduction from the gross income as defined in the NIRC for the next seven consecutive taxable years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of power generated by the enterprise as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) the enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to 50% of the universal charge of power needed to service missionary areas, chargeable against the universal charge for missionary electrification; (j) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Renewable energy developer of biomass resources
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10.0% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry

Expanding producer of table eggs

On July 23, 2018, RF - Poultry was registered as an expanding producer of table eggs for the new commercial layer houses, with a non-pioneer status.

RF - Poultry is eligible to the grant of the following incentives: (a) ITH for three (3) years from July 2018 or actual start of commercial operations, whichever is earlier, but shall not be earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) exemption from taxes and duties on imported spare parts and consumable supplies with CBMW exporting at least seventy percent (70%) of production; (c) additional deduction for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year; (d) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (e) employment of foreign nationals; (f) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration; (h) access to CBMW subject to customs rules and regulations; and (i) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

Expanding producer of parent stock day-old chicks and producer of table eggs and its by-products

On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. On June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a nonpioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations, provided firm exports at least 70.0% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70.0% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms (RF) - Hogs

Expanding producer of finisher hogs

On October 28, 2019, RF - Hogs was registered with the BOI as a new producer of processed meat products, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project. The enterprise can avail of bonus year subject to certain terms and conditions provided that the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 85 and its Implementing Rules and Regulation; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, subject to certain terms and conditions; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; (j) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

Expanding producer of finisher hogs

On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a nonpioneer status. Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

URC Flour
On December 5, 2018, URC Flour was registered with the BOI as an expanding producer of flour, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from July 2019 or actual start of commercial operations, whichever is earlier but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 57 and its Implementing Rules and Regulations; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, subject to certain terms and conditions; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

36. Commitments and Contingencies

Milling Contracts
Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned
As of December 31, 2020 and 2019, the Group has in its custody sugar owned by several quedan holders amounting to ₱1.6 billion (963,224 Lkg) and ₱0.9 billion (509,203 Lkg), respectively. The said volume of sugar is not reflected in the consolidated statements of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

Leases
The Group's leases mostly pertain to land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures. Leases of land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures generally have terms ranging from two (2) to thirty (30) years.

Right-of-use Assets

Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2020 and 2019:

	As of and for the year ended December 31, 2020					
	Land and Land improvements	**Buildings and Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Furniture and Fixture**	**Total**
Cost						
Balance at beginning of year	**₱1,061,412,216**	**₱3,132,730,630**	**₱53,335,968**	**₱26,272,904**	**₱3,561,600**	**₱4,277,313,318**
Additions	**–**	**3,093,822,172**	**9,489,761**	**(172,815)**	**1,507,895**	**3,104,647,013**
Other adjustments	**(1,499,799)**	**30,532,721**	**(5,274,161)**	**(1,544,837)**	**(3,454,127)**	**18,759,797**
Balance at end of year	**1,059,912,417**	**6,257,085,523**	**57,551,568**	**24,555,252**	**1,615,368**	**7,400,720,128**
Accumulated Depreciation						
Balance at beginning of year	**105,990,119**	**518,359,253**	**31,326,481**	**5,920,992**	**2,136,960**	**₱663,733,805**
Depreciation	**105,953,754**	**555,433,937**	**22,970,297**	**7,618,849**	**2,853,858**	**694,830,695**
Other adjustments	**72,425**	**35,282,835**	**(4,930,241)**	**(874,317)**	**(3,375,450)**	**26,175,252**
Balance at end of year	**212,016,298**	**1,109,076,025**	**49,366,537**	**12,665,524**	**1,615,368**	**1,384,739,752**
Net Book Value at End of Year	**₱847,896,119**	**₱5,148,009,498**	**₱8,185,031**	**₱11,889,728**	**₱–**	**₱6,015,980,376**

	As of and for the year ended December 31, 2019					
	Land and Land improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixture	Total
Cost						
Balance at beginning of year, as restated	₱1,060,064,680	₱2,088,618,728	₱45,618,627	₱11,045,050	₱3,684,027	₱3,209,031,112
Additions	–	1,157,519,075	10,635,792	19,945,336	–	1,188,100,203
Other adjustments	1,347,536	(113,407,173)	(2,918,451)	(4,717,482)	(122,427)	(119,817,997)
Balance at end of year	1,061,412,216	3,132,730,630	53,335,968	26,272,904	3,561,600	4,277,313,318
Accumulated Depreciation						
Balance at beginning of year	–	–	–	–	–	–
Depreciation	105,949,615	522,350,920	33,077,712	10,252,506	2,142,718	673,773,471
Other adjustments	40,504	(3,991,667)	(1,751,231)	(4,331,514)	(5,758)	(10,039,666)
Balance at end of year	105,990,119	518,359,253	31,326,481	5,920,992	2,136,960	663,733,805
Net Book Value at End of Year	₱955,422,097	₱2,614,371,377	₱22,009,487	₱20,351,912	₱1,424,640	₱3,613,579,513

Lease Liabilities
The rollforward analysis of the Group's lease liabilities as at December 31, 2020 and 2019 follow:

	2020	2019
As at January 1	**₱3,721,018,209**	₱3,164,447,472
Additions	**3,104,647,013**	1,165,463,043
Accretion (Note 30)	**385,939,191**	188,347,893
Payments	**(830,570,104)**	(753,266,948)
Other adjustments	**297,522,254**	(43,973,251)
As at December 31	**₱6,678,556,563**	₱3,721,018,209

The maturity analysis of lease liabilities is disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Summarized below are the amounts recognized in the 2020 and 2019 consolidated statement of comprehensive income in relation to the Group's leases:

	2020	2019
Cost of Sales		
Cost of services - depreciation of ROU assets	**₱410,674,528**	₱426,142,766
Rent expense - short term leases	**184,028,580**	205,284,893
	594,703,108	631,427,659
Operating Expenses		
Selling and distribution costs:		
Depreciation of ROU assets	**₱114,758,979**	₱189,087,851
Rent expense - short term leases	**572,155,505**	452,763,162
General and administrative expenses:		
Depreciation of ROU assets	**117,597,117**	117,495,626
Rent expense - short term leases	**79,864,265**	229,404,741
	884,375,866	988,751,380
Finance Cost and Other Charges - Accretion of Lease Liabilities	**₱385,939,191**	₱188,347,893
Rent Income	**₱79,747,622**	₱117,385,869

Operating Lease Commitments - Group as a Lessor
The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱72.1 million, ₱72.5 million, and ₱73.3 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Operating Lease Commitments - Group as a Lessee
The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to twenty years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Cost of sales, 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱836.0 million, ₱887.6 million, and ₱937.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	December 31, 2020	December 31, 2019	December 31, 2018
Within one year	**₱829,801,162**	₱744,058,305	₱752,048,217
After one year but not more than five years	**2,961,540,951**	2,195,913,016	1,362,757,872
More than five years	**6,069,158,735**	2,718,442,085	464,770,770
	₱9,860,500,848	₱5,658,413,406	₱2,579,576,859

Others
The Group has various contingent liabilities arising in the ordinary conduct of business which are under either pending decision by the courts, arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

37. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Cumulative translation adjustment (Note 23)	**(₱1,333,855,802)**	₱1,197,749,346	₱1,630,309,574
Sale of equity interest without loss of control (Note 22)	**–**	513,794,155	–

Reclassifications between accounts considered in the preparation of cash flow statement for the year ended December 31, 2018 include: (a) from investment properties to property, plant and equipment with book value of ₱5.6 million (see Note 17); and (b) from investments in joint ventures to investment in subsidiaries amounting to ₱ 222.8 million (see Note 16).

The table below provides for the changes in liabilities arising from financing activities:

	Short-term debts	**Long-term debts**	**Total liabilities from financing activities**
January 1, 2020	**₱3,848,485,273**	**₱30,386,077,608**	**₱34,234,562,881**
Cash flows from availment	**2,125,000,000**	**–**	**2,125,000,000**
Cash flows from settlement	**(3,202,003,095)**	**–**	**(3,202,003,095)**
Foreign exchange movement/CTA	**(102,691,982)**	**853,097,627**	**750,405,645**
Others	**–**	**98,375,901**	**98,375,901**
December 31, 2020	**₱2,668,790,196**	**₱31,337,551,136**	**₱34,006,341,332**

	Short-term debts	Long-term debts	Total liabilities from financing activities
January 1, 2019	₱2,461,385,106	₱31,457,123,882	₱33,918,508,988
Cash flows from availment	2,100,000,000	–	2,100,000,000
Cash flows from settlement	(771,313,583)	–	(771,313,583)
Foreign exchange movement/CTA	58,413,750	(1,171,744,302)	(1,113,330,552)
Others	–	100,698,028	100,698,028
December 31, 2019	₱3,848,485,273	₱30,386,077,608	₱34,234,562,881

38. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on April 5, 2021.